2023 Annual Report

vimetco
alro

Contents

Financial and operational highlights for the year 2023

ALRO Group

Indicator	2023	2022
Primary aluminium production (tonnes)	196,438	191,454
Processed aluminium production (tonnes)	92,558	91,013
Alumina production (tonnes)	-	108,408
Bauxite production (tonnes) (discontinued activity)	691,469	910,344
Sales (thousand RON)	2,849,717	3,411,745
EBITDA[1] (thousand RON)	-164,320	863,826
EBITDA margin (%)	-6%	25%
Net result (thousand RON)	-561,746	409,479
Adjusted net result[2] (thousand RON)	-472,023	454,584
Result per share (RON)	*-0.785*	*0.575*
Adjusted net result per share (RON)	*-0.6613*	*0.638*

ALRO S.A.

Indicator	2023	2022
Primary aluminium production (tonnes)	196,438	191,454
Processed aluminium production (tonnes)	58,034	64,246
Primary aluminium sales (tonnes)	101,651	91,094
Processed aluminium sales (tonnes)	57,975	63,169
Sales (thousand RON)	2,533,585	3,180,972
EBITDA[1] (thousand RON)	-186,857	788,475
EBITDA margin (%)	-7%	25%
Net result (thousand RON)	-539,116	330,971
Adjusted net result[2] (thousand RON)	-408,931	456,964
Net result per share (RON)	*-0.755*	*0.464*
Adjusted net result per share (RON)	*-0.5729*	*0.640*

[1] ***EBITDA:*** Earnings before interest, taxes, depreciation, amortization and impairment.

[2] ***Adjusted Net Result:*** represents the 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.

CAUTIONARY STATEMENT

This Report is supplied to you solely for your information and may not be reproduced in any form, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, by any medium or for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws.

Certain statements included within this Report may contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for ALRO/ ALRO Group, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start- up costs, cost reductions and profit objectives, (d) various expectations about future developments in ALRO/ ALRO Group's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward- looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized.

Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in ALRO/ ALRO Group's key markets and competition; and legislative, regulatory and political factors. No assurance can be given that such expectations will prove to have been correct.

ALRO/ ALRO Group disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note 1: In this report, the terms "ALRO Group" and "the Group" are sometimes used for convenience where references are made to ALRO S.A. and its subsidiaries, in general, and the terms "Company" and "Parent-company" are sometimes used for convenience where references are made to ALRO S.A.

The financial statements included in this report are audited and present the individual and consolidated financial results of Alro and Alro Group that have been prepared 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), except for IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenues 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.

The indicators/ figures included in this report may be rounded to the nearest whole number and therefore minor differences may result from summing and comparison with exact figures mentioned in the financial statements.

Note 2: A list of all abbreviations and definitions used in this report can be found on page 63.

Letter to shareholders

Marian NĂSTASE,
Chairman

Gheorghe DOBRA,
Chief Executive Officer

Dear readers and shareholders,

Yet again we come before you, thanking you for your commitment and trust in ALRO and in our vision for its future. Despite 2023 continuing to be characterised by business volatility worldwide, we abode by our strategy, focused on the long-term growth goals, while implementing a complex programme aimed at preserving our hard-earned place in the international aluminium industry.

The first three quarters of the year came with constantly decreasing aluminium quotations on the back of an inflated aluminium offer both from traders and distributors trying to reduce inventories, and by cheap imports mainly from China. Moreover, the effects of the energy crisis continued to take their toll on our business, due to high cost of previously signed contracts.

To mitigate this frail business environment, we continued to implement our two-level action plan, including short-term solutions to help us reduce the impact of current crisis on day-to-day operations, but also long-term decisions, to support and consolidate our position on the international aluminium market.

Focus on operational efficiency

Cost reduction and the increase of the operational efficiency continued to be a priority in 2023. On one hand, we took supplementary measures to preserve our business, such as further investing in energy efficiency projects, or selling the bauxite segment based economic factors. On another hand, we experienced the positive effects of our medium and long-term development strategy. Namely, we further increase the production at our Eco-Recycling facility, helping us reduce the overall electricity consumption. We also took advantage of our diversified products' portfolio, being able to consolidate our customers' base in exclusive and sophisticated industries, such as aerospace, auto and general engineering. And continued to further invest in this direction. The USD 15 million programme started in 2023 helps us lower carbon emissions and increase competitiveness, the USD 11 million programme inaugurated at the Eco-Recycling facility further supports the cost reduction goals.

We paired the investments in technology with investments in the consolidation of our trading department, implementing a digitalization solution for ALRO's sales processes and lead management, with leading providers of IT solution in this field. We increased our presence in international trade and fairs in order to reach more potential customers for our very high value added aluminium products. We further diversified the solutions for our clients, aiming at offering even more customised products and services.

The focus on progress and the perseverance to continuously improve our operations offered us the capacity to navigate in these stormy waters. The investments in technology for high added value aluminium translated in yet another contract with a major aerospace producer. They also brought supplementary recognition for the quality of our products and the durable production processes, ALRO achieving ASI Performance Standards V3, and increased our ability to deliver green aluminium to our clients.

Strong long-term strategy

Achievements like these give us confidence that our long-term strategy is correct, helps us consolidate the customers' pool base and enter new markets, while further supporting our goals to reduce consumptions and costs, and become a greener aluminium producer. The same strategy makes us leaner, more adaptable and brought us closer to our customers.

Our multi-annual plan continues to focus on investments in state-of-the-art technology to increase the output of high and very high added value aluminium products, and to reduce specific consumption, thus having higher operational efficiency. Moreover, we focus on securing the energy resources, both by pairing with Complexul Energetic Oltenia to build a new gas-fired power unit of 850 MW, and by investing the green energy, within the premises of our plant in Slatina.

Building a fortified foundation for future growth

While 2023 put a negative mark on our results, the accomplishments we had in our activity gives us confidence we are able to stir the situation and offer us more opportunities for future growth. Just like the over USD 800 million we invested over the past 20 years in our business helped us become a relevant player in the aluminium market, one with high end products and customers, low carbon footprint and with about 3,000 highly trained employees that work in a safe and competitive environment.

Marian NĂSTASE,
Chairman of the Board of Directors

Gheorghe DOBRA,
CEO and Member of the Board of Directors

Main events in the financial year 2023

January - December 2023

Market overview

The journey of aluminium prices in 2023 has been far from predictable. A complex interplay of demand, supply, geopolitical, and regional factors has kept the industry on its toes. While the short-term outlook has been challenging, the long-term prospects for aluminium remain positive, driven by its vital role in clean technologies and infrastructure development. The aluminium price remained quite steady throughout 2023 at levels of 2,100 – 2,300 USD/tonne in the second half of the year, capped by weak demand especially from building and construction sector.

A slow recovery in the global economy has cast a shadow on aluminium demand in 2023, particularly in construction, automotive, and manufacturing industries. Lacklustre demand in Europe especially has added to the overall demand-side pressure on aluminium prices, as the prevailing economic uncertainty has suppressed the appetite for aluminium products. Meanwhile, Chinese aluminium production has continued to rise, adding to the global supply and offsetting any potential price gains. Although supply disruptions occurred in China's Yunnan province, they failed to impact prices significantly.

Global primary aluminium demand increased 0.9% in 2023, according to other market participants, due to a weaker macro environment in world ex. China, while Chinese demand grew more strongly. Global supply increased by 2.1 percent, resulting in market surplus of 400 thousand tonnes in 2023. Primary production in China increased 2.9 percent year-on-year in 2023 as many smelters that curtailed production in 2022 were restarted and new capacity was put into operation. Supply in world. ex. China increased by 0.9 percent in 2023 driven by the restarts of some production in South America. Demand in downstream segments decrease throughout 2023 in most sectors, especially in building and construction, while demand from automotive held up well.

China accounts for around 60% of global aluminium output and consumption as well, therefore its dynamic is quite relevant. The policy makers in Beijing struggled this year to deal with one of the biggest problems they are currently facing: how to revive domestic demand and boost consumer confidence. Macro indicators coming out are still not indicating a recovery and this was the situation throughout the entire 2023. Even under these circumstances, SHFE price outperformed LME and Chinese demand was stronger than sluggish demand in most developed markets, supported by demand growth from PV and auto sectors. Primary demand contracted in 2023 in Europe the most of all regions, by 7.5%, versus 2.5% in North America and 4% in Other, Asia (and increased in China and India).

In this context, physical premiums in most ex-China consumption regions continued to decline in 4Q23, though at a slower pace, according to an analysis from Macquarie, and are likely bottoming on Russia disruption risks, at least in Europe.

The European Council was expected by Bloomberg analysts to extend its aluminium sanctions coverage to 100% from 12% in the 13th package against Russia, and the document recently published includes additional product categories on the ban list.

As for the aluminium holdings in London Metal Exchange (LME) warehouses, those remained at lows compared to their historical levels throughout the entire year until November, when the low of the year was registered (i.e. 459,375 t). Those levels are supportive in a scenario of demand recovery. However, a significant increase was registered in December (to 537,000 tonnes), mainly because the share of available aluminium stocks of Russian origin in LME-approved warehouses rose to 90% in December from 79% in November, as data on the exchange's website showed in early January 2024. The rise follows a restriction imposed by Britain from 15 December on UK entities and individuals taking physical delivery of Russian-made base metals, part of wider sanctions on Moscow for its war in Ukraine. However, given the origin of the additional stocks and the restrictions in place, the increase should not add immediate additional pressure on the supply side.

Considering the latest legislation issued, measures and actions initiated for Europe's decarbonisation, it is even more evident that aluminium and sustainability go hand in hand – the multiple reuses of this material, specifically that it can be recycled indefinitely, reduces the energy requirements. Thus, it is expected that the aluminium industry will experience continuous, robust and sustainable growth worldwide, and the real advantages of aluminium will inevitably prevail.

Aluminium is 100% recyclable and can be reused indefinitely, which makes it a decarbonization vector for all the other industries where it is used

Main events in the financial year 2023 (continued)

Energy market updates

The liquidity from the beginning of the year was very low and the markets in Europe were very volatile and illiquid.The Romanian Market was in the region of 1000-1050 lei/MWh (over 200 eur/MWh), and finally, for 2023 on an average, the average base price on the day ahead market was 513 lei/MWh.

The low liquidity has to do mainly with the new regulatory framework for transactions (OUG 27/2022), whereby energy producers are only allowed to sell energy on the MACEE mechanism. The mechanism of centralized purchase of energy (MACEE) shall apply between 1 January 2023 and 31 March 2025. Trough this mechanism, producers of electricity with an installed capacity of at least 10 MW are selling electricity to OPCOM at the fixed price of RON 450/MWh, then it is subsequently sold, at the same price of RON 450/MWh, to electricity suppliers that have contracts with final consumers, as well as to the transport and system operator and the distribution system operators, for covering the technical consumption of the electricity grids operated by them.

The EU-ETS scheme supports companies in the sectors and subsectors considered to be exposed to a significant risk of carbon leakage due to the transfer of greenhouse gas emissions ("GHG") costs into the electricity price introduced by the Emergency Ordinance no. 81/2019 covers the years 2019 and 2020. This scheme was based on the Communication from the Commission 2012/C 158/04 "Guidelines on certain supporting measures in the context of the GHG trading scheme post-2012", which was applicable until 31 December 2020.

In September 2020, the Commission adopted the new EU-ETS Scheme Guidelines post-2021, "Guidelines on certain supporting measures in the context of the system for GHG allowance trading post-2021", which entered into force on 1 January 2021, apply until 2030 and replace the Guidelines mentioned above.

Considering the changes made to GEO no. 138/2022 by issuing GEO no. 29/2023, the Ministry of Energy announced on its website that the deadline for the evaluation of applications submitted until 31.03.2023 will start from 01.06.2023, based on the documentation submitted/completed until 30.05.2023. Alro submitted the file on 28.03.2023 and received a clarification request on 26.06.2023 on which responded the next day.

EU-ETS Scheme is based on Emergency Ordinance no. 138/12.10.2022 ("EO 138/2022") for establishing the support scheme for industrial sectors exposed to carbon leakage due to indirect emission costs included in the electricity price, with subsequent amendments. The support scheme was approved by decision C(2022) 6586 final in SA.102431, it is based on the European Commission's Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post-2021 and compensates certain undertakings for increases in electricity prices resulting from the inclusion of the costs of greenhouse gas emissions due to the EU ETS, so called indirect emission costs. The measure covers indirect emission costs incurred in years 2021 to 2030.

Alro applied for the compensation in due time. In 2023, due to the cap of 150 million EUR included in the legislation, the compensation for 2022 was granted only partially to eligible companies.

14 March 2023 - Commission proposes reform of the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation.

Law no. 206/2023 was published on the Official Gazzete on 11 July 2023. The law approves GEO no. 153/2022 which initially amended GEO no. 27/2022 regarding the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as other normative acts in the energy field. The law included the modification of Articles 5 and 6 of GEO no. 27/2022 which changed the mechanism for calculating the final invoiced price for some of the end customers of natural gas and electricity based on the supplier’s acquisition costs plus margin and taxes, during the period 1 January 2023 – 31 March 2025. If the price from the supply contract in force concluded with the final customers is lower than the final price resulting from the application of the emergency ordinance, the contractual price is applied. Unfortunately, the modification was not implemented by the suppliers due to the lack of clarity.

Power purchase agreements: ALRO intends to acquire at least 30% of the electricity consumption from renewable sources by signing PPAs with producers in order to reduce the risk of market volatility and liquidity and also to comply with one of the conditions imposed by the state aid scheme for compensation of indirect emissions (GEO 138/2022).

In this regard, ALRO contracted advisory services from an independent advisor in supporting throughout the entire process of securing power purchase agreements (PPA’s).

In August, ALRO launched a RfP to potential vendors for PPAs. 48 bids were received and only 18 were proceeded to the second round of negotiations. In the next stage negotiations with the 4 finalists will take place. The process to contract a PPA is long and is estimated to last several months.

Main events in the financial year 2023 (continued)

.January 2023

31 January 2023 - ALRO S.A. achieved ASI Performance Standard V3 (May 2022) Certification at its Slatina, Romania operations. The certification covers, as mentioned within the official document received by the Company: *"The manufacture and sale of aluminium alloy slabs, billets, wire rod, plates and sheets obtained by casting, hot rolling, homogenization, heat treatment, mechanical processing, finishing, and testing for industrial applications, aerospace, automotive and defense industry in location ALRO S.A., Str. Pitesti, No. 116, 230048 Slatina, Olt County and ALRO S.A., str. Milcov No. 1, 230077 Slatina, Olt County, Romania".*

The ASI Certification program was developed through an extensive multi-stakeholder consultation process and is the only comprehensive voluntary sustainability standard initiative for the aluminium value chain. The ASI Performance Standard V3 defines environmental, social and governance principles and criteria to address sustainability issues in the aluminium value chain. It sets out 62 criteria under the three sustainability pillars of Governance, Environment and Social, which address key issues such as biodiversity, Indigenous Peoples' rights, and greenhouse gas emissions.
This prestigious certification from ASI confirms our sustainability progress over the past years. Our focus on sustainable business practices started more than 20 years ago when we invested massively in state-of-the-art state equipment and energy efficiency to improve our operations. Starting 2017, we have been reporting our sustainability performance voluntarily through a Consolidated Sustainability Report. On 30 June 2021, we published a Sustainability Strategy for 2021-2025. Several awards recognized our progress as our Sustainability Report is considered one of the best on the Romanian Capital Market.

ALRO became a member of ASI in December 2020. During the past two years, the Company implemented the ASI Performance Standard V3 requirements and underwent a complex certification process in the last quarter of 2022.

March 2023

14 March 2023 - Commission proposes reform of the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation.

April 2023

Annual General Meeting of Shareholders

ALRO (ALR, Premium segment): On 25 April 2023, ALRO's Ordinary ("AGSM") General Shareholders' Meeting took place. One of the business and administrative items included in the Ordinary meeting's agenda and subsequently voted for was the appointment of Mr Darius Paval and Mr. Adrian Fercu as Board members for a mandate valid until 26 April 2027, with the mandates of Mr. Laurentiu Ciocirlan and Mrs Oana-Valentina Gavrila being terminated. The EGSM amended the Articles of Incorporation of the Company following the appointment of the Board of Directors.

During the same meeting, other items were approved by the shareholders, such as the Annual Report for 2022, the allocation of the result of the company for 2022, the Remuneration report for 2022, the Remuneration Policy, as well as the Budget for 2023, the Investment plan for 2023 and the Activity program for 2023.

ALUM (BBGA, AeRO segment): ALUM held its Ordinary General Shareholders' Meeting on 26 April 2023. Some of the business and administrative items included in the meeting's agenda and subsequently voted for were: the Directors' Report and the financial statements for 2022, the Income and Expense Budget, the Investment Plan and the Activity Program for 2023.
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May 2023

MoU with Azeraluminium

ALRO S.A. signed a Memorandum of Understanding (MoU) with Azeraluminium, the only primary aluminium producer in the South Caucasus region. The MoU's role is to support both companies in exploring the ways in which they can cooperate to enhance their technical and economic capabilities, resulting in measurable advantages for both parties
.
As per the terms of the MoU, the parties will explore the possibility for ALRO Group to supply baked anodes an alumina to Azeraluminium, based on a medium to long term agreement (two to five years). The MoU also refers to the cooperation to create a mechanism for processing in Romania, marketing and sale of the continuous casting coils produced by Azeraluminium.
The potential cooperation with Azeraluminium would include the cooperation for a potential partnership involving an Azerbaijan entity for the development of a gas fired power plant that ALRO intends to develop in its premises.

Main events in the financial year 2023 (continued)

Disposal of bauxite segment

On 31 May 2023, the Group's subsidiary, Alum, summoned the shareholders to approve the sale of Global Aluminum Ltd. (GAL Group) and its bauxite mines in Sierra Leone. In September 2023, the Group completed the sale of the shares held in Global Aluminum Ltd, BVI.

June 2023

ALRO inaugurates a USD 11 million investment in its Eco Recycling facility

In June 2023, Alro inaugurated a USD 11 million investment in technology and environment protection at its Eco Recycling Facility in Slatina: the Company installed two double-chamber furnaces, one holding furnace and a dedicated fume collection and treatment plant, meant to ensure a recycling capacity of 100,000 tpa. The project supports ALRO's strategic decision to reduce dependence on electricity supply and increase value-added production.

Initially, in 2013, ALRO commissioned the Eco Recycling Facility (stage I), with the aim of assuring itself a part of the liquid aluminium from alternative sources, and to partly replace the aluminium produced by electrolysis. The specific electricity consumption of the aluminium scrap recycling process is 95% lower than for electrolytic aluminium production, which has a positive impact on total production costs. Aluminium can also be recycled indefinitely without losing its properties, which makes it an ideal metal for the low-carbon and circular economy.

Sustainability report

On 30 June 2023, ALRO published its Consolidated Sustainability Report for 2022, which outlines the Group's commitment, progress, and achievements in the realm of sustainability, highlighting the steps made to create a more sustainable future for the Group, stakeholders, and the planet.

This report is available on the sustainability section of ALRO's website and has been prepared following the Romanian legislation on non-financial reporting, Orders of the Ministry of Public Finance (MFP) no. 1938/2016 and no. 2844/2016. The Report is published consolidated as the 2022 Sustainability Report for ALRO Group and as a non-financial, integrated, and separate report for ALRO. The ALRO Group has reported the information cited in this GRI content index for 1 January – 31 December 2022, with reference to the GRI Standards.

September 2023

Set up of CCGT Power Isalnita

On 18 September 2023, the company CCGT Power Isalnita SA was registered, in which Alro SA holds 40.1% of the share capital, with the difference of 59.9% being held by Complexul Energetic Oltenia, and which, as a SPV (Special Purpose Vehicle), will develop a gas-fired power production capacity of a total installed power of 850 MW.

General Shareholders' Meeting

On 19 September 2023, an Ordinary General Sharehlders' Meeting and an Extraordinary Shareholders' Meeting took place, during which, among others, the extension and refinancing of several loans was approved for new terms.

Turin meeting

On 26 September, ALRO officials met with Unione Industriali Torino representatives. Given the consolidation of Turin's importance as a hub for the Italian aerospace industry, the Romanian diplomatic mission in Rome invited the Romanian company ALRO to the event, which presented its vision, products and business development strategy in front of Italian leaders in the industrial sector, such as the Leonardo Group, Stellantis, Prysmian, Altec Space, Ansaldo, Brembo or Collins Aerospace.

October 2023

Investment in new projects to reduce the ecological footprint

- Following the approval of the revision of the ALRO's 2023 Investment Program in the Ordinary General Meeting of Shareholders, The Company approved the start of an investment to **Increase the energy efficiency of the electricity supply system by installing a photovoltaic power station in ALRO's parking area**, in line with the strategy of reducing carbon emissions related to its processes. After the implementation of the project, consisting in the installation of a photovoltaic station with a capacity of 1500 KW and two charging stations, ALRO will use the entire amount of electricity produced, which will contribute to the increase of the percentage of green energy used in our technological processes and reducing their carbon impact, therefore promoting the production of green aluminium.

Main events in the financial year 2023 (continued)

New contract with Airbus

On 8 October 2023, Alro announced that it signed a new multi-year agreement with Airbus, a leading aircraft manufacturer. Under the terms of the contract, ALRO will supply Aluminium Flat Rolled Products for aircraft manufacturing. ALRO signed the first multi-year contract with Airbus in 2016. The production of plates for the aerospace industry is part of ALRO's strategy to diversify production of high and very high added value aluminium and was possible thanks to constant investments in sophisticated technology. Moreover, ALRO holds the NADCAP (National Aerospace and Defence Contractor Accreditation Programme) performance certification for conformity with aerospace industry requirements.

November 2023

Investment to increase product quality control capacity

On 23 November 2023, Alro announced that it implements two investment projects worth USD 4.22 million aimed to increasing product quality control capabilities. The Company has signed acquisition contracts with prestigious international partners for the supply and installation of the second non-destructive ultrasonic examination (USL) system and an electrical conductivity measurement system for flat-rolled products. These new acquisitions allow a complete and automatic scanning of aluminum alloy plates on both surfaces (upper and lower), thus ensuring an extremely accurate verification of the internal structure and uniformity of heat treatments to which the plates were previously subjected. Also, by using ultrasonic control to check the internal structure and perform electrical conductivity measurements on both surfaces of the product, together with the generation of Type C Scan ratios, an additional guarantee is ensured regarding the quality of manufactured aluminum alloy plates, which is specific to products with high added value.

Award for Sustainability Report

On 23 November 2023, during its gala event, ARIR, the Romanian Association for Investor Relations, nominated Alro for a "Best Sustainability Report" in the market by awarding it the third place in the category.

Continuity of loans

Under the coordination of Exim Banca Românească, ALRO extended the USD 150 million revolving syndicated credit facility by another 3 years.

General information

ALRO S.A.

Company	ALRO S.A.
Company's address	116 Pitesti Street, Slatina, Olt County
Telephone number	+40 249 431 901
Fax number	+40 249 437 500
Registration number in the Trade Register	J28/8/1991 of 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialised and ordinary shares
Subscribed share capital, fully paid up	RON 356,889,567.5
The European Unique Identifier (EUID)	ROONRCJ28/8/1991
Legal Entity Identifier (LEI) Code	5493008G6W6SORM2JG98
Organised market on which shares and stocks are traded	Bucharest Stock Exchange: Regulated Market (BSE symbol: ALR)
Total market value for each class of shares	Premium Tier Category 1,099,219,867.9[1] RON

ALRO Group – entities (as of 31 December 2023)

Company	Parent	Shareholding (%)
ALRO S.A.	Vimetco PLC	54.19
Alum S.A.	ALRO S.A.	99.40
Conef S.A.	ALRO S.A.	99.97
Vimetco Extrusion SRL	ALRO S.A.	100.00
Vimetco Trading SRL	ALRO S.A.	100.00

[1] *Calculated based on the BSE quotation available on 30 December 2023 - the last day of 2023 when ALRO's shares were traded (713,779,135 shares * 1.54 RON/ share)*

Overview

Information about the Group

ALRO S.A. together with its subsidiaries ("ALRO Group" or "the Group") is one of the largest vertically integrated aluminium producers in Europe, measured by production capacity.

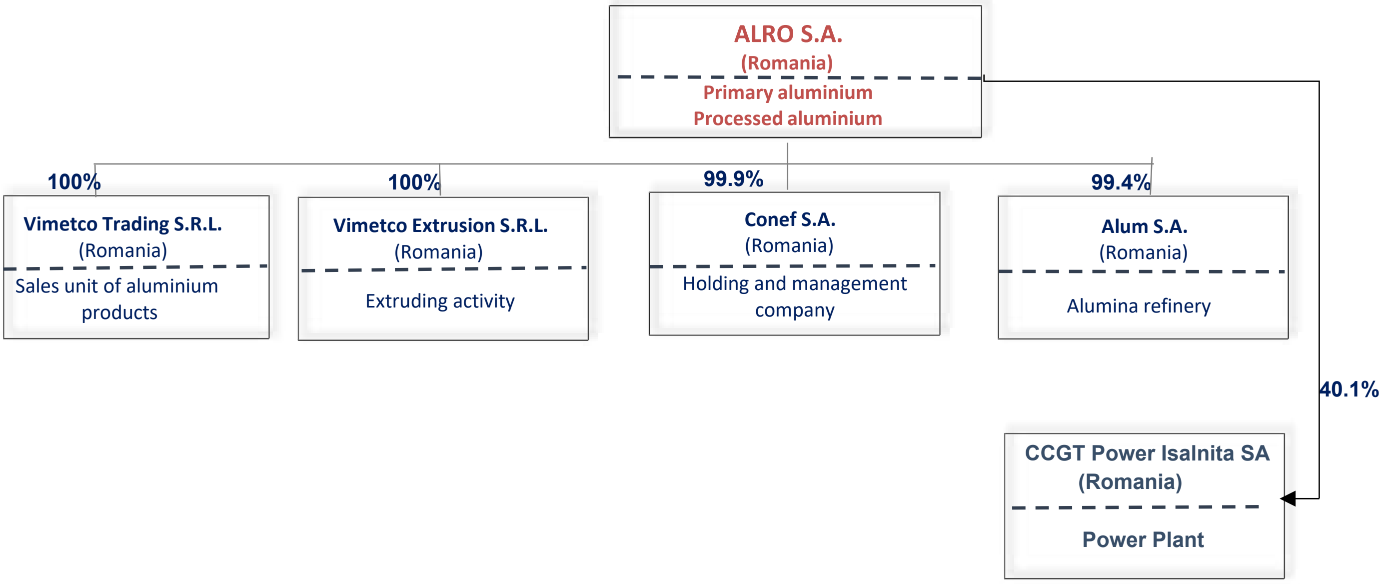
ALRO ("the Company" or "the Parent-company") was established in 1961 under the form of a joint-stock commercial company following the Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the non-ferrous metallurgy sector. The Company's administrative and managerial offices are located in Romania.

The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange ("BSE") since 16 October 1997. The Company's shares are traded on BSE under the symbol "ALR".

The major shareholder of ALRO S.A. is Vimetco PLC (Republic of Cyprus), which holds 54.19% of the Company's share capital. Vimetco PLC is a public limited company and he registered office of Vimetco PLC is at Navarinou, 18, Navarino Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

ALRO Group includes the following companies:

- **ALRO** – manufacturer of aluminium – primary & processed ("FRPs") products (a company listed on the Bucharest Stock Exchange, Premium Tier Category);
- **ALUM** – producer of alumina (a company listed on BSE, ATS market, AeRo Category);
- **Vimetco Extrusion** – extrusion business line;
- **Conef** – holding and management company;
- **Vimetco Trading** – aluminium products sales company;
- **CCGT- Power Isalnita** - associate.



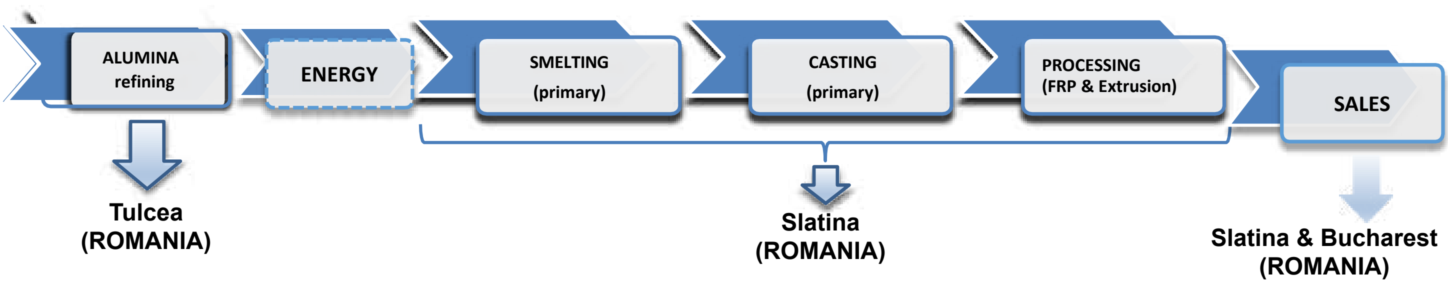
The Group is vertically-integrated, with its operations being organized, for management purposes, in three segments: **Alumina, Primary Aluminium and Processed Aluminium.** In this way, the resources are efficiently allocated and the segment performance is properly evaluated, while being the basis on which the Group reports information to its management. Until the disposal of GAL bauxite segment, in September 2023, the Group included a fourth segment, i.e. the Bauxite segment.

- **Alumina segment**, consists of the Group's alumina production operations, which is the main raw material for aluminium smelting. This segment includes ALUM.
- **Primary Aluminium segment,** manufactures primary aluminium products such as wire rod, slabs, billets and mainly includes the Anodes section, Electrolysis section, the Casting House and Eco-Recycling Facility;
- **Processed Aluminium segment** develops flat rolled products ("FRPs") such as plates, sheets, coils and strips, and extruded products.
- A new segment is under development with a planned commissioning in 2027

In the context of the Decarbonisation Plan prepared by Complexul Energetic Oltenia (CE Oltenia), which was included in the Restructuring Plan approved by the European Commission, CE Oltenia undertook to build a new gas-fired power unit of 850 MW combined cycle power plant to replace the coal-fired 315 MW power plant unit 7 and unit 8, through a SPV („Special Purpose Vehicle") mixed capital company. For this project, Alro submitted the tenderer request and CEO was given green light by the BEI Investment Committee for 50 % financing from the project eligible costs, as they were indicated in the Modernization Fund application, amounting to EUR 253,125,302. In September 2023, the company CCGT Power Isalnita SA was registered (SPV), following the signing of the shareholders' agreement and deeds of incorporations. The shareholding is split between Alro SA holding 40.1% of the shares and Complexul Energetic Oltenia holding 59.9% of the shares.

Both smelting and processing mills are located in Slatina, while the alumina refinery is located in Tulcea, Romania (Europe).

The following chart shows the vertical flow of the Group's upstream and downstream divisions:



Location	Function	Capacities @ 31 December 2023
Tulcea	Alumina refinery	600,000 tonnes per annum of alumina (temporarily idled)
Slatina	Electrolysis, Smelting and Casting[1]	265,000 tonnes per annum of electrolytic aluminium 100,000 tonnes per annum of recycled aluminium, and 315,000 tonnes per annum primary cast aluminium
Slatina	Processing[2]	100,000 tonnes per annum of FRPs[3] and 35,000 tonnes per annum of extruded profiles

Notes

(1) 180,000 tonnes idled since 2022;
(2) The hot and cold rolling plants, such as the extrusion section
(3) Estimate based on a reference combination related to production, which may have variations.

In respect of ALRO, the Company is structured in **two divisions**:

- **Primary Aluminium Division** includes the Company's primary aluminium internal division, and comprises the anodes and electrolysis sections, the cast house, an Eco-recycling facility, repairs and spare part production units, road and rail transportation and other ancillary sections. After investing in modernizing its equipment and in new technology, ALRO reached a production capacity of 265,000 tpa of electrolytic aluminium (out of which 180,000 tpa were idle in 2022 and 2023 by strategic decision). The Eco-Recycling has a smelting capacity of 100,000 tpa, and the Cast-House has a capacity of 315,000 tpa. At the same time, all necessary anodes for the electrolysis of alumina are internally produced.

- **Processed Aluminium Division (FRP)** depends on the specific product range produced at any one time, and the Group's facilities generally have a capacity of 100,000 tpa of FRPs and 35,000 tpa of extruded products, increased from 25,000 tpa in 2022 through the investment in a new press.

The Group's subsidiaries hold more accreditations, as follows: Alro is accredited for ISO 9001 (quality management), ISO 14001 (environment management), ISO 45001 (management of labour health and security), ISO 50001 (energy management) and has NADCAP certifications for the processes that are especially used in the aerospae and defense industries, such as EN 9100 , but also the IATF 16949 certification for the auto industry. Its products are certified as compliant with the international standards (such as the CE European conformity for products used in constructions in accordance with EN15088, the Directive regarding the equipments under pressure / 2014.68/EU – acc AD2000 – Merkblatt, the certification of the products used in navy industry).

ALRO produces a diversified range of products, as detailed below:

- aluminium and aluminium alloyed wire rod;
- aluminium and aluminium alloyed billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed plates (heat treated and non heat treated) tailored to customers' specific formats, particularly targeting end uses from aerospace and general engineering sectors;
- aluminium and aluminium alloyed sheets, coils and strips;
- aluminium alloyed cladded sheets, coils and strips.

Regarding the products' portfolio expansion, further steps were done in 2023 as detailed below:

- Production of hard alloys heat-treated aero plates in 7xxx alloy series, minimum thickness extension from 15 to 10 mm and maximum thickness from 100 to 110 mm;
- Shop trials with various OEMs in the aerospace sector for qualifying 7050 alloy;
- Shop trials with various service centres and OEMs for qualifying 2219 alloy;
- Pre-qualification programs for aerospace plates in alloys 7475, 2124.

The Company receives alumina from ALUM, which currently buys it from the market at lower prices than its own cost of production, and resells it to Alro.

ALRO produces value added primary aluminium products for its customers and some primary aluminium is also used as raw material by the processed aluminium facilities (the rolling mill). The Company sells aluminium alloys billets to its subsidiary, Vimetco Extrusion, that further produces extruded products.

In 2023, ALRO Group successfully passed all the quality and customers audits. Among the essential ones, for ALRO it could be mentioned SRAC (ISO 9001, ISO 14001, ISO 45001 and ISO 50001); DQS-Aero (EN 9100); TUV SUD CE Mark; DQS Auto (IATF 16949), NADCAP HT and NDT-UT (for both we maintained the "Supplier Merit" status); DNV for products intended for shipbuilding.

Furthermore, the Company qualified new products in 2023 as: 7050 T7451 plates, 2219 T851 plates, 2219 T87 plates, 2024 T851 plates based on aerospace material standards. The qualification of new products will continue in 2024 with major aerospace and automotive OEMs.

Since 2020, ALRO and Vimetco Extrusion have been members of ASI (Aluminium Stewardship Initiative), an international association that contributes to enhancing sustainability in the global aluminium sector. In 2023, Alro SA was certified according to ASI Performance Standard V3, after an audit performed in October 2022. In 2023, VE was also ASI certified. The certificate issued on 13 January 2023 was the first one issued in Europe and the second one in the world. Standard V3 is a more demanding version and its requirements are higher compared to the previous version.

Sales

In ALRO Group has a strong presence in many industry sectors of the international markets. The focus is to penetrate or increase the market share in the most sophisticated industries such as aerospace, automotive, marine, and construction with VHVAPs that embed higher premiums during the past years. To this end, in the latest years Alro has continuously invested in property, plant and equipment, and also in expertise, to meet specialized technical and production standards required by specific customers.

During the last year we have expanded our products portfolio with new high valued-added solutions, addressing specific customer requirements (new alloys under qualification for the aerospace industry, aluminium and aluminium alloyed plates tailored to customers' specific formats, i.e. cut-to-size). We have maintained our customer centric-approach by prioritizing our customer's needs and adjusting our processes accordingly (new investments for tailored products addressing the aerospace and general engineering sectors). Our expansion into dynamic markets (Israel, Italy, Poland or India, to name a few) aligns with our strategic goals and vision for growth, as well as with our ongoing product portfolio expansion, with new alloys already qualified or in advanced stages of qualification with reputable OEMs.

In 2023, the **Primary Aluminium** segment reported sales revenues at the same level as in the previous year (2023: RON 850,546 thousand; 2022: RON 854,168 thousand).

Despite the lower annual sales of flat rolled products in 2023, our sales mix continued to improve in a very challenging market situation. A new multi-year agreement was signed with Airbus in 2023 and successful results were achieved in our endeavour to expand the range of products offered for the aerospace industry. We have continued our efforts to become a qualified supplier for other reputable OEMs in the aerospace and automotive sectors and the process will continue also throughout 2024.

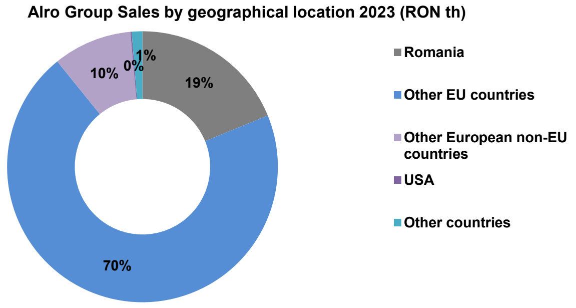
The revenues of the **Processed Aluminium** segment decreased by 21% in 2023 as compared to the previous year (2023: RON 1,965,881 thousand; 2022: RON 2,479,397 thousand). As a result of the investments that the Group's subsidiary, Vimetco Extrusion, made in a new press, deliveries of **extruded products** recorded an increase by 7,422 tonnes in 2023 as compared to 2022. Regarding the **flat rolled products**, in the first half of 2023, the market was characterized by low deliveries of flat rolled products dropped by almost 5,200 tonnes in 2023 compared to the previous year.

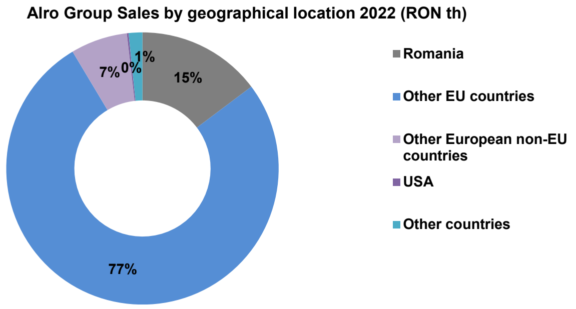
In context of the difficult economic environment of 2023, Alro Group signed new agreements with partners in the aerospace, automotive and general engineering industries for deliveries to the European market and destinations abroad. In October 2023, Alro signed a multi-year agreement with Airbus for the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

In 2023 Alro participated at important aluminium fairs and conferences, such as: Aero India (Feb 13-17), Aeromart Montreal (Apr 4-6), Famex Mexic (April 26-29), Aerospace & Defense Meetings Central Europe – Rszezow-Poland (May 10-11), CRU World Aluminium Conference (May 16-18), European Defence Innovation Days - Brussels (May 31-Jun 1), CRU Wire & Cable Conference (Jun 19-21), Paris Air Show Le Bourget (Jun 19-23), International Defence Industry Fair Turkey (Jul 25-26), International Aluminium Conference 2023 Fastmarkets (Sept 12-14),UK Metal Expo (Sept 13-14), Aerospace Meetings Casablanca (Oct 3-5) , LME Week (Oct 8-11), Seoul International Aerospace & Defence Exhibition (Oct 17-19), Aeropspace & Defence Meetings Torino (November 28-30), Aviation Forum Germany (Dec 4-6). Alro's active participation at these conferences and events (both as exhibitor or visitor) has been instrumental in identifying and materializing new business opportunities, in particular for high value added products, aligned to our long term strategic objectives.

We have remained steadfast in expanding our high value added products portfolio to address specific demands of the market, particularly from the aerospace sector. Alro has continued to consolidate its position in this market, by concluding deals with new customers and progressing in the commercial and technical discussions with other entities, whether we speak about end users, engineering shops, service centres or distributors. Swiftly adapting to changing market conditions and customer preferences has been essential in sustaining our global footprint and fostering enduring partnerships.

The geographical distribution of Alro group sales (mainly aluminium) shows a significant presence in Europe (including non-EU countries and the home market Romania).





In 2024 Alro will continue to have an active presence at reputable fairs and B2B events targeting particularly the aerospace business, such as: ILA BERLIN (Aerospace), CRU World Aluminium Conference 2024, Harbor Aluminium Summit 2024, Le Bourget 2024, Aluminium Exibition Dusseldorf 2024, and others, as the case might be.

Production

In 2022, on the background of energy crisis during Covid-19 pandemic recovery and outburst of Ukraine conflict, Alro took several decisive measures, such as closing down 3 out of 5 of its electrolysis pots. These remained idle in 2023 as well, and Alro continued to produce electrolytic aluminium at a reduced capacity, with alumina procured from third party suppliers by its subsidiary Alum. However, the Group remained consistent with its target of shifting more and more to high value products, and it compensated the missing internal molten aluminium quantities with aluminium ingots purchased from outside and smelted to produce Alro's own high value products. In such a way, the Group managed to maintain its level of production of aluminium and to adjust its mix to market requirements.

Main investments made during 2023

Major events and/or achievements in 2023

In 2023, all the building improvement works and installation of the equipment (two double chamber furnaces with dedicated charging machine, one holding furnace, related fume collection and treatment plant) were completed. In the Eco-Recycling Facility, a new furnace for melting waste and aluminium ingots was commissioned in June 2023, and thus the recycling capacity was increased to 100,000 tpa. At the beginning of June, the dry-out of the melting furnace #1 refractory brickwork was completed based on Calderys instructions and the melting furnace #1 has been connected to the filter plant and was launched into production. At the beginning of November, the cold commissioning of the second double-chamber furnace started and continued with the dry-out of the refractory brickwork and in December 2023 the melting furnace #2 has been connected to the filter plant.

Projects for increasing the percentage of HVAPs and VHVAPs

Based on the approval of the Investment Programme, Alro has started/continued projects with an impact on ALRO's profitability growth, namely:

In 2023, Alro implemented the project „Cutting saw for aluminium plates". The equipment contracting was completed and the design for manufacturing of the equipment was delivered and approved by Alro in December 2023.The Company will thus be able to increase the percentage of HVAPs and VHVAPs, so that Alro will strengthen its position on the market as a supplier of aerospace and automotive products.

Given the strong commitment of ALRO SA to the quality of its products, a commitment confirmed by national and international quality assurance certifications in the aluminium industry, required for the delivery of special products, products for the aerospace, naval and automotive industries, the Investment Programme for 2023 included the implementation of two investment projects aimed at increasing the product quality control capabilities.

As part of these investments, in 2023, the Company has signed acquisition contracts with prestigious international partners for the supply and installation of the second non-destructive ultrasonic examination (USL) system and an electrical conductivity measurement system for flat-rolled products. These new acquisitions allow a complete and automatic scanning of aluminum alloy plates on both sides (upper and lower), thus ensuring an extremely accurate verification of the internal structure and uniformity of heat treatments which the plates were previously subjected to. Also, by using ultrasonic control to check the internal structure and perform electrical conductivity measurements on both sides of the product and by having the ability to generate C-Scan reports, an additional guarantee is ensured regarding the quality of manufactured aluminum alloy plates, which is specific to the high added value products.

These new systems are designed to cover the entire non-destructive control capacity necessary to check the rolled plates quality, while providing esential information for improving the casting and heat treatment processes within ALRO SA. It is worth noting that these investments closely follow the requirements of customers acting in aerospace and automotive industries as well as the strictly regulated NADCAP requirements for such types of products.

Eco-Recycling updates

In 2013, ALRO commissioned the Eco Recycling Facility (stage I), consisting of a double chamber furnace, an induction furnace, a holding furnace and the associated gas collection and treatment palnt with the aim of supplying part of the liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis. The specific electricity consumption of the aluminium scrap recycling process is 95% lower than for electrolytic aluminium production, which has a positive impact on total production costs. Aluminium can also be recycled indefinitely without losing its properties, making it an ideal metal for the low-carbon and circular economy.

Following this strategy, in 2023, all the building improvement works and installation of the equipment was completed.

As a result of these investments, ALRO is taking an important step into a low-emission world as the company has steadily increased its aluminium scrap recycling capacity to reach 100,000 tonnes per year of recycled aluminium solid scrap.

Climate-change consideration from production and investments perspective

In September ALRO concluded an important contract with a renowned manufacturer of furnaces for the aluminium industry for the delivery of an electric ageing furnace. This state-of-the-art furnace will replace three gas-fired furnaces in order to increase the efficiency of the heat treatment operations in the Alro Processed Aluminium Division, while representing an important step towards achieving ALRO's goal of becoming a green aluminium producer. The installation of an electric ageing furnace to carry out the heat treatments specific to the aluminium alloy products, which will be powered by CO_2 emission-free electricity together with the decommissioning of three gas-fired furnaces represent a significant step to increase the energy efficiency of technological processes and strengthen the Company's efforts to produce green aluminium, a low carbon material suitable for the future market requirements and a further proof of our commitment to contribute to a more sustainable world by reducing the carbon footprint of our activities.

At the same time, the implementation of the new investment will enable ALRO SA to optimize the heat treatment process (artificial ageing) of aluminium products through increased efficiency and more precise control of temperature and other critical parameters, which will lead to a higher production of high value-added products and higher quality of our products.

In November Alro signed a contract with a renowned Romanian company in the field of renewable energy for the design, delivery and installation of a 1500 kW photovoltaic park in the production site at 16 Pitești Street, Slatina, which will be equipped with the latest solar energy technologies and will provide a new clean and renewable source of electricity for ALRO SA. The entire amount of energy produced in this innovative project will be used in ALRO SA's technological processes, significantly contributing to the operational efficiency, reducing the dependence on conventional energy sources and the carbon emissions. In addition, this important step will help the Company achieve its goal of producing green aluminium, a product with a low carbon footprint and minimal environmental impact.

With this project, ALRO SA shows once again its commitment to reduce the carbon emissions from its technological processes, thus becoming an important player in the production of green aluminium, and to contribute to the sustainable development of the aluminium production sector, thus being part of the creation of a more sustainable world, being one of the references in terms of innovation, energy efficiency and sustainability in the aluminium production industry in Romania.

RTA project (AP12LE – advanced low energy technology for electrolysis)

The ALRO Group is committed to continuing its energy efficiency programme as part of a safe, responsible and profitable business, with one of the Group's major projects being the implementation of AP12LE technology over the next few years, until all the smelter pots are relined with this advanced, low energy technology, which is being implemented in collaboration with Rio Tinto Aluminium Pechiney. This innovative technology is expected to bring energy efficiency and environmental benefits to the electrolysis sector, the sector with the highest energy consumption of all ALRO processes.

In 2023, a number of 30 electrolysis pots were commissioned after being reconditioned based on AP12LE technology, in close relation with the maintenance and production schedules which were tailored to match the business model of the Company in the year 2023. Alro has now reached 215 smelter pots reconditioned based on the new low-energy technology since the start of the project with RioTinto AP in 2018 and will continue to invest in its energy efficiency programmes which include the continuation of the smelter pots relining programme in 2024 with 35 new pots.

Research and Development (R&D)

The Research & Development Department develops activities in the following domains:

- monitoring the production flows and technologies to determine the influences of the process parameters and to optimization solutions;
- developing mathematical models to create products based on the process parameters and the desired final quality
- industrial research topics rising from the needs of the production processes
- support and help for implementation of the measures established after the technical consultancy missions
- call analysis within the EU Research and Innovation Horizon 2020 program, to identify suitable projects for ALRO
- the development within its thermal treatment section, equipment acquired through the European financing project, the technologies for the production of thin heat-treated sheets
- developing within its metallographic analysis laboratory, new analyses following the quality requirement of customers from aerospace and automotive industries.

Among the programs that were successfully performed in 2023 there could be mentioned:

- New aluminium alloy development, from sleb to 2xxx plates (e.g. 2219 T851 plates)
  Target: increase production with value-added products, especially for the aerospace industry
- New aluminium alloy development, from slab to 7xxx plates (e.g. 7050 T7451 plates)
  Target: increase production with value-added products, especially for the aerospace industry
- New aluminium alloy development, from slab to 5xxx plates (e.g. 5083 H131 plates)
  Target: increase production with value-added products, especially for the armor plates

The following trade marks were registered with the Trade Mark Registry for the aluminium products with low carbon emissions:

1. ALRO EsentiAL, within the category “Aluminium and its alloys, especially in the form of billets, slabs, sheets and coils, which include minimum 30% aluminium scrap”;
2. ALRO VitAL in the category “Aluminium and its alloys, especially in the form of billets, slabs, sheets and coils, which include minimum 50% aluminium scrap”;
3. ALRO VitAL Max (under registration process) for the products: “Aluminium and its alloys, especially in the form of wire rod, billets, slabs, which include minimum 70% aluminium scrap and for whose production the CO_2 emission intensity is lower than 4 tonnes CO_2/tone of products (cradle to gate)”.

In 2023, we applied for the patent for the “Process to obtain anodizable plates of aluminium alloys with monochrome surface”, expected to be obtained in 2024.

Another important part of the R&D activity is the cooperation with national and international universities in various projects, such as:

- Transylvania University of Brasov (three scientific papers were published in Recent Journal):
    1. The Influence of the Over-Aging in 7075 Aluminum Alloy Plates on the Corrosion Behavior
    2. Prediction of the Average Grain Size for AA5754 Plates and Sheets by Using Supervised Machine Learning
    3. The Influence of the Manufacturing Process on the Average Grain Size Behaviour of the 6063-Aluminum Core Alloy Clad With 4004 Alloy, O Temper
- Doctoral School, Polytehnic University of Bucharest (one scientific paper was published in Revue Roumaine, Science et Technique): “Improving the efficiency of the stretching process of aluminum alloy plates”;
- Politecnico di Torino, Italia (one study was finished): “Scientific and technical study regarding the optimization of the internal structure and properties of 7050 aluminum alloy plates, T7451 by varying the heat treatment parameters for Artificial Ageing”;
- COMOTI Romanian Research Development Institute for Gas Turbines, Bucharest (two studies were finished):
    1. Determining the time between the ageing heat treatment and sampling, in order to eliminate the influence of plate temperature on the mechanical properties - alloy 7075
    2. Influence of hot water quenching on mechanical properties, residual stress and flatness in 6XXX series quenching alloy sheets
- National Research and Development Institute for Materials Physics, Bucharest (one study was finished): “Research on optimizing the internal structure and properties of 7475 T7351 plates by changing the artificial ageing heat treatment parameters”;
- National Research and Development Institute for Opteoelectonics, Bucharest (one study was finished): “Research on the characterization of controlled over-ageing tempers in 7050 alloy plates”.

Procurement and Logistics ("PLD")

Unfavorable worldwide circumstances continued during the year 2023, with the geo-political situation still being a delicate one. Prices of raw materials, although having registered a small decrease in 2023 compared to 2022, they remained at high levels. An impact of the conflict in Ukraine is the market volatility, which does not allow for long- or medium-term contracts and forces us to try to benefit from any spot opportunities that may appear. At the same time, the delivery period is still market by uncertainty, with large fluctuations.

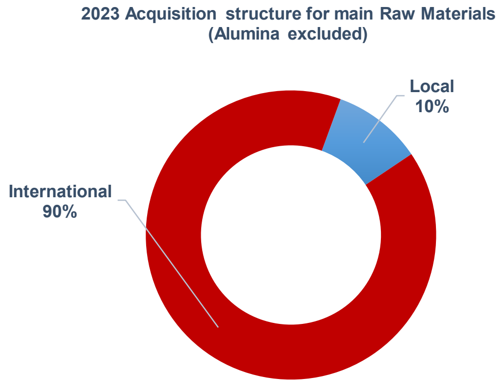
Raw materials acquisition structure, including alumina, shows 34% coming from local suppliers and the remaining 66% from overseas.
The main objectives of the Procurement and Logistics Department (PLD) in 2023 were:

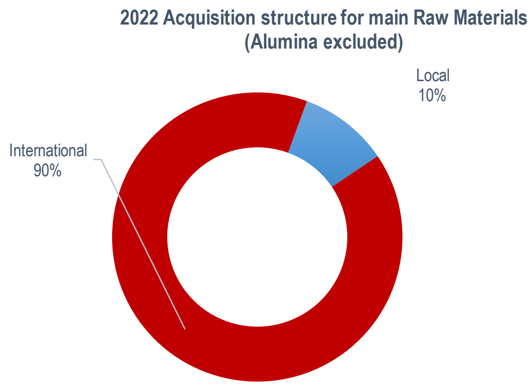
- efficient sourcing of main raw materials: timely and with the lowest costs in terms of prices, logistics, and payment terms;
- control of main raw materials prices and keeping a safe supply chain (the expenditures for main raw materials in 2023 decreased by 29% compared to 2022, while aluminum LME decreased by 17%);
- planning and scheduling in order to avoid stock-outs or over-stocks and where possible dual and/or multiple sourcing in order to improve supply assurance;
- to ensure the quality of goods and services.

Alro’s main reaction to massive increasing of electrical energy price is the efficient recycling of aluminum scrap both internally generated and acquired from domestic and European suppliers. The acquisition price of aluminium scrap decreased in 2023 vs 2022 by 2% in terms of percentage of LME. In aggregate with the investments in scrap processing, that means Alro managed to secure a reliable and cost-efficient alternative source of liquid metal. Alro acquired 50,218 Mt of aluminium ingots from the market to offset the impact of the temporary production shutdown of the 3 electrolysis lines and it acquired 116,200 mt of Alumina from market to compensate for the suspension of ALUM's production activity.

In 2024, the PLD department will ensure the acquisition of increased quantities of aluminium scrap from the market in order to assure the necessary volumes for the new recycling capacity of Alro, of 100,000 tonnes of aluminium.

Excluding alumina, the purchases of Alro are 10% local and 90% from international suppliers, which proves the strong connection of Alro and Alro Group to international markets.





All raw materials ALRO purchases from domestic and/or foreign suppliers are in strict compliance with the European Union (EU) safety and environmental protection legislation including, but not limited to, European Commission (EC) legislation No.1907/2006 (REACH) and EC legislation no. 1272/2008 (CLP).

ALRO Group - figures

Financial and economic review

Figures for the 2022 consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations (see Note 5 to the Financial statements for details).

Alro Group ended the year 2023 with a turnover of RON 2,849,717 thousand (16% lower compared to the year 2022), a negative EBIT of RON 363,908 thousand (in 2022 a positive EBIT of RON 782,653 mii RON) and a consolidated net loss of RON 561,746 thousand as compared to a net profit of RON 409,479 thousand recorded in 2022.

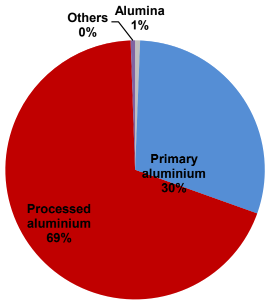
After reaching the lowest level of 2023 of 2,123 USD/tonne in August, in Q4 2023 the LME quotation recorded a slight upward trend and the average 3M cash seller for 2023 was of 2,285 USD/tonne, i.e. down by 16% compared to the annual average of 2022 (2,713 USD/t). This is a cca. 400 USD/t decrease in LME compared to last year, but it is important to mention that the current LME quotations are reflecting a normalization of the market, looking back historically, while in 2022 they were distorted by extreme levels on the background of the pandemic followed by the outburst of the Ukraine conflict.

The Group's consolidated sales in 2023 were RON 2,849,717 thousand, compared to the ones reported in a similar period of 2022 (RON 3,411,745 thousand, re-presented). The above mentioned decrease in LME, even if caused by extreme factors, still influenced the sales of aluminium while comparing the analyzed years to each other. Additionally, the year 2023 was characterized by a slow-down in sales, by the low demand in many industrial sectors and by steep competition from overseas producers.

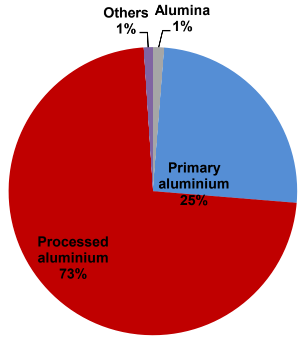
ALRO reported sales of RON 2,533,585 thousand in 2023 (2022: RON 3,180,972 thousand.

The Group sales by segments (including the bauxite segment disposed of in September 2023) were the following:

Alro Group sales by segments 2023 (RON th)



Alro Group sales by segments 2022 (RON th)



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

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

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

Regarding the **cost of goods sold**, in 2023 the Group reported a similar level in 2023 (RON 3,066,081 thousand) as compared to 2022 (RON 3,102,205 thousand), in spite of the lower turnover, as a result of the quantitative increase in sales. Although the electricity price had a downward market trend in 2023, with the publication of the updated Government Ordinance no. 27/2022, the electricity prices stabilized; however, the Group continued to face pressure from the high cost of electricity as a result of one-year contracts signed with a nuclear power producer at much higher prices (back in June 2022). The Group's reaction to the increase in the electricity prices was the efficient recycling of both internal aluminium scrap as well as scrap and primary metal purchased from third party suppliers. The Group purchased higher quantities of aluminium scrap and ingots for its liquid aluminium production, which increased by more than 22,290 tonnes in 2023 as compared to 2022. The quantity of metal purchased from the market and used in production offset the amount of electrolytic aluminium that was no longer produced once the 3 electrolysis plants had been temporarily suspended in early 2022. The price of purchased aluminium scrap and ingots is linked to the LME quotation and recorded a decrease in 2023 as compared to 2022, in line with the downward trend in aluminium prices during this period. Even though raw material prices decreased in 2023 as compared to 2022, the consumption cost for certain raw materials remained high due to stocks purchased in 2022, when prices were higher.

The Group registered a negative gross result in 2023 of RON 216,364 thousand (2022: positive gross result of RON 309,540 thousand). In line with the Group's evolution, **ALRO's gross result** in 2023 was a **negative gross result** of RON 358,642 thousand, compared to 2022, when it was positive of RON 136,350 thousand, re-presented. Due to the opposite evolution of the revenues and the costs of goods sold, the Group and Alro incurred negative gross margins of 8% and 14%, respectively, compared to positive margins of 9% and 4%, respectively, 2022. Although the Group seized the market opportunities and increased its quantitative sales for part of its production lines, the decrease in LME quotations, the weak demand in certain production sectors and the still high cost of utilities and raw materials influenced the Group's gross result. The cost of goods sold in 2023 and 2022 does not include the compensation received by the Group for its high electricity costs, which was included in *Other operating income*.

The **Group's general, administrative, and selling expenses** increased in the analyzed period (from RON 304,824 thousand in 2022, re-presented, to RON 329,108 thousand in 2023); Alro costs slightly decreased from 227,441 in 2022 to 225,597 in 2023). Detailed explanations are provided in Note 8 *General, administrative and selling expenses*, to the Consolidated and Separate Financial Statements of Alro for 2023.

The **Group's operating result (EBIT)** decreased from a profit of RON 782,653 thousand achieved in 2022 (re-presented) to a loss of RON 363,908 thousand in 2023. **ALRO reported a negative EBIT** of RON 477,230 thousand for 2023 from a positive EBIT of RON 555,421 thousand in 2022. In 2022, the Group recorded income of RON 804,323 thousand as compensation for high energy costs (ETS) incurred during the years 2021 and 2022. As concerns the year 2023, an income from compensation of RON 373,980 thousand was registered on an accrual basis. However, the revenues from indirect emission included in the cost of energy in 2023 could not alleviate the pressure on energy and raw material costs and the Group reported a loss from operations in 2023.

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

Prior year figures of the consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations, while amounts in the statements of financial position for prior periods were not re-presented. The Result from **continuing operations** was a loss of RON 458,403 thousand for Alro Group in 2023 excluding the Bauxite segment classified as discontinued operations. Comparatively, the re-presented result for 2022 was a profit of RON 524,178 thousand. For Alro, the result was a loss of RON 539,116 thousand in 2023 and a profit of RON 330,971 thousand for 2022.

The **Result from discontinued operations** was a loss of RON 103,343 thousand for the Group in 2023 and, comparatively, a loss of RON 114,699 thousand in 2022. This is the net accounting result from the Group’s upstream GAL Group, which was disposed of in September 2023 (see Note 5 for further details).

Although the Group seized the market opportunities and reported higher quantitative sales in 2023 as compared to 2022 for wire rod and extruded products, and in the fourth quarter of the compared periods also for flat rolled products, the unfavourable economic context in the 2023 (decreasing aluminium prices, the market characterised by intense competition which increased pressure on sales prices, demand which continued its negative trend, still high raw material and electricity prices) negatively impacted the Group's **net result** in 2023, which was a loss of RON 561,746 thousand as compared to a net profit in the amount of RON 409,479 thousand reported in 2022.

The reconciliations of the **Adjusted Net Result** at ALRO Group level, and for ALRO, respectively, for 2023 and 2022 are detailed below:

ALRO Group

	2023	2022
NET RESULT	**-561,746**	**409,479**
Impairment of non-current assets	85,177	5,319
Plus/(minus) Impairment of goodwill	63,206	21,580
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	-	2,446
Plus/(minus) deferred tax expense/(income)	-58,660	15,760
ADJUSTED NET RESULT	**-472,023**	**454,584**

ALRO

	2023	2022
NET RESULT	**-539,116**	**330,971**
Plus/(minus) charge/(reversal) of investments impairment expense/(income)	189,144	133,735
Impairment of non-current assets	-491	-
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	-	2,446
Plus/(minus) deferred tax expense/(income)	-58,468	-10,188
ADJUSTED NET RESULT	**-408,931**	**456,964**

The reconciliations of EBITDA for ALRO Group and for ALRO, for 2023 and 2022 are detailed below:

ALRO Group

Description (RON th)	2023	2022
EBIT	**-363,908**	**782,653**
Depreciation, amortisation and impairment	300,376	179,937
Depreciation, amortisation and impairment from discontinued operations	-83,500	-48,190
EBITDA from continuing operations	**-147,032**	**914,400**

ALRO

Description (RON th)	2023	2022
EBIT	**-477,230**	**555,421**
Depreciation, amortisation and impairment	290,373	233,054
EBITDA	**-186,857**	**788,475**

*For a fair presentation of operational results for the reporting period, EBITDA includes the operating results of the disposal group held for sale (GAL group).

Impairment of investments: due to the evolving economic landscape and specific challenges faced by the industry, as a result of the impairment test carried out for its assets at 31 December 2023, Alro recognized an impairment of RON 189,144 thousand, which includes an amount of RON 188,639 thousand representing impairment loss for investment in Alum and RON 505 thousand representing additional impairment loss recognised for the investment in Conef (2022: RON 133,412 thousand for Alum and RON 323 thousand for the investment in Conef).

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

In 2023, the net cash used in operating activities was RON 53,509 thousand, compared to 2022, when the cash generated by operating activities was RON 83,042 thousand. At **ALRO's level, the net cash flows used in operating activities** was RON 119,130 thousand in 2023 (in 2022: net cash used in operating activities of RON 72,528 thousand).

The net cash used in investing activities was RON 191,574 thousand at Group level in 2023 versus 2022: RON 235,265 thousand and at ALRO's level RON 176,375 thousand in 2023 versus RON 148,839 thousand in 2022.

The net cash flows used in financing activities in 2023 was of RON 178,856 thousand at the Group's level versus RON 453,670 thousand provided in 2022, and at ALRO's level, **the net cash used in financing activities** was RON 144,304 thousand in 2023 while in 2022 it was RON 516,367 thousand provided from loans. In 2023, loans were repaid according to their schedules.

As of 31 December 2023, the Group reported **cash and cash equivalents** of RON 206,126 thousand (31 December 2022: RON 630,068 thousand). At **ALRO's level, the cash and cash equivalents** were of RON 160,281 thousand (31 December 2022: RON 600,090 thousand).

The Group's total assets were RON 2,920,605 thousand as of 31 December 2023, lower compared to RON 3,789,934 as of 31 December 2022. **The non-current assets** were RON 1,285,481 thousand as of 31 December 2023 versus 31 December 2022: RON 1,295,604 thousand, while **the current assets** were RON 1,635,124 thousand at 31 December 2023 (31 December 2022: RON 2,494,330 thousand). These were driven by **ALRO**, which reported lower **total assets** of RON 2,667,634 thousand as of 31 December 2023 (31 December 2022: RON 3,375,836 thousand), out of which **non-current assets** of RON 1,227,642 thousand as of 31 December 2023 (31 December 2022: RON 1,204,346 thousand) and **current assets** of RON 1,439,992 thousand as at 31 December 2023 versus RON 2,171,490 thousand as at 31 December 2022.

The non-current assets include Equity accounted investments of RON 108,269 thousand at 31 December 2023 (nil at 31 December 2022) representing Alro's share in the newly formed company CCGT Power Isalnita SA, a project initiated in 2023 in conjunction with Complexul Energetic Oltenia to build an 850 MW natural gas power generation plant at Isalnita (with a mix of gas/hydrogen) (see Note 18 to the Consolidated Financial Statements of Alro Group for the year 2023 for further details).

The **current assets** include the compensation receivable for high electricity costs under the EU Emission Trading Scheme (see Note 24 to the Financial statements for Government grants receivable of RON 373,980 thousand for the Group (and 372,156 for Alro) at 31 December 2023, receivable for the costs incurred in 2023, and RON 437,059 thousand for the Group and RON 436,358 thousand for Alro at 31 December 2022 for the costs incurred in 2022. The amount received in 2023 was lower than the estimated one recognized in **Other current assets** at 31 December 2022, therefore the Group recognized the difference as a reduction of income in 2023, of RON 77,629 thousand, and additionally it revised its methodology of calculation and estimation for 2023 (see note 9 to the Financial statements for 2023 for details).

Group's total liabilities decreased to RON 1,917,992 thousand at 31 December 2023 from RON 2,240,508 thousand at 31 December 2022). The main decrease was recorded for loans, which were repaid according to the schedules, although some loans were renewed.

The level of the **Group's non-current liabilities** as of 31 December 2023 was RON 1,282,737 thousand (31 December 2022: RON 798,210 thousand), while the **Group's current liabilities** were RON 635,255 thousand at 31 December 2023 as compared to RON 1,442,298 thousand at 31 December 2022. **ALRO** reported **total liabilities** of RON 1,798,274 thousand as of 31 December 2023 (31 December 2022: RON 1,962,955 thousand), out of which **non-current liabilities** of RON 1,234,962 thousand as of 31 December 2023 (31 December 2022: RON 724,243 thousand) and **current liabilities** of RON 563,312 thousand as at 31 December 2023 versus RON 1,238,712 thousand as at 31 December 2022.

Bank and other loans: by the end of 2023, the Group had completed the renewal of several revolving cash and non-cash facilities from banks for another 3 years. Additionally, the Group signed new credit facilities in relation to the investment in CCGT Power Isalnita SA Company (see note 29 to the Consolidated financial statements for 2023 for further details regarding the dynamics of Alro Group credit facilities).

Operational analysis

ALRO Group

In 2023, Alro Group continued with a reduced production capacity initiated in 2022, namely 2 operational electrolysis potrooms out of 5. Meanwhile, it compensated the missing metal by buying ready made aluminium from the market and by increasing its scrap remelting capacity. The alumina plant at Alum, Tulcea, remained idle throughout 2023 (no production). The Group also divested its mining operations in Sierra Leone.

In spite of the tightening of its traditional operations, Alro Group strongly focused on its long-term strategy of concentrating of high value-added products and on new markets, in Alro for flat rolled products and in Vimetco Extrusion for extruded products. The investments made in the recent past for increasing the liquid aluminium smelting (from recycled aluminium) became a priority, for the group to be able to reduce its overall production costs.
The year 2023 was dedicated to new projects in the direction of electricity integration and cost diminishing: Alro formed a partnership with Complexul Energetic Oltenia SA for the set up of a power plant, and it also commenced a project for a photovoltaic plant on its own premises in Slatina.

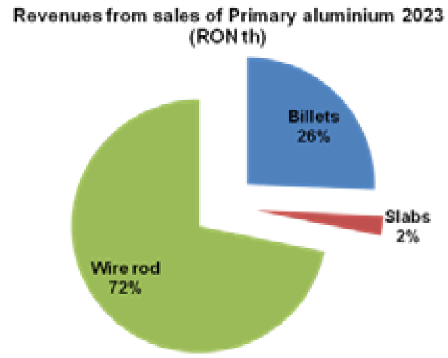
ALRO

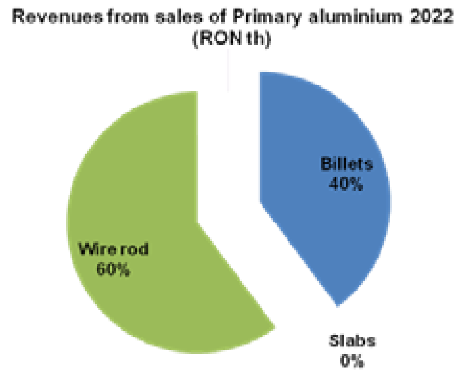
In 2023, the Company reported a slight decrease by 17% in the electrolytic aluminium production, but doubled its liquid aluminium production (from scrap aluminium purchased independently from the market) (variation of 110%).

By balancing its acquisition and own production resources, Alro managed to maintain the primary aluminium output at the level similar to last year, i.e. 196,000 tonnes of primary aluminium in 2023, compared to 192,000 tonnes in 2022.

Moreover, in spite of a difficult market for value-added products, Alro overall production of processed products was of 92,600 tonnes in 2023, compared to 91,000 tonnes in 2022.

The structure of **primary aluminium** sales based on product types in 2023, compared to 2022, is presented below:



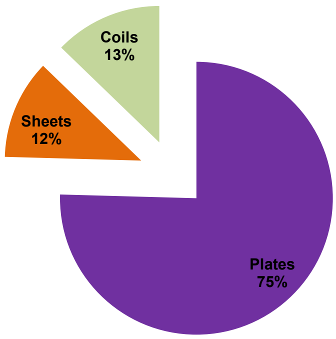


Processed Aluminium Segment – FRPs and extruded products

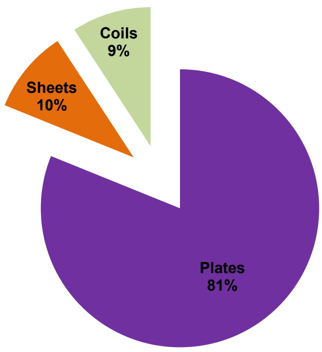
Flat-rolled products (FRPs)

The structure of processed aluminium sales based on product types in 2023, compared to 2022, is detailed below:

Revenues from sales of flat rolled products 2023 (RON th)



Revenues from sales of flat rolled products 2022 (RON th)

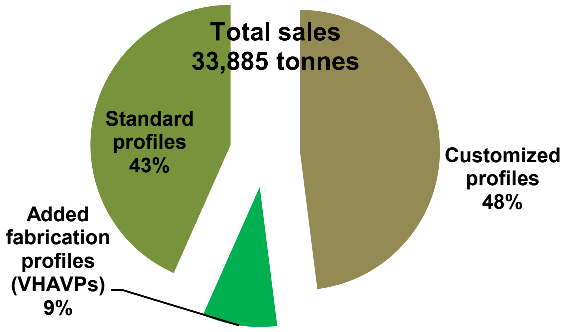


Extruded Products (VE)

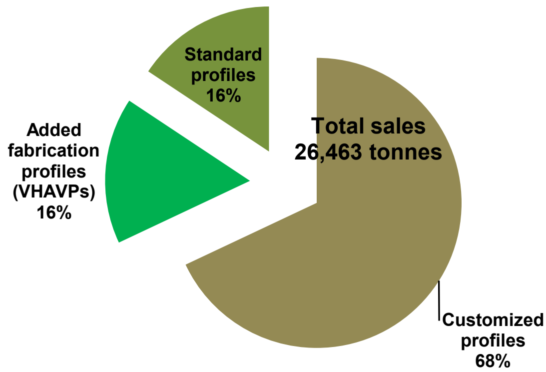
Vimetco Extrusion consistently met market demand with the right product mix by allocating the production capacity from a price and long-term profitability point of view most efficiently. Commercial conditions are adjusted on a short-term basis, in line with market evolution, keeping big players' impact on the worldwide economic environment into account.

The structure of extruded products sales based on product types in 2023, compared to 2022, is detailed below:

Extruded products: sales structure in 2023 (RON th)



Extruded products: sales structure in 2022 (RON th)



ALUM

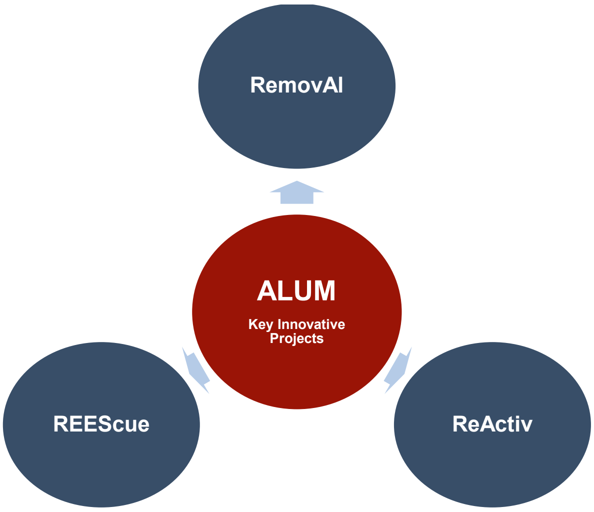
ALUM refinery is located in Tulcea, Romania, and has a production capacity of 600,000 tonnes of alumina per year, being the sole alumina producer in Romania and one of the largest in Central and Eastern Europe. During its usual production process, the refinery uses bauxite to produce it into alumina at its own plant in Tulcea. While primarily supplying alumina to the Group, ALUM sells its by-product, i.e. aluminium hydrate and other alumina special products (including calcined alumina with different granulations, alumina “low soda,” and alpha-alumina) to third party customers. Alumina is transported from Tulcea by rail to the Group’s production facilities in Slatina.
Bauxite is imported as a raw material from overseas countries and Alum bought it from its own subsidiary Sierra Mineral Holdings 1, Ltd, which mined it in Sierra Leone, until August 2022 when the Group management decided the temporarily shut down the production activities. Since August 2022, Alum has been purchasing ready-made alumina from the market and sold it to Alro for a margin. Moreover, in September 2023, Alum sold the GAL Group, i.e. its mining subsidiaries.

In 2023, ALUM production units remained idle (nil production of alumina), while in 2022, before the production was suspended, it had produced 108,000 tonnes of alumina. Alum, on a stand-alone basis, achieved a turnover of RON 284,654 thousand in 2023 (almost entirely from Alro) and RON 499,770 thousand in 2022 (91% from Alro and 9% from sales of alumina and hydrate to other clients).

During 2023, Alum kept its CAPEX at a minimum level, but continued to perform maintenance work and its compliance projects, as follows:

- increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51 mdm;
- purchasing land needed for extending the surface of the red mud pond and securing the red mud storage in the S + SE area;
- finalized consolidation works for the foundations of 4 precipitation vessels;
- finalized belt rehabilitation works for 2 precipitation vessels;
- finalized design works needed for the rehabilitation of transformer station's building;

Current stage of the R&D projects: RemovAl, REEScue and ReActiv



RemovAl Project: "Removing the waste streams from the primary Aluminium production and other metal sectors in Europe", 01.05.2018 – 31.04.2023, where ALUM participates together with 7 industrial partners and 20 academic and research partners, aims to remove the waste streams from the primary Aluminium production and other metal sectors in Europe was succesfully finalised. In RemovAL ALUM participated as stakeholder, providing appropriate samples of bauxite residue to be tested at lab or pilot scale under at various technological nodes of the project and participated to the feasibility studies and business plan development, especially in regards to potential technology deployment at ALUM.

Alum participated in June 2023 at the Final Meeting RemovAl, in Athens.

Conclusion: all the technologies developed within the project are valid from a technical point of view, three of them also have economic potential, the economic viability depending on: capital investment, transportation distance of the bauxite residue, the storage cost of the bauxite residue, the sale price of the final product obtained, the purchase cost of energy and the efficient use of equipment correlated with the optimization of process parameters.

Between 2018-2023, the company received non-refundable funds of EUR 161,875.

ReActiv Project: „Industrial Residue Activation for sustainable cement production"

ReActiv project, 01.10.2020 - 31.10.2024, where ALUM is one of the industrial partners together with 6 other international companies in the alumina industry and 14 academic partners, is coordinated by Lafarge Center De Recherche by SAS. ReActiv project aims to create a novel sustainable symbiotic value chain, linking the by-product of the alumina production industry and the cement production industry. Bauxite residue (BR) is the main by-product of the alumina sector, obtaining approximately 7 million tonnes per year in the EU, while recycling capacities are below 200 thousand tonnes per year. The ReActiv project aims to modify the properties of bauxite residue turning it into an active material used to obtain new cements with a low CO_2 fooprint.

Alum participated online in the 5th progress meeting of the ReActiv H2020 project in April 2023.

Between 2020-2023 the company collected non-refundable funds in the amount of EUR 139,962 (out of the total of EUR 171,320.

REEScue Project: „Integrated process for the recovery of Rare Earth Elements and Scandium from Bauxite Residues"

In the REEScue research project, 01.10.2020 - 31.03.2023, ALUM participates together with 2 other companies in the alumina industry and 2 academic partners, under the coordination of the Technical University of Athens. The project was completed in October 2023. The project allowed the creation of a first technological base in the field, necessary for the development of radical innovations, which will contribute to the unlocking of substantial reserves of new or currently unexploited resources in the EU. The results of the project have considerably improved the knowledge about the processing and management of bauxite residue, provided the necessary know-how to recover scandium and Rare Earth Elements and to obtain marketable products from the magnetic separation of bauxite residue.

Between 2020-2023, the company received non-refundable funds in the amount of 213,961 RON.

ALUM has been listed on the BSE on the ATS segment, AeRO category, BBGA symbol since May 2015 and is governed in a unitary system. The Board members are elected based on the vote of shareholders under OGSM and by full compliance with the legal requirements in force.

At the date of this report, ALUM's Executive Management is composed of Mr Gheorghe Dobra - CEO and Mrs Mihaela Duralia, CFO. ALUM's Board of Directors is composed of five members: Gheorghe Dobra (Chairman), Igor Higer (member and Vice-Chairman), Marian Cilianu (Member), Mihaela Duralia (Member) and Ioan Popa (Independent Member).

Vimetco Extrusion

The extrusion shop operated by Vimetco Extrusion ("VE") represents the largest extruder in Romania and a significant player in the Western European extrusion market. Starting with September 2006, Vimetco Extrusion was organized as a separate subsidiary company of ALRO Group to focus on the Group's extrusion business. The company's administrative and managerial offices are in Romania, headquartered in 1, Milcov Street, Slatina, Olt County, Romania.

Vimetco Extrusion Executive Management is composed of Mr Igor Higer – General Director, Mrs. Stefania Yaksan – Finance and HR Director, Costel Pirvu – Plant Director, Loredana Iacob – Sales Director, Daniel Ion – IT Director, Loredana Achim – Planning and Logistic Director. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Mr Igor Higer (Chairman), Mr. Ovidiu Goran, (Member since September 2023, replacing Mr Arie Shimon Meisel who was a member until September 2023), Mr Per Lyngaa (Member), Mrs Stefania Yaksan (Member) and Mr Costel Pirvu (Member).

Through Vimetco Extrusion, the Group uses the billets produced by ALRO in its primary aluminium division. VE manufactures and sells a wide range of extruded profiles, such as aluminium bars, tubes, etc. Aluminium extrusion is a technique used to transform aluminium billets into objects with a defined cross- sectional profile for a wide range of uses. In the extrusion process, heated aluminium is forced through a die. Extrusions can be manufactured in many sizes and in almost any shape for which a die can be created. The extrusion process makes most of aluminium's unique combination of physical characteristics. Its formability allows it to be easily machined and cast, yet aluminium is one-third the density and stiffness of steel, so the resulting products offer strength and stability, particularly when alloyed with other metals.

Within extruded products, the Group considers its special products to be HVAPs and the machined, painted, and anodized or powder coated products to be VHVAPs. Vimetco Extrusion's products are used in various industries, such as transport, construction, different aluminium metal structures, photovoltaic panels. The Group's extruded products are also used in the building and interior design industries, with curtain-walling, ceilings, partitions, railings, and panels being some of the various aluminium applications. Also, extruded products are used in lighting, air conditioning/ ventilation systems, reflectors, and the photovoltaic energy industry.

After commissioning the new state-of-the-art automatic extrusion line, the production capacity increased by about 11,000 tons, thus reaching a total capacity of over 35,000 tons. Even from the beginning, Vimetco Extrusion managed to sell the full production capacity of the 3 running presses and work continuously, 24/7.

Continuing the expanding strategy for HVAPs and VHAVPs and maintaining its position as the first choice for its customers, Vimetco Extrusion registered an upward trend in volumes of sold profiles in 2023. Total sales in 2023 were 33,885 tonnes, of which 16,400 tonnes represented customized profiles and 6,088 tonnes represented added fabrication profiles (VHAVPs) (in 2022 total sales: 26,463 tonnes, of which 18,022 tonnes customized profiles and 6,476 tonnes added fabrication profiles). By offering mechanical and surface-treated profiles, Vimetco Extrusion has brought the aluminium profiles to another level: closer to extruded finished products. In cooperation with a new customer from UK, VE received the first order for welded products.

The structure of extrusion raw material (aluminium billets) supplied in 2023 reached 87% in the local market and 13% in the international market.

By offering mechanically and surface treated profiles, Vimetco Extrusion has brought the aluminium profiles to another level, from extrusion closer to the finished products: through the newest business unit in VE, welding department, we have delivered the lifting platforms for commercial vehicles, fully equipped with electrical components. The increase in the percentage of HVAPs and VHVAPs: VHVAPs - roof hooks, solar systems, assembled parts. We increased this percentage by investing in equipment able to satisfy customer requirements in terms of Add Fab products, more productive machines of high precision, and VHVAPs - welded products delivery in H2 2023. VE acquired the needed equipment to be able to deliver the first welded project - beams and other projects for entering the welded products market.

Starting end of Q1 2023, market demand continued to diminish gradually in main industries where VE is active: solar industry, Building & Construction, etc. The demand was soon damped by the strong inflation, higher conversion fees and costs increasing. Customers adopted an intensive destocking policy which took longer than expected in all industry specialized publications. The high and expensive stock levels influenced the demand in the market, orders being placed with short delivery times and prices were dramatically dropped.

Extrusion market was confronted with an over capacity production in Europe, which added a very high pressure on prices for both standards and special profiles. Nevertheless, Vimetco Extrusion has been a very active member in the business environment, always focused to keep up with the market trends through participations in international exhibitions, membership in the European Aluminium Association, Aluminium Stewardship Initiative supporting the best interests of the aluminium industry for a sustainable growth. New markets and customers were brought on board with positive outcome on the product mix and geographical distribution, increasing the share of value-added products and very high value-added products: we have continued the expansion of existing products, such as solar roof hook systems , construction beams, aluminium hinges, and new ones have been developed : welded aluminium beams / welded lifting platforms for commercial trucks, fully equipped (including the electrical part too).

We have been positively surprised by the local market evolution that showed increased interest to aluminium and to Vimetco Extrusion as supplier in particular. From solar to constructions and engineering solutions we have been able to provide the needed products and services to our customers.

According to CRu publication, following a continuous downfall of demand and prices throughout 2023, the industry offers cautious optimism for the year ahead. It is believed that higher borrowing costs and uncertainty over monetary policy will continue to be a drag on demand for the metal. However, demand is expected to pick up in the latter half of the year.

Despite the decline in new orders not being as rapid as last months nor was job trimming as severe, demand is weak, and the sector is still in decline. Core inflation continues to ease but that has not yet translated to declines in interest rates which the industry would require to ease financing conditions. The building segment accounts for over 40% of total extrusion demand within in Europe, we expect growth to fall 10% y/y in Q1 2024 and 6% y/y in Q2 2024.

Vimetco Extrusion holds an environmental permit which is renewed when substantive changes occur under the environmental legislation (the last renewal took place on 28 November 2022). Vimetco Extrusion holds the Quality management system according to SR EN ISO 9001: 2015 for the production and marketing of aluminum alloy profiles (valid until 29 May 2024) and EN 15088 - Aluminum products and aluminum alloys for structures in building & construction industry (valid until 12 December 2026).

Vimetco Extrusion remains the main supplier for the most important names in the distribution field in terms of standard profiles and customized products and for important end-users.

Sierra Mineral Holdings I, Ltd. (SMHL)

Before being disposed of, SMHL was responsible for the Group's mining operations and operated bauxite mines located in the Southern province of the Republic of Sierra Leone. In 2023, SMHL produced 691,000 tonnes of bauxite, which it sold only to external clients (in 2022 it produced 910,000 tonnes) having in view the closure of Alum production.

The disposal of the bauxite segment was decided in July 2023, and it was completed on 1 September 2023, for consideration of USD 2,000 thousand, less the intercompany debt of the segment of USD 1,300 thousand, and the transaction thus resulted into a net loss of RON 529 thousand for Alro Group.

At 31 December 2023, the Bauxite segment is no longer presented in the segment note of the Financial Statements. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Prior year figures of the consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations, while amounts in the statements of financial position for prior periods were not re-presented.

The loss from discontinued operations incurred by GAL segment before the disposal, and reflected in Alro Group financial statements for the 2023 is of RON 103,343 thousand, whereas for 2022 comparatively it was of RON 114,699 thousand.

Further explanations are provided in Note 5 to the Financial statements.

Conef S.A.

Conef is a joint-stock company established based on GD no. 30/1991. The company's shares are not traded on a regulated market, Conef being a closed-end company. The share capital is of RON 6,692 thousand, representing 2,676,661 ordinary nominative shares with a nominal value of RON 2.50, fully paid in by the shareholders.

At the end of 2018, ALRO's majority shareholder of that time, Vimetco N.V. together with the shareholder Conef S.A. carried out an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed of its entire shareholding in ALRO.

ALRO's project for vertical integration in terms of ensuring the electricity necessary for its own consumption is aimed to be developed through the Group's subsidiary, Conef SA. In this regard, one of the Group's main projects is the building and commissioning of a 470 MW gas-fired combined cycle power plant inside ALRO's premises in Slatina. The estimated benefits will be reflected both in the efficiency of the company's electricity supply, but also in its ability to ensure a safe and continuous reserve for the power system regulation having in view the integration of the new renewable energy sources in South-West Oltenia region by the power grid operator. In addition, this project will support Romania's transition to the extensive use of green energy, without greenhouse emissions, thanks to the replacement of the coal-fired electric power production capacities with new electric power production based on natural gas, and, after the hydrogen/ synthetic natural gases (green gases) production technologies will have been defined, this new electric power production capacity can be converted to use the new type of fuel with minimum costs (hydrogen-ready gas turbines).

The Executive Management of Conef is provided by Mr. Marian Nastase – CEO, Mr. Serghei Catrinescu – Deputy CEO. The Board of Directors of Conef is composed by 3 members (Mrs. Alina Rusanu – Chairman, Mr. Ovidiu Balu – Vice-Chairman and Mr. Dragos Voncu- member).

Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio customer base;
- in 2023, the Group did not buy or hold its shares;
- throughout 2023 no mergers or reorganizations took place;
- in 2023, apart from the sale of the GAL Group (Global Aluminium LTD with its subsidiaries Bauxite Marketing Ltd. and Sierra Mineral Holdings 1, LTD) mentioned above and described in Note 5 to the Consolidated and separate financial statements for the year ended 31 December 2023, there were no other increases or decreases of the shares held in affiliated entities;
- the equipment status ensures safe operation and the achievement of the proposed objectives, with no problems related to the ownership of the Parent-Company or other Group's subsidiaries tangible assets;
- by upgrading its production machines and equipment, the Parent-Company and/or other Group's subsidiaries are technically and technologically similar to the main aluminium producers in the international market.

Other information in accordance with FSA Regulation no. 5/2018 - Financial Instruments and Investments Sector

Analysis of the trends or events that might have an impact over the Group and/ or Company's current activity

As of 31 December 2023, the Parent-Company and subsidiaries were parties to various litigations or legal proceedings arising in the ordinary course of their business, in which they are either defendants or plaintiffs. The Group Companies are not involved in any litigation or court proceedings and are unaware of any actions of a judicial, arbitral, or administrative nature that could reasonably be expected to materially and adversely affect the Group's business, financial condition, or results of operations.

In terms of security and business continuity, ALRO has its own private and fully operational Fire Brigade inside the production facility and its own healthcare office. ALRO has benefited from substantial support from its affiliated security company, Rivergate Fire, during the past two years. All these entities are on full alert 24/7.

EU-ETS Compensation Scheme

EU-ETS Scheme is based on Emergency Ordinance no. 138/12.10.2022 ("EO 138/2022") for establishing the support scheme for industrial sectors exposed to carbon leakage due to indirect emission costs included in the electricity price, with subsequent amendments. The support scheme was approved by decision C(2022) 6586 final in SA.102431, it is based on the European Commission's Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post-2021 and compensates certain undertakings for increases in electricity prices resulting from the inclusion of the costs of greenhouse gas emissions due to the EU ETS, so called indirect emission costs. The measure covers indirect emission costs incurred in years 2021 to 2030.

In 2023, due to the cap included in the scheme budget to compensate all eligible costs, the compensation for 2022 was granted only partially to eligible companies (77.71%)

RES support reduction for energy-intensive users

The state aid scheme in the form of a reduction in funding for RES support for energy-intensive users (EIUs) in Romania introduced by the Government Decision No. 495/2014 is currently under procedure of being extended, as Romania undertook to re-notify the measure to the Commission after 10 years. We are permanently in contact with the Romanian authorities on this subject.

Other relevant regulatory updates

14 March 2023 - Commission proposes reform of the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation. On 14 December 2023, the co-legislators reached a provisional agreement on the new rules, that will go through the formal adoption process in early 2024.

Power purchase agreements

ESMA has noted that some issuers have established agreements that define the price for the delivery of green energy in advance of their consumption (e.g., virtual power purchase agreements) to enable them to achieve their objectives of reducing their carbon footprint and/or to hedge against volatile prices. ESMA calls for transparency on the financial impacts and the accounting treatment applied to such agreements.

We have 14 agreements/transactions including the Centralized Electricity Acquisition Mechanism (CEAM) with deliveries during 2023 and daily purchases from the Day Ahead Market platform. ALRO intends to acquire at least 30% of the electricity consumption from renewable sources also by signing PPAs with producers in order to reduce the risk of market volatility and liquidity, focusing on reducing our carbon footprint and to support the transition to a sustainable economy. In this regard, ALRO contracted advisory services from an independent advisor in supporting throughout the entire process of securing power purchase agreements (PPA's).

Sustainability

The provisions of the Sustainability legislation are applicable to ALRO Group. For the year 2023, our Group abides by Directive 2014/95/EU regardng the non-financial reporting (the NFRD), which is the most important European piece of law regarding the reporting obligations on sustainability, as well as the provisions transposed in the Romanian legislation by the Order of the Public Finance Minister no. 1938/2016 with subsequent amendments. At the same time, under the same context, we abide by the EU Regulation no. 2020/852 regarding a framework to facilitate the sustainable investments. Starting the year 2024, we will conform to the new European legislation, namely the Directive EU 2022/2464 of the European Parliament and of the Council dated 14.12.2022. This is transposed in the national legislation by the Order of the Ministrer of Public Finance no. 85/2024 that regulates some aspects regarding the sustainability reporting.

CBAM Legislation

From 9 to 10 May 2023, Eurometaux organized the event "Critical Raw Materials Day" in Strasbourg, under the patronage of the MEP Hildegard Bentele, PPE, Germany. Alro, as a member of Eurometaux, participated directly to this event. As a result of these lobbying activities, performed together with European Aluminium and Eurometaux, aluminium was included in the Critical Raw Material Act as a strategic material". The only products that Alro purchases and are subject to CBAM legislation are the aluminium ingots. We buy them from traders that have committed to perform all the formalities related to the CBAM legislation. As a consequence, this legislation does not impact us much, at least until the beginning of the year 2026.

New tax law leading to modified fiscal calculation

Alro and its subsidiaries, being part of Vimetco Group, a multinational enterprise group is within the scope of the OECD Pillar Two model legislation, which was enacted in Romania, the jurisdiction in which Alro and subsidiaries are incorporated. Law no. 431/2023, published on 5 January 2024, transposes the provisions of Directive (EU) 2022/2523 to introduce into the Romanian legislation a complex system of rules for an effective minimum taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual consolidated revenues of at least EUR 750 million in at least two of the four previous financial exercises. The law applies in respect of financial years beginning on or after 31 December 2023, except for the UTPR, which applies in respect of financial years beginning on or after 31 December 2024.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. From the preliminary analysis made, all entities within the group, which recorded profits in 2023 and 2022, have an effective tax rate that exceeds 15%, therefore the group might not be exposed to paying Pillar Two income taxes. Further details regarding the impact of the new tax laws on Alro Group can be found in Note 13 to the Consolidated Financial Statements of Alro Group for the year ended 31 December 2023.

Changes with impact on share capital and on the Group's management

Changes in the Board of Directors and Executive Management within ALRO Group

During the reporting year, the following changes took place within the Board or in the management structure of the Group:

During 2023, the Board of Directors consisted of the following members: between 01 January 2023 – 25 April 2023, the Board of Directors consisted of 11 members, as follows: Nastase Marian Daniel - president, Pinzari Svetlana - vice-president, Dobra Gheorghe, Nastase Genoveva, Higer Igor, Iuga Vasile, Burduja Marinel, Ciocirlan Laurentiu Gabriel, Truta (Gavrila) Oana Valentina, Cheta Voicu, Voncu Dragos Adrian.
On 25 April 2023, the OGMS / EGMS took place, following which a new Board of Directors was appointed, also consisting of 11 members, as follows: Nastase Marian Daniel - president, Pinzari Svetlana - vice president, Dobra Gheorghe, Nastase Genoveva, Higer Igor, Voncu Dragos Adrian, Iuga Vasile, Burduja Marinel, Cheta Voicu, Paval Darius, Fercu Adrian. The new mandates are for 4 years, starting 26 April 2023.

Other information regarding ALRO and ALRO Group

ALRO, governed in a unitary system aligns its activity with the global corporate governance best practices and has three committees in place to sustain and complete its activity, i.e. the Audit Committee – with powers delegated by the Annual General Shareholders Meeting, Remuneration and Nominations Committees and Risk and Sustainability Committee. These three committees inform regularly a member of the Board of the adequacies and effectiveness of the specific requirements outlined in the Committee’s terms of reference.

During the reporting period, the Group’s companies did not face the situation of not being able to meet their financial obligations.

In 2023 there were no amendments regarding the share owner rights.

In 2023, the Board of Alro held 20 meetings that were attended by all Board members except for Mr. Marinel Burduja who participated in 16 meetings, and Mr. Igor Higer and Mr. Voicu Cheta who attended 18 sessions each.

The Audit Committee (consisting of: Mr. Vasile Iuga, Mr. Adrian Manaicu and Mr. Dorel Paraschiv) met in 10 meetings in 2023, which were attended by 3 out of 3 members.

The Remuneration and Nominations Committee (consisting of: Mr. Marian Nastase, Vasile Iuga, Mr. Marinel Burduja) met in 4 meetings attended by 3 out of 3 members.

The Risk and Sustainability Committee (consisting of: Mr. Vasile Iuga, Mr. Marinel Burduja, Mrs. Svetlana Pinzari, Mr. Adrian Fercu and Mr. Darius Paval) met in 5 meetings attended by 5 out of 5 members, except for Mr. Marinel Burduja and Mr. Darius Paval that attended 4 meetings each.

Related Party transactions

The Group and the Company enter 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. According to the legislation, the transactions witjh the related parties are public on the Compsany's website when these exceed 5% of the net assets value.

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 31 December 2023 are presented in the Consolidated and separate financial statements for the year ended 31 December 2023 for Alro and its subsidiaries. Regarding the nature of these transactions, they refer to goods sold and services rendered by the Group or acquired by the Group, if the case, from related parties such as Vimetco PLC, Paval Holding SRL, Alum S.A., Vimetco Extrusion SRL, Conef S.A., Global Aluminium Ltd., Bauxite Marketing Ltd., Sierra Mineral Holdings 1, LTD, Vimetco Trading SRL, Vimetco Management Romania SRL, Vimetco Power Romania SRL, Conef Gaz SRL, Conef Energy SRL, Centrul Rivergate SRL, Rivergate Rating Group SRL, Rivergate Fire SRL.

For more information, about significant transactions with related parties as defined by IAS 24 Reporting Transactions with Related Parties under IFRS at the date of this Report, please see Note 36 Related party transactions of the Consolidated and separate financial statements for the year ended 31 December 2023 included in the Annual report 2023 of Alro and its subsidiaries.

Corporate Social Responsibility

The Corporate Social Responsibility represents the management commitment materialized in several processes, policies, procedures, actions, and initiatives that represent an integrated part of the Group's business strategy. The business contributes to developing a sustainable and performing society in every area. The concept of corporate social responsibility also refers to the companies' involvement in solving some of the communities' problems where it operates.

The benefits of implementing the social responsibility management system are:

- it demonstrates commitment to business ethics and social responsibility;
- Protects the corporate brand;
- It enhances reputation as a responsible corporation;
- Consumers' confidence and positive perception by investors;
- Better employee morale;
- A proper working environment, safe and fair; it promotes the principles of professional ethics;
- Improved working conditions;
- Commercial risk management mitigation;
- Differentiation from other global competitors.

ALRO Group is actively involved in communities' lives by engaging in corporate responsibility programs, from providing social assistance or goods for events following natural disasters to education, sports, and health programs. The Group's management believes in the sustainable development of society, being constantly concerned with improving and developing partnerships and sponsorships, promoting and encouraging CSR practices and principles, protecting the environment, and contributing to the well-being of the community members.

The Group has a policy that constantly identifies individuals interested in its activities, recognizes their legal rights, and encourages their cooperation with the companies within the Group to create wealth and jobs and ensure the sustainability of a financially sound enterprise. ALRO publishes a CSR Report each year, which details all the actions and measures implemented for the community. As described above, in 2023, partnerships, donations, and sponsorships were some of the main interaction with the community. Based on the existing internal procedure available at each company level, we have established a transparent and non-discriminatory system for selecting and granting sponsorships.

Thus, within each company, we established a Sponsorship Committee, which meets every month and analyses the requests received based on the following criteria:

- the legal nature and object of activity of the applicant

- the value of the sponsorship
- the use and justification of the sponsorship
- other specific criteria.

We have established a specific department within each company that is responsible for receiving, registering, and submitting sponsorship requests. All requests are redirected to the Sponsorship Commission's Secretary to be analyzed by the members of the Commission. To verify the purposes for which the various sponsorships were granted, we established a monitoring and verification system that contains both specific contractual clauses and the realization by the beneficiaries of detailed implementation reports and on-site visits.
ALRO Group believes in sustainable development, which contributes to the Group's growth and represents a step forward to developing innovative aluminium solutions. The Group supplies VHAVP to technically demanding customers in the aerospace and automotive industries. It is proud to report that its lightweight aluminium contributes to the fuel efficiency of planes and vehicles, thus reducing emission levels.

The Group is aware of the critical role in the communities in which it activates, so it acts with the responsibility to positively influence them through its operations ALRO has a decisive role in the community's economic, social, cultural, and sports life.

Moreover, ALRO, the Parent-Company, due to its economic and financial potential and because it is the only producer of aluminium and aluminium alloys in Romania, is a representative company not only for the area in which it activates, but for the entire Romanian industry. ALRO is an example of how technical and financial management are blended with the one related to environmental protection and stakeholder management.

At the same time, the Group is responsible for the safety of its products and customers. ALRO Group contributes to the Romanian capital growth and the development of the national economy while ensuring a large number of jobs. ALRO is also a significant contributor to local and national budgets.

In 2023, ALRO continued to contribute and provide support in various humanitarian, social and educational actions and activities. These sponsorships were achieved through partnerships with associations and foundations, with activities in the health, educational and social-humanitarian fields.

The other Group subsidiaries are actively involved, as well, in the activity and welfare of the communities in which they operate.

Despite the current difficult situation facing the society, ALUM proves to be an active partner of the local community, getting involved in various social activities in the area, acting on several directions, through:

- Continuation of a sports-educational partnership for training the children of Alum employees in sports activities (swimming) while also supporting the organization and participation of children in sports competitions (swimming, triathlon).
- At the level of the Local Social Partnership Development Committee (CLDPS), ALUM has 2 representatives (one full member and one alternate). To support actions to support educational institutions and professional training at the local level, the company was actively involved in establishing and approving the annual activity plans in school and professional education (the previous school year, 2022-2023, as well as the school year 2023-2024);
- ALUM participated, through its representatives, as evaluators in the professional qualification certification exams of the vocational education graduates within the LTHC;
- ALUM is part of the County Commission for Equal Opportunities (COJES), having one member and one alternate. Through its members, ALUM participates in various meetings and information sessions which it later disseminates to employees;
- ALUM specialists participated in a locally organized seminar, which addressed the topic of the application of integrated solutions applicable to the digitization of HSE and HR activities. The event was organized with the support and participation of the General State Inspectorate - Labor Inspection and ITM Tulcea.
- ALUM participated in the training session with the theme "Prevention of disasters caused by human intervention" within the "CLEAN RIVER" project financed by the European Union through the Joint Operational Program Romania-Ukraine 2014-2020. The general objective of the project was the prevention and exclusion of emergency situations caused by man-made disasters in the collection systems in the border area of the Danube Delta (domain of increasing the capacity to respond to emergency situations).

ALUM also joined companies that provided humanitarian assistance by providing aid to refugees in Ukraine; thus, also until March 2023, ALUM hosted a group of refugees, providing them with accommodation in the rooms located within the Professional Development Center on the company's premises, also providing the necessary food.

Furthermore, the downstream subsidiary, Vimetco Extrusion, plays an essential role in the local community through different educational, cultural, and corporate social responsibility actions.

Human resources development

The Group encourages and promotes projects aimed to ensure the personal and professional development of its employees, as well as the communities in which they operate. Commercial relations with local suppliers are supported and encouraged within the Group, contributing to their development.

The Company has implemented annual employee performance assessments to track specific indicators of employee activity, and subsequently, those with outstanding performances can be encouraged and rewarded.

ALRO Group promotes values such as the accountability of own actions, respect between team members, the priority of the common interest, appeal to honor, creative initiative, the right to a second chance, and continuous professional and personal development.

At the Group's level, it aims to develop and implement a culture and business accountability regarding both environmental responsibility and the community. The Group's management considers that implementing healthy principles of sustainable development and a firm corporate social responsibility policy is meant to generate long-term positive and sustainable results. In this way, the Group can get in the position to generate "win-win" situations for the entire organization and its shareholders, the environment, and, last but not least, the communities in which it operates.

Moreover, internal safety and health audits are performed daily at ALRO's level.

ALRO's position is to show mutual respect for the dignity of the other and not tolerate any form of abusive behavior, harassment, threat, or violence. Employees are welcomed and encouraged to report any irregularities, abuses, or violations to their supervisor, management, HR, or any other department. ALRO undertakes to respect the principles of national and international legal requirements of human rights as stipulated in the Labor Law, European Convention on Human Rights, Universal Declaration of Human Rights, Declaration of the International Labor Organization on fundamental principles and rights at work, the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights.

Alro commonly involves in humanitarian activities in various fields, such as social, cultural, medical, educational, sports, thus reconfirming Alro as a partner of the local community, but also of various associations and foundations with projects carried out at the national level. When it is profitable and the economic conditions allow it, Alro contributes to local communities directly by sponsorships. Humanitarian activities carried out by Alro in 2023 were related to:

- Support for various associations such as ASCAR, A chance for life, the Association for Success, Health and Education ASES, Slatina hospital;
- Financial support granted to give Christmas gifts to children from foster care centers, adults, elderly and disabled people assisted in care and social assistance centers within the General Directorate of Social Assistance and Child Protection Olt;
- Material support granted to the Association "Supporting the artist children from Romania". The association was established to support children and young artists in Romania, who do not have the financial and relational means to develop and make known the talent they have been gifted with;
- Supporting professional education in a dual system, by awarding scholarships and facilitating internships within ALRO;
- Financial support granted for the purchase of equipment to meet the current medical needs of the patients of the Children's Department X - Prof. Dr. Monica Luminos from the National Institute of Infectious Diseases " PROF. Dr. MATEI BALȘ" Bucharest;
- The support of the Energia Inteligentă Association - for the financial support of the "Energy for Life" campaign, a campaign that aims to install a photovoltaic system consisting of photovoltaic panels, supports, accumulators, light bulbs, etc. to 5 isolated households in the Vrancea Mountains;- Financial support granted to the "Dăruiește Viață" Association - for the improvement of infrastructure and health services and medical assistance within the public health system in Romania;

In 2023 Vimetco Extrusion also developed various programs such as equipping isolated households with photovoltaic panels, acquisition of medical equipment for Slatina Emergency Hospital that will contribute to increasing the quality of the medical interventions of hospitalized patients from all the county, sponsorships for supporting social cases and projects dedicated to the people from disadvantaged backgrounds, as well as the elders of the community.

In 2023, the negotiations of the new Collective Labor Agreement were concluded. The contract was negotiated and signed on 1 March 2023.

In 2023, the communication with the employees was made through:

- written and electronic notices and notifications (e.g. decisions, orders, circulars, notes, reports, system and work procedures, tasks and work arrangements, internal regulations, data and information on the economic-financial and social situation of the company or about the international aluminium market, etc.);
- meetings and hearings (e.g. discussions regarding the professional and personal development of employees, responses to petitions);
- meetings with trade unions (e.g. answers to specific issues raised by trade unions, training programs);
- informal meetings, occasioned by various events.

Among EA, ALRO was the company with the fewest labour accidents in 2022 and 2023.

ALRO Group training policy

The professional training of the employees is carried out based on the annual professional training program approved by the ALRO management. Its main objective is to increase professional skills to improve employees' individual and team performance.

In 2023, the professional training of the employees was carried out according to the Annual Training Program.
The training activity within the Group is based on:
- Annual programs for professional development;
- Operational procedures on professional development, competencies, awareness and training, certifications, and professional assessments;
- Collective Labor Agreement;
- Human resources – specialized organizational structure within the Parent-Company and each subsidiary.

Continuous professional training of ALRO Group's employees is carried out based on the annual training programs, which consist of a diverse range of implementation ways:

For workers, in 2023, qualification and requalification courses were organized, programs that allow the establishment, at the organizational level, of a reserve of qualified personnel in deficient trades and the provision of sections with specialized technologist staff. Thus, qualification courses were organized in the trades of laminitis, foundry, track, earthmoving machinist, etc. Great attention was paid to the ISCIR authorization of the operator for exercising the professions of crane machinist and fork lifter, NDT operators' authorization, and electricians' ANRE authorization. The employees of the Quality Inspection Department, CNC operators, participated in a professional training course on operating Okuma machines (lathe and milling), organized in collaboration with GreenBau.

TESA employees from all fields of activity (such as technical, industrial automation, IT, economic and others) have followed professional training programs or specialization programs to access the most advanced information, best technical and financial practices and other fields of interest to the Company. The training and professional specialization of the employees involved in the "AERO" and "AUTO" Projects continued. The organization of internal professional training programs will continue, the purpose of which is to change the mindset of employees regarding self-control, quality, cost reduction, efficient use of the resources necessary to carry out activities, compliance with the system and operational procedures, as well as improving communication. with support and guidance from external consultants.

Starting October 2023, eight employees participated in the EMBA postgraduate program, organized in collaboration with ASEBUSS Bucharest.

ALRO employees mainly participated in programs in the following areas:
- Management, leadership, communication, etc., programs developed through the eLearning platform;
- Sustainability, compliance, and trends (European pact, legal reporting environment, taxonomy regulation, etc.);
- Professional training on policies, procedures, and regulations in the field of sustainability (Code of ethics and conduct, Human Rights Policy, CSR Policy, equal opportunities, and non-discrimination, procedure for solving requests, notifications and complaints, etc.)
- Accounting and taxation;
- Human resources, occupational safety and health;
- Environmental protection, SEVESO systems;
- ANRE authorization of electricians and ISCIR authorization of RSVTI officials;

Anticipated professional training

The main goal is to offer advanced training to future potential employees (i.e. pupils from vocational and high schools, students, other categories of young people, etc.).
Alro has active partnership with the Slatina Metallurgical High School for the vocational school; Partnership with the Politehnica University of Bucharest, the Transilvania University of Brasov and the University of Craiova. In 2023, Vimetco Extrusion also concluded partnerships with 2 large universities in the area: The National University of Science and Technology Politehnica Bucharest and the University of Craiova, with the aim to develop programs dedicated the students.

Dual professional education The Academy Skills Project

ALRO and the Slatina Metallurgical Technical College started the first dual professional educational class in Olt County in 2017. Through this partnership, ALRO became an active part of the training and professional qualification process, providing qualified staff, workshops, and space for practical classes and providing logistics and equipment so that students can obtain and apply the skills required to perform the qualifications chosen.

ALRO, in partnership with the Metallurgical Technological High School Slatina, collaborated in the development and implementation of the project "Dual Vocational Education" by organizing two classes of students in the profession of "Mechanics of machinery and installations in the industry", "Appliance electronics and equipment" and the profession of "Electrician operating low voltage". In 2023, Alro hired a number of 13 graduates of the vocational school in dual regime, in the professions of mechanic and electrician.

ALRO financially supports vocational school students in dual regime, in the professions of mechanic and electrician. ALRO will financially support the students, during the internship, by awarding scholarships for RON 200/month/student. The scholarship is awarded every school year based on the contracts concluded between ALRO, the Metallurgical Technical College, the student and the parent/person/guardian who exercises parental authority for the minor student. ALRO provides the internship, work equipment and hot meal and, depending on needs, it offers the possibility to hire students after graduating from the qualification exam that will be held at the end of the schooling period

Subsequent events

Completion of fiscal audit at Alro

Starting July 2023, the Parent Company of the Group has been subject to a substance fiscal audit by the National Agency for Fiscal Administration for the period January 2016 - December 2020. In October 2023, the National Agency for Fiscal Administration sent a notice regarding the extension of the fiscal audit also for the year 2021. On 23 January 2024, the fiscal inspection was completed and the inspection report resulted in additional charges, interest and penalties in a total amount of RON 21,643 thousand, that the Company booked in its relevant tax accounts. The Company will challenge the report and will use all the necessary measures to recover the charges.

For other details regarding the events that could impact the financial statements, please see *Note 40 - Events after the reporting date* of the Consolidated and separate financial statements for 2023

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2023	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section A - Responsibilities			
A.1.All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each independent member of the Board of Directors, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement and according to the provisions provided by the art. 4.1-4.9 from the Code.	YES		
A.5. Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES		
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	YES		

Code compliance statement (continued)

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2023	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section B - Risk management and internal control system			
B.1.The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The audit committee should be chaired by an independent non-executive member.	YES		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	YES		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		

Code compliance statement (continued)

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2023	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section C - Fair rewards and motivation			
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in due time.	YES		
Section D - Adding value through investors' relations			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) - at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the Code; D.1.4. Information related to general meetings of shareholders; the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. investor presentations, quarterly results presentations etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES		

Code compliance statement (continued)

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2023	Compliance	Non-compliance or partial compliance	Reason of non-compliance
D.2. The company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		NO	The Company has no dividends policy and shall take the adequate measures in order to comply with CGC.
D.3. The company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		NO	The Company has no forecasts policy and shall take the adequate measures in order to comply with CGC.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7. Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		NO	The Company is working for the amending of the GC Rules in order to comply with the new CGC.
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
D.9. The company should organize at least two meetings/ conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES		
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

Responsibilities of the Board of Directors

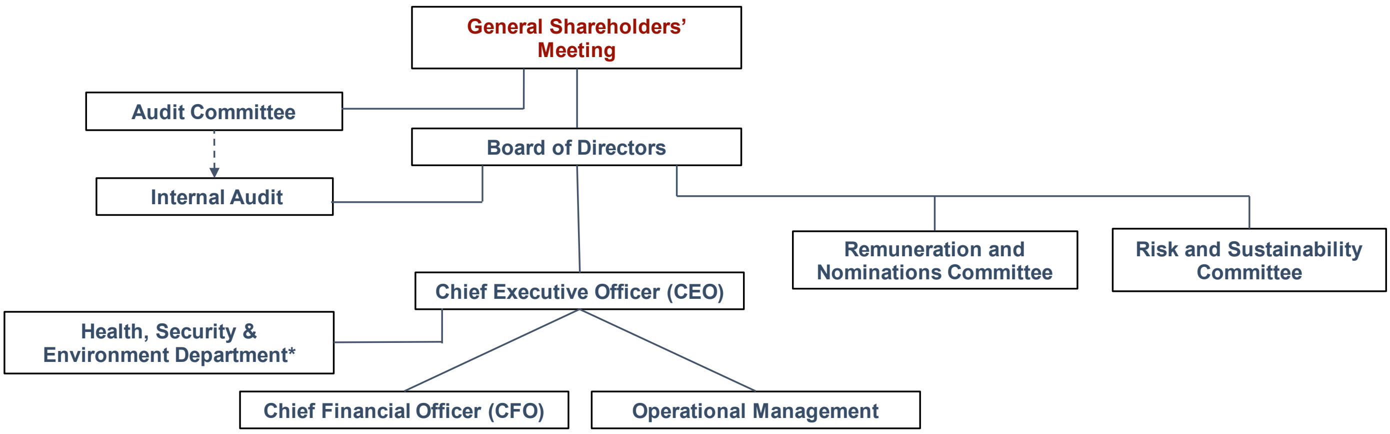
General presentation

During the reporting period, the Company had the following corporate governance structures: Board of Directors and Executive Management, Audit Committee, Remuneration and Nominations Committee, Risk and Sustainability Committee, ruling structures that represent the interests of the Group, of the Parent-company and its shareholders and is responsible for the overall management of the business.

The Board of Directors has to keep the public informed at least about:

- the role and obligations of the Board;
- the Board's structure, mentioning the number of administrators (executive and non-executive, independent members);
- the manner of appointment of the Board members and the procedure of electing them;
- the prerogatives and responsibilities of each corporate governance structure;
- the Board and Executive Management members' remuneration policy;
- the manner of appointment and the procedure of electing the members for the Audit Committee, Remuneration and Nominations Committee, Risk and Sustainability Committee. The Board's current structure ensures that a balance between executive and non-executive members is maintained. The Board of Directors has several members that guarantee the efficiency of its ability to oversee, analyse, and evaluate the work of managers and the fair treatment of shareholders. Moreover, the Company considers the independence of its members, applying the evaluation criteria established by the Corporate Governance Code. Thus, during 2023, ALRO's Board had at least two independent members, and since December 2020, the Board of Directors of ALRO counts three independent members.

Nevertheless, the decision-making process remains a collective responsibility of the Board, which will be held responsible for all decisions made while carrying out its competencies. The Board is responsible for reviewing relevant documents to achieve the Company's main scope of the business, except the ones required by law and statutory for GSM or the Company's Management.



Notes:

* From an operational point of view, this function is directly subordinated to the CEO

◄- - - The Audit Committee supervises the Internal Audit Team

The election of Board members is made through a formal, rigorous, and transparent procedure, and it is based on the recommendations made by the Remuneration and Nominations Committee. The Company publishes on its website the CVs of the candidates proposed for being elected as Directors and the qualifications they hold. Also, information on personal and professional qualifications for current members of the Board and Executive Management can be found on the Company's website, www.alro.ro.

Every time a Board member is nominated, GSM aims to ensure a balanced structure of the management body, in line with the Company's activity. As a principle, the nomination of a Board members takes into consideration the graduation of long-term higher education studies, as well as one or more from the following personal and/ or professional qualifications:

- holding a technical qualification in the field in which the Company activates;
- significant management experience, no matter the field in which it was obtained;
- economic education, specialisation or training classes;
- practical communication skills;
- ability to contribute to the Company's development strategies;
- good moral conduct.

The Board of Directors activates following the Company's Articles of Association, the Rules of Organization and Operation of the Board and other internal policies for the consultative Committees. The Board meets at least once every month or whenever the situation requires it. The agenda of these meetings complies with the role and obligations of the Board of Directors following the law and the Articles of Association.

ALRO's Committees

ALRO has in place a one-tier system and three committees, i.e. the Audit Committee – with powers delegated by the General Shareholders Meeting, Remuneration and Nominations Committee and Risk and Sustainability Committee – designated by the Board of Directors.

Audit Committee

Annual General Shareholders Meeting held on 23 March 2018 approved by Decision no. 584/23.03.2018 the setup of the Audit Committee and by decision no. 587/23.03.2018 approved this Committee's Terms of reference. Subsequently, during the General Shareholders Meeting held on 21 January 2020 the Decision no. 653/21.01.2020, and also Decision no. 703 and 704 for 28 April 2022 and Decision no. 732 from 25 April 2023, updated the Audit Committee's Terms of reference and the new composition of the Audit Committee is as follows: Vasile IUGA (Chairman – Independent Member), Adrian MANAICU (Member) and Dorel PARASCHIV (Member).

The Audit Committee is a committee elected by the Extraordinary General Shareholders Meeting of ALRO. It has powers delegated to it under the Articles of Incorporation and the applicable legislation and standards.

Among the Audit Committee's duties are:

- **Financial reporting** – the Committee's members shall issue an opinion on the management's actions and judgments, monitor the integrity and reliability of the financial information, review the reports from the external and internal auditors as appropriate, etc.

- **External audit** - the Committee shall oversee the Company's relations with the external auditors. It shall consider and make recommendations to the Board on their appointment, reappointment, or removal to annually assess the qualification, expertise, resources, independence, objectivity, and effectiveness of the external auditors and the external audit process, etc.

- **Internal audit** - The Internal Audit performs an annual assessment of the internal control system to determine the effectiveness and scope of the internal audit function and the adequacy of risk management. It also assesses the management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and relevant reports are being submitted to the Board. The Internal Audit reports to the Board. The Audit Committee reviews periodic reports on the results of the internal auditors' work, considers the material findings of their investigations, examines management's response, etc.

- **Risk and internal controls** - review the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. These risks include financial reporting, internal control, and risk management. The Committee receives reports from management and the external and internal auditors on the effectiveness and integrity of those systems to review the Company's procedures for detecting fraud and whistleblowing. It also has to ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or such other issues, etc.

The Committee regularly files reports to the Board on all matters within its duties and responsibilities. Moreover, Committee should file reports, mainly where there are matters for which it considers that actions or improvements are required, including recommendations as to the steps to be taken.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee has powers delegated by the Board of Directors. It is composed of three of the Board's non-executive members, out of which two of them have to be independent members and the Chairman of the Board has to be one of the members. The composition of ALRO's Remuneration and Nominations Committee is Marian NĂSTASE (Chairman), Vasile IUGA (Member), and Marinel BURDUJA (Member).

Among the Remuneration and Nominations Committee's duties are:

- Obtain independent legal or independent professional advice at the Company's expense and secure the attendance of external experts with relevant experience and expertise if it considers this necessary;
- Determine and recommend to the Board the strategy and policy for the remuneration of the Board members, of the Executive Management and the Senior Management;
- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company, determine the relevance to achieve the performance of events not foreseen, or of factors not taken into account when setting the performance targets, and approve the payments made under such schemes;
- Establish guiding criteria for Board membership;
- Perform other tasks concerning the nomination or removal of members of the Board, as may be delegated by the latter etc.

Risk and Sustainability Committee

The Risk and Sustainability Committee is elected by ALRO's Board of Directors and has powers delegated by it. Among the Committee's main objectives are:

- Overseeing and making recommendations to the Board regarding the Company's general risk management policy, and
- Assisting the Board in reviewing the adequacy, effectiveness, and compliance of the Company's risk management policies.

The composition of ALRO's Risk and Sustainability Committee is Vasile IUGA (Chairman), Svetlana Pînzari (Member), Adrian Fercu (Member), Marinel BURDUJA (Member) and Darius Pavăl (Member).

The general areas covered by the Risk and Sustainability Committee's duties are:

- **Risk management** - Review any periodic risk management reports prepared by the executive management and present to the Board at least semi-annually the overall assessment results, review and monitor the operational contingency planning and assurance processes within the Company to ensure all material risks and critical systems and processes are identified and that appropriate contingency plans are in place and are effective, liaise with the Audit Committee on risk management processes for the identification and management of material financial risks, as these are the responsibility of the Audit Committee etc.

- **Sustainability** - Identify the strategic risks to business continuity in the medium and long run. Contribute to the business strategy development in the short, medium, and long run, proposing adequate measures and actions from a risk and sustainability perspective. Identify any other key factor that may endanger the development of the Company's business and operations due to the dynamic evolutions of different elements with impact on the Company's activity, etc.

- **Health, Safety, Environment and Social Responsibility** Review and monitor the processes in place designed to ensure compliance with all Company Health, Safety, Environment, and Social Responsibility Policies and Standards. Monitor the adequacy of safety, environment, and Social Responsibility reporting systems for actual or potential incidents, breaches, and trends. Oversee the preparation by the executive management of the environmental protection plan within the Company, which is designed to ensure that all material environmental risks are addressed by plans appropriately developed and implemented etc.

The Biography of the Board's members

The Board of Directors represents both the interests of the Company and of its shareholders and is responsible for the overall management of the Company.

At 31 December 2023, ALRO's Board of Directors consisted of 11 members and its structure is as described below:

BOARD OF DIRECTORS	RELEVANT EXPERIENCE AND SKILLS	OTHER PROFESSIONAL COMMITMENTS
Marian-Daniel NĂSTASE Birth year: 1972 Date of first appointment: November 2002 Reappointed: April 2023 Term of office expires in: April 2027 ***Position held within the Company*:*** Chairman and Non-Executive Member of the Board of Directors since April 2019 **Member in other Committees within the Company** Chairman of the Remuneration & Nominations Committee since August 2019	Marian Năstase graduated from the Academy of Economic Studies in Bucharest where he majored in foreign trade and subsequently obtained an INSEAD Diploma for Board members. Marian Năstase has extensive experience in financial consulting and auditing. He has worked at Deloitte & Touche in Romania, amongst other advisory firms. In 2002, Marian Năstase joined ALRO as the Executive Director in charge of all financial affairs of the Company. Mr. Năstase was subsequently appointed as Vimetco Country Manager Romania and his current mandate covers all Vimetco Group's operations in aluminium, natural gas and electric power in the country.	Marian Năstase is Board or Management member within the following companies: Vimetco PLC, Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial Ltd and he is the Chairman of the Association of Big Industrial Energy Consumers Romania (ABIEC).
Svetlana PÎNZARI Birth year: 1961 Date of first appointment: March 2018 Reappointed: April 2023 Term of office expires in: April 2027 *Position held within the Company*:* Vice-President since November 2019 and Non-Executive Member of the Board of Directors since April 2019 **Member in other Committees within the Company** Member of the Risk and Sustainability Committee since May 2022	Svetlana Pînzari graduated from Columbia University, New York where she majored in Economics. Ms. Pînzari performed an internship at International Monetary Fund and has large experience in banking. She held management positions for several commercial banks and for Central Bank being responsible for corporate governance, investments, treasury, and national payment system. She acted as Head of Assets and Liabilities Committee, member of Credit Committee and as a member of Board of Directors She joined ALRO as Deputy Financial Director; in 2006 she was subsequently appointed as Chief Financial Officer of ALRO Group and as member of Board of Directors for ALRO and ALUM until 2013. She was responsible for budgeting, reporting, accounting and treasury. She is currently director of Vimetco Management Romania and Vimetco Trading.	Svetlana Pînzari is Board or Management member within the following companies: Vimetco Management Romania SRL (until 14.12.2023), Vimetco Trading SRL, Everwide Industrial Ltd, Rivergate Rating Group SRL.

Note the position held within the Company as per last mandate*

At 31 December 2023, ALRO's Board of Directors consisted of 11 members and its structure is as described below (cont.):

BOARD OF DIRECTORS	RELEVANT EXPERIENCE AND SKILLS	OTHER PROFESSIONAL COMMITMENTS
Gheorghe DOBRA Birth year: 1959 Date of first appointment: November 2003 Reappointed: April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Executive Member of the Board of Directors since April 2019 **Member in other Committees within the Company** Member of the Risk and Sustainability Committee until 11 May 20203	Gheorghe Dobra, PhD, Executive MBA graduated from the Bucharest Polytechnic Institute, Romania in 1984 and joined ALRO where he passed through all stages of a successful professional career. Since 1993, Gheorghe Dobra is the Chief Executive Officer of ALRO. Mr. Dobra main achievements in the Company are: • successful privatization of the Company between 2000 - 2002; • increased the Company's economic and financial performance; • technical and technological upgrade to the highest international standards • increased high and very high added value production; • substantial investments in the environment, which led to improved working conditions and greening the whole company; • reduced costs, focusing on increasing energy efficiency; • re-engineering the organization with positive effects on business optimization; • ALRO accreditation as a supplier for the demanding market of aerospace and automotive industries; • increased the number of social programs for employees and the local community; • increased the Company's creditworthiness on aluminium international market; • vertical integration of production cycles within the Group.	Gheorghe Dobra is Board or Management member within the following companies: Vimetco PLC and Vimetco Power Romania and he is the Chairman and CEO of Alum SA.
Vasile IUGA Year of birth: 1954 Date of first appointment: April 2023 Reappointed: April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Independent Non-Executive Member of the Board of Directors since April 2019 **Member in other Committees within the Company** Chairman of the Audit Committee since April 2019 Member of the Remuneration & Nominations Committee since August 2019 Chairman of the Risk and Sustainability Committee since March 2020	Vasile Iuga is one of the most experienced business consultants in Romania, with over 28 years of extensive experience in the implementation of International Accounting Standards, financial audit, evaluation and business restructuring, corporate governance, in takeovers, mergers, business acquisitions, privatisations and strategic consultancy, in energy, finance, industry and capital markets, in Romania and Eastern Europe. Before, he worked for 12 years in the aeronautical industry, as testing engineer. He is a graduate of The Faculty of Aerospace Engineering of Politehnica University of Bucharest. He also attended executive trainings with Harvard Business School, INSEAD Paris and IMD Lausanne. Vasile Iuga began his consulting career in PwC Romania in 1991, where a long period of time (2004-2016) was Country Managing Partner for Romania, being the first local partner appointed Managing Partner in Central and Eastern Europe in PwC. He acted in PwC until 2016, last position held being member in the Management Board of PwC for Central and Eastern Europe. Mr. Iuga is a member of a number of professional bodies: Association of Chartered Certified Accountants from UK, The Chamber of Financial Auditors of Romania (CAFR), and The National Association of Authorized Romanian Valuers (ANEVAR). In 2012, in acknowledgement of his contribution to the development of entrepreneurship in Romania and the important role in development of the professional services in Romania, Vasile Iuga was awarded the title of Professor Honoris Causa from Babes-Bolyai University in Cluj-Napoca, Romania.	Vasile Iuga is an independent member of the Board of Directors of Patria Bank S.A. and MASREI (JSE) and observer of the Audit Committee of the European Investment Bank.

Note the position held within the Company as per last mandate*

At 31 December 2023, ALRO's Board of Directors consisted of 11 members and its structure is as described below (cont.):

BOARD OF DIRECTORS	RELEVANT EXPERIENCE AND SKILLS	OTHER PROFESSIONAL COMMITMENTS
Marinel BURDUJA Year of birth: 1953 Date of first appointment: April 2019 Reappointed: April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Independent Non-Executive Member of the Board of Directors since April 2019 **Member in other Committees within the Company** Member of the Remuneration & Nominations Committee since August 2019 Member of the Risk and Sustainability Committee since March 2020	Marinel Marinel Burduja graduated the Academy of Economic Studies, Faculty of International Business and Economics in 1976. Moreover, in 1982, Mr. Burduja obtained an international law degree from the Faculty of Law of the University in Bucharest. Mr. Burduja is a banker with an extensive experience and a prodigious career. Marinel Burduja was the mayor of Piatra Neamt municipality (in 1990) and the first president of the Romanian Federation of Municipalities, member of the Romanian Parliament and Vice-President of the Foreign Policy Commission (during 1990 - 1991), and in banking field Mr. Burduja held for 25 years several positions as an Executive Board member in prestigious institutions such as the Romanian Foreign Trade Bank, ABN-AMRO, Credit Anstalt, Raiffeisen Bank. Mr. Burduja has been a collaborating professor of the Romanian Banking Institute (RBI) and is a member of the Institute of International Finance (IIF) and a member of the Romanian Businessmen Association (AOAR). He has been the President of the Lauder-Reut Friendship Forum in Romania, currently being a member of this institution, too.	N/A
Adrian FERCU Year of birth: 1976 Date of first appointment: April 2023 Reappointed: N/A Term of office expires in: April 2027 **Position held within the Company*:** Non-Executive Member of the Board of Directors since April 2023 **Member in other Committees within the Company** Member of the Risk and Sustainability Committee since May 2023	Adrian Fercu is currently Management Consultant with Dedeman and member of the Investment Committee with Paval Holding. In 2019, he joined Dedeman/Paval Holding, with main responsibilities in financial investments (capital markets, private equity and portfolio management). He worked for several years in various banks such as RBS Bank, ABN-AMRO Bank, BRD, UniCredit, where he held positions of Account Manager, Branch Manager and Regional Director. Adrian Fercu graduated from Al. I. Cuza University in Iași, Faculty of Economic Studies, with Bachelor's degree in Finance and Banking.	Adrian Fercu is also a non-executive member of the Board of Directors with Cemacon SA and Vrancart SA.
Darius PAVĂL Year of birth: 2000 Date of first appointment: April 2023 Reappointed: N/A Term of office expires in: April 2027 **Position held within the Company*:** Non-Executive Member of the Board of Directors since April 2023 **Member in other Committees within the Company** Member of the Risk and Sustainability Committee since May 2023	Darius Pavăl graduated from The American School in Switzerland (TASIS) in 2019 and subsequently, in 2022, from Bayes Business School (Cass) at the University of London, specializing in business management, digital innovation & entrepreneurship. In 2023 he obtained his master's degree in entrepreneurship from UCL School of Management. He has been involved in various activities across multiple departments at Dedeman since 2020. Currently, he is actively involved in the company's development and improvement projects.	

Note the position held within the Company as per last mandate*

At 31 December 2023, ALRO's Board of Directors consisted of 11 members and its structure is as described below (cont.):

BOARD OF DIRECTORS	RELEVANT EXPERIENCE AND SKILLS	OTHER PROFESSIONAL COMMITMENTS
Voicu CHEȚA Year of birth: 1981 Date of first appointment: April 2019 Reappointed: April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Non-Executive Member of the Board of Directors since April 2019 **Member in other Committees within the Company** N/A	Voicu Cheța is a lawyer at the Bucharest Bar Association with a legal experience of over 15 years. His speciality practises covers various areas such as high-value commercial litigation, commercial arbitration, insolvency and restructuring, labour relations, public procurement, administrative litigation, debt recovery and corporate law. In the field of legal advice and representation before law and arbitration courts, he has gained an overall view and proven competences to approach commercial legal relationships in a manner that ensures their correlation with the needs of economic activity.	Voicu Cheța is board member within the following companies: S.N. Plafar S.A. and C.N. Administratia Canalelor Navigabile S.A.
Genoveva NĂSTASE Year of birth: 1975 Date of first appointment: April 2022 Reappointed:April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Executive Member of the Board of Directors since April 2022 **Member in other Committees within the Company** N/A	Genoveva Năstase graduated from the Academy of Economic Studies Faculty of Commerce in 1999. She also graduated with the Executive MBA organized by ASEBUSS in partnership with Kennesaw State University, Atlanta, USA, in 2018. Genoveva Năstase has extensive experience in corporate finance, financial modelling & reporting and financial analysis, working previously at Deloitte & Touche in Romania and some other advisory boutique companies. Genoveva Năstase has been working with the ALRO Group since 2002, covering the financial affairs of the Group companies from a Deputy CFO position till 2013 and then from a CFO position till today.	

Note the position held within the Company as per last mandate*

At 31 December 2023, ALRO’s Board of Directors consisted of 11 members and its structure is as described below (cont.):

BOARD OF DIRECTORS	RELEVANT EXPERIENCE AND SKILLS	OTHER PROFESSIONAL COMMITMENTS
Igor HIGER Year of birth: 1978 Date of first appointment: April 2022 Reappointed: April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Non-Executive Member of the Board of Directors since April 2022 **Member in other Committees within the Company** N/A	Mr. Higer has a wide multicultural international experience in several industries. From 2005 up to present including, Mr. Higer was focusing on business development and strategy advise to ALRO and companies comprising Vimetco Group but acting also as managing partner for projects in the areas of manufacturing, mining and real estate in various countries worldwide, including Israel and Romania. In 2007, Mr. Higer was appointed Chairman of the Board in Vimetco Extrusion. Starting 2009 he was appointed as CEO of the company, having as main achievements: • Overall increase company’s financial and economic performance; • Technological upgrade in accordance with highest international standards; • Development of new markets with emphasize on production of very high added value products; • Significant investments related to environment which have led to improved working conditions; • Cost reduction actions with focus on increasing efficiency for energy and raw material consumption; • Boost social responsibility programs for both employees and local community; • Increase company’s creditworthiness on the international aluminum market.	Mr. Igor Higer is a Vice-President of the Board of Directors of Alum SA.
Dragoș-Adrian VONCU Year of birth: 1974 Date of first appointment: April 2022 Reappointed: April 2023 Term of office expires in: April 2027 **Position held within the Company*:** Non-executive Member of the Board of Directors since April 2022 **Member in other Committees within the Company** N/A	Mr. Voncu has been working with the Company since November 2003, holding the position of Legal Manager, except for the period between June 2009 and August 2011, when he served as Legal Manager of Vimetco Management Romania. During the period from August 2011 to February 2014 Mr. Voncu practiced as an independent lawyer. Currently, Mr. Voncu also holds the positions of secretary of the Board of Directors, Audit Committee, Remunerations and Nominations Committee and Risk and Sustainability Committee and of Legal Manager within Alro, Alum and Vimetco Management Romania. Previously, Mr. Voncu was a member of the board of directors of Sierra Mineral and sole director of Global Aluminium Ltd., Centrul Rivergate S.R.L. and Conef. Mr Voncu is a member of the Bucharest Bar since 2011. He graduated from the University of Craiova, Faculty of Law, in 1997 and attended the Romanian-American School of Business (ASEBUSS), in partnership with Kennesaw State University, US, where he obtained an Executive Master of Business Administration degree (EMBA) in 2018.	He is the titular lawyer for "Dragoș-Adrian Voncu” Individual Law Office. He is the Legal Manager within Alum and Vimetco Management Romania and the secretary of Alum's Board of Directors.Mr. Voncu is a member of the Board of Directors of Conef SA.

Note the position held within the Company as per last mandate*

ALRO's executive management structure

The executive management of ALRO has delegated powers from the Board of Directors and is legally representing the Company, being responsible for managing the daily operations. The Executive Management term is of four years.

Gheorghe Dobra (1959) - Chief Executive Officer

Gheorghe DOBRA, Ph.D., Executive MBA, joined ALRO in 1984, occupying several positions, from a specialist engineer to Executive Manager.

Gheorghe DOBRA is currently the Chief Executive Officer of the Company. Mr. DOBRA's current mandate was extended in April 2023.

Genoveva Năstase (1975) - Chief Financial Officer

Genoveva NĂSTASE graduated from the Executive MBA organized by ASEBUSS in partnership with Kennesaw State University, Atlanta, USA, and is the CFO of Vimetco Management Romania and worked as Deputy Finance Director for ALRO for over seven years, from 2002 until 2009.

Genoveva NĂSTASE has extensive corporate finance experience, financial modelling, financial analysis, and reporting. Genoveva NĂSTASE's current mandate as Chief Financial Officer of the Company was extended in February 2021.

Other information required by the Code

Within the Statement regarding the conformity with the Code, the management of the Company states that, during 2023, an assessment of the Board members was conducted by the Chairman of the Remuneration and Nominations Committee (see the Statement regarding the conformity with the Code, section A.8.):

In 2023, the Board of Directors met in 20 meetings (2022: 24 meetings), during which decisions were adopted concerning mainly the following:

- Approval of contracts that are within the Board's competency;
- Adopting the executive management reports;
- Acknowledgment of the main economic and financial indicators of the Company;
- Adopting the Company's organisational structural changes;
- OGSM and EGSM convocation following the terms of the Articles of Association
- Approval of the Annual Report for 2022, including the financial statements for 2022 etc.

For these Board meetings, the quorum required by law as stipulated in the Company's Articles of Association was met, and the average participation rate was 96% (2022: 85%).

Risk management and internal control system

The management of the risk to which the Group is exposed

According to the BSE's Code of Corporate Governance adopted by the Company and the Group, ALRO Group meets the requirements of:

- Transparency, financial reporting, risk management and internal audit;
- Having Board members with the necessary professional training or a significant and relevant managerial experience, allowing them to analyse the overall financial position of the Company and the Group;
- Risk management processes and corporate governance, ensuring that these mechanisms are functional and effective.

The Board members support, coordinate, and actively improve the risk management system through continuous and direct monitoring. The risk management is conducted under policies approved by the Board. The treasury department identifies, evaluates, and hedges financial risks in close collaboration with the operational units of the Group. The Board provides written principles for overall risk management and written policies covering specific areas such as currency risk, interest rate risk, credit risk, and price risk.

At the same time, risk management is an integral part of the decision-making process within the Parent-company, ALRO. Each major project or the implementation of a new strategy or direction (respectively regarding the investments area or, for example, changing the production mix) involves organising meetings with the Company's top management and the Group engaged in the respective project.

These meetings aim to examine these decisions from all points of view and, implicitly, assess the risks associated with them and determine whether the expected results to be obtained after implementing a new project will be beneficial for the Group's business model. Moreover, third-party experts' opinions are considered (e.g. internal audit and/or external consultants, depending on the situation). They are subsequently used for making the final decisions so that the final verdict is based on a comprehensive and objective analysis.

The Group's risk management system goals seek to secure the daily operations and provide economic value-added in the medium and long term. This is possible by effectively managing the risks the Group companies are exposed to and estimating their potential impact on cash flows by meeting the limits set by management regarding the risk appetite.

The Group and the Company activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company financial performance. The Group and the Company may use derivative financial instruments to hedge certain risk exposures.

The Audit and Risk&Sustainability Committees carry out risk management throughout the organisation. Please see the other relevant sections dedicated to these committees' duties in this respect.

Operational & Commercial risks

The Group’s results depend on the market for primary aluminium, a highly cyclical commodity affected by global demand, international environment political factors, and supply conditions. The price of aluminium has historically been volatile and subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty, the overall performance of global and regional economies, currency fluctuations, and speculative actions. In addition to the Primary Aluminium market, the Group's results depend on the flat rolled aluminium market. Moreover, the primary and processed aluminium market is global and highly competitive.

Also, the Group is vertically integrated and has a diverse and complex portfolio of assets, production capacities, inventories. The Parent-company, ALRO, ALUM, VE are particularly exposed to risks related to the safety of production processes and event risks like explosions, strategic equipment failure, etc. Thus, analyses are performed, incidence scenarios are developed and, afterward, safety plans are set in case of occurrence. For the strategic equipment spare parts, inventories were made. In the case of unforeseen events, the Group can resume operations as quickly as possible, and thus, the inherent losses in such situations are minimised.

In addition to these safety measures and plans, the Group has an active insurance policy that covers both the material damage for equipment and inventories and any possible losses resulting from equipment failures, which could lead to the interruption of the operations for a specific time.

Capital risk management

The Group and the Company's objectives when managing capital are to safeguard the Group and the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

The capital structure of the Group and the Company consists of debt, which includes the ***Total borrowings and leases*** disclosed in Note 29, net of ***Cash and cash equivalents, adjusted*** as disclosed in Note 37 and shareholders' equity.

The Group and the Company management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Market risk

The Group and the Company's activities expose them primarily to the financial risks of changes in commodity prices, energy prices, foreign currency exchange rates and interest rates. The Group and the Company are naturally hedged through the price of ingots and scrap material. The Group and the Company may enter into a variety of contracts for derivative financial instruments to manage their exposure to market prices, such as: - commodity options to protect Group and Company cash flows from the adverse impact of falling aluminium prices; - swaps to manage the needs of clients for fixed prices and the associated commodity price risks resulting from quotations of aluminium based on the London Metal Exchange price for High Grade Aluminium.

The Group is exposed to market risk through the prices of traded products and the variations in cash flows generated by its activities: refining alumina, obtaining primary and processed aluminium, and extruded products. Therefore, this is a significant risk for the Group and Company and should be considered a strategic component in determining the Group’s and Company’s risk profile, due to its effects directly visible in the Group’s cash flows, respectively of the Parent-company. Consequently, this risk is closely monitored and analysed. Reports that supervise the cash flows evolution are prepared regularly, so sufficient liquidities are permanently provided for the everyday running of operations.

ALRO uses hedging only to reduce the level of exposure against market risk; it did not contract or trade derivative financial instruments for speculative purposes. Derivative financial instruments are monitored and measured monthly at fair value, when such contracts are concluded. For further details, please see Note 37 – Risk management of the Audited Consolidated and Separate Financial Statements for the year ended 31 December 2023 included in this Report.

Foreign currency risk

By considering the nature of the activities carried out, the Group and the Parent Company are subject to foreign currency risk. These risks refer to exposure to the volatility of the functional currency against other currencies such as USD and EUR (a share of the aluminium sales are denominated in USD or EUR, while a large part of the operating costs depends on the functional currency, RON). Foreign currency risk results from future commercial transactions of receivables and liabilities. Thus, the effect of foreign currency risk on cash flows and the correlation with the aluminium price on the international markets are constantly monitored. In this way, it is possible to hedge the anticipated cash-flows in foreign currencies to the extent that the market allows doing this with reasonable costs within the limits of the available trading lines. Considering the net exporter position of the Company, any depreciation of the local currency against USD and EUR is beneficial for the business.

The Group and the Company operate internationally and undertake certain transactions denominated in foreign currencies. Hence, the Group and the Company are exposed to foreign exchange risk arising from various currency fluctuations against the reporting currency, primarily with respect to the EUR and USD. Exchange rate exposures are analyzed and managed by natural hedge with transactions in foreign currencies by utilising spot or forward foreign exchange contracts or other types of derivatives. The risk management policy used by the Group and the Company is to hedge between 0 and 50% of anticipated cash flows in USD and EUR (Romanian sales and purchases) by practicing an active hedging policy and thus covering a variable percentage based on the market opinions regarding future exchange rates correlated with the net exporter position of the Company, as far as the Management considers it appropriate and the market allows this at reasonable costs.

The Group's exposure to currency risk results from:

- highly probable future transactions (sales/ purchases) denominated in foreign currency;
- firm commitments denominated in foreign currency, and
- monetary items (mainly trade receivables, payables, and borrowings) denominated in foreign currency.

No foreign exchange options contracts were entered into in 2022, and no option contract was outstanding. For further details, please see Note 37 – ***Risk management*** of the Audited Consolidated and Separate Financial Statements for the year ended 31 December 2023 included in this Report.

Interest rate risk

The Group and Company are also exposed to interest rate risk through its operations and financing agreements. Therefore, the volatility of interest rates such as LIBOR, EURIBOR, or ROBOR and CME Term SOFR (see Note 37) can generate variations of cash flow resources needed to make interest payments related to liabilities contracted by the Group. These interest rate risks are constantly monitored and quantified.

The Group has no significant interest-bearing assets, revenues, and cash flows being substantially independent of changes in market interest rates.

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings could be adversely impacted by changes in the market price of aluminium. The Group and the Company's internal policy is to manage the identified commodity price risk by natural hedge when possible. Also, the Company can enter for a part of the remaining quantity at risk into derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when there are favourable market conditions. Commodity price risk receives special attention from the Group's management having strategic importance in the Group's risk profile because it directly impacts the short and medium-term liquidity of the Group and/ or the Company.

Commodity price risk is analysed in detail; its effects are constantly monitored and quantified. Thus, the potential adverse impact can be decreased for achieving the Group's medium and long-term goals.

For further details, please see Note 37 – Risk management of the Audited Consolidated and Separate Financial Statements for the year ended 31 December 2023 included in this Report.

Credit risk

The credit risk refers to the risk that the counterparty might default on its contractual obligations, resulting in financial losses for the Group. To minimise this risk, the Company sells most of its accounts receivable to financial institutions through non-recourse factoring.

ALRO Group has adopted a prudential policy, and it trades only when the potential risk of financial losses resulting from non-fulfilment of the contractual obligations is mitigated. Sales cover the credit risk against non-recourse factoring, and the Group trades only with reliable counterparties and guarantees such as a letter of credit, promissory note, or cheque. Furthermore, the accounts receivable consists of many clients from different industries and geographic areas. The credit risk exposure is controlled through limits imposed on each client, analysed and submitted to the Group's management approval, and monitored daily by a dedicated department. The Group permanently assesses their credit risk based on the clients' financial performance and their payment history. Please see ***Note 37– Risk management*** and ***Note 23 - Trade receivables, net*** of the Audited Consolidated and Separate Financial Statements for the year ended 31 December 2023 included in this Report.

Concerning the assets from derivative instruments, the maximum exposure to the credit risk is represented by the fair value at the reporting date.

The Corporate Finance Department manages the credit risk resulting from the transactions with banks and financial institutions. Excess liquidity is invested only with approved banks and credit lines and limits assigned to each counterparty. The counterparty credit limits are annually reviewed by management and may be updated during the year. The limits are set to minimise the concentration risk and thus to decrease the possible financial losses from default by the counterparty. It is estimated that there is no significant exposure from failing to settle the contractual obligations by counterparties regarding financial instruments.

Liquidity risk

Considering the current business environment, the Group and the Company monitor the liquidity risk. The operational and financial cash inflows and outflows are being monitored and analysed monthly and, in some cases, daily to notice any unexpected change in the Group liquidity immediately. Based on this analysis, the management can make the best decisions on the financing necessities for the Group and Company to have the necessary capital to meet all current and future financial obligations and ensure their solvability.

Prudent liquidity risk management implies maintaining sufficient cash and tradable values financing availability with an adequate amount from committed credit facilities. The management regularly monitors rolling forecasts of liquidity reserves of the Company.

For further details, please see ***Note 37 – Risk management*** of the Audited Consolidated and Separate Financial Statements for the year ended 31 December 2023 included in this Report.

Taxation

Current income tax

The current tax payable is based on the taxable profit realised during the year. The taxable profit differs from the retained profit within the consolidated statement of profit or loss because of the revenues or expenses items taxable or deductible in some years and because of things that are never taxable or deductible.

The Group's and the Company's current income tax liability is determined using tax rates applied according to the legislation in force during the reporting period.

Deferred tax

Deferred tax is recognised based on temporary differences between the book value of assets and liabilities in the consolidated financial statements and the corresponding tax bases used to calculate taxable profit. Liabilities regarding deferred tax are generally recognised for all temporary taxable differences.

Deferred tax assets are generally recognised for all deductible temporary differences as far as it is probable that taxable profits will be available, against which the deferred tax receivables can be used. Deferred income tax assets or liabilities are not recognised if the temporary difference is generated by the initial recognition of goodwill or from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, does not affect the accounting profit, nor the taxable profit (tax loss).

Concerning investments in subsidiaries and associates, and interests in joint participation, deferred income tax liabilities are recognised as taxable temporary differences, except where the Group/ Company can control the restatement of the temporary difference and, probably, the temporary difference will not be restated in the predictable future. Deferred tax assets resulting from temporarily deductible differences associated with such investments and interests are recognised only if it is probable that there will be sufficient taxable profits for which to use the benefits of the temporary differences and they are expected to be restated in the predictable future.
The carrying value of the assets to which the deferred tax is applied is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to fully or partly recover the assets. Deferred tax assets and liabilities are measured at the tax rate presumed to be applicable in the period when the recovery of the liability or the realisation of the asset is estimated, based on the tax rates (and on the tax laws) that are effective or will be effective until the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences in terms of what tax is expected to arise from how the Group foresees to recover or deduct the accounting value of assets and liabilities at the end of the reporting period.

Annual current and deferred tax

Annual current and deferred tax are recognised in the consolidated statement of profit or loss unless they relate to items that are recognised in other comprehensive income or directly in equity. The annual current and deferred tax are also recognised in other comprehensive income, respectively in equity.

For further details, please see ***Note 13 – Income Tax*** of the Audited Consolidated and Separate Financial Statements for the year ended 31 December 2023 included in this Report.

Internal control system

The Group’s and the Company’s internal control system aims to ensure compliance with the regulations in force, the flawless operation of the internal activity, following the decisions made by the management. It also contributes to the effectiveness of the processes, the efficient use of resources, prevention, and control of the risk of failing to achieve its set goals.

Internal control is applicable through operations performed by the Group and/or Company before, during and after the operations are performed. The internal audit aims to achieve at least the following goals:

- compliance with the regulations in force;
- implementation of the decisions made by the management;
- the proper operation of the internal activity;
- the reliability of the financial information;
- the effectiveness of operations;
- the efficient use of resources;
- the prevention and control of risks to achieve the goals set.

Since 2018, the Company has had an Audit Committee, a committee elected by the EGSM of ALRO. The Audit Committee has powers delegated to it under the Articles of Incorporation and the applicable legislation and standards. The Audit Committee is made of three members, elected by the EGSM, and comprises at least two members that must be independent of the Company.

In 2023, the Audit Committee had the following objectives:

- to ensure that the interests of shareholders are properly protected concerning financial reporting and internal and external audit control;
- to inform the Board about the results of the statutory audit and to explain the way that statutory audit contributed to the integrity of the financial report process and what was the role of the Audit Committee in this process;
- to monitor the financial reporting process and to make recommendations or proposals for assuring its integrity;
- to monitor the effectiveness of the quality internal control systems and Company's risk management system and the internal audit regarding the Company's financial reporting, without breaking its independency;
- to monitor the statutory audit of the annual financial statements and the consolidated annual financial statements, especially their performance taking into consideration the findings and conclusions of the competent authorities;
- to evaluate and to monitor the independence of the financial auditors or the companies of audit according to the applicable legislation and especially the opportunity for receiving by the Company of some services that are not audit services;

- to be responsible for the procedure for the election of the financial auditor or of the audit company and to recommend to the Board of Directors and the Shareholders Meeting the financial auditor/ the audit company to be appointed;
- to analyse and evaluate the effectiveness of the Company's internal control policies and procedures for the identification, assessment and reporting of risks and to perform its valuation at least once per year;
- to review conflicts of interests in transactions of the Company and its subsidiaries with related parties;
- to evaluate the efficiency of the internal control system and risk management system;
- to monitor the application of statutory and generally accepted internal auditing standards. The Audit Committee should receive and evaluate the reports of the internal audit; to ensure the fulfilment of the core functions of the Internal audit function, it should report functionally to the Board via the Audit Committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, the Internal Audit should report directly to the chief executive officer, while remaining independent and informing the Audit Committee on a monthly basis about the activities which involved management interaction;
- to make periodical (at least annually) or ad-hoc reports to be submitted to the Board, subsequently to any reviews or analyses that have to be made by the Audit Committee;
- to present to the Board an opinion regarding the Company's transactions with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the Company.

The Group and the Company implemented an internal control system that includes various activities to prevent and detect unexpected events and risks, any potential fraud attempts, errors or omissions, damage, non-compliance, unauthorised transactions, incorrect or misleading financial reporting, activities that may negatively affect the Group's and/ or the Company's corporate brand, etc.

Through its internal procedures and regulations, which represent the basis for an integrated internal control system, the Group, and the Company have sought to include all relevant operations and activities that take place to ensure that:

- all its operations are conducted under the law in force for each area in which it operates and following the internal organisation and operation rules;
- controls are implemented to prevent, identify and solve in more efficient way frauds, errors, or omissions that may have significant consequences over the Group's and/or Company's activity;
- an organisational culture exists and is maintained concerning the risk of fraud or error. The employees are aware that providing misleading or wrong information can have severe consequences in the effective administration of daily operations.

Therefore, internal control procedures are designed:

- on one hand, to ensure the compliance of the Group's and Company's activity and the staff conduct with the framework of applicable laws, values, norms, and internal regulations of the Company and the Group's, respectively, and
- on the other hand, to verify the accuracy of reported financial, accounting and management information so that it can correctly reflect the Group's and Company's activity and position.

Internal control is also performed by the finance and internal financial control department, following the accounting policy manual, by monitoring, through a periodical program of reviews, the compliance with these accounting procedures and policies, with the applicable financial reporting standards, the awareness of and compliance with the financial accounting regulations, thus ensuring the accuracy and completeness of the accounting records through monitoring the presentation in the annual financial statements of quality information to answer to the needs of their users. An important role is also assigned to the internal audit, which, by its operating methodologies, ensures that the internal regulations regarding the risks associated with the different structures within the Group and the Company are complied with and are working.

Therefore, an internal control environment is the basis of an effective control system. It must be based on transparent methodologies, values, ethical principles, and measures for each employee's responsibility, authority, skills level, and duties.

The entire internal control system has the final goal of identifying and assessing the process and compliance risks to be prevented, mitigated, or considered acceptable, depending on the current risk policy. All these procedures and activities that are the basis of an internal control system are constantly reviewed and improved to meet the business needs and not become obsolete. All these internal control processes and verifications are supported by appropriate documentation and contain a clear description of all key control activities that have been implemented and performed.

Both the Company’s Management and the internal audit department are structures within the Group responsible for the efficient evaluation and implementation of the internal control system.

Within the Group, both in the Parent-company, ALRO, and at the level of each subsidiary separately, the accurate accounting and reporting rules are applied to ensure the same treatment for the same types of transactions/ business-related activities. Depending on the evolution of the business and existing legislation, these rules/ accounting treatments are updated to ensure compliance with legal requirements and their relevance for the conducted operations. Moreover, the Group and the Company have separate departments for accounting reporting/ financial control, so there is a clear separation of roles and responsibilities to have the ‘four eyes’ principle and a different input for operations and authorisation of transactions.

Moreover, Management has constantly tried to use integrated reporting software and to have automated processes as much as possible, to reduce the risk of manual record-keeping, where the risk of error is higher. Setting standards at Group’s level for preparing the annual, half-year, and quarterly financial statements also represents a crucial internal audit system component.

Internal audit

On 21 December 2023, the Board of Directors of ALRO SA decided to appoint an external company as internal auditor of Alro for a 3-year mandate. The decision was made after a bid and thorough analysis of costs/benefits and qualifications of the provider, when the specific internal audit company was found appropriate to comply with Alro's legal specifications. The internal audit activity is regulated by the Guide on the Implementation of International Internal Audit Standards (Ghidul privind Implementarea Standardelor Internaţionale de Audit Intern, "the Guide") issued by CAFR in order to contribute to maintaining high quality standards for the organization, management and practice of internal audit missions by financial auditors, members of CAFR, who coordinate internal audit activities, as well as those who are part of the internal audit mission teams. The internal audit company will report directly to the Board of Directors of ALRO and its activity is coordinated by the Audit Committee of Alro

Management fair reward and motivation

Remuneration policy

In 2023, the remuneration of the Board members and/ or Executive Management was in line with the strategy and with the long-term interests of the Group and Company, and it was directly linked to the members' responsibilities and with the time spent performing their functions.

ALRO's Board members and Executive Managers receive a fixed remuneration for their mandate.

Since August 2019, ALRO has in place a Remuneration and Nominations Committee which has powers delegated by the Board of Directors and is composed of three of the Board's non-executive members, out of which two of them are independent members and the Chairman of the Board has to be one of the members. The set-up of this committee represents another example of best governance practices implemented by the Company with the main objective to protect shareholders' interests concerning the remuneration of the Board members, Executive Management (i.e. the managers having the right, according to the Bylaw, to represent the Company) and Senior Management (heads of divisions directly subordinated to the General Manager) by ensuring that the Company maintains and adheres to a remuneration strategy and policy that attracts and retains individuals of the highest quality, including as part of a succession planning for all the key functions of the organization, while at the same time avoiding the risk of overpayment.

Starting 2021, the Company drafted a Remuneration Policy in line with the provisions of the Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 amending the Directive 2007/36/EC regarding the encouragement of long- term shareholder engagement. Also, this Policy follows Law no. 158/2020, which modifies Law 24/2017. Law 158/2020 indicates that a Company shall establish the modality of remunerating its directors through a remuneration policy regarding Directors. Companies are obliged to submit the remuneration policy for the approval of the Ordinary General Meeting of Shareholders, as such is provided by art. 111 of the Companies' Law no. 31/1990 as republished and further amended the remuneration of Directors being paid by the Company only following the remuneration policy being approved under these circumstances. Law 158/2020 imposes to the issuers of Romanian securities to observe these mandatory provisions no later than 12 months from the effective date of Law 158/2020.

On 25 April 2023, the GSM of Alro SA approved the Remuneration Policy as proposed by the Board of Directors of Alro. The Remuneration Policy applies to the Directors and Management of the Company, it is subject to approval by the GSM whenever a significant amendment is proposed to it, and in any case, at least once in 4 years.

According to the Remuneration Policy, the remunerations are established as follows:

- The remuneration due to the members of the Board of Directors is a fixed amount established anually in the General Shareholders' Meeting, at the latest during the annual GSM. The Company may pay additional remuneration to the members of the Board of Directors on the basis of the GSM for the members of the Board Committees (a gross monthly amount) and for the chairmen of the Board Committees (a gross monthly amount);
- The remuneration of the Management ia a fixed part that is paid monthly and a variable amount that is established by the Board of Directors.

Remuneration report

ALRO Group aims to gradually align to the corporate governance best practices in respect of Board of Directors' remuneration making in this way a step forward to its investors' expectations.

All the remuneration proposals for the Board members are being made by the Board of Directors and subsequently submitted for GSM's approval. The remuneration proposals for the Executives are made by the Remuneration & Nominations Committee and subsequently submitted for approval to the Board of Directors. For further details, please see also the *Statement regarding the compliance with the Code, section C.1.*

In line with the applicable legislation requirements, starting 2021, the Company has prepared a Remuneration Report outlining all the benefits and compensation granted to Directors and Managers. This Remuneration Report has to be submitted to the Annual General Shareholders' Meeting's approval (consultative vote). More details regarding this Remuneration Report are available in a separate document attached to this Annual Report and available on the Company's website.

Shareholders

ALRO Group is permanently developing and adapting its corporate governance guidelines to the latest regulations and best practices. In this way, it will benefit from new opportunities that could occur and may generate benefits for the Group and the Company. Therefore, the management considers that a transparent decision-making process based on clear rules ensures an efficient administration of operations and enhances the confidence of shareholders and third parties interested in the Group's activity. Moreover, this type of organisation contributes to protecting the shareholders' rights. This means an improvement of the Group's overall performance, which is reflected in time, both in positive signals from the market and in more accessible access to financing facilities.

ALRO adheres to and complies with a significant part of the provisions stipulated in the new Corporate Governance Code issued by BSE. Code requirements are more comprehensive than the legal requirements for listed companies. This report also includes the *Appendix regarding the Statement regarding the compliance with the provisions of the Corporate Governance Code issued by BSE.* The Code contains the explanations for the provisions of the BSE Code, where it did not comply with the requirements.

ALUM is listed on the secondary market, ATS segment – AeRO – however, it applies the same best practices when it comes to corporate governance rules and complies with all the regulations in force for listed companies on BSE.

The ***Board of Directors*** represents the highest forum in respect of the Company's management and along with its executive directors ensures the smooth running of day-to-day operations and is directly involved in the strategic decisions that have a direct impact on the Company's activities. The members of the Board are in a permanent dialogue with the executive directors and are taking into consideration the interests of the Company, its shareholders and the interests of the Company's employees.

General Shareholders' Meeting is convened by the Board and held at the Company's headquarters or in another place announced by the convening notice, at least once a year, not later than four months after the end of the financial year, or whenever is needed. This can be convened at the request of shareholders representing at least 5% of the share capital, in which GSM shall be convened within not more than 30 days and will meet in less than 60 days from the date of the received request. The meeting date will not be earlier than 30 days from the published notice in the Romanian Official Gazette. The notice must be published in the Romanian Official Gazette, Part IV, and in one wide circulation newspaper from Romania. In exceptional circumstances, when it is in the Company's interest, the Board can convene EGSM. The convening notice will be sent to the BSE and FSA, following the capital market regulations. The convening notice will also be available on the company website, in the section "Investor Relations - Shareholder Meeting", together with any explicative document related to the items included on the GSM's agenda, such as the annual financial statements, the Board's annual report and the proposal to distribute dividends etc. are made available to shareholders at the Company's headquarters and on the website with at least 30 days before the GSM takes place and these documents are approved.

Planning the General Shareholders' Meeting - the Chairman of the Board usually leads GSM; in certain situations, the Chairman may appoint another person to lead the meeting. The meeting's chairman will nominate a secretary, and the attending shareholders will vote on the Chairman's proposal. The meeting's secretary verifies the fulfilment of the formalities required by the law for holding the GSM and prepares the minutes of the meeting. The Chairman signs the minutes of the meeting, and the secretary represents the proof of the fulfilment of the formalities of the convening notice; they mention the date and the place of the GSM, shareholders' request, the shareholders' statements made within the GSM. To be opposable to third parties, GSM decisions will be filed within 15 days from their approval at the Trade Registry to be included within the register and published in the Romanian Official Gazette, Part IV. Decisions will be published at the same time on the Company's website.

GSM decisions are sent to BSE and FSA within 24 hours of approval, following the capital market regulations. Moreover, these decisions are available on the Company's website, within the section *"Investor Relations - Shareholders Meeting."*

The main responsibilities of the General Shareholders' Meeting are:

- approves or amends the Company's financial statements, after having analysed the Board of Directors and the financial auditors' reports;
- approves the profit's allotment, under the law stipulations;
- appoints and dismisses the directors;
- settles the directors' remuneration for the current financial year;
- settles the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers;
- rules over the liability of the directors;
- appoints and dismisses the financial auditor of the Company and rules over the minimum duration of the financial audit contract;
- approves the income and expenses budget and, if applicable, the activity program for the next financial year;
- decides the pledging, renting, or dissolution of one or more of the company units;
- fulfils any other responsibility deemed by the law to be its duty.

Extraordinary General Shareholders Meeting is held at the Company's headquarters or in another place announced through the convening notice, whenever it is necessary for a decision regarding:

- the change of the Company's legal status;
- the change of the main scope of business;
- the merger with other companies or the split-off of the Company;
- the dissolution of the Company;
- the increase of its share capital;
- the decrease of its share capital or its replenishment by issuing new shares;
- the issue of bonds;
- the conversion of a class of bonds into a different class or in shares;
- the conversion of the nominative shares into bearer stock shares or of the bearer stock shares into nominative shares;
- the conversion of the shares from one class into another;
- the approval of the conclusion of legal documents by which assets in the Company's patrimony, whose value exceeds half of the Company's assets book value as of the date of concluding the legal document, are alienated, rented, exchanged or encumbered under pledge, or by which assets whose value exceeds the above value are acquired;
- the approval of the conclusion of documents by which assets in the category of non-current assets of the Company, whose value exceeds, separately or jointly, during a fiscal year, 20% of the aggregate non-current assets less the accounts receivable, are acquired, alienated, exchanged or encumbered under pledge;
- the approval of the conclusion of documents by which tangible assets are rented for a period exceeding one year, whose value, separately or jointly, as to the same co-contractor or related or person acting together, exceeds 20% of the value of total non-current assets less the accounts receivables at the date of concluding the legal document,

as well as the associations for a period exceeding one year, exceeding the same value;
- the approval of the conclusion of legal documents by which a director or a manager alienates or acquires assets to or from the Company, with a value exceeding 10% of the company net assets value as well as legal documents regarding the renting or leasing of such assets;
- the approval of the organisation and operation by-laws of the Board of Directors;
- the approval of the establishment or dissolution of secondary offices-branches, agencies, representative offices or other similar offices having no legal personality;
- the appointment and dismissal of the members of the Audit Committee, the approval of the Audit Committee’s terms of reference, the establishment of the mandate duration and the remuneration of the Audit Committee’s members;
- any other responsibility deemed by the law to be its duty.

The main competences of the Board of Directors are:

- enforces the decisions taken by the GSM;
- decides the main activity and development directions of the Company;
- determines the accounting and financial control system and approves financial planning;
- endorses the Company’s annual financial statements;
- submits to the financial auditor with at least one month before the day scheduled for the GSM, the annual financial statements for the previous financial year, together with the Board’s report and the supporting documents;
- annually submits for the approval of the OGSM, within four months from the closing of the financial year, the report regarding the activity of the company and the financial statements for the previous year;
- annually submits for the approval of the OGSM the revenues and expenditure budget and the activity programme for the following financial year, if the case;
- approves the signing of any legal documents on behalf of the Company, except for those that need, as per the compulsory provisions of the law and the company’s articles of association, the approval of the GSM, and except for those that the CEO, acting alone or together with the CFO, may sign without the approval of the Board of Directors, as per the limits settled by the provisions of the articles of association or by the Board of Director's decision;
- approves the change of the registered office of the Company;
- approves the change of the Company’s secondary scope of business;
- establishes the additional remuneration of the Directors in charge with specific positions, as well as the executive directors’ remuneration, within the general limit approved by the OGSM;
- approves the organisational structure and the internal rules and regulations of the Company;
- appoints and dismisses the CEO and the CFO;
- establishes how the activity of the CEO and the CFO is organised;
- supervises the activity of the CEO and the CFO;
- organises the internal audit activity;
- establishes the Company's marketing strategy and tactics;
- approves the investment plan of the Company;
- decides concerning the market on which the securities issued by the Company shall be quoted and decides over the private independent authorised to hold the registry of the shares issued by the Company;
- submits the request for opening the insolvency procedure of the Company as per Law no. 85/2014 regarding the insolvency procedure prevention and insolvency procedure;
- decides on any other issues within its competence.

Shareholders - rights and obligations

The current legislation adequately protects the rights of the Company's minority shareholders in force. Shareholders have the right to obtain relevant information about the Company on time and a periodical basis. They have the right to be informed about the decisions regarding the changes of any kind occurring in the Company to understand how these may affect their rights. Each share subscribed and paid in by shareholders gives them the right to vote in the GSM, the right to elect and be elected in the management bodies, and the right to participate in the distribution of profits according to the Company's Articles of Association to the legal provisions.

Also, several critical decisions are exercised by the shareholders, such as:

- ***Convocation of the GSM:*** shareholders representing at least 5% of the share capital have the right to request the convocation of GSM, a situation in which the GSM will be convened not later than 30 days and will take place in less than 60 days from date of the request;

- ***Adding new items on GSM agenda:*** one or more shareholders representing, individually or collectively, at least 5% of the Company’s share capital have the right to introduce new items on the GSM agenda (each new item will be accompanied by a rationale or by a decision draft proposed for resolution by the GSM) and to present decision drafts for the points included or proposed to be included on the GSM agenda, within 15 days from the day when the convocation was published in the Romanian Official Gazette;

- ***GSM participation:*** Company's practice is to promote the participation of its shareholders in the GSM actively and they are invited to address questions on issues to be discussed during such meetings. Shareholders may attend the General Shareholders' Meeting in person, by correspondence or through a representative having a mandate.

The mandate can be: (i) special, using a particular mandate model that will be provided by the Company or (ii) general, valid for maximum of three years, which allows their representative to vote on all issues under discussion within the Company's General Shareholders' Meeting or several companies identified in the mandate, including as regards acts of disposal, on the condition that the shareholder grant the mandate, as a client, to a lawyer or an intermediate - financial investment services companies authorised by FSA, credit institutions authorised by the National Bank of Romania, in accordance with the applicable banks' regulations, as well as similar entities authorised in EU member or non-member states to perform financial investment services. Shareholders registered in the shareholders' register may vote by correspondence before the GSM meeting, using the voting form used for the correspondence voting provided at the Company's headquarters and/ or on the company website. More information can be found in the Company Procedures o regarding the exercising of voting rights by shareholders in GSM;

Shareholders' questions: The Company's shareholders, no matter the number of shares held, have the right to send written questions to the Company headquarters regarding the GSM agenda. The questions shall be submitted or sent in an enclosed envelope to the Company's registered office so that the Registration Office of the Company may record them, at least seven calendar days before the date of the meeting, with the following specification written in capital letters "FOR THE ORDINARY AND/ OR EXTRAORDINARY GENERAL SHAREHOLDERS MEETING AS OF______/_______/. To be able to identify the shareholder capacity of the person who has sent the questions or making proposals to supplement the agenda, the legal representatives of the Company may ask the respective person to present some documents supporting his/ her identity, and the statement of account proving the shareholder capacity and the number of shares held, issued by the Central Depository or, as applicable, by participants providing custody services. More information regarding the documentation necessary to exercise this right might be obtained from the Regulations regarding the exercise of voting rights by shareholders within the GSM or addressing questions to the Investors Relations responsible person. Any sensitive information of the Company that may lead to loss or a competitive disadvantage to the Company will be avoided when the responses are communicated to protect the shareholders' interest.

Agreements between shareholders

In respect of the agreements between shareholders known by the Company and which can lead to restrictions in securities and/ or voting rights transfer, we mention that as of 31 December 2023, ALRO did not have pledged shares in the lending banks with which it signed loan agreements (31 December 2022: nil).

Diversity

The Group supports diversity inside the Company and inside its subsidiaries concerning the administrative, executive management, and supervisory bodies, in respect of the age, gender or education, and professional experience.

The percentage of women in the total number of ALRO employees was around 18% in 2023 (2022: 17%). Even if this seems to be a small one at first sight, this is in line with the average for the aluminium industry and the activities carried out within ALRO production facilities. This percentage is not the result of any discriminatory policy. On the contrary, ALRO provides equal chances without discrimination for both females and males, but the attractiveness of the metallurgical industry, in general, is modest for women. However, there are departments within ALRO, such as finance, human resources, and commercial where the number of women is equal, or even higher than the number of men in the total number of employees.

Moreover, ALRO's Board has two female members, and ALRO's CFO and the Deputy CFO are women. Furthermore, around 30% of middle management positions are held by women. Additionally, within the Company, the persons holding executive positions are between 33 and 65, and their education and professional experience differ (i.e. engineering, economy, finance, law, etc.). Still, it is relevant for the position held.

Adding value through investor relations

Investor Relations Activities

During 2023, the Group has communicated with stakeholders through several press releases and participated in press conferences or meetings with investors, analysts, media, and specialized events.

Starting 2016, ALRO organized conference calls with investors and analysts to present the annual and half-year results. These conference calls are conducted four times a year, after the annual, half-year, and quarterly results. These conference calls represent another step forward by ALRO to interact more with investors, analysts, and other stakeholders interested in the Company's results and activity. The dates when these conferences are held are included and announced through the annual financial calendar published on the Company's website and sent simultaneously to BSE and FSA. All interested parties in the Company's activity and updates are welcome to participate. Also, ALRO's representatives participate in at least one event dedicated to investors (institutional and/ or individual investors) organized in Romania or abroad.

Starting in 2007, ALRO reports to the capital markets consolidated financial statements prepared under IFRS twice a year, which gives the financial reports a higher level of transparency and comparability from one period to another and with its peers, the other international companies in the aluminium industry. ALRO also prepares separate financial statements for the annual and half-year results.

ALRO prepares its consolidated and separate financial statements following the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which are under the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The Effects of Changes in Foreign Exchange Rates as regards the functional currency, for the provisions of IAS 20 Accounting for Government Grants as regards the recognition of revenues from green certificates, and except for IFRS 15 Revenue from Contracts with Customers as regards the revenues from the taxes related to the distribution grid connection. These exceptions do not affect the conformity with IFRS of the financial statements of the Group and Company.

ALRO aims to ensure a permanent dialogue with third parties. Thus, it publishes in real-time, immediately after sending any price-sensitive information to BSE and FSA, such as the Company's financial reports, press releases, and all other relevant information for shareholders, analysts, investors, and other stakeholders on the Company's website within the Investors Relations section.

ALRO publishes press releases about its investments, sustainability, and corporate social responsibility initiatives, activities to reduce the Company's environmental footprint, and other actions and/ or partnerships with the local communities, aiming to create a positive impact on them.

In November 2018, ALRO, together with the other ten capital market representatives, companies and individuals, founded the Romanian Investor Relations Association (ARIR), aiming to implement the best communication practices with investors by the Romanian listed companies. ALRO supports this initiative as it believes that ARIR will help improve the image of the Romanian capital market among investors. This Association represents a natural step in aligning the Romanian capital market with the other regions that have already gained extensive experience in this field. Moreover, ARIR brings added value to the Romanian capital market and represents the companies listed on the BSE. This tool emphasizes the transparency and openness to apply best practices in Investor Relations (IR). As a founding member of ARIR, ALRO wants to get involved in promoting the best IR practices in Romania and, at the same time, to adopt and apply new communication techniques with investors.

ARIR is a non-governmental and non-profit organization set up to provide current and potential issuers with a platform for developing Investor Relations (IR) professionals. ALRO wants to contribute, through ARIR, to implementing best practices in investor communication, increase transparency within the listed companies, comply with the corporate governance principles, and provide investors and shareholders with main elements based on which an investment decision could be made.

An important project of ARIR is VEKTOR, the new capital market index that measures the communication of listed companies with investors. These new assessment criteria aim at promoting the implementation of best practices in investor relations and compliance with the Bucharest Stock Exchange Corporate Governance Code, in line with the expectations of institutional and individual investors. The scope of this new assessment methodology focuses on promoting pro-active investor relations practices, leaving aside the content accuracy of regulatory-enforced obligations and including only publicly available information. The third results of the VEKTOR index were announced on 29 January 2023. ALRO received the score 9 (out of 10) received in 2023, which situates the Company in the top of the most performing Romanian companies in investors' communication.

As an acknowledgment of the efforts done in the same direction of improving the IR communication and practices, in 2023, ALRO was awarded third place for its 2022 Sustainability Report during the annual ARIR Gala Awards Ceremony. Thus, ALRO proves once again that it is focused on improving the IR and communication area and wants to lead by example when it comes to applying best corporate governance practices and efficient communication with investors and other stakeholders.

Report on payments to Governments for the financial year 2023 for mining activities

The report on payments to Governments is prepared in accordance with Directive 2014/95/EU that amends Directive 2013/34/EU as issued by the European Parliament and which was transposed to the local legislation by Minister of Public Finance Order no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to trade companies whose securities are admitted for trading on a regulated market. Thus, the Group has prepared the following consolidated report that provides an overview of the payments to governments made by ALRO and its subsidiaries in respect of mining activities for the year ended on 31 December 2023 (i.e. the reporting period is 1 January – 31 December 2023).

The amounts included in this report are in thousand RON, the average exchange rate for 2023 being used and only the payments which were higher than EUR 100,000 (RON equivalent) were considered.

Figures are in RON '000

Government's institution description	Payment type description	Production entitlements	Other fees
Sierra Leone Maritime Administration - is an open registry accepting worldwide shipowners and various type of vessels that meet the Sierra Leone standards in accordance with Merchant Shipping Act, 2003	0.45 USD/t sold units	29,958	-
Nectar Sierra Leone Bulk Terminal - is a mixed company formed of Sierra Leone National Shipping Company Ltd. And Nectar Group Ltd. in the United Kingdom. Sierra Leone's primary multi-user bulk and break-bulk port.	0.24 USD/t units sold	138,746	-
Community Development Fund - In accordance with Section 139 (4) of the Mines and Minerals Act SMHL entered into a Community Development Agreement with the Government, pursuant to which SMHL shall make payment each year to a community development fund of at least one per cent (1.0%) of Net Bauxite Sales Revenue in US Dollars for such year	1% of revenues	155,736	-
The Environmental Protection Agency (EPA) - The Company shall conduct its programme of mining operarions in accordance with the Environmental Protection Agency Sierra Leone (EPA-SL) which was established by an act of Parliament in 2008 and amended in 2010.	Annual payment notification	-	105,712

Sustainable development and Corporate Social Responsibility (CSR)

Sustainable development

The constant involvement in environmental protection activities is part of the Group's long-term development strategy. The Group permanently monitors its environmental footprint and takes the necessary measures to comply with the specific environmental rules. Also, besides the particular investments in environmental protection programs, the Group uses modern technologies in line with the requirements in this field.

The Group holds in Romania the following environmental permits:

- ALRO holds Integrated Environmental Authorisation for both primary and processed aluminium sectors;
- ALUM holds the Integrated Environmental Authorisation, permanently under monitoring and reporting obligations. It also has about 46 other authorisations, certifications, attestations, and accreditations; and
- Vimetco Extrusion holds an environmental permit which is renewed when substantive changes occur under the environmental legislation (the last renewal took place on 23 May 2016).

At the same time, the environmental protection investment programs allowed ALRO to obtain ISO 14001 certification for environmental protection management. Investments in energy efficiency place ALRO at the top of aluminium producers with the lowest specific consumption rates in the European Union. On their return, ALRO's subsidiaries hold more certificates, among which we mention the following:

- ***ALUM***
  - certificate for quality management system according to SR EN ISO 9001:2015 (initial certification date 4 July 2001);
  - certificate for environmental management system according to SR EN ISO 14001:2015 (initial certification date 19 July 2002);
  - certificate for occupational health and safety management according to SR EN ISO 45001:2018 (initial certification date 25 May 2006);
  - energy management system certificate according to SR EN ISO 50001: 2019 (obtained in October 2017);
  - in October 2022, ALUM recertified the integrated quality - environment - health and safety at work - energy management system according to the following reference standards: SR EN ISO 9001: 2015; SR EN ISO 14001: 2015, SR EN ISO 45001: 2018 and SR EN ISO 50001: 2019. Increasing the energy performance in ALUM is another primary objective of ALRO Group. Starting with 2017, we have implemented in ALUM an energy management system based on the ISO 50001 standard. Over the years, we have conducted various energy audits that have helped us improve our energy performance management. More information can be found in ALRO Group's Sustainability Report, available on the ALRO and ALUM websites.
- ***Vimetco Extrusion***
  - Quality management system according to SR EN ISO 9001: 2015 for the production and marketing of aluminium alloy profiles (valid until 29 May 2024);
  - EN 15088 - Aluminium products and aluminium alloys for structures in building & construction industry (valid until 12 December 2023).

Within ALRO Group, measures to reduce energy consumption were implemented and continue to be in the entire production process chain. For example, ALRO operates a production facility that uses scrap aluminium which is currently being extended, this being another method of reducing energy consumption and actively contributing to scrap reduction. Besides this, ALRO significantly improved its CO_2 emissions status within its electrolysis (which represents the division with the highest CO_2 emissions for producing primary aluminium). It aims to situate within the first ten worldwide aluminium producers (except China) from an energy efficiency perspective for the electrolysis area after it finalizes the implementation of the AP12LE project.

The Group management took measures to reduce the emissions in all its activities in Romania and implemented complex upgrading programmes with positive effects on the environment. Thus, in the alumina production sector, the Group upgraded its operations since 2007 when ALUM was idled for two years for this purpose. Subsequently resuming the processes, the unit reported decreased production costs thanks to the optimised technological flow and a significant decrease in its environmental footprint.

Currently, the Group is not involved in lawsuits concerning the impact of its activities on the environment and does not expect such situations that might include any violation of environmental protection legislation.

Additionally, the management takes permanent measures within the entire Group to prevent significant accidents involving dangerous substances. Therefore, the Group monitors the implementation of the measures that lead to the elimination of the risks of events, which could harm the environment and agrees on the response action plan, if the case.

Environmental responsibility

Creating value by operating a sustainable and long-term business represents one of ALRO Group's development strategy's fundamental pillars. Being aware of its environmental impact, the Group has continuously monitored its carbon footprint and implemented specific measures to become a green factory, innovative and sustainable with near to zero emissions and waste.

Aluminium can be considered a decarbonization vector for other industries due to its unique properties and potential uses. One of the main advantages of aluminium is that it is lightweight yet strong, making it an ideal material for transportation. Using aluminium instead of heavier materials such as steel can reduce the weight of vehicles and airplanes, which in turn reduces their fuel consumption and associated carbon emissions.

In addition to the transportation sector, aluminium can be used as a decarbonization vector in other industries, such as construction and packaging. In construction, aluminium can be used as a lightweight and durable material for building facades, roofs, and other structural elements. In packaging, aluminium can be used as an alternative to plastic, which is a significant contributor to plastic pollution and carbon emissions.

Furthermore, aluminium is highly recyclable, which makes it a sustainable material choice. Recycling aluminium requires significantly less energy than producing new aluminium from bauxite ore, and it can be recycled indefinitely without losing its properties. By using recycled aluminium instead of new aluminium, the carbon footprint of the material can be significantly reduced.

Overall, the unique properties of aluminium and its potential uses in various industries make it a promising decarbonization vector that can contribute to reducing carbon emissions and combating climate change.

ALRO Group's major environmental goals are:

- compliance with the environmental law adopted under the European requirements and strict compliance with all legal regulations in force;
- continuous improvement of activities, processes, products, and environmental performance;
- preparation for emergencies and the ability to respond, organize and conduct simulation drills for incidents involving classified substances;
- prevent pollution and reduce its environmental impact through investments, organizational measures, maintenance, repairs, and technological changes;
- continuous monitoring of environmental aspects of the production activity through weekly environmental programs.

Following the European Commission decision 2016/1032 as of 13 June 2016, establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and the Council, for the non-ferrous metals industries, ALRO environmental permit was revised in 2020 and in December 2022.

Therefore, ALRO follows the most stringent requirements regarding emissions, using the best available techniques for the aluminium industry. A relevant example is that ALRO started using baked anodes with low sulphur content to comply with BAT 69 and BAT 69 (a) requirements. This circular economy creates new economic opportunities and stimulates the long-term competitiveness of the Group.

Following the same direction of increasing efficiency and lowering its impact on the environment, the Group continued to increase the amount of recycled and re-melted aluminium scrap in the Eco-Recycling Facility and the Cast-House. Therefore, in 2022, a new holding furnace was installed to service the new scrap melting capacity, following the relocation and upgrade of an existing melting furnace from the Cast-House.

At ALRO, there are two green waste dumps. The Company has removed asbestos as construction material, and inert wastes, such as crushed concrete generated during demolishing works, are recycled. At the Group level, metal scrap and carbon-containing wastes are recycled and hazardous wastes from oils, which relevant authorized operators recycle.

The Group is allocating significant resources to minimize the environmental footprint, identifying the best solutions for capitalizing on by-products and waste in all the companies. Aluminium can be recycled indefinitely without losing its properties. Thus, it can be used repeatedly for the same purpose; the Group is focused on promoting the principles of the circular economy to create new economic opportunities and stimulate the long-term competitiveness of the Group.

For greenhouse gas emission monitors 2021-2030, ALRO has implemented the following European regulations:

- (EU) 2020/2085 amending and correcting Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions according to Directive 2003/87/ EC of the European Parliament and the Council;
- (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions according to Directive 2003/87/ EC of the European Parliament and the Council and amending Commission Regulation (EU) No 601/2012;
- (EU) 2019/331 determining transitional Union-wide rules for harmonised free allocation of emission allowances according to Article 10a of Directive 2003/87/EC of the European Parliament and the Council.

ALRO has obtained approval from the National Agency for Environmental Protection for the new Monitoring Plans 2021-2030 related to the new GHG Permits. These are uploaded on the EC's platform using the EU Declaration tool.

ALRO complied with all air emissions requirements Commission implementing decision (EU) 2016/1032 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and the Council, for the non-ferrous metals industries.

Moreover, ALRO is monitoring the planning methodology for the fourth monitoring period of the EU ETS for 2021-2030 for ALRO Primary and ALRO Processed Divisions requested by EC.

ALRO Group continuously takes measures to operate following the highest environmental standards which apply to its activity. Another objective refers to environmental protection and ensuring the welfare of the Group's communities. Thus, Management has continued to invest in modernization and efficiency of its activity by implementing several measures, such as:

- monitoring emissions on the premises and in the production
- promoting an organizational culture and an environmental protection mindset among employees, including specific training seminars (water production, storage, treatment, and distribution training; waste management training; environmentally responsible training, etc.); efficient waste management; ensuring the protection of human settlements and improving ecosystems.

The Group carries out a risk identification activity that considers environmental aspects and impacts and the attributes of each job, and simulations are performed to test the response capacity of employees in case of possible accidents.

Although ALRO Group does not directly assess its suppliers' environmental and social impact, a reputational risk assessment is performed in the supplier evaluation process, which consists of verifying the information regarding the possible legal problems or conflicts in which the evaluated supplier is involved. If the supplier has a legal history of incidents and actions in court, including violations of environmental legislation, these issues will be considered reputational risks.

Starting 2017, ALRO Group published, in addition to the Annual Report, a Sustainability Report in line with the G4 Core Global Reporting Initiative Guidelines (GRI). This report describes how ALRO Group performs, monitors and achieves the most important environmental, social and corporate governance issues. The Sustainability Report enhances the information provided on the Group, Parent-Company, and its main subsidiaries' actions realised in the sustainability area in the same transparent manner as the Annual Report and adds value to shareholders, other stakeholders and the communities in which the Group and its subsidiaries operate. This Sustainability Report is available for the public to consult on the Company's website, Sustainability Section, and Sustainability Reports Subsection.

ALUM is part of ALRO Group, and the mandatory requirement for preparing a Sustainability Report (i.e. a Non-Financial Report) is covered by the fact that the Parent-Company, ALRO, decided to prepare a Consolidated Non-Financial Report, i.e. ALRO Group Sustainability Report. This Report is available for the public to consult on ALUM's website.

In addition, in 2021, the Group published a Sustainability Strategy, which represents the Group's commitment to reducing the negative impacts generated by its activities and its concern with creating a future for new generations. The pillars of Sustainability on which this strategy is based are: Safeguarding our Future, initiating a Healthy, fostered and prepared workforce, Creating Value for our Community, Research, Development and Digitization and Responsible and Sustainable Business. Through the Sustainability Strategy, ALRO Group has joined and will contribute to the achievement of the following UN Global Sustainable Development Goals:

- End poverty in all its form everywhere;
- Ensure healthy lives and promote well-being for all at all ages
- Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all;
- Achieve gender equality and empower all women and girls;
- Ensure availability and sustainable management of water and sanitation for all;
- Ensuring access to affordable, reliable, sustainable and
- modern energy for all;
- Promoting sustained, open economic growth and sustainable, full and productive employment of labour and decent work to all;
- Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
- Reduce inequalities within and among countries;
- Ensuring sustainable consumption and production patterns;
- Take urgent action to combat climate change and its impact;
- Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
- Promoting peaceful and inclusive societies for sustainable development, access to justice for all and creating efficient, responsible and inclusive institutions at all levels.

Climate change refers to the long-term changes in the Earth's climate, including temperature, precipitation, and sea levels, as a result of human activities such as burning fossil fuels, deforestation, and industrial processes. The impacts of climate change are widespread and diverse, affecting natural systems, human societies, and the global economy in various ways. The impacts of climate change are far-reaching and require urgent action to mitigate and adapt to its effects.

Due to the growing concern on this topic, which is an actual subject for the current context, ALRO and ALRO Group set out to adapt their activity to align with the transition to a cleaner society. That supports, in fact, the management of a responsible and sustainable business model with a real concern for reducing carbon emissions but also obtaining economic benefits for local communities and the national economy. We are aware of the Group's potential impact on the environment; therefore, we continuously monitor emissions and implement specific measures given our strategy to become a green, innovative and sustainable factory with zero untreated emissions and waste deposited in the dump.

Therefore, since 20 years ago, ALRO has made significant investments in energy efficiency for the purchase of state-of-the-art equipment that has allowed a considerable decrease in the electricity consumption rates, an increase in the amount of recycled aluminium and a reduction in the Company's carbon footprint. At the same time, these investments have allowed high and very high value-added aluminium products to manufacture, so ALRO has become a member of the exclusive club of world aluminium producers that deliver products for the aerospace industry.

At present, ALRO and ALRO Group companies are giving even more importance to projects that can positively impact the environment, sustainable development projects or circular economy in the context of the European Green Deal, which aims to achieve climate neutrality by 2050. ALRO’s reference project, AP12LE, which was launched in 2018, represents a new design of the electrolysis pot with low energy consumption that will allow ALRO to reduce the amount of electricity needed to produce primary aluminium. After completing this project, ALRO will be in the top ten aluminium producers worldwide, excluding China, from the energy efficiency perspective in the electrolysis department, according to studies published by third parties. Also, increasing the energy performance in ALUM is another primary objective of ALRO Group. Starting with 2017, we have implemented an energy management system based on the ISO 50001: 2018 standard in ALUM. Over the years, we have conducted various energy audits that have helped us improve our energy performance management. More information can be found in ALRO Group’s Sustainability Report, available on the ALRO and ALUM websites.

In addition, we aim to improve communication on climate change risks and opportunities. We are analyzing the work of international organizations that have developed principles and criteria for monitoring the measures implemented and the progress made in this area. We are aware of the importance of this topic in the stakeholder agenda and the complexity of the areas involved in closely monitoring all related implications; an additional corporate governance structure has been created at ALRO's level by setting up a Risk and Sustainability Committee. Climate risks and the organization's definition of a coordinated strategy at the Group level are priorities. Within the Group, several scenarios are analyzed to ensure the activity of the Group's companies sustainably and responsibly. Efficient carbon management of ALRO is one of our priorities directly affecting climate change mitigation and responsible resource management.

Also, starting with 2021, based on Article 8 of this EU Regulation 852/2020, ALRO Group included in its consolidated Sustainability Report how and to what extent its activities are considered eligible in line with the EU Taxonomy requirements. The European Commission established within specific Delegated Acts (Disclosures Delegated Regulation (EU) 2021/2178 and EU Climate Delegated Act 2139/2021) how to establish eligibility and alignment of economic activities and how to report to comply with EU Taxonomy requirements.

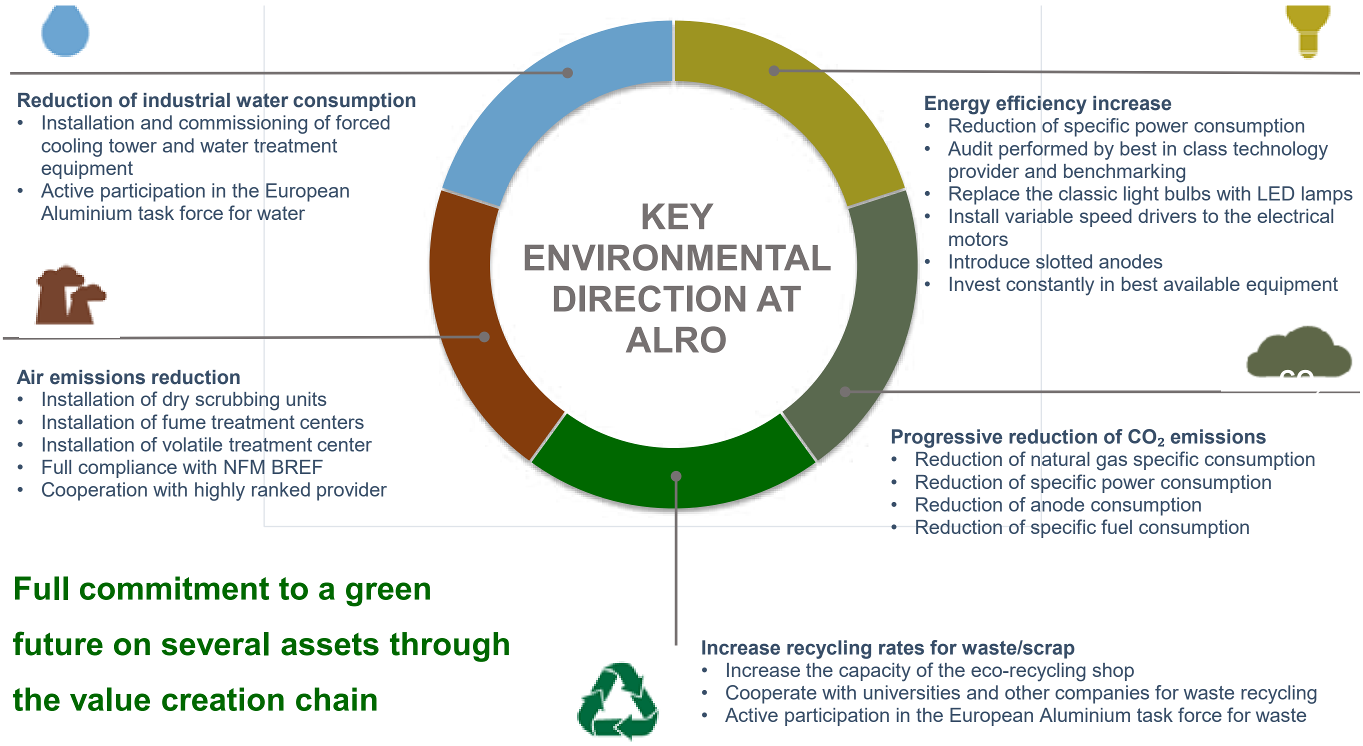
Starting with 2023, the Group analyzes to what extent will can report the alignment with the technical screening criteria according to the EU Climate Delegated 2139/2021 and such information will be included in 2022 Sustainability Report. The Group's management is aware of the implications of these new reporting requirements and has initiated internal steps to ensure compliance with EU Regulation 852/2020.

In 2022, ALRO received the necessary favourable opinion from the Environment Fund Administration, considering the provisions of Ordinance no. 2/2021 on waste storage under art. 14 and 40 lit. b), for:

- the updated technical project for the closure and post-closure monitoring of the non-hazardous industrial waste dump ALRO Primary, with the address in Pitești Street no. 116, Slatina, Olt county;
- the quarterly chart with the explanation/detail of the amounts regarding the fund replenishment up to the value established by the updated technical project for monitoring closure and post-closure.

In 2022, ALRO completed the SIATD application of the Environment Fund Administration to receive aluminium waste for recovery based on Regulation (EC) no. 1013/2006 on waste transport. The shipments are registered in the ROAFM online application. The documents prepared in line with the abovementioned regulation are checked at entry points into the country by the National Environmental Guard and the Border Police.

ALRO complied with environmental legislation by requesting an annual visa under art. 16 para. (2 ^ 4) and (2 ^ 5) of the Government Emergency Ordinance no. 195/2005 for environmental protection, approved with amendments and completions by Law no. 265/2006, with the subsequent modification.



Full commitment to a green future on several assets through the value creation chain

Shareholders' information

General information

ALRO S.A. shares are listed on the Bucharest Stock Exchange, Premium Tier Category under the ticker symbol "ALR" since October 1997.

Since 2019 until July 2023, Alro shares were included in the BET index of the Romanian Stock Exchange (BVB). After a IPO worth EUR 1.9 billion, the largest ever from the Bucharest Stock Exchange (BSE), Hidroelectrica became the largest Romanian company listed on BSE, representing about 22% of the total capitalization of the stock exchange and was included in the BSE's indices starting 12 July 2023, through the exclusion of Alro from BET, BET-TR, and BET-TRN indices.

Total market value for ALRO as of 31 December 2023 is RON 1,099,219,867.9 (calculated based on the BSE quotation available on 29 December 2023 - the last day of 2023 when ALRO's shares were traded: 713,779,135 shares * 1.54 RON/ share).

ALRO S.A owns 99.40% of ALUM S.A. shares, which is listed on Bucharest Stock Exchange since December 1997 on RASDAQ and migrated towards the ATS segment, AeRO category in May 2015. Its shares are traded under the symbol "BBGA".

Exchange rates and LME 3M

2023

Average USD per RON 4.5758
End of period USD per RON 4.4958
Average EUR per RON 4.9475
End of period EUR per RON 4.9628

LME 3 month-quotation average in 2023: 2,285 USD/tonne

2022

Average USD per RON 4.6923
End of period USD per RON 4.6346
Average EUR per RON 4.9315
End of period EUR per RON 4.9615

LME 3M average in 2023: 2,713 USD/tonne

Contact details

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2024 Financial Calendar

EVENT	DATE
Trading Update Q4 2023	23-Jan
Publication of 2023 Preliminary Annual Financial Results	28-Feb
Conference Call for 2023 Annual Results proposed for shareholders' approval	27-Mar
Trading Update Q1 2024	19-Apr
Annual General Shareholders Meeting ("GSM") for the approval of 2023 results	26-Apr
Publication of the Annual Report as at 31 December 2023	26-Apr
Publication of the Quarterly Report for the first quarter of 2024 i.e. 1 January - 31 March 2024 ("Quarter I 2024")	14-May
Quarter I 2024 Results Conference Call	16-May
Trading Update Q2 2024	19-Jul
Publication of the Half-Year Report for the six-month period ending 30 June 2024 i.e. 1 January - 30 June 2024 ("2024 Half-Year")	12-Aug
2024 Half-Year Results Conference Call	14-Aug
Trading Update Q3 2024	21-Oct
Publication of the Quarterly Report for the third quarter 2024 i.e. 1 January - 30 September 2024 ("Quarter III 2024")	13-Nov
Quarter III 2024 Results Conference Call	15-Nov

Outlook for 2024 onwards

Market

According to Bloomberg, global aluminium demand is expected to increase in 2024 by 2.74% YoY, slightly faster than the supply (+2.66% YoY), consequently narrowing the surplus witnessed in 2023. In this context, LME aluminium prices are expected to climb this year, by 5 – 8% YoY by market analysts. However, any extension of sanctions by the European Council on Russian aluminium products or another measures by countries such as the US might provide more upside.

Aluminium market surplus seen in 2023 may narrow this year on China's slower capacity additions and aluminium demand growth from green sectors. This is expected to support prices, at least until 2025 when Indonesia's massive capacity additions kick in.

Aluminium demand is expected to be supported by worldwide drive towards lower greenhouse gas emissions, which boosts electric-vehicle adoption and solar capacity expansion, compensation the sluggish demand from property construction. Demand in China may increase at the same pace with the rest of the world, amid lower government spending. However, demand growth in China increased in 2023 to close to 3% from 1% in 2022 and is expected to remain at similar levels in 2024. Alleviation came from government's countercyclical support to boost infrastructure spending, a rapid increase in solar capacity, demand from the transport sector on rising applications of lightweight aluminium in urban public facilities, as well as growing demand from the packaging sector on China's green push.

Sales

Our main goals in primary product sales are to reactivate the entire wire rod customer portfolio from 2021 as well as to gain new clients for billets and wire rod. Meanwhile, we target that min 80% of the budgeted quantities to be covered by annual contracts and continue the close contact with our customers in order to benefit from any opportunity on the spot market.

For flat rolled products, we will continue to follow our strategic objectives to improve the sales mix, by focusing primarily on high value-added products and this will be achieved by: aiming at developing a solid portfolio for our new cut-to-size business line, helped by the already established partnerships with new and existing customers, both in Romania and the European markets.

With the freight costs decreases compared to the pandemic levels, we are also forecasting a reactivation of our sales in the North American markets (US, Canada and Mexico), as well as gaining more market share in South Korea, particularly for aerospace projects. Recent new alloy qualification (others are also under discussions) and OEM qualifications expected to be successfully finalized during 2024 will continue to bring new business opportunities on the table with chances to materialize them during this year.

We expected a poor Q1/2024 for both Primary and Flat Rolled products sales mainly because of the elevated stock levels at the end of 2023.

Many customers were optimistic and contracted more than their needs in the previous year so that they were forced to postpone some quantities in 2024 or to lower their sales during the last months of 2023.

From this perspective, the clients had a more prudent approach and left more volumes on sport market which would give us better spot opportunities than in the past.

Despite these expectations at the beginning of the year, for Primary products the perspectives changed during the second half of February supported by the logistic issues in the Red Sea as well as the improved demand and visibility for the coming few months.

Consequently, we expect to achieve the wire rod budget in Q1/2024 and to close the same period with approx. 2,000 tons less than the billets budget since more metal resources were allocated to higher value added production (FRP).

In Flat Rolled products we also expect to achieve the first quarter budget, thanks to increased level of orders, supported by the restocking activities in the distribution market, slightly improving demand in various industrial sectors, as well as the complicated logistics in the context of the Red Sea issues.
Meanwhile, we expect the premiums as well as the demand will continue to be supported as long as the transit issue will continue in the Red Sea so that the general outlook will improve from Q2/2024 which is actually the start of the peak season in most of the industries.

As far as the primary product sales are concerned, our main objective remains to develop the destination portfolio with the main/big groups having production facilities in many European countries (Prysmian, Nexans).

For flat rolled products, despite the grim forecasts advanced by reputable market analysts, that we will not witness any situation improvement until H1/2024, we expect a slightly better activity in Q1, as a result of geopolitical turmoil, especially the Red Sea and its implications in the worldwide supply chain. Although we definitely cannot state we are out of the woods, the stocks replenishment activity and demand slightly peaking up in several industrial sectors sheds brings back hope for better days. As far as the premium levels are concerned, we expect to see low levels for the first half of 2024, with gradual improvements possible in line with a demand peak up in H2 2024.

In respect of extruded products, on medium- & long-term perspective, our goal is to fulfill the new 40% increased press capacity and in same time diversify the product mix and geographical distribution, to reduce the dependency on a specific market (e.g. Germany), but also on traders. The main target is to expand range of final products delivered to the market. Vimetco Extrusion continues investing in capabilities: after the new extrusion line, new equipment in Added fabrication unit are foreseen, in 2024 a new automatic packing line will be commissioned, all meant to serve a wider range of customers and markets. Vimetco Extrusion is engaged in important projects, and new industries with high requirements, in terms of complexity and quality of aluminium products, through constant investments, and always in line with the current demand of the aluminium market. We aim for an organic growth: diversify the product mix in terms of added value, surface and mechanical treatment. Our strategy goes hand in hand with market's dynamics as most of the customers would like to shorten the supply chain and receive products from a single contact point. Our target is to allocate in the most efficient manner the production capacity both from price and long-term profitability points of view.

The aluminium extruders as well as the consumers were under certain pressure, with the LME and energy prices being volatile lately. As concerns the conflict in Ukraine, it has created fresh uncertainties for the extrusion market. However, there seems to be no negative impact on primary aluminium product sales. By contrary, there are additional wire rod sales opportunities from Ukraine since this market was mainly supplied by Rusal in the past. No negative impact on the flat rolled product sales due to Russia's invasion of Ukraine.

Energy

The liquidity of the market is higher than the previous year, with more stable prices in the past months and a current decreasing trend. We currently have in place 12 MACEE agreements for 2024, with a WAP very close to the market. The perspectives are favorable and for the moment DAM will have better prices than MACEE. There are also favorable signs for a decrease in price of the natural gas.

ALRO intends to acquire at least 30% of the electricity consumption from renewable sources by signing PPAs with producers in order to reduce the risk of market volatility and liquidity, focusing on reducing our carbon footprint and to support the transition to a sustainable economy. In this respect, ALRO contracted advisory services from an independent advisor in supporting throughout the entire process of securing power purchase agreements (PPA's).
In August, ALRO launched a RfP to potential vendors for PPAs. Were received 48 bids and only 18 were advanced to the second round of negotiations. In the next stage there will be negotiations with the 4 finalists. The process to contract a PPA is long and is estimated to last several months.

Investments

In 2024 the company must remain true to its sustainable development strategy, so ALRO's Investment Program will include investments that are absolutely necessary to provide the capacity and technical conditions useful to support ALRO's strategy to reduce the carbon footprint of its technological activities and the dependence of technological processes on electricity, by continuously decreasing energy consumption and increasing the degree of water recirculation, to increase the reliability of critical production equipment and to supply its customers with the products they require, with dimensions and tolerances as close as possible to customer requirements.

Thus, in 2004 the development strategy aims to achieve the following main objectives:

- Continuing the programmes to increase the energy efficiency of technological equipment and processes by modernising the induction furnace in the APS workshop as a result of replacing the old electrical and electronic components with state-of-the-art, energy-efficient equipment and building a water recirculation station, which will ensure a decrease in the workshop's industrial water consumption, as well as by replacing the electrolysis tank components in accordance with the innovative AP12LE technology for the reconditioning of 35 additional pots;
- Increase ALRO's profitability by providing the necessary equipment to manufacture complex products that meet customer requirements as closely as possible, thus adding maximum value to the metal produced by ALRO before it is marketed;

- Reducing the carbon footprint of technological activities by replacing the CO1, CO2 and IPROLAM furnaces equipped with methane gas heating systems with a new electric ageing furnace and by installing a photovoltaic plant in the ALRO S.A. parking area to produce energy from renewable sources;
- Ensuring safe operating conditions for the technological processes within ALRO in order to achieve the budgeted production and continuing the continuous improvement programs by improving the efficiency and reliability of existing critical equipment and increasing the quality of ALRO products in order to meet the most demanding quality requirements imposed by ALRO customers for hot rolled products;

Alro will also continue the implementation of the project „Improve Alro SA product efficiency by purchasing a CTS aluminium plate processing plant ("cut-to-size"). The equipment contracting was completed and the manufacturing and delivery of the processing equipment was finalized in December 2023. With the equipment installation works and building remaining works being scheduled for completion by end of February 2024, it is estimated that the equipment will be operational at the end of March 2024. The Company will be able to produce complex flat rolled products having the dimensions and tolerances defined in relation with the customers' requirements, thus being able to conclude transactions with equipment and components OEMs and to create more jobs and will thus contribute to the development of the local community.

The Group's Management closely monitors the evolution of the current context to take all necessary measures to adapt and improve its performance in real-time while keeping the investors and the interested public informed about the most recent evolutions in its activity.

Abbreviations and definitions used in this report

ASF	Romanian Financial Supervisory Authority
ASI	Aluminium Stewardship Initiative
ATS	Alternative trading system on BSE
BAT	Best Available Techniques
BoD	Board of Directors
BOY	Balance of Year
BSE	Bucharest Stock Exchange
BSE Code	Corporate Governance Code issued by BSE and applicable to listed companies
CEAM	MACE OPCOM (CENTRALIZED ELECTRICITY ACQUISITION MECHANISM)
CIFGA	Interministerial Committee on Finance, Guarantees and Insurances
DAM	Day Ahead Market
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment
EGSM	Extraordinary General Shareholders Meeting
EO	Emergency Ordinance
EU ETS	European Union's Emissions Trading System
EUID	The European Unique Identifier
EURIBOR	Euro Interbank Offered Rate
FRP	Flat Rolled Product
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
H1/H2	Half-year
HVAPs	High value added products
IATF	International Automotive Task Force
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
ISO	International Organization for Standardization
LC	Letter of credit
LIBOR	London Interbank Offered Rate
LME	Refers to LME 3 months (LME-London Metal Exchange)
NADCAP	National Aerospace and Defense Contractor Accrediation Program of Performance Review Institute
OEM	Original Equipment Manufacturer
OGSM	Ordinary General Shareholders Meeting
PPA	Power Purchase Agreement
RfP	request for proposals
ROAFM	Romanian Register of the Environmental Fund Administration
ROBOR	Romanian Interbank Offered Rate
RTA	Rio Tinto Aluminium Pechiney
VHVAPs	Very high value added products
Q1/Q2/Q3/Q4	Quarter 1/Quarter 2/Quarter 3/Quarter 4
RES	Renewable Energy Sources
SIATD	The IT system for ensuring the traceability of waste
TPA	tonnes per annum
TTF	Title Transfer Facility (Dutch TTF Natural Gas Futures)
U.S.A	United States of America
WAP	Weighted average price

Consolidated and separate financial statements for the year ended 31 December 2023

Alro S.A. and its subsidiaries

Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2023

in RON '000,
except stated otherwise

	Note	Alro Group 2023	Alro Group 2022*	Alro 2023	Alro 2022
Continuing operations					
Revenue from contracts with customers	6	2,849,717	3,411,745	2,533,585	3,180,972
Cost of goods sold		-3,066,081	-3,102,205	-2,892,227	-3,044,622
Gross result		**-216,364**	**309,540**	**-358,642**	**136,350**
General, administrative and selling expenses	8	-329,108	-304,824	-225,597	-227,441
Impairment of investments in subsidiaries	17	-	-	-189,144	-133,735
Other operating income	9	346,059	869,306	324,112	815,067
Other operating expenses	10	-164,495	-91,369	-27,959	-34,820
Operating result (EBIT)		**-363,908**	**782,653**	**-477,230**	**555,421**
Interest expenses	11	-129,419	-91,762	-124,380	-86,890
Losses from derivative financial instruments, net	37	-	-2,446	-	-2,446
Other financial income	12	19,424	9,858	18,851	10,395
Other financial costs	12	-29,120	-29,454	-26,594	-28,407
Net foreign exchange (losses) / gains		-3,810	-49,253	18,045	-45,976
Result before income taxes from continuing operations		**-506,833**	**619,596**	**-591,308**	**402,097**
Income tax	13	48,430	-95,418	52,192	-71,126
Result for the period from continuing operations		**-458,403**	**524,178**	**-539,116**	**330,971**
Discontinued operations					
Result after tax for the period from discontinued operations	5	-103,343	-114,699	-	-
Result for the period		**-561,746**	**409,479**	**-539,116**	**330,971**
Other comprehensive income / (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of post-employment benefit obligations		-4,804	11,056	-5,244	10,386
Income tax on items that will not be reclassified		857	-1,813	839	-1,662
Items that may be reclassified subsequently to profit or loss:					
Translation adjustment		18,880	14,248	-	-
Other comprehensive income / (expense) for the period, net of tax		**14,933**	**23,491**	**-4,405**	**8,724**
Total comprehensive income / (expense) for the period		**-546,813**	**432,970**	**-543,521**	**339,695**
Result attributable to:					
Shareholders of Alro S.A.		**-560,264**	**410,071**	**-539,116**	**330,971**
Non-controlling interest		**-1,482**	**-592**	**-**	**-**
		-561,746	409,479		
Total comprehensive income / (expense) attributable to:					
Shareholders of Alro S.A.		**-545,335**	**433,473**	**-543,521**	**339,695**
Non-controlling interest		**-1,478**	**-503**	**-**	**-**
		-546,813	**432,970**		
(Losses) / earnings per share					
Basic and diluted (RON)	14	-0.785	0.575	-0.755	0.464
Basic and diluted (RON) for continuing operations		-0.642	0.734	-	-

* Prior year figures of the consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations (see Note 5 for details).

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

Consolidated and separate statements of financial position as at 31 December 2023

in RON '000

	Note	Alro Group 31 December 2023	Alro Group 31 December 2022	Alro 31 December 2023	Alro 31 December 2022
Assets					
Non-current assets					
Property, plant and equipment	15	901,604	1,090,979	724,656	752,559
Investment properties	15	571	602	4,040	3,797
Intangible assets	16	2,877	3,479	2,507	2,971
Investments in subsidiaries	17	-	-	144,178	333,322
Equity accounted investments	18	108,269	-	108,269	-
Goodwill	19	15,834	79,851	-	-
Right-of-use assets	20	9,690	7,092	4,950	4,923
Deferred tax asset	13	95,343	35,825	90,032	30,725
Other non-current financial assets	21	151,293	77,776	149,010	76,049
Total non-current assets		**1,285,481**	**1,295,604**	**1,227,642**	**1,204,346**
Current assets					
Inventories	22	884,736	1,168,187	696,233	884,229
Trade receivables, net	23	56,163	69,780	69,690	104,930
Current income tax receivable	13	1,100	1,817	-	-
Other current financial assets	24	433,205	510,765	407,309	469,914
Other current non-financial assets	25	33,980	25,025	106,479	59,596
Restricted cash	26	19,814	88,688	-	52,731
Cash and cash equivalents	26	206,126	630,068	160,281	600,090
Total current assets		**1,635,124**	**2,494,330**	**1,439,992**	**2,171,490**
Total assets		**2,920,605**	**3,789,934**	**2,667,634**	**3,375,836**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

Consolidated and separate statements of financial position as at 31 December 2023 - continued

in RON '000

	Note	Alro Group		Alro	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Shareholders' Equity and Liabilities					
Shareholders' equity					
Share capital	27	370,037	370,037	370,037	370,037
Share premium		86,351	86,351	86,351	86,351
Other reserves	28	375,866	356,986	306,191	306,191
Retained earnings		730,129	324,009	645,897	319,331
Result for the period		-560,264	410,071	-539,116	330,971
Equity attributable to shareholders of Alro S.A.		**1,002,119**	**1,547,454**	**869,360**	**1,412,881**
Non-controlling interest		494	1,972	-	-
Total shareholders' equity		**1,002,613**	**1,549,426**	**869,360**	**1,412,881**
Non-current liabilities					
Bank and other loans, non-current	29	1,176,067	670,097	1,176,067	667,034
Leases, non-current	29	5,963	3,831	3,061	2,812
Provisions, non-current	30	27,216	43,125	2,776	2,656
Post-employment benefit obligations	31	29,048	27,154	26,845	22,301
Government grants, non-current portion	32	30,902	35,169	25,419	28,861
Other non-current financial liabilities	33	13,541	18,834	794	579
Total non-current liabilities		**1,282,737**	**798,210**	**1,234,962**	**724,243**
Current liabilities					
Bank and other loans, current	29	298,728	1,015,044	295,741	976,572
Leases, current	29	2,782	2,465	1,696	2,067
Provisions, current	30	7,854	32,435	3,357	16,982
Trade and other payables	34	240,807	230,633	192,561	127,637
Contract liabilities	6	23,578	20,222	21,957	19,637
Current income taxes payable	13	6,490	70,056	6,456	65,810
Government grants, current portion	32	4,267	4,267	3,442	3,442
Other current liabilities	35	50,749	67,176	38,102	26,565
Total current liabilities		**635,255**	**1,442,298**	**563,312**	**1,238,712**
Total liabilities		**1,917,992**	**2,240,508**	**1,798,274**	**1,962,955**
Total shareholders' equity and liabilities		**2,920,605**	**3,789,934**	**2,667,634**	**3,375,836**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2023 - Alro Group

	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	-	-	-
Deferred tax on benefits remeasurement	-	-	-
Other comprehensive income / (expense)	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**	**-**
Appropriation of prior year result	-	-	-
Balance at 31 December 2022	**370,037**	**86,351**	**375,866**
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	-	-	-
Deferred tax on benefits remeasurement	-	-	-
Other comprehensive income / (expense)	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**	**-**
Appropriation of prior year result	-	-	-
Balance at 31 December 2023	**370,037**	**86,351**	**375,866**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro S.A.	Non-controlling interests	Total shareholders' equity
-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456
-	-	-	410,071	410,071	-592	409,479
14,163	14,163	-	-	14,163	85	14,248
-	-	11,051	-	11,051	5	11,056
-	-	-1,812	-	-1,812	-1	-1,813
14,163	14,163	9,239	-	23,402	89	23,491
14,163	14,163	9,239	410,071	433,473	-503	432,970
-	-	26,426	-26,426	-	-	-
-18,880	356,986	324,009	410,071	1,547,454	1,972	1,549,426
-18,880	356,986	324,009	410,071	1,547,454	1,972	1,549,426
-	-	-	-560,264	-560,264	-1,482	-561,746
18,880	18,880	-	-	18,880	-	18,880
-	-	-4,808	-	-4,808	4	-4,804
-	-	857	-	857	-	857
18,880	18,880	-3,951	-	14,929	4	14,933
18,880	18,880	-3,951	-560,264	-545,335	-1,478	-546,813
-	-	410,071	-410,071	-	-	-
-	375,866	730,129	-560,264	1,002,119	494	1,002,613

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

Separate statement of changes in equity for the year ended 31 December 2023 - Alro

	Share capital
Balance at 1 January 2022	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total other comprehensive income / (expense)	**-**
Total comprehensive income / (expense)	**-**
Appropriation of prior year result	-
Balance at 31 December 2022	**370,037**
Balance at 1 January 2023	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total other comprehensive income / (expense)	**-**
Total comprehensive income / (expense)	**-**
Appropriation of prior year result	-
Balance at 31 December 2023	**370,037**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

in RON '000

Share premium	Other reserves	Retained earnings	Result for the period	Total
86,351	**306,191**	**275,397**	**35,210**	**1,073,186**
-	-	-	330,971	**330,971**
-	-	10,386	-	**10,386**
-	-	-1,662	-	**-1,662**
-	**-**	**8,724**	**-**	**8,724**
-	**-**	**8,724**	**330,971**	**339,695**
-	-	35,210	-35,210	**-**
86,351	**306,191**	**319,331**	**330,971**	**1,412,881**
86,351	**306,191**	**319,331**	**330,971**	**1,412,881**
-	-	-	-539,116	**-539,116**
-	-	-5,244	-	**-5,244**
-	-	839	-	**839**
-	**-**	**-4,405**	**-**	**-4,405**
-	**-**	**-4,405**	**-539,116**	**-543,521**
-	-	330,971	-330,971	**-**
86,351	**306,191**	**645,897**	**-539,116**	**869,360**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

Consolidated and separate statements of cash flows for the year ended 31 December 2023

in RON '000

	Note	Alro Group 2023	Alro Group 2022	Alro 2023	Alro 2022
Cash flow from operating activities					
Result before income taxes from continuing operations		-506,833	619,596	-591,308	402,097
Result before tax for the period from discontinued operations	5	-103,343	-97,793	-	-
Adjustments for:					
Depreciation and amortisation		151,993	153,038	101,720	99,319
Impairment of investments in subsidiaries	17	-	-	189,144	133,735
Impairment of property, plant and equipment	15	85,177	5,319	-491	-
Impairment of goodwill	19	63,206	21,580	-	-
Movement in provisions	30	-21,986	30,290	-13,625	16,982
Change in allowance for impairment of inventory	22	-3,015	77,978	-19,561	72,014
Change in allowance for expected credit losses of trade receivables	8	217	9,534	-61	9,304
Losses/(gains) on disposal of property, plant and equipment	10	1,534	908	-68	239
Loss on disposal of investments	5	529	-	-	-
Net foreign exchange (gains)/ losses on loans revaluation	29	-17,598	45,167	-18,177	40,787
Interest income	12	-19,057	-9,537	-18,851	-9,314
Interest expense	11	130,848	93,677	124,380	86,890
Dividend income	12	-	-3	-	-1,081
Gain/loss on derivative instruments at fair value through profit or loss	37	-	2,446	-	2,446
Changes in working capital:					
Change in inventories		273,879	-231,303	204,935	-210,974
Change in trade receivables and other assets		54,679	-407,476	48,722	-416,953
Change in trade and other payables		71,228	-102,572	75,943	-187,337
Income taxes paid		-74,752	-31,659	-65,630	-18,864
Interest paid		-140,215	-79,325	-136,202	-74,995
Cash receipts/ (Payments) from derivatives, net		-	-16,823	-	-16,823
Net cash generated (used in) / from operating activities		**-53,509**	**83,042**	**-119,130**	**-72,528**
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net	15, 16, 20	-103,296	-129,450	-66,944	-77,390
Proceeds from sale of property, plant and equipment		1,952	2,507	68	1,068
Proceeds from sale of investments	5	3,125	-	-	-
Acquisition of subsidiary, net of cash acquired		-	-15,600	-	-15,600
Acquisition of associates	18	-108,269	-	-108,269	-
Dividends received		-	3	-	3
Change in restricted cash	21, 26	-3,938	-102,040	-20,081	-66,234
Interest received		18,852	9,315	18,851	9,314
Net cash used in investing activities		**-191,574**	**-235,265**	**-176,375**	**-148,839**
Cash flow from financing activities					
Proceeds from loans		127,378	611,143	98,020	609,380
Repayment of loans and leases		-306,234	-157,472	-242,324	-93,012
Dividends paid		-	-1	-	-1
Net cash (used in) / from financing activities		**-178,856**	**453,670**	**-144,304**	**516,367**
Net change in cash and cash equivalents		**-423,939**	**301,447**	**-439,809**	**295,000**
Cash and cash equivalents at beginning of period		**630,068**	**328,428**	**600,090**	**305,090**
Effect of exchange rate differences on cash and cash equivalents		-3	193	-	-
Cash and cash equivalents at end of period	**26**	**206,126**	**630,068**	**160,281**	**600,090**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the Board of Directors on 25 March 2024.

in RON '000, except stated otherwise

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 is one of the largest vertically integrated aluminium producers in Europe, by production capacity. The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol *ALR*.

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

At 31 December 2023 and 31 December 2022, the majority shareholder of Alro S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Navarinou 18, Navarinou Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The company is ultimately controlled by Maxon Limited (Bermuda). Please see details of the shareholding in Note 27.

The structure of Alro Group and details about its subsidiaries are presented in Note 17.

Alro is listed on the Bucharest Stock Exchange. The prices per share during the years 2023 and 2022 were within the following ranges:

	2023	2022
- minimum price (RON/share)	1.49	1.28
- maximum price (RON/share)	1.85	2.18
- average price (RON/share)	1.61	1.64

The evolution of the average number of the Group’s and Company's employees was as follows:

	Alro Group		Alro	
	2023	2022	2023	2022
Average number of employees, of which:	3,038	3,587	1,956	2,170
Production staff	2,238	2,659	1,437	1,570
General and administration staff	800	928	519	600

These financial statements were authorised for issue by the Board of Directors on 25 March 2024.

2. Basis of preparation

Statement of compliance

These consolidated and separate financial statements of Alro and its subsidiaries (further named "Financial statements") have been prepared 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)*.

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.

**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 and the Company with IFRS adopted by the EU.*

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

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

In 2023, the Group and the aluminum industry in general continued facing a multitude of challenges, as producers grappled with various difficulties throughout the year. One of the primary obstacles encountered by European aluminum producers was the persistent volatility in raw material prices, exacerbated by global geopolitical tensions and supply chain disruptions. The ongoing Russia-Ukraine conflict continued to impact the aluminum market, contributing to uncertainty and price fluctuations in key raw materials. This instability not only disrupted supply chains but also led to significant cost pressures, affecting the profitability and operational efficiency. Furthermore, the aluminum industry in the EU encountered challenges related to energy costs, with soaring electricity and gas prices further straining margins. As energy-intensive operations, aluminum smelters and refineries faced significant increases in production costs, posing a significant hurdle for producers in maintaining competitiveness in the global market.

In 2022, ALRO and ALUM developed scenarios for operating at a minimum break-even point or reducing financial losses by suspending certain production activities and switching some production equipment to stand-by. ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis pot rooms. However, the Company remained consistent with its target of shifting more and more to high value products, and it compensated the missing internal molten aluminium quantities with aluminium ingots purchased from outside and smelted to produce Alro's own high value-added products. ALUM has initially revised its manufacturing schedule according to the level of calcined alumina required for ALRO, subsequently suspending alumina production operations starting on 1st August 2022, while keeping the key specialists. During 2023, Alum kept its CAPEX at a minimum level, but continued to perform maintenance work and its compliance projects, at the same time purchasing alumina from the market and selling it with a margin to ALRO to assure its production requirement. As a result, due to lower than expected economic performances of certain assets and reduction in the forecasted results, the Company recognized an impairment of RON 188,639 thousand for investment in Alum (2022: RON 133,412 thousand) and the Group recognized RON 77,546 thousand impairment for property, plant and equipment related subsidiary Alum (2022: RON 5,260 thousand). Additionally, the 2023 consolidated results were affected by recognizing impairment on the goodwill related to Global Aluminium cash generating unit (Sierra Leone) of RON 63,206 thousand (2022: RON 21,580 thousand) before its discontinuance on 1 September 2023.

After the enactment of Emergency Ordinance no. 138, which addresses the compensation of indirect emissions costs within electricity pricing for the years 2021-2030, the Group has gained visibility into the expected annual energy compensation. In 2023, the Group bore indirect emissions costs embedded in energy prices and has calculated the corresponding compensation amounting to RON 373,980 thousand (having received RON 359,430 thousand in compensation for 2022). Confident in compliance with legal regulations, the Group has recognized this compensation as a receivable in its accounts as of 31 December 2023 and 31 December 2022. This proactive measure ensures the Group's medium and long-term access to partial compensation for the indirect emission costs associated with its electricity procurement process.

The multiple challenges faced by the industry in 2023, the evolution of aluminum prices and the demand for aluminum products, as well as the recognized impairments as mentioned above, led to a negative result for the financial year ended on 31 December 2023, both for the Group as well as for the Company (loss from continuing activities RON 458,403 thousand, respectively RON 539,116 thousand). However, the Group and the Company continued the measures initiated in the previous year, aimed at optimizing the ongoing operations and efficient management of the Group's and the Company's liquidity.

Other actions that were put in place to manage the liquidity of the Group and assure the efficiency of its operations were: efficient sourcing of main raw materials, optimizing acquisitions of materials and inventory levels, planning and scheduling in order to avoid stock-outs or over-stocks, improve the sales mix, by focusing primarily on high value-added products and developing a solid portfolio for new product lines, establishing partnerships with new and existing customers, both in Romania and the European markets, but also invest in projects for increasing the profitability by ensuring the equipment necessary to diversify product range and manufacture complex products, as well as becoming a greener aluminium producer by reducing its carbon print as a result of dropping the energy consumption and related CO_2 emissions.

In November 2023, Alro successfully renegotiated and extended its revolving loan agreement with a syndicate of banks with a nominal value of USD 120,000 thousand and finalized the extension of another revolving loan, valued at RON 180,000 thousand received from a commercial bank, both until November 2026. Additionally, the non-cash financing line of USD 30,000 thousand was extended until February 2027. During the same period, Alro signed two credit facilities, one in amount of EUR 22,000 thousand concluded with a syndicate of banks and one in amount of EUR 15,000 thousand concluded with a commercial bank to support the investment in the CCGT Power Isalnita SA. This project, in partnership with

Complexul Energetic Oltenia, will diversify Alro's business model, ensuring a degree of stability in potential electricity supply and underpinning the Group's long-term growth strategies amidst a challenging business landscape.

Following the measures implemented, the Group and the Company present a sound financial situation on 31 December 2023. Thus, the current assets of the Group and the Company exceed the current liabilities by RON 999,869 thousand and RON 876,680 thousand, respectively. On 31 December 2023, the Group also has unused loan facilities in the amount of RON 153,069 thousand.

The management has developed forecasts and projections of cash-flows and liquidity needs for the upcoming year taking into account the current and forecasted market conditions and reasonably possible changes in trading performance based on such conditions. These projections considered a prudent scenario, in which the suspended production activities in ALRO and ALUM are not resumed until 2028, respectively 2027. As of today, the management of the Group and the Company did not make a decision regarding the suspended activities, their resumption depending on the evolution of market conditions and their stabilization in the following period. Notwithstanding the challenges and uncertainties, the management expects that, based on the most recent forecasts, recent market developments and its ability to adapt its cash-flows when necessary and expected, the Group and the Company will succeed in generating adequate cash flows to allow it to continue its operations. The forecasts made indicate turning to profit for the Group and the Company in the following year and, therefore, the management have concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

Climate change

In preparing the Consolidated Financial Statements, management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment as of 31 December 2023, nor the viability of the Group over the next five years. The following specific points were considered:

Current Impact

The Group has a significant impact on the environment, both through the GHG Scope 1 emissions generated by the production process and through the GHG Scope 2 emissions generated by the consumption of purchased electricity from non-renewable sources.

In particular, most of the Group's operations generate GHG emissions through combustion, and some of them result from the technological process that requires the use of raw materials or materials containing carbon, such as calcined petroleum coke, green anodes, baked anodes, etc. The production of electrolytic aluminium and alumina is the most energy-intensive activity of our Group.

In 2023, the direct and indirect GHG emissions at the Group level decreased compared to 2022. This was because, to cope with challenging market conditions caused by the increase in the electricity price, the Group had to take business decisions that led to the reduction of the production level (i.e. suspension of 3 out of 5 electrolysis pot rooms, as well as the suspension of the calcined alumina production activity).

Climate Strategy

Creating value by operating a sustainable and long-term business represents one of Alro Group's development strategy's fundamental pillars. Being aware of its environmental impact, the Group has continuously monitored its carbon footprint and implemented specific measures to become a green factory, innovative and sustainable with near to zero emissions and waste.

The EU regulation mandating carbon neutrality by 2050 and intermediate targets by 2030 have certain impacts on Alro Group's operations and future plans. This implies a fundamental shift towards decarbonisation, necessitating changes in production processes, energy sourcing, and emissions management. The Group is in the process to reassess its operational strategies, possibly restructuring its supply chain, optimizing energy efficiency, and implementing sustainable practices throughout its operations to align with the regulatory requirements.

Achieving Alro's carbon emissions goals will likely necessitate some long-term investments. Transitioning to cleaner energy sources, upgrading equipment and infrastructure, implementing carbon capture technologies, and investing in research and development for sustainable practices will incur significant costs. These investments are essential for Alro Group to adapt to the changing regulatory landscape, remain competitive, and mitigate the risks associated with non-compliance penalties and reputational damage.

Alro has identified three scopes to reduce the intensity of the greenhouse gases emissions and reach the climate neutrality goal by 2050, as follows:

1. *Decarbonisation of electric power* – approximately over 60% of the CO2 tonnes of aluminium production emissions are generated by the electric power production consumed during the electrolysis process. Production of low carbon electric energy and implementation of the Carbon Capture Utilization and Storage (CCUS) offer the most important opportunity to reduce the emissions at nearly zero by 2050.

2. *Direct emissions* – emissions from fuel combustion represent approximately 15% of the emissions generated during the process. The electrification, fuel transition to green hydrogen and CCUS offer the most credible ways. The process emissions still represent approximately 70% (anode burning in the electrolysis) and require new technologies, such as inert anodes.
3. *Recycling and resources optimization* – increase of the recycled aluminium utilization ratio from 60% (for certain special alloys) to approximately 100%, as well as other progresses in resource efficiency by 2050, would reduce the requirement of primary aluminium, which, in its turn, would reduce the CO_2 emissions, being a second measure after the decarbonisation of electric power.

Alro's Investment Program for the coming years comprises investment projects, which are necessary for achieving the quantity of metal in line with the new business model adopted by the Company and in accordance with the needs of ALRO business plan and it focusses on the following objectives:
- Reducing the carbon print of the process activities in Alro Processed Aluminium Division;
- Continuing the programs for improving the energy efficiency of the equipment and technological processes;
- Increase Alro profitability by ensuring the equipment necessary to diversify the range of value added products (cast plates and precision plates) and manufacture complex products corresponding as close as possible to the customers' requirements in terms of dimensions, thus adding the highest possible value to the metal produced by Alro prior to be marketed;
- Continue the strategy for the increase of the percentage of high value added products in the production mix, namely of the flat rolled products in Alro Processed Aluminium Division;
- Supporting the existing process and current production capacity by providing safe and reliable equipment / operating conditions for the technological processes, in accordance with the maintenance schedules and standard regulations.

As part of its commitment to reduce the environmental footprint, the Group has already made or plans to make such investments in order to support, during a transition period, the decarbonization of existing industrial assets. Some of these investments are grouped below into two main categories, namely Energy efficiency activities and Sustainable energy supply, respectively.

Energy efficiency activities

In 2023, the Group continued the energy efficiency activities and implemented the following:

Reconditioning of smelter pots based on AP12LE technology

In 2023, Alro continued to upgrade its electrolysis pots by using the AP12LE technology, which is an advanced technology that leads to high energy efficiency (energy consumption reduction value 9,892MWh/ year). During 2023, a number of 30 electrolysis pots were commissioned (in 2022: 20 ectrolysis pots) and Alro has now reached 215 smelter pots reconditioned based on the new low-energy technology since the start of the project with RioTinto AP in 2018 and will continue to invest in its energy efficiency programmes which include the continuation of the smelter pots relining programme in 2024 with 35 new pots.

By doing this, ALRO significantly improved its CO_2 emissions status within its electrolysis (which represents the division with the highest CO_2 emissions for producing primary aluminium). It aims to situate within the first ten worldwide aluminium producers (except China) from an energy efficiency perspective for the electrolysis area after it finalizes the implementation of the AP12LE project.

Increased capacity in the Eco Recycling Facility

The Group has continued to work on its plan of using more and more liquid aluminium for its production, i.e. melt scrap aluminium. In the Eco-Recycling Facility, a new furnace for melting waste and aluminium ingots was commissioned in June 2023, and thus the recycling capacity was increased from the initial one, of 35,000 tonnes to 100,000 tpa. As a result of these investments, Alro is taking an important step into a low-emission world. The specific electricity consumption of the aluminium scrap recycling process is 95% lower than for electrolytic aluminium production, which has a positive impact on total production costs. Aluminium can also be recycled indefinitely without losing its properties, making it an ideal metal for the low-carbon and circular economy.

Other investments to reducing the carbon footprint

In September 2023 ALRO concluded an important contract with a renowned manufacturer of furnaces for the aluminium industry for the delivery of an electric ageing furnace. This state-of-the-art furnace will replace three gas fired furnaces in order to increase the efficiency of the heat treatment operations in the Alro Processed Aluminium Division, while representing an important step towards achieving ALRO's goal of becoming a green aluminium producer.

Sustainable energy supply

In 2023, the Group has also made significant progress in delivering domestic renewable energy projects and started implementation of the following:

CCGT project to develop a plant of energy production

The Group has taken further steps to develop a plant of energy production. In September 2023, a new company CCGT Power Isalnita SA was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and Alro SA holding 40.1% of the shareholders equity. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The plant will be prepared to consume a mix of gas/hydrogen when this is available. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. This initiative may give rise to Research and development costs in future that might be capitalized on the Statement of Financial Positions, or expensed, in line with the accounting policies.

Construction of a photovoltaic system

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

Positive impact of aluminium industry on many other industries

Aluminium alone is a natural material, fully recyclable, that is available in abundence in respect of its chemical composition in nature. Industries such as the aeronautics and automotive are using aluminium parts for their products. The Group is a supplier of aluminium for these industries, and thus contributes to these industries' achieving their environment targets of lower carbon emissions and lower energy and fuel consumption. The impact of climate change and compliance regulations is deemed to result in good prospects for the aluminium industry that will be translated in sales and revenues for the Group.

Alro has already supplied its customers with low-carbon aluminium products. Alro is one of the worldwide aluminium plants with a small CO_2 footprint. Moreover, Alro has already complied with the CO_2 requirements of the Aluminium Stewardship Initiative (ASI) for 2030.

Effects of Climate-related matters in the estimation of future cash flows

The Group's future cash flow assumptions aims to align with the EU's decarbonization objectives to ensure financial viability and sustainability. This involves incorporating the costs associated with carbon reduction measures, potential regulatory compliance costs, and opportunities for revenue generation from sustainable initiatives.

Alro plans significant investment projects included in the business plan and cash flow forecasts to ensure a balanced products structure, the quantitative increase of high and very high value added products, improving the product quality control capacity and having in mind the new challenges the Company is facing and the reduction of produced electrolytic metal, while targeting also the reduction of the carbon print related to Alro technological activities. The CAPEX plan of Alro includes projects, such as:

- Increasing the energy efficiency of ALRO S.A.'s electricity supply system by installing a photovoltaic plant in ALRO S.A parking area;
- Optimise the scrap remelting operation in Eco Recycling Workshop by installing a scrap processing line, comprising shredding, separation and de-lacquering equipment;
- Develop the scrap remelting capacities in Eco Recycling Workshop by installing two double chamber furnaces, one holding furnace and the related fume collection and treatment plant.
- Improve the energy efficiency of the electrolysis process by increasing the dimensions of the anode blocks;
- Improve the energy efficiency by installing a water cooling/ recirculation system;
- Increasing the energy efficiency of an anode baking oven;
- Various investments in processed aluminium production aimed to increase the efficiency and control of the production.

Climate change effects on impairment, useful life of assets and other key assumptions

Alro carefully considers the effects of EU decarbonization regulations on impairment assessments, useful life of assets, and other key assumptions. Changes in regulatory requirements and market dynamics resulting from decarbonization efforts may impact the value and longevity of Alro's assets. This necessitates periodic reviews and adjustments to impairment tests, taking into account factors, such as: technological advancements, regulatory compliance costs, and shifts towards sustainable products. Additionally, Alro reassess assumptions related to depreciation schedules, maintenance costs, and asset retirement obligations to accurately reflect the evolving regulatory environment and its implications for the company's financial performance and sustainability.

The Group invested in increasing the capacity of the Eco-Recycling business, consequently the current version of the business plan takes into account the use of recycled aluminum to a bigger extent, while keeping only two out of five Electrolysis pot rooms in operation over the entire forecast period. The Group spends more on acquiring scrap from the market over the entire forecast horizon. This is part of the Group's efforts to recycle and optimize resources, also by increasing the recycled aluminum utilization ratio for our products, to reduce the need of primary aluminum and therefore reduce the CO_2 emissions.

Climate considerations are also included in the impairment calculations directly by estimating the CO_2 certificates. Indirectly, the expected effect of climate change is included in the estimated energy prices consumed during the production process, together with the calculation of compensation income. See also the section *Impairment tests for property, plant and equipment* in the Note 15. *Property, plant and equipment.*

Regulations regarding air pollution

The Group is impacted by the increased regulatory environment in the EU regarding air pollution. The Group, as a heavy industry participant, is affected by the cap and trade scheme for greenhouse gas emissions implemented at the level of EU, which is meant to reduce pollution within a certain time span. European Commission has proposed a comprehensive set of amendments of the existing emissions trading system (EU ETS), whose outcome should be a global reduction in the concerned sectors by 61% until 2030, compared to the 2005 levels.

On one side, the Group is allotted a certain number of emission rights per annum, in accordance with its production and deemed CO_2 emissions. The accounting policies for emission rights can be found in the Material accounting policies note (Note 4.1) under the subheading *Emission rights*. Any potential liability resulting from the necessity to buy emission certificates is taken into consideration in the Group's business plans and scenarios. With the prices of emission certificates being volatile, the impact from such liability on the Group's results cannot be ascertained. A provision for CO_2 certificates is recognised whenever it is necessary (for more details, see also Note 30 *Provisions*).

On the other side, the Group is indirectly impacted by the same greenhouse gas emission scheme in the sense that such costs of the electricity producers are included in the final electricity price that the Group has to pay. Due to the volatility of the certificates prices, the electricity rates might reach significantly high levels. That is why the Group monitors, anticipates and takes into consideration all the possible circumstances in order to balance its activities as an integrated group and reduce the quantitative impact of such liabilities, such as the decision to close production units temporarily until the electricity and emission certificates prices return to an acceptable level, and to buy metal from the market. However, the impact of these costs is reduced by the government grants which are recognised as income in the current financial year, to match them with the related costs which they are intended to compensate. The accounting policies for government grants can be found in the Material accounting policies note (Note 4.1) under the subheading *Government grants*. The details on the legislation applicable in this respect and the resulting income are presented in the Note 9 *Other operating income*.

Starting 2026, the requirement to buy CBAM certificates to cover GES footprint will be also implemented, and the price of CBAM certificates shall be linked with the EU ETS carbon prices. Thus, CBAM represents a supplementary cost substantiated by the export on the EU market. The EU's Carbon Border Adjustment Mechanism (CBAM) is the EU's tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.

Except for the provisions for CO_2 certificates, the management of the Group considers that there are no other provisions to be analyzed in order to meet environmental compliance regulations as at 31 December 2023.

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 December 2023	31 December 2022
USD exchange rate at the end of the period**	4.4958 USD/RON	4.6346 USD/RON

	2023	2022
USD average exchange rate***	4.5758 USD/RON	4.6923 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

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2023 and their effect in the preparation of the Group and the Company financial statements for the year ended 31 December 2023.

Standards and interpretations effective in 2023 that the Group and the Company have 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 or the Company.

- *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 Group and the Company revisited their accounting policy information disclosures in light of these amendments and enhanced the presentation of accounting policy information disclosure by making them more company-specific and reducing the disclosure of immaterial and standardised accounting policies.

- *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 financial statements.

- *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 or the Company's financial statements.

- *IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules.* The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The impact on the financial statements of the Group and the Company are presented in Note 13.

Standards issued, but not yet effective and not early adopted

- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's or Company's financial statements.

- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022).* The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. A seller-lessee is required to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and are not expected to affect financial statements as the Group or Company have no sale and leaseback transaction.

- *Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020).* The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's or Company's financial statements.

- *Amendments to IAS 1 Non-current Liabilities with Covenants (issued on 31 October 2022).* The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's or Company's financial statements as the Group's and Company's practices are already in compliance with the requirements of the amendments.

- *IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements*. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on financial statements as the Group and the Company do not use supplier finance (or reverse factoring).

- *IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.* The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's or Company's financial statements.

4. Accounting policies, judgements, estimates and assumptions

4.1 Material accounting policies

The main accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IFRS 9 Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets and liabilities related to employee benefit commitments are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the above mentioned difference is negative, the excess is recognized in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.
When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates and joint ventures

The group holds an interest in an associate, CCGT Power Isalnita SA ("CCGT Power").

The financial statements of CCGT Power are prepared for the same reporting period as the Group. The accounting policies of the company is aligned with those of the Group. Therefore, no adjustments are made when measuring and recognising the Group's share of the profit or loss of the investee after the date of acquisition.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

The aggregate of the Group's share of profit or loss of the associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of result in associate' in the statement of profit or loss.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Fair value measurement

The Group and the Company measure financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group or the Company expects to be entitled in exchange for those goods or services.

Sale of goods
Under IFRS 15, revenue is recognized when a customer obtains control of the goods. The Group and the Company deliver goods (mainly aluminium products, alumina, bauxite) under contractual terms based on internationally accepted delivery conditions (INCOTERMS).

The Group and the Company recognize revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Variable consideration
Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims.

Under IFRS 15, variable consideration is required to be estimated at contract inception. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group and the Company are unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. To estimate the variable consideration to which it will be entitled, the Group and the Company applied the expected value method. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial in such a way that, at the year end, the Group and the Company estimate that such reversals are unlikely.

Rendering of services
The Group and the Company perform sundry services occasionally and as a non core business. Revenue is measured at the expected value of the consideration received or receivable. Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group and the Company sell the services in separate transactions. Based on the Group and the Company's assessment, the allocated value based on the stand-alone selling prices of the services, and the stand-alone prices of the services are broadly similar.

Principal versus agent considerations
Under IFRS 15, the assessment is based on whether the Group and the Company control the specific goods before transferring them to the end customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods.

The Group and the Company have concluded that they are the principal in all of their revenue arrangements since they are the primary obligor in all the revenue arrangements, have pricing latitude and are also exposed to inventory.

With some of the clients, the Group and the Company have arrangements by which the client brings in the material (aluminium), and the Group/Company melts it and processes it into final products, for selling it back to the same client. The clients pays a specific processing fee for this service. The performance obligation is the smelting and processing, and the Group/Company do not have possession of the metal while it is on its premises. The Group/Company recognize revenue when the processing is completed and the metal is returned to the client.
The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business.

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's and Company's obligation.

Contract liabilities
Amounts received from customers in advance of goods delivery or service performance are recognized by the Group and the Company as liabilities on the Statement of Financial Position as Contract liabilities, until the Group or the Company actually transfers control of the goods delivered to the client or performs the contracted service.

Leasing

The Group and Company as lessee
The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as licenses, small items of office equipments, etc.). For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group or the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset, as follows:

	Alro Group	Alro
Land	1.5 -5 years	1.5 -5 years
Plant and machinery	1 - 5 years	1 - 5 years
Equipment and vehicles	1 - 8 years	1 - 8 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the estimated useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group and the Company applies IAS 36 *Impairment of assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the *Impairment of tangible and intangible assets policy* below.

The Group and Company as lessor

The Group and Company enter into lease agreements as a lessor with respect to some of their investment properties.

Leases for which the Group or the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s or Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s and Company's net investment outstanding in respect of the leases.

Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and included as foreign exchange difference. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

For the purpose of presenting the financial statements in RON, the assets and liabilities of the foreign operations whose functional currencies are different than RON, are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the periods presented. Equity items are translated at their historical exchange rates. Exchange differences arising on the translation are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are de-recognized but they are not reclassified to profit or loss.

Employee benefits

The Group and Company, in the normal course of business, make payments on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

The Group and the Company award their employees with some retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. The remeasurement comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:

- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of goods sold" or "General and administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss within interest expense.
- Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The fiscal losses generated by the Romanian Group companies before 31 December 2023 can be carried forward for 7 years and recovered within a limit of 70% of the related taxable profits. The annual tax loss generated starting with 2024, will be recovered at a rate of 70% of taxable profits obtained in the next 5 consecutive years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of VAT except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of sales tax included, the net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's and Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost less their residual values over the following useful lives, using the straight-line method:

	2023	2022
Buildings and special constructions	2 - 60 years	2 - 60 years
Plant and machinery	1 - 35 years	1 - 35 years
Equipment and vehicles	1 - 25 years	1 - 25 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. In particular, the Group and the Company consider the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values. Furthermore, the Group and the Company determine whether climate-related legislation and regulations might impose additional energy efficiency requirements on the Group’s buildings and office properties, their impact on the useful life or residual values and on financial forecasts used for the purpose of impairment testing.

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss at the date of the derecognition.

Investment properties

The Company's investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost, less any accumulated depreciation and any accumulated impairment losses.
Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method.Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are measured on initial recognition at cost and carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are amortized over a period between 3 years (for software) and 50 years (for concessions).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in consolidated profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Temporarily idle property, plant and equipment are assessed for impairment individually. For assets put in conservation for an undefined period in accordance with the Board of Directors decision, the Group recognizes an impairment loss equal to their carrying value as at the date of the transfer. Subsequently, these assets are reviewed for possible reversal of impairment, depending on the Group's plans to operate them in the future.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group and Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when the Group and Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated and separate profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).
- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payments of principal and interest (SPPI) criterion. This category includes the Group and Company's Trade and other receivables and Long-term loans receivable.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- *Financial assets at fair value through OCI* (equity instruments). Upon initial recognition, the Group and the company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation and are not held for trading*. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Currently the Group and the Company has no significant assets at fair value through OCI.

- *Financial assets at FVTPL* include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets mandatory at FVTPL represent trade receivables of the Group/Company covered by factoring contracts that were not yet sold to the factor at the reporting date.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. More information about the Group's provision matrix is disclosed in Note 37.

Trade receivables of the Group / Company are generally on terms of 30 to 90 days. The Group / Company considers a financial asset in default when contractual payments are past due beyond these terms. However, in certain cases, the Group/Company may also consider a financial asset to be in default when internal or external information indicates that the Group/Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group/Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, they continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Investments in subsidiaries

In the separate unconsolidated financial statements investments in subsidiaries are stated at historical cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Financial liabilities

Financial liabilities are classified as either *Financial liabilities at FVTPL or Other financial liabilities.*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and *IFRS 9 Financial Instruments* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the *Gains (losses) from derivative financial instruments, net* or *Other financial gains/(losses), net*. Fair value is determined in the manner described in Note 37.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group and Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with *IFRS 9 Financial Instruments*; and

- the amount initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group and Company enter into a variety of derivative financial instruments to manage its exposure to market risk and foreign exchange rate risk, including foreign exchange forward or option contracts, swaps and options to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium ("LME"). The Group/Company uses similar financial instruments, when necessary, to hedge the price risk of production input, such as electricity.
Further details of derivative financial instruments are disclosed in Note 37. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to control or significantly influence the other party.

Government grants

Government grants are recognised once there is reasonable assurance that the Group and the Company will comply with the conditions attached to them and that the grants will be received. They are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under *Other operating income*. Government grants that are receivable as a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grant received as a compensation for indirect emissions is recognized once the applicable legislation comes into force and the Group and the Company has legal or constructive rights to receive the government grant and all the conditions are fulfilled. The measurement of the maximum compensation income for each period is made in accordance with the published formula. The Group's and the Company's attributable proportion of compensation in relation to the capped total annual compensation budget is further estimated with reference to the CO_2 certificates under compensation based on the Group's and Company's actual output for the period. The number of certificates for the rest of beneficiaries to the state aid scheme used in calculating the Group's and the Company's proportion is estimated based on the prior year figure, adjusted to the extent possible, with available market data.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight - line basis over the expected lives of the related assets.

Emission rights

The Group and Company recognise the deficit in emission certificates in the consolidated and separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission certificates quotas granted are recognized.

The Group and Company estimate their annual emission volumes at the end of each reporting period and recognise the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method under the category *Other operating expenses* in the Income Statement, on one side, and in *Provisions, current* on the Statement of Financial Position, on the other side.

In case the Group and the Company estimate utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized only on actual sale of those certificates.

Operating segments

An operating segment is a component of the Group and Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's and Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which distinctive financial information is available. Segment information is presented in respect of the Group's snd Company's business and geographical segments and is determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's and Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Dividends

Dividends are recorded as a liability in the Group and Company's financial statements in the period in which they are approved by the Company's shareholders and reflected in a corresponding diminution of shareholders' equity.

As per the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations, the quarterly distribution of profit to shareholders is made on an optional basis, during the financial period, within the limits of the quarterly achieved net accounting profit, plus potential carried forward profits and amounts from reserves available for this purpose, less any loss carried forward from previous years and amounts placed in reserves as per the legal or statutory requirements.

The settlement of potential differences resulting from dividends distribution during the year is to be made after the approval of annual financial statements, and the payment of potential differences resulting from such settlement must be made within the legally set timeframe. Any excess dividends distributed and paid during the financial period will be paid back by the shareholders to the Company within the legally set timeframe.

4.2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below. The Group and the Company based their assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group and Company. Such changes are reflected in the assumptions when they occur.

Judgements

Determining the lease term of contracts with renewal and termination options
The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for them to exercise either the renewal or termination. At 31 December 2023 the carrying amount of the right-of-use assets for which the Group and the Company estimated that will exercise the extension option is RON 1,227 thousand for the Group and RON 961 thousand for the Company (2022: RON 441 thousand for the Group and for the Company). Refer to Note 20.

Government grants - compensation for CO_2 emission indirect cost
Significant judgement is required when determining the timing and value for the recognition of government grants related to income. The management carefully evaluates whether the conditions associated with the grants are met, irrespectively if the cash was actually received during the reporting period, and it also determines whether the grants compensate expenses already incurred or future costs. Consequently, the grants could be recognized as income in the current financial year, to match them with the related costs which they are intended to compensate, or on a receipts basis, only if no basis existed for allocating the grant to periods other than the one in which it was received. In addition, if a government grant may become receivable by the Group or the Company as compensation for expenses or losses incurred in a previous period, such a grant is recognised in profit or loss of the period in which it becomes receivable, with disclosure to ensure that its effect is clearly understood. As mentioned above in Note 4.1, the attributable proportion of compensation to the Group and the Company in relation to the total capped annual compensation budget is estimated with reference to the CO2 certificates based on the actual production of the Group and the Company for the respective period and to the certificates of estimated CO2 for the other beneficiaries of the state aid scheme. The number of certificates for the other beneficiaries is estimated based on the figure from the previous year, adjusted as much as possible, with the available market data. For the year 2023, the number of certificates for the other beneficiaries was estimated at the level of the previous year, there being no information in the market to indicate the need to adjust this number. See also Note 9.

Supply contracts with price linked to costs
Alro concluded aluminum delivery contracts with certain clients, where the price is linked to the market cost of inputs (energy, gas) and inflation index in order to protect itself against high increases in the prices of inputs. The Company analyzed the contracts and concluded that the clauses are closely related to the business, such that no derivatives need to be separated.

Debt modifications and extinguishments
Significant judgment is required when determining the accounting treatment of the changes to the existing borrowing arrangements. The management carefully evaluates whether the new modifications to the contractual terms of loans are substantial different from the terms of the original debts by making qualitative analysis (change in the basis of interest calculation, such as moving from fixed to floating rate, a significant extension in the term of the debt), as well as quantitative analysis (‘the 10% test’). The management also considers whether these changes relate to a loan offered by a group of lenders (a syndicated loan) or a loan from a single borrower and make further assessments: whether there is a single loan or multiple loans, whether there is a change in the lead lender etc. In 2023, the management analyzed the new amendments to the contractual terms of the loans prolonged in November 2023 (see Note 29) and concluded, based on the qualitative analysis, that there is a significant extension in the term of the debt (i.e. 3 years). As a result, the amended loans were treated as an extinguishment of the debt in the accounting records.

Estimates and assumptions

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on a discounted cash flow projections model, on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Group and Company and do not include restructuring activities that the Group and Company are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Notes 15, 17 and 19.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group and Company established provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and diferring interpretations of tax regulations by the Group and Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

Deferred tax assets are recognised for carried forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 13.

At 31 December 2023, the Group has RON 264,155 thousand (2022: RON 652 thousand) of fiscal losses for which no deferred tax was recognized . These losses relate mainly to Alum, and may not be used to offset taxable income elsewhere in the Group. Given the uncertainties surrounding the timing and amounts of future taxable profits available to offset tax losses, the Group has determined that it cannot recognise deferred tax assets on some of the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would increase by RON 42,265 thousand at 31 December 2023 (2022: RON 104 thousand). Further details on taxes are disclosed in Note 13.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 37 for further disclosures.

Provision for rehabilitation
The Group and the Company have recognized a provision for the rehabilitation of the premises where they deposit scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs. See Note 30 for further details.

Defined benefit plans
The cost of the defined benefit plans and the present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, personnel turnover and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 31.

Estimating the incremental borrowing rate
If the Group and the Company cannot readily determine the interest rate implicit in the lease, they use their incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). Refer to Note 20.

Provision for expected credit losses of trade receivables
The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date and adjusted for forward looking factors specific to the debtors and the economic environment. Separately, the Group make individual assessment for old and significant receivables. For these receivables, if forecast economic conditions are expected to deteriorate over the next year which can lead to a possibility of default, the historical default rate is adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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The assessment of the expected credit loss and the forecasts for individually assessed receivables are a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 23, Note 24 and Note 37.

Other accounting judgements
The management uses critical accounting judgements also for the provisions and allowances for inventories, impairment of financial assets and contingent liabilities (Refer to notes 22, 37 and 38).

5. Discontinued operations

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group). On 10 July 2023 the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminum Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent), which resulted in a net loss of RON 529 thousand recognized on the sale of disposal group. The net loss recognized on the sale was reduced as a result of the recording before the disposal of impairment losses in amount of RON 71,328 thousand (see Note 15 and Note 19 for details).

With GAL group being classified as discontinued operations, the Bauxite segment is no longer presented in the segment note. The result of GAL group for the period are disclosed below:

	GAL Group	
	2023*	**2022**
Revenue from contracts with customers	113,810	166,562
Expenses	-144,432	-239,387
Other operating income	1,162	901
Impairment loss	-71,328	-26,840
Finance costs, net	-2,026	971
Result before tax from discontinued operations	**-102,814**	**-97,793**
Income tax	-	-16,906
Result after tax for the period from discontinued operations	**-102,814**	**-114,699**
Loss on sale of the discontinued operations	-529	-
Net result after tax for the period from discontinued operations	**-103,343**	**-114,699**

*Represents 8 months of activity prior to the sale on 1 September 2023.

The net cash flows incurred by GAL group are, as follows:

	2023*	**2022**
Operating	-583	-1,100
Investing	-2,132	-3,219
Financing	2,467	1,764
Net cash (outflow) / inflow	**-248**	**-2,555**

*Represents the cash flows for 8 months of activity prior to the sale on 1 September 2023.

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The details of assets and liabilities of Global Aluminium Limited Group disposed are summarised in the table below:

	2023
Assets	
Property, plant and equipment	55,215
Intangible assets	47
Inventories, net	26,534
Trade receivables and other assets	33,944
Cash and cash equivalents	56
Assets disposed	**115,796**
Liabilities	
Long-term provisions	17,260
Post-employment benefit obligations	2,531
Bank and other loans, current	5,413
Short-term provisions	2,624
Trade payables and other current liabilities	84,258
Liabilities disposed	**112,086**
Net assets disposed	**3,710**
Cash from sale of the discontinued operations	9,088
Intercompany Debt Amount	-5,907
Cash sold as a part of discontinued operations	-56
Net cash inflow on date of disposal	**3,125**

6. Revenue from contracts with customers

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

Continuing opeartions

Segments	Alumina	Primary aluminium	Processed aluminium	Others	2023 Total
Type of good or service					
Sale of alumina	279,462	-	-	-	**279,462**
Sale of primary aluminium	-	1,227,813	-	-	**1,227,813**
Sale of processed aluminium	-	-	1,969,413	-	**1,969,413**
Other revenues and services performed	5,192	-	212	33,720	**39,124**
Total revenue from contracts with customers	**284,654**	**1,227,813**	**1,969,625**	**33,720**	**3,515,812**

Segments	Alumina	Primary aluminium	Processed aluminium	Others	2022 Total
Type of good or service					
Sale of alumina	498,037	-	-	-	**498,037**
Sale of primary aluminium	-	1,310,107	-	-	**1,310,107**
Sale of processed aluminium	-	-	2,482,874	-	**2,482,874**
Other revenues and services performed	1,733	-	326	94,251	**96,310**
Total revenue from contracts with customers	**499,770**	**1,310,107**	**2,483,200**	**94,251**	**4,387,328**

2023 was a challenging year mainly due to the lower LME quotations and declining trend in demand that led to a decrease in the Group's revenues compared to 2022. At the same time, although the Group's operations were reduced in 2022, the alumina plant at Alum continues to purchase alumina from the market at an optimized cost and sells it to Alro, in order to fulfill the internal requirement in the Primary segment. The category Other revenues includes revenues of RON 10,926 thousand from the resale on the free market of the electricity that the Group had during 2023 (in 2022: RON 30,718 thousand).

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Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information in Note 7:

Revenue	Alumina	Primary aluminium	Processed aluminium	Others	2023 Total
Revenue from contracts with customers	284,654	1,227,813	1,969,625	33,720	**3,515,812**
Inter-segment transactions	-267,002	-377,267	-3,744	-18,082	**-666,095**
Total Group revenue (Note 7)	**17,652**	**850,546**	**1,965,881**	**15,638**	**2,849,717**

Revenue	Alumina	Primary aluminium	Processed aluminium	Others	2022 Total
Revenue from contracts with customers	499,770	1,310,107	2,483,200	94,251	**4,387,328**
Inter-segment transactions	-456,849	-455,939	-3,803	-58,992	**-975,583**
Total Group revenue (Note 7)	**42,921**	**854,168**	**2,479,397**	**35,259**	**3,411,745**

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 7.

As regards the Parent Company alone, this is organised into two divisions: primary aluminium division which manufactures and sells primary aluminium products like wire rod, slabs, billets and ingots and the processed aluminium division, which develops and sells flat rolled products such as sheets, plates and coils. The Company revenues from contracts with customers of primary products, including intra-group sales, were of RON 1,227,813 thousand and the revenues from Processed products of the Company only were of RON 1,272,053 thousand in 2023 (RON 1,310,107 thousand and the revenues from Processed products of the Company only were of RON 1,776,613 thousand in 2022).

Contract liabilities
In 2023, the Group and the Company recognized the amount of RON 19,785 thousand and RON 19,282 thousand, respectively, existing at 31 December 2022 under *Contract liabilities* as revenue from performance obligations satisfied (RON 20,222 thousand at the Group level and RON 19,637 thousand at the Company level balance as of 31 December 2022). The balance of RON 23,578 thousand and RON 21,957 thousand, respectively, existing at 31 December 2023 under Contract liabilities will be recognized in 2024 from performance obligations that will be satisfied.

7. Segment information

For management purposes, the Group, until the disposal of GAL, was 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 alumina segment located in Tulcea, Romania, used 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 bauxite segment was entirely disposed of in September 2023. 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 alumina segment, 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.

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Alro Group revenues and results for the year 2023 and 2022 by segment were as follows:

	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
2023						
Sales to external customers	17,652	850,546	1,965,881	15,638	-	**2,849,717**
Inter-segment transfers	242,727	1,640,641	3,744	18,082	-1,905,194	**-**
Total sales revenues	**260,379**	**2,491,187**	**1,969,625**	**33,720**	**-1,905,194**	**2,849,717**
Segment results (gross profit)	**-7,198**	**-170,833**	**-48,969**	**9,476**	**1,160**	**-216,364**
Other operating income & expenses, net	-214,886	-10,261	63,032	-237,128	251,699	**-147,544**
Operating result (EBIT)	**-222,084**	**-181,094**	**14,063**	**-227,652**	**252,859**	**-363,908**
Total depreciation, amortisation and impairment	159,717	66,462	50,158	188,696	-248,157	**216,876**
EBITDA	**-62,367**	**-114,632**	**64,221**	**-38,956**	**4,702**	**-147,032**
Interest and other finance costs, net						**-139,115**
Net foreign exchange gains / (losses)						**-3,810**
Result before income taxes from continuing operations						**-506,833**
2022						
Sales to external customers	42,921	854,168	2,479,397	35,259	-	**3,411,745**
Inter-segment transfers	518,776	2,064,484	3,803	58,992	-2,646,055	**-**
Total sales revenues	**561,697**	**2,918,652**	**2,483,200**	**94,251**	**-2,646,055**	**3,411,745**
Segment results (gross profit)	**93,688**	**103,084**	**84,120**	**30,515**	**-1,867**	**309,540**
Other operating income & expenses, net	-210,780	-11,117	152,444	261,185	281,381	**473,113**
Operating result (EBIT)	**-117,092**	**91,967**	**236,564**	**291,700**	**279,514**	**782,653**
Total depreciation, amortisation and impairment	152,269	64,607	45,622	155,396	-286,147	**131,747**
EBITDA	**35,177**	**156,574**	**282,186**	**447,096**	**-6,633**	**914,400**
Interest and other finance costs, net						**-113,804**
Net foreign exchange gains / (losses)						**-49,253**
Result before income taxes from continuing operations						**619,596**

In 2023, the aluminium segments were affected by the decrease of LME by almost 430 USD/t compared to the average level for the last year, but also by the weak demand from certain production sectors, which determined lower revenues, although the Group benefited from market opportunities and increased quantitative sales. At the same time, included in the category *Other operating income & expenses, net* is the compensation of RON 373,980 thousand for energy costs incurred in 2023, in accordance with the EU Emissions Trading Scheme (ETS) (in 2022: RON 804,323 thousand for energy costs incurred in 2021 and 2022). The compensation for 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 (for 2022: the compensation receivable for 2022 of RON 437,059). The compensation of RON 367,264 thousand for the year 2021 received in December 2022 is not allocated per segments, as it is related to the costs of the entire year 2021, and is therefore included in the column *Others*. In the same place, in 2023 the Group recognized the negative effect of RON 77,629 thousand representing the difference between the income accrued as at 31 December 2022 and the compensation actually received in September 2023. For details, refer to Note 9 *Other operating income.*

Other operating income, net includes on one side the general and administrative expenses and other operating expenses, and on the other side, it includes sundry income generated from non-core activities. Where the costs and income cannot be allocated to a specific segment, they are included in the column *Others*. Also, in 2023 this category includes revenues of RON 8,997 thousand from the sale of CO_2 emission certificates by the Group from its surplus and government grants of RON 4,267 thousand (in 2022: revenues from the sale of CO_2 emission certificates of RON 52,178 thousand and government grants of RON 4,267 thousand (refer to Note 9 as well)).

As at 31 December 2023, having in view the current market conditions and volatilities, which triggered uncertainties related to the short-term prospects of its upstream investments, i.e. the alumina plant in Tulcea that was temporarily shut down in 2022 due to high processing costs, all these leading to low profitability of the segment in the next years, an impairment charge of RON 188,639 thousand was recognized for the investment in Alum in Alro's books being allocated in the column Others of Alro Group consolidated results. See also Note 17.

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

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
31 December 2023							
Total assets	-	239,678	1,146,863	1,046,517	763,376	-275,829	**2,920,605**
Total liabilities	-	139,602	210,215	180,687	1,517,064	-129,576	**1,917,992**
Capital expenditure	-	1,816	54,788	39,088	2,175	-	**97,867**
Impairment of property, plant and equipment	-	-77,546	-566	-21,069	-8,122	-	**-107,303**
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**
Capital expenditure	3,810	25,246	67,042	57,729	951	-	**154,778**
Impairment of property, plant and equipment	-5,196	-8,509	-566	-21,718	-	-	**-35,989**

The bauxite segment was disposed (see Note 5). At 31 December 2022, the property, plant and equipment located in Sierra Leone was of RON 73,880 thousand.

As at 31 December 2023, the total assets representing *Others* include mainly investments in subsidiaries and associates of RON 252,447 thousand (as at 31 December 2022: RON 628,097 thousand including RON 294,775 thousand relating to GAL investment) (for details, see Notes 17 and 18), cash and restricted cash of RON 309,291 thousand (as at 31 December 2022: RON 728,870 thousand), administrative buildings of RON 37,229 thousand (as at 31 December 2022: RON 40,862 thousand), deferred tax asset of RON 90,032 thousand (as at 31 December 2022: RON 30,725 thousand) and derivative financial instruments, when applicable.

In September 2023, the subsidiary GAL was disposed of, so it is no more included in this note, thus decreasing the amount of Investments in subsidiaries by RON 361,885 thousand. In 2022 this investment was included under the category *Others* and eliminated for the purpose of consolidation in the category *Inter-segment balances*.

As at 31 December 2023, the total liabilities representing *Others* include mainly borrowings and leases of RON 1,476,565 thousand (as at 31 December 2022: RON 1,648,485 thousand), post-employment benefit obligations and provisions of RON 32,978 thousand (as at 31 December 2022: RON 41,939 thousand), and, when applicable, dividends.

Inter-segment operations include intercompany eliminations.

The following table shows the distribution of the Group and the Company sales by geographical location of the customer:

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Romania	536,617	502,858	888,123	977,780
Other EU countries	2,004,306	2,616,329	1,349,636	1,940,972
Other European non-EU countries	268,210	229,927	256,739	214,370
USA	4,304	7,218	4,304	7,218
Other countries	36,280	55,413	34,783	40,632
Total	**2,849,717**	**3,411,745**	**2,533,585**	**3,180,972**

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8. General, administrative and selling expenses

	Alro Group		Alro	
	2023	2022	2023	2022
Staff costs	-150,442	-141,808	-79,786	-89,748
Third party services	-58,804	-51,792	-62,162	-51,715
Consulting and audit	-42,504	-31,150	-26,023	-24,950
Consumables	-8,407	-9,449	-7,736	-8,624
Taxes other than income taxes	-17,477	-10,604	-16,044	-8,880
Depreciation and amortisation	-6,420	-7,160	-4,471	-5,657
Insurance	-10,114	-8,600	-7,818	-7,154
Marketing and public relations	-3,678	-5,756	-2,193	-2,532
Travelling	-7,687	-5,470	-1,179	-441
Research and development costs	-16,248	-16,268	-13,504	-13,782
Other	-7,110	-7,266	-4,742	-4,654
Change in allowance for expected credit losses of trade receivables	-217	-9,501	61	-9,304
Total	**-329,108**	**-304,824**	**-225,597**	**-227,441**

In 2023, the category *Staff costs* increased compared to the same period of previous year, mainly due to salary increases based on current inflation as a result of the negotiations of the Collective Labour Contract and certain bonuses for good performance granted by one of the Group subsidiaries for the good results it obtained during the period.

The Group incurrs *Consulting and audit costs* that include mainly legal, technical and financial consulting, as well as audits for various projects or for compliance with regulatory requirements.

In the category *Taxes other than income taxes*, the Parent company recognized an expense of RON 7,095 thousand as an additional VAT amount resulting from a fiscal inspection which was carried out by the relevant tax authorities starting July 2023. See also Note 35 *Other current liabilities* and Note 40 *Events after the reporting period*, respectively.

The Group recognized research and development costs related to the EU funded project for the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications at Alro and also the project for the research of aluminum hydroxide technology (dry and wet) at Alum. The target of these projects is to establish new technologies to obtain plates for industrial application and to increase the level of innovation and market competitiveness of the Group, while expanding the products portfolio to include new products. The investments made by the Group in these projects are capitalized in specific equipment that started to be depreciated after the installing of the equipments in the first half of 2019.

In 2022, the *Change in allowance for expected credit losses of trade receivables* includes an allowance of RON 9,693 thousand in relation to the individually-assessed amounts receivable for penalties charged to some suppliers of electricity for the early cancellation of the contracts. For further details, refer to Note 23 *Trade receivables, net.*

9. Other operating income

	Alro Group		Alro	
	2023	2022	2023	2022
Rental income	3,548	1,493	4,287	3,652
Government grants	300,694	808,806	297,584	806,599
Income from sale of emission rights	8,997	52,178	-	-
Income from unused provision reversals	14,236	-	2,389	-
Income from claims and penalties	15,410	33	15,587	1,026
Reversal of impairment of property, plant and equipment	-	-	491	-
Other income	3,174	6,796	3,774	3,790
Total other operating income	**346,059**	**869,306**	**324,112**	**815,067**

In 2023, the Group and the Company recognized *Government grants* of RON 373,980 thousand at the Group level and RON 372,156 thousand at the Company level, representing compensation to which the Group and the Company are entitled for the high electricity costs incurred during the reporting period (in 2022 the Group recognized government grants of RON 804,323 thousand and the Company RON 802,941 thousand related to 2022 and 2021). The compensation scheme is 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).

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In September 2023, the Group received RON 359,430 thousand and the Company RON 358,268 thousand as compensation for 2022 indirect emissions costs, resulting in a lower amount than the one registered by the Group and the Company as an estimate on 31 December 2022 (see also Note 24 *Other current financial assets)*. As a result, following the analysis of all the inputs and data related to the recognition of income from the state aid compensation scheme for indirect emissions, the Group and the Company changed in 2023 their methodology used to calculate and recognize this compensation. The change introduces a new basis for measuring compensation income, considering the company's unique circumstances and production levels. According to the Emergency Ordinance 138/2022, the yearly compensation budget is capped to EUR 150 million, which is allocated to all the companies in the energy intensive industries. Previously, the Group and the Company calculated its annual attributable compensation in relation to this capped annual budget based on the prior year proportion of compensation received. The change introduces a new measurement basis, considering the actual production levels and calculates the attributable compensation with reference to the CO_2 certificates under compensation based on the Group' and Company's output for the period. The number of certificates for the rest of beneficiaries to the state aid scheme is determined based on the prior year figure, adjusted to the extent possible, with available market data. This change in the measurememt methodology was treated as a change in accounting estimates and the difference of RON 77,629 thousand between the amount accrued as at 31 December 2022 and the amount actually received in September 2023 was accounted for as a reduction of income from Government grants in 2023.

In addition the category *Government grants* includes RON 4,267 thousand at the Group level and RON 3,442 thousand at the Company level (in 2022: RON 4,267 thousand at the Group level and RON 3,442 thousand at the Company level) representing government grants from EU funds received in the period 2013 - 2019 for the investment in equipment intended for the production activity, as well as for purchasing of equipments for research and development activities within the Group. The grants are recognized as income linearly during the useful life of the equipments for which they were received. For further details, see also Note 32 *Government grants*.

During the year 2023, the Group sold CO_2 emission certificates of RON 8,997 thousand and included them under *Income from sale of emission rights*, benefiting from the increase in the price of CO_2 emission certificates (during the year 2022: RON 52,178 thousand).

In 2023, the category *Income from unused provisions reversals* includes an income of RON 11,847 thousand recognised by Alum as a reversal of a provision for CO_2 certificates estimated to be acquired for the year 2022 (in 2022: nil). See also the Note 30 *Provisions*.

In 2023, the category *Income from claims and penalties* included an indemnity of RON 8,361 thousand, received for a piece of equipment which was damaged during a fire incident that took place in 2018 at the Processing mill premises, and indemnities of RON 6,091 thousand received from the insurance company for fire broke out at the Eco recycling section of the aluminium plant in Slatina in July 2022 (in 2022: nil).

In the category *Other income* in 2022 is included an amount of RON 1,849 thousand representing dividends distributed by Alro before the year 2018 and yet uncollected by the shareholders, which were prescribed, in line with the regulations in force. No such amounts were recognised in 2023.

10. Other operating expenses

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Idle plants depreciation expenses	-36,593	-28,472	-18,764	-18,252
Net (loss)/ gain on disposal of property, plant and equipment	-331	-908	68	-239
Impairment of property, plant and equipment	-77,056	-59	-	-
Claims, fines and penalties	-8,513	-178	-8,167	-
Non-productive costs	-35,700	-15,048	-	-
Other expenses	-6,302	-46,704	-1,096	-16,329
Total other operating expenses	**-164,495**	**-91,369**	**-27,959**	**-34,820**

Idle plants depreciation expenses represent the depreciation incurred by the Group on temporarily idled production facilities, mainly caused by the suspension of the operation of 3 electrolysis pot rooms and the alumina plant in Tulcea in 2022.

At 31 December 2023, as a result of the impairment review of property, plant and equipment, carried out by an independent evaluator, the Group's subsidiary Alum recognized an impairment of RON 77,547 thousand (2022: nil), as the recoverable value of property, plant and equipment was below its carrying value. For more details about impairment charges or reversals, please see Note 15 *Property, plant and equipment.*

In the category *Claims, fines and penalties*, the Parent company recognized an expense of RON 8,092 thousand as penalties resulting from a fiscal inspection which was carried out by the relevant tax authorities starting July 2023. See also Note 35 *Other current liabilities* and Note 40 *Events after the reporting period*, respectively.

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The category *Non-productive costs* includes the costs recorded by the subsidiary Alum after the cessation of alumina production in August 2022. The comparative figures as of 31 December 2022 which were reported under the category Other expenses are now presented separately under this new category.

In 2022 the category *Other expenses* included RON 14,838 thousand recorded by Alum as one-off costs in relation to the suspension of its production activity and RON 11,847 thousand recognized by the same subsidiary as a provison for CO_2 certificates needed to be acquired for the year 2022 (see also Note 30 *Provisions*). In addition, in 2022, the Group granted sponsorships of RON 14,447 thousand for projects with significant impact on the local communities and the medical system. No such amounts were recognised in 2023.

11. Interest expenses

	Alro Group		Alro	
	2023	2022	2023	2022
Interest expense	-129,419	-91,762	-124,380	-86,890
Total	**-129,419**	**-91,762**	**-124,380**	**-86,890**

Interest expenses from discontinued operations, not included in the table above, were in 2023 in amount of RON 1,429 thousand (in 2022: RON 1,915 thousand).

Interest expense increased in 2023 compared to previous year mainly due to higher LIBOR, EURIBOR and ROBOR benchmark interest rates.

For the period starting 1 July 2023 a new reference rate, namely, CME Term SOFR, was used instead of USD LIBOR (London Interbank Offered Rate) in the existing facilities of the Group and the Company. CME Term SOFR means the Term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate). The replacing of the old reference rate with the new one was made according to the interest calculation algorithm stipulated by each financing contract.

Interest expense includes the amount of RON 11,334 thousand for the Group and the amount of RON 11,248 thousand for the Company (in 2022: RON 7,513 thousand for Group and RON 7,197 thousand for Company) 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 2023 for loans taken or extended was of RON 20,480 thousand for the Group and the Company and it is included in the Statement of cash flows under Interest paid (in 2022: RON 5,513 thousand were paid for the Group and RON 5,442 thousand for the Company).

12. Other financial income and costs

	Alro Group		Alro	
Other financial income	**2023**	**2022**	**2023**	**2022**
Interest income	19,057	9,537	18,851	9,314
Dividend income	-	3	-	1,081
Other financial gains	367	318	-	-
Total	**19,424**	**9,858**	**18,851**	**10,395**
Other financial costs				
Bank commissions	-10,211	-12,549	-8,769	-11,702
Commissions paid in relation with factoring agreements	-18,909	-16,905	-17,825	-16,705
Total	**-29,120**	**-29,454**	**-26,594**	**-28,407**

In 2022, the subsidiary of the Group, Vimetco Trading, distributed to the Parent Company dividends in the amount of RON 1,078 thousand.

Under *Bank commissions* are included mainly commissions paid by the Group for the extension of non-cash facilities, as well as the comissions paid for guarantees issued in the name and on behalf of the state for the Group's facilities (2023: RON 5,439 thousand; 2022: RON 7,000 thousand). For more details, see Note 29 *Borrowings and leases*. This category also includes the commissions paid by the Company for letters of guarantee (2023: RON 1,564 thousand; 2022: RON 2,014 thousand).

in RON '000, except stated otherwise

13. Income tax

Income tax recognized in the profit or loss:

	Alro Group		Alro	
	2023	2022	2023	2022
Current tax				
Current tax expense in respect of the current year	-9,141	-96,592	180	-81,314
Adjustments in respect of current income tax of previous year	-1,089	-	-6,456	-
Deferred tax				
Origination and reversal of temporary differences	15,633	1,174	15,441	10,188
Reversal of previously recognised tax losses	-	-	-	-
Capitalisation of tax losses	43,027	-	43,027	-
Total income taxes	**48,430**	**-95,418**	**52,192**	**-71,126**

The total annual tax can be reconciled with the accounting result as follows:

	Alro Group		Alro	
	2023	2022	2023	2022
Result before tax	-506,833	619,596	-591,308	402,097
Expected average income tax rate	16%	16%	16.0%	16.0%
Income tax calculated at the expected average tax rate	81,093	-99,135	94,609	-64,336
Effect of revenue exempted from taxation	468	21,445	468	19,521
Effect of non-deductible expenses	-9,860	-8,854	-6,166	-4,913
Effect of utilisation of previously unrecognised tax losses	-	-	-	-
Effect of reversal of previously recognised tax losses	-	-	-	-
Adjustments recognised in relation to the current tax of prior years	-1,089	-	-6,456	-
Current year tax losses not recognised as deferred tax assets	-16,716	-52	-	-
Deductible temporary difference not recognised as deferred tax assets	-5,466	-8,822	-30,263	-21,398
Income tax recognized in profit or loss	**48,430**	**-95,418**	**52,192**	**-71,126**

The average tax rate for the Company is the tax rate applicable to it in accordance with the legislation in force. The average tax rate for the Group is the average of the tax rates payable by the companies in Romania on taxable profits under tax law, which is 16% in Romania, weighted by the accounting results of each Group company. Thus, the expected weighted average income tax rate for the Group is affected by the statutory income tax rates and regulations in effect and on the mix of pre-tax results of its subsidiaries which can vary year to year.

Included in Effect of revenue exempted from taxation in 2022 are RON 10,486 thousand representing tax reductions as the result of certain sponsorship expenses supported by the Company and RON 9,035 thousand representing tax incentives calculated by the Company according to the Fiscal Code.

According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs including 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. As at 31 December 2023 the Group and the Company have a balance of RON 213,488 thousand (2022: RON 93,293 thousand) and RON 209,273 thousand (2022: RON 85,220 thousand) of unused exceeding borrowing costs from prior years that can be carried forward indefinitely and deduct in the future up to 30% of yearly fiscal EBITDA. As a result, the Group and the Company recognized an amount of RON 34,259 thousand (31 December 2022: RON 14,927 thousand) and RON 33,584 thousand (31 December 2022: RON 13,635 thousand) as deferred tax assets.

Starting from July 2023, the Parent company was subjected to a fiscal audit by the National Fiscal Administration Agency regarding the income tax and VAT for the period 2017-2021. The inspection was completed in January 2024 and the Agency concluded a report resulting in a tax liability for the Company in amount of RON 21,643 thousand. In relation to this liability, the Company recognized expenses with Income Tax of RON 6,456 thousand for the current income tax obligation, General, administrative and sales expenses in amount of RON 7,095 thousand for the VAT related obligation and respectively Other operational expenses of RON 8,092 thousand for the attributable penalties and interest (see also Note 8, Note 10 and Note 35).

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Starting 2019, a subsidiary of the Group was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized in 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand, which the subsidiary recognized as an expense in a first stage (disclosed in the category *Adjustments recognised in relation to the current tax of prior years*) and paid it within the legal time frame. Subsequently, the Group's subsidiary filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration, and the subsidiary is determined to defend its position by taking further steps to the Court of Law. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in subsidiary favor by ordering a restitution in an amount of RON 18,213 thousand, out of the total of RON 19,643 thousand that was the subject of the tax act. The subsidiary has not yet accounted for the recovery, as the amount was not yet received and the solution can be further appealed by the National Agency for Fiscal Administration.

Analysis of deferred tax of **Alro Group** for the years ended 31 December 2023 and 2022 is as follows:

31 December 2023

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-16,674	6,300	-	-	-10,374
Inventories	15,905	-1,930	-	-	13,975
Trade receivables and other current assets	3,921	-20	-	-	3,901
Borrowings	13,637	19,849	-	-	33,486
Provisions	14,306	-7,626	-	-	6,680
Retirement benefits obligations	4,730	-940	857	-	4,648
Deferred tax from fiscal loss	-	43,027	-	-	43,027
Deferred tax assets/(liabilities)	**35,825**	**58,660**	**857**	**-**	**95,343**

31 December 2022

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-19,535	2,861	-	-	-16,674
Inventories	7,132	8,773	-	-	15,905
Trade receivables and other current assets	2,411	1,510	-	-	3,921
Borrowings	19,606	-5,969	-	-	13,637
Provisions	10,090	4,216	-	-	14,306
Retirement benefits obligations	6,945	-402	-1,813	-	4,730
Deferred tax from fiscal loss	25,589	-26,749	-	1,160	-
Deferred tax assets/(liabilities)	**52,238**	**-15,760**	**-1,813**	**1,160**	**35,825**

The analysis of deferred tax of the **Company** for the years ended 31 December 2023 and 2022 is presented below:

31 December 2023

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-9,796	1,005	-	-	-8,791
Investment properties	240	-	-	-	240
Inventories	16,717	-3,130	-	-	13,587
Trade receivables and other current asstes	3,217	-10	-	-	3,207
Borrowings	13,638	19,848	-	-	33,486
Provisions	3,142	-2,161	-	-	981
Retirement benefits obligations	3,567	-111	839	-	4,295
Deferred tax from fiscal loss	-	43,027	-	-	43,027
Deferred tax assets/(liabilities)	**30,725**	**58,468**	**839**	**-**	**90,032**

in RON '000, except stated otherwise

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
					31 December 2022
Property, plant and equipment	-10,240	444	-	-	-9,796
Investment properties	240	-	-	-	240
Inventories	5,194	11,523	-	-	16,717
Trade receivables and other current assets	1,733	1,484	-	-	3,217
Borrowings	19,606	-5,968	-	-	13,638
Provisions	407	2,735	-	-	3,142
Retirement benefits obligations	5,259	-30	-1,662	-	3,567
Deferred tax from fiscal loss	-	-	-	-	-
Deferred tax assets / (liabilities)	**22,199**	**10,188**	**-1,662**	**-**	**30,725**

As at 31 December 2023, for an amount of RON 268,921 thousand of fiscal losses of Alro, the management believed there would be sufficient taxable profits in the future against which these fiscal losses could be used, therefore an amount of RON 43,027 thousand was recognised as deferred tax assets in the consolidated financial statements of the Group as at 31 December 2023 (31 December 2022: nil).

Tax effect of fiscal losses and their expiration is as follows:

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Within 1 year	-	-	-	-
1 - 2 years	-	-	-	-
2 - 5 years	-	-	-	-
More than 5 years	43,027	-	43,027	-
Total	**43,027**	**-**	**43,027**	**-**

Until 31 December 2023 the tax losses in Romania could have been carried forward and used against future taxable profits for a period of maximum 7 years. Starting 1 January 2024, the utilization of fiscal losses carried forward from prior years, for the purpose of calculating the current fiscal year's result, is limited to a period of 5 years and only up to 70% of the taxable profits generated in the period. However, losses carried forward prior to 2024 are eligible for utilization at the same 70% rate against taxable profits, spread over a 7-year period.

The Company has recognized in total a deferred tax asset of RON 90,032 thousand originated from fiscal losses and deductible temporary differences (31 December 2022: RON 30,725 thousand).

The Group did not recognise deferred income tax assets in respect of losses amounting to RON 264,155 thousand as they have arisen in subsidiaries that have been loss-making, they may not be used to offset taxable profits elsewhere in the Group, and there are no other tax planning opportunities or other evidence of recoverability in the near future. The tax effect and expiration of unrecognized tax losses for continued operations is presented in the table below:

Tax loss expiring	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Within 1 year	-	-	-	-
1 - 2 years	-	-	-	-
2 - 5 years	10,278	104	-	-
More than 5 years	31,987	-	-	-
Total	**42,265**	**104**	**-**	**-**

The Group's and the Company's current income taxes receivable and payable are the following:

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current income tax receivable	1,100	1,817	-	-
Current income taxes payable	6,490	70,056	6,456	65,810

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Alro and its subsidiaris, being part of Vimetco Group, a multinational enterprize group is within the scope of the OECD Pillar Two model legislation, which was enacted in Romania, the jurisdiction in which Alro and subsidiaries are incorporated. Law no. 431/2023, published on 5 January 2024, transposes the provisions of Directive (EU) 2022/2523 to introduce into the Romanian legislation a complex system of rules for an effective minimum taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual consolidated revenues of at least EUR 750 million in at least two of the four previous financial exercises. The law applies in respect of financial years beginning on or after 31 December 2023, except for the UTPR, which applies in respect of financial years beginning on or after 31 December 2024.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. From the preliminary analysis made, all entities within the group, which recorded profits in 2023 and 2022, have an effective tax rate that exceeds 15%, therefore the group might not be exposed to paying Pillar Two income taxes. Presented in the table below are the results recorded by all the subsidiaries in 2023 and 2022 together with an estimation of their effective tax rates:

					2023
	Alro	**Alum**	**Vimetco Extrusion**	**Conef**	**Vimetco Trading**
Profit / (loss) before income tax	**-591,308**	**-192,962**	**44,166**	**-505**	**954**
Applicable domestic tax rate	*16%*	*16%*	*16%*	*16%*	*16%*
Current income tax	-6,276	5,367	-9,122	-	-199
Deferred income tax	58,468	-926	1,089	-	-
Total Income tax expense	**52,192**	**4,441**	**-8,033**	**-**	**-199**
Resulting effective tax rate	**Loss**	**Loss**	**18%**	**Loss**	**21%**

					2022
	Alro	**Alum**	**Vimetco Extrusion**	**Conef**	**Vimetco Trading**
Profit / (loss) before income tax	**402,097**	**-119,658**	**57,118**	**-323**	**1,804**
Applicable domestic tax rate	*16%*	*16%*	*16%*	*16%*	*16%*
Current income tax	-81,314	-4,857	-10,091	-	-330
Deferred income tax	10,188	2,361	31	-	-
Total Income tax expense	**-71,126**	**-2,496**	**-10,060**	**-**	**-330**
Resulting effective tax rate	**18%**	**Loss**	**18%**	**Loss**	**18%**

While the average effective tax rate currently exceeds 15%, it's important to note that the group might be exposed to paying Pillar Two income taxes in the future. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in the table above. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Consequently, even entities with an accounting effective tax rate above 15% may encounter Pillar Two tax implications.

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14. (Losses) / earnings per share

	Alro Group		Alro	
	2023	2022	2023	2022
Net result attributable to the owners of the Entity	-560,264	410,071	-539,116	330,971
Continuing operations	-458,403	524,178	-539,116	330,971
Discontinued operations	-101,861	-114,107	-	-
Weighted average number of ordinary shares	713,779,135	713,779,135	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.785	0.575	-0.755	0.464
Continuing operations	-0.642	0.734	-0.755	0.464
Discontinued operations	-0.143	-0.160	-	-

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.

No dividends were declared in 2023 and 2022 by the Parent company relating to the year 2022 and 2021, respectively.

At 31 December 2023, the Parent Company does not have outstanding dividends payable (31 December 2022: nil). In 2022, 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.

in RON '000, except stated otherwise

15. Property, plant and equipment

Alro Group

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2022	**84,157**	**824,703**	**2,353,826**	**493,433**	**60,862**	**21,098**	**3,838,079**
Additions	13,399	158	7,953	15,877	111,178	5,229	**153,794**
Disposals	-184	-5,554	-15,325	-5,849	-	-	**-26,912**
Transfer between categories*	-	6,557	51,860	48,426	-87,199	-19,644	**-**
Transfer from other categories**	-	-	-	1,286	-	-	**1,286**
Translation adjustment	-	4,208	3,580	7,126	866	34	**15,814**
Balance at 31 December 2022	**97,372**	**830,072**	**2,401,894**	**560,299**	**85,707**	**6,717**	**3,982,061**
Additions	-	273	3,150	13,568	64,321	16,184	**97,496**
Disposal of subsidiaries	-	-74,975	-72,436	-108,558	-7,692	-577	**-264,238**
Disposals	-	-1,348	-14,392	-23,386	-	-	**-39,126**
Transfer between categories*	-	-	67,920	1,288	-65,330	-3,878	**-**
Translation adjustment	-	-963	-929	-1,607	-71	-7	**-3,577**
Balance at 31 December 2023	**97,372**	**753,059**	**2,385,207**	**441,604**	**76,935**	**18,439**	**3,772,616**
Accumulated depreciation							
Balance at 1 January 2022	**-**	**-568,919**	**-1,751,699**	**-388,894**	**-**	**-**	**-2,709,512**
Depreciation expense	-	-24,718	-102,739	-27,484	-	-	**-154,941**
Eliminated on disposal	-	2,328	14,171	4,005	-	-	**20,504**
Transfer from other categories**	-	-	-	-1,110	-	-	**-1,110**
Translation adjustment	-	-2,664	-3,259	-4,111	-	-	**-10,034**
Balance at 31 December 2022	**-**	**-593,973**	**-1,843,526**	**-417,594**	**-**	**-**	**-2,855,093**
Depreciation expense	-	-17,476	-98,109	-26,609	-	-	**-142,194**
Disposal of subsidiaries	-	58,530	62,978	75,566	-	-	**197,074**
Eliminated on disposal	-	170	14,285	19,474	-	-	**33,929**
Translation adjustment	-	709	782	1,084	-	-	**2,575**
Balance at 31 December 2023	**-**	**-552,040**	**-1,863,590**	**-348,079**	**-**	**-**	**-2,763,709**
Impairment allowance							
Balance at 1 January 2022	**-**	**-8,149**	**-3,049**	**-17,826**	**-1,755**	**-**	**-30,779**
Impairment losses recognized in profit or loss	-	-54	-5	-	-5,260	-	**-5,319**
Disposals	-	25	1	19	-	-	**45**
Translation adjustment	-	-	-	-	64	-	64
Balance at 31 December 2022	**-**	**-8,178**	**-3,053**	**-17,807**	**-6,951**	**-**	**-35,989**
Impairment losses recognized in profit or loss	-	-28,731	-41,850	-12,528	-2,562	-	**-85,671**
Disposal of subsidiaries	-	-	-	5,560	7,692	-	**13,252**
Reversals of impairment losses recognized in profit or loss	-	494	-	-	-	-	**494**
Disposals	-	186	187	170	-	-	**543**
Translation adjustment	-	-	-	-	68	-	**68**
Balance at 31 December 2023	**-**	**-36,229**	**-44,716**	**-24,605**	**-1,753**	**-**	**-107,303**
Net book value							
Balance at 31 December 2022	**97,372**	**227,921**	**555,315**	**124,898**	**78,756**	**6,717**	**1,090,979**
Balance at 31 December 2023	**97,372**	**164,790**	**476,901**	**68,920**	**75,182**	**18,439**	**901,604**

in RON '000, except stated otherwise

Alro

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2022	**63,680**	**563,568**	**2,001,093**	**291,048**	**31,601**	**7,030**	**2,958,020**
Additions	-	-	7,934	468	61,948	4,658	**75,008**
Transfer between categories*	-	1,057	33,657	3,010	-28,895	-8,829	**-**
Transfer from other categories**	-	-	-	1,286	-	-	**1,286**
Disposals	-84	-2,364	-14,754	-3,039	-	-	**-20,241**
Balance at 31 December 2022	**63,596**	**562,261**	**2,027,930**	**292,773**	**64,654**	**2,859**	**3,014,073**
Additions	-	34	3,150	376	53,077	11,754	**68,391**
Transfer between categories*	-	-	66,527	909	-63,558	-3,878	**-**
Transfers to other categories***	-	-855	-	-	-	-	**-855**
Disposals	-	-170	-9,679	-2,486	-	-	**-12,335**
Balance at 31 December 2023	**63,596**	**561,270**	**2,087,928**	**291,572**	**54,173**	**10,735**	**3,069,274**
Accumulated depreciation							
Balance at 1 January 2022	**-**	**-395,726**	**-1,501,011**	**-264,586**	**-**	**-**	**-2,161,323**
Depreciation expense	-	-7,847	-85,166	-6,456	-	-	**-99,469**
Transfer from other categories**	-	-	-	-1,110	-	-	**-1,110**
Eliminated on disposals of assets	-	2,295	13,601	3,019	-	-	**18,915**
Balance at 31 December 2022	**-**	**-401,278**	**-1,572,576**	**-269,133**	**-**	**-**	**-2,242,987**
Depreciation expense	-	-7,761	-82,911	-5,524	-	-	**-96,196**
Transfers to other categories***	-	260	-	-	-	-	**260**
Eliminated on disposals of assets	-	170	9,572	2,480	-	-	**12,222**
Balance at 31 December 2023	**-**	**-408,609**	**-1,645,915**	**-272,177**	**-**	**-**	**-2,326,701**
Impairment allowance							
Balance at 1 January 2022	**-**	**-12,635**	**-4,142**	**-1,769**	**-**	**-**	**-18,546**
Disposals	-	-	-	19	-	-	**19**
Balance at 31 December 2022	**-**	**-12,635**	**-4,142**	**-1,750**	**-**	**-**	**-18,527**
Reversals of impairment losses recognized in profit or loss	-	491	-	-	-	-	**491**
Disposals	-	-	119	-	-	-	**119**
Balance at 31 December 2023	**-**	**-12,144**	**-4,023**	**-1,750**	**-**	**-**	**-17,917**
Net book value							
Balance at 31 December 2022	**63,596**	**148,348**	**451,212**	**21,890**	**64,654**	**2,859**	**752,559**
Balance at 31 December 2023	**63,596**	**140,517**	**437,990**	**17,645**	**54,173**	**10,735**	**724,656**

In 2023, the Group continued its investment project to develop the scrap remelting capacities in the Eco Recycling Workshop. 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 in June 2023 the Group inaugurated a USD 11 million investment for two double-chamber furnaces, one holding furnace and the related fume collection and treatment plant (additions during the year 2023: RON 13,827 thousand; during 2022: RON 33,250 thousand). The project aims to increase the waste recycling capacity to 100,000 tpa by the end of 2023 and supports ALRO's strategy to reduce dependence on electricity supply and increase production with added value.

At the same time, the Group continued to invest in its programs to increase energy efficiency, which include the reconditioning of electrolysis pots, by modernizing another 30 pots using the innovative AL12LE technology (during the year 2022: 20 pots). AP12LE (Aluminium Pechiney 120 kA Low-Energy) represents a last generation technology developed by Rio Tinto Aluminum Pechiney.

in RON '000, except stated otherwise

The objective of this project is to reduce the energy consumption of the electrolysis pots by approximately 300 kWh/ton 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 2023, the Group signed the contract for 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 (additions during 2023: RON 14,507 thousand; 2022: RON 1,333 thousand).

The same direction was followed by one of the Group's subsidiaries, Vimetco Extrusion, which spent the amount of RON 6,915 thousand during of 2023 (in 2022: RON 684 thousand), 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.

In 2022, the Group completed the installation of a new state-of-the-art 7” press extrusion line, RON 43,931 thousand were spent for this project in 2022. This line is highly efficient in terms of production capabilities and reduced energy consumption. Thus, the entire process is automated, being able to extrude profiles up to a length of 60 meters, with a speed of 50 meter/minute, while having the lowest guaranteed gas consumption on the market and being equipped with an efficient energy-saving system, as well as with independently operated water and air-cooling zones designed to efficiently allocate resources. The new press also increases the capacity of extrusion by 40% to 35,000 tonnes per annum.

Simultaneously with the investment activity within the technological processes, in 2022 the Group performed various refurbishing works and purchased a plot of land at a cost of RON 13,399 thousand to support the increase of the storage capacity of the red mud dump in Tulcea.

The net book value of the *Property, plant and equipment* of the Group includes the amount of RON 12,931 thousand, of which RON 12,263 thousand at Company level, representing borrowing costs capitalized in accordance with *IAS 23 Borrowing costs* (2022: RON 14,292 thousand for the Group and RON 13,552 thousand for the Company). The borrowing costs consist of interest and transaction costs that the Group and the Company incur in relation to the contracted loans. During the year 2023 and 2022 no borrowing costs were capitalized under *Property, plant and equipment* of the Group and the Company.

**Transfer between categories* represent the value of the capital assets that were previously in progress and that were received and placed into operation during the reporting period.

***Transfer from other categories* included in 2022 the classification by the Group and the Company from the category of Rights of use assets of some fixed assets for which the leasing contracts ended, and the risks and benefits of the property right over these fixed assets have been transferred to the Group and the Company.

*** In 2023 *transfers to other categories* included a net amount of RON 578 thousand classified by Company from Property, plant and equipment to Investment properties representing the addition of the area at a building rented to a subsidiary. For futher details please see Note 38 *Commitments and contingencies.*

Under *Investment property* are included two buildings rented by the Parent Company to related parties.

Information regarding investment property

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Net book value	571	602	4,040	3,797
Fair value	2,850	2,624	51,537	46,188

At 31 December 2023 and 2022 the fair value of the rented buildings was based on the valuation performed by an independent appraiser that holds the necessary qualifications and experience for measuring such properties. The fair value was determined using the cost approach by estimating the cost of development of similar buildings, subject to adjustments for obsolescence.

in RON '000, except stated otherwise

Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence and this is included on the 3rd level of the fair value measurement hierarchy.

	Alro Group		Alro	
	2023	2022	2023	2022
Depreciation expense	31	31	334	321
Income from rental	222	204	2,599	2,536

Other information regarding property, plant and equipment

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
The net book value of the property, plant and equipment pledged to secure the borrowings	722,859	855,498	659,179	673,772
Gross book value of assets that are fully depreciated (cost)	884,146	853,871	664,335	557,027
Net book value of idle assets	146,940	182,343	60,856	79,024
Depreciation expense included in the Cost of goods sold during the reporting period	98,239	106,135	70,352	67,621

At 31 December 2023 the net book value of idle assets increased compared to 31 December 2022 as a result of the fact that the GAL group being classified as discontinued operations, the Bauxite segment is no longer presented.

Impairment tests for property, plant and equipment

The Group and the Company performs its annual impairment test in the end of the financial year and when circumstances indicate that the carrying value may be impaired. As a result of the several factors, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Group to take a decision to temporary suspend the alumina production operations and reduction of the primary aluminium production by 60% by shutting down three electrolysis pot rooms, a test of the property, plant and equipment of Alro and Alum was carried out as at 31 December 2023. The results of the impairment tests performed are presented further below.

Alro

As the result of the impairment test performed at Alro, the recovery value of its property, plant and equipment was higher than their net book value, so no impairment expense was recognized.

The recovery value of the cash generating unit (CGU) Alro was determined based on a fair value of CGU less costs to sell calculation by using future cash flows extracted from budgets estimated by the management of the company. The cash flows in perpetuity beyond this period were extrapolated by using a growth rate of 2.0% per annum (2022: 2.0% per annum), in line with forecast inflation. The assumed average EBITDA margin for the next five years is 15.6%, gradually increasing to a stable level of 18.6% by the fifth year. This represents an improvement from the previous year's assumptions, which projected a margin of 14.2% for the next five years, increasing to 14.6% thereafter and remaining constant at this level indefinitely. The upward revision in estimated EBITDA is primarily attributed to the reduction and stabilization of energy, alumina, and other raw material prices compared to the previous year. A significant impact over the positive forecasts for EBITDA has the estimated income from government grant following the adoption by the Romanian Government of Emergency Ordinance no. 138/12.10.2022, which transposes the EU Guideline for the period 2021-2030 regarding the compensation of indirect emissions costs embedded in the electricity price for 2021-2030 published in October 2022. Following its approval in 2022, the Group has now much more predictability for the energy compensation to be received on an annual basis. Major inputs for the calculation of compensation income, such as primary aluminium production, percentage of aid intensity, CO_2 emission factor can be assessed with a high degree of certainty based on management production plans and known public information, while other major input, such as CO2 certificate price was forecasted with reference to known market and forecast data platforms. The average yearly compensation budget is capped to a certain amount allocated to all the companies in the energy intensive industries targeted by this state aid and the Company estimates its annual attributable compensation in relation to this capped annual budget based on the past experience and best estimates. Management presumed in its forecasts that the EU ETS Compensation Scheme will continue after 2030 and / or the Company can maintain its competitiveness and level of profitability by other means, taking into account the evolution of the aluminum market.

in RON '000, except stated otherwise

The key assumptions for the cash-generating unit Alro are:

	2023	2022
Discount rate	12.00%	12.50%
Growth rate, average of next five years	16.00%	14.37%
EBITDA margin, average of next five years	15.64%	14.15%
EBITDA margin, terminal value	18.56%	14.60%

The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2023	2022
Discount rate	26.52%	22.72%
Growth rate, average of next five years	1.10%	2.54%
EBITDA margin, average of next five years	9.17%	9.13%
EBITDA margin, terminal value	5.85%	6.45%

Another significant key estimates used by management in the impairment assessment are represented by LME quotations used in the forecasts of sales revenues and the amount of income from government compensation for indirect emission costs. A 41% reduction in the forecasted LME quotations in combination with a 41% decrease in the forecasted income from compensation for indirect emission would result in the recoverable amount to be equal to the carrying amount (2022: a 10% reduction in the forecasted LME quotations and 10% decrease in the forecasted income from compensation for indirect emission). The Company has taken steps to reduce its reliance on LME and compensation income by enhancing scrap remelting capacities in the Eco Recycling Workshop. This development aligns the cost of raw materials with LME fluctuations, mitigating exposure to volatile LME prices. Additionally, the Company has implemented energy efficiency programs, modernization initiatives, and a strategic focus on value-added products, further reducing susceptibility to LME price variations.

Alum

As a result of the impairment review carried out by Alum, it was determined that the recoverable value of property, plant and equipment was materially different from its carrying value, therefore an impairment in amount of RON 77,547 thousand was recognized as at 31 December 2023 (31 December 2022: no impairment was recognized).

The recoverable value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was computed by using a growth rate of 2% per annum. The main assumptions used by ALUM in its cash flow forecasts are based on its plan to continue buying alumina from the market at lower prices than its own cost of production and reselling it to Alro, following the Group management decision to temporarily shut down the production activities. Since August 2022, Alum has been purchasing alumina from the market and supplied it to Alro with a margin. The management estimates that the raw materials and gas prices will stabilize to a sustainable level, enabling ALUM to resume alumina production in 2027 and fulfill Alro's requirements for this primary raw material in its electrolysis facilities and this results in a significant increase in the growth rate comparing to last year estimation (see the table below) Additionally, the company's strategic roadmap includes plans to recommence production and sales of aluminum hydrate and other specialized alumina products to third-party customers.

The key assumptions for the cash-generating unit Alum are:

	2023	2022
Discount rate	13.60%	13.80%
Growth rate, average of next five years	18.39%	5.31%
EBITDA margin, average of next five years	1.93%	4.44%
EBITDA margin, terminal value	7.34%	5.82%

The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2023	2022
Discount rate	8.79%	13.72%
Growth rate, average of next five years	30.00%	5.91%
EBITDA margin, average of next five years	7.38%	4.50%
EBITDA margin, terminal value	10.10%	5.86%

in RON '000, except stated otherwise

Impairment tests for discontinued operations

Following the reclassification of the GAL group as discontinued operations preceding its disposal on 1 September 2023 (refer to Note 5 for details), the Group conducted an assessment of the fair value of net assets of GAL at 30 June 2023. The outcome of this assessment revealed a significant decrease in fair value compared to the last estimation performed at 31 December 2022 for the purpose of the annual impairment review. As a result, an impairment charge of RON 8,122 thousand was recognized on the property, plant, and equipment of SMHL. The deterioration in the financial position of the GAL group during the six-month period of 2023 primarily stemmed from the absence of sales contracts covering the entire production capacity of the mine for the period. This was attributed to the reduced interest of market participants in purchasing bauxite from this source and the accelerated depletion of high-quality bauxite reserves, leading to a gradual decline in the quality of the bauxite delivered.

16. Intangible assets

Alro Group	Development expenses	Other intangibles	Total
Cost			
Balance at 1 January 2022	**4,368**	**41,003**	**45,371**
Additions	-	984	**984**
Disposals	-	-372	**-372**
Translation adjustment	-	250	**250**
Balance at 31 December 2022	**4,368**	**41,865**	**46,233**
Additions	-	371	**371**
Disposal of subsidiaries	-	-4,324	-4,324
Disposals	-	-242	**-242**
Translation adjustment	-	-56	**-56**
Balance at 31 December 2023	**4,368**	**37,614**	**41,982**
Accumulated amortisation			
Balance at 1 January 2022	**-4,368**	**-36,471**	**-40,839**
Amortisation expense	-	-2,042	**-2,042**
Eliminated on disposals of assets	-	372	**372**
Translation adjustment	-	-245	**-245**
Balance at 31 December 2022	**-4,368**	**-38,386**	**-42,754**
Amortisation expense	-	-926	**-926**
Disposal of subsidiaries	-	4,278	4,278
Eliminated on disposals of assets	-	242	**242**
Translation adjustment	-	55	**55**
Balance at 31 December 2023	**-4,368**	**-34,737**	**-39,105**
Net book value			
Balance at 31 December 2022	**-**	**3,479**	**3,479**
Balance at 31 December 2023	**-**	**2,877**	**2,877**

in RON '000, except stated otherwise

Alro	Development expenses	Other intangibles	Total
Cost			
Balance at 1 January 2022	**-**	**34,320**	**34,320**
Additions	-	513	**513**
Disposals	-	-311	**-311**
Balance at 31 December 2022	**-**	**34,522**	**34,522**
Additions	-	147	147
Disposals	-	-242	**-242**
Balance at 31 December 2023	**-**	**34,427**	**34,427**
Accumulated amortisation			
Balance at 1 January 2022	**-**	**-30,250**	**-30,250**
Amortisation expense	-	-1,612	**-1,612**
Eliminated on disposals of assets	-	311	**311**
Balance at 31 December 2022	**-**	**-31,551**	**-31,551**
Amortisation expense	-	-611	**-611**
Eliminated on disposals of assets	-	242	**242**
Balance at 31 December 2023	**-**	**-31,920**	**-31,920**
Net book value			
Balance at 31 December 2022	**-**	**2,971**	**2,971**
Balance at 31 December 2023	**-**	**2,507**	**2,507**

17. Investments in subsidiaries

The parent company **Alro** holds directly or indirectly the following investments in subsidiaries:

					31 December 2023
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	100,076	-188,521
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	144,066	36,133
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	7,027	-505
Vimetco Trading S.R.L.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	100.00%	100.00%	4,809	755

					31 December 2022
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	288,696	-122,154
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	107,983	47,058
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	7,532	-323
Global Aluminum Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	294,775	-23
Bauxite Marketing Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	-760	-19
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	44,302	-93,077
Vimetco Trading S.R.L.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	100.00%	100.00%	4,054	1,474

* The shareholding represents the effective shareholding percentage of the Parent company in its subsidiaries (direct as well as indirect).

**The voting rights reported are those of the immediate Parent company or companies, where the immediate Parent company or companies are themselves controlled by Alro Group. Consequently, the voting rights reported above might differ significantly from the effective shareholding.

in RON '000, except stated otherwise

The equity and net result are determined according to the International Financial Reporting Standards and the accounting policies of the Group.

Subsidiaries

Alum S.A. Tulcea (Alum) is a company set up under the Romanian law that was established in 1972. Alum is the only producer of calcinated alumina in Romania. Its main activity is the hydro-metallurgical processing of bauxite in order to obtain alumina (aluminium oxide), the main raw material used in aluminium production.

Alum is listed on the Bucharest Stock Exchange, the ATS market segment, AeRo category.

Alum held until 2023 investments in GAL Group, which included Global Aluminium Ltd and its 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings I, Ltd., and 100% shareholding in Bauxite Marketing Ltd, see further details below.

GAL Group. On 1 May 2011 Alum acquired 100% of the company **Global Aluminium Ltd** from Vimetco N.V. The assets of the latter included 100% shareholding in a bauxite mine in Sierra Leone, **Sierra Mineral Holdings I, Ltd.,** and 100% shareholding in **Bauxite Marketing Ltd.**

The bauxite mine supplied a significant part of the necessary raw material for the alumina refinery Alum S.A.

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

Vimetco Extrusion S.R.L. is a company set up under the Romanian law and its principal activity is the production of extruded aluminum products. The Company's administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.

Conef S.A. (Conef) is a company organized under the Romanian law that was set up in 1991. The main activity of the company (according to the company's deeds) is trading with oil, minerals, and chemical products, production of electricity.

Vimetco Trading S.R.L. is a company organized under the Romanian law and was incorporated in 2008. The company mainly provides sales agent services for the benefit of Alro S.A., which consist of various actions such as: negotiation activities with potential customers, monitoring the execution of sales contracts, fulfilling any other necessary actions in connection with the preparation and execution of sales contracts.

The value of Alro's financial investments was:

	2023	2022
Cost		
Balance at 1 January	**586,708**	**586,708**
Balance at 31 December	**586,708**	**586,708**
Impairment allowance		
Balance at 1 January	**-253,386**	**-119,651**
Impairment loss of financial assets	-189,144	-133,735
Balance at 31 December	**-442,530**	**-253,386**
Net book value		
Balance at 1 January	**333,322**	**467,057**
Balance at 31 December	**144,178**	**333,322**

The Company's investments in other companies in which it holds control over the financial and operational policies are accounted for at cost less the impairment.

in RON '000, except stated otherwise

Impairment tests for investments in subsidiaries

Considering the current market conditions and after analyzing the internal and external factors, an impairment test for of the financial investments was performed by the Company for the purpose of its financial statement as at 31 December 2023. Due to the evolving economic landscape and specific challenges faced by the industry, as a result of the test, it recognized an impairment of RON 189,144 thousand, which includes an amount of RON 188,639 thousand representing impairment loss for investment in Alum and RON 505 thousand representing additional impairment loss recognised for the investment in Conef (12 months 2022: RON 133,412 thousand representing additional impairment loss recognised for the investment in Alum and RON 323 thousand representing additional impairment loss recognised for the investment in Conef).

Alum

The recoverable value of the investment in Alum was determined based on the fair value, calculated by the discounted cashflow method (DCF). In the discounted cashflow method, future cashflows were used, based on forecasts estimated by the management, which cover a period of 5 years (2024 – 2028), discounted at a rate of 13.6% per year. The cashflows beyond that period have been extrapolated using a growth rate of 2.0% per year. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation techniques used.

Key assumptions:

	2023	2022
Discount rate	13.60%	13.80%
Growth rate, average of next five years	18.39%	5.31%
EBITDA margin, average of next five years	1.93%	4.44%
EBITDA margin, terminal value	7.34%	5.82%

The significant increase in the growth rate comparing to last year estimation is due to the change of the main assumption related to Alum's plan to continue buying limited quantities of alumina from the market and reselling it to Alro in accordance with its needs and recommencing production of alumina and other alumina products in 2027, when a significant growth in sales are estimated. The anticipated restart of internal production also factors into this forecast, with an associated increase in the terminal EBITDA margin estimated as a result.

The estimated fair value of the investment in Alum was significantly different from its carrying value, therefore an impairment charge was recognised in the Company's financial statements for the year ended 31 December 2023 amounting to RON 188,639 thousand (2022: impairment charge of RON 133,412 thousand). The impairment is attributable to the reduction of the enterprise value of the company as the result of the decision to extend the temporary suspension of the alumina production operations.

The changes in key assumptions used in the fair value estimation, taken in isolation, would result in the following amount of reversal/(impairment) to the carrying value of investment in Alum:

	2023		2022	
Increase / Decrease	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**
Discount rate	-8,000	9,800	-21,000	25,400
Growth rate, average of next five years	8,300	-2,200	2,400	-2,300
EBITDA margin, average of next five years	4,200	-24,600	43,300	-18,300
EBITDA margin, terminal value	28,500	-28,500	51,900	-51,900

Conef

An additional impairment loss of RON 505 thousand was recognised on Alro investment in Conef, as a result of the decrease of the recoverable value of the investment in Conef which was determined with reference to its net assets value as at 31 December 2023 (2022: an impairment loss of RON 323 thousand was recognized).

There were no impairment indications identified for the investments in Vimetco Extrusion and Vimetco Trading, therefore no impairment test was performed as at 31 December 2023 on these investments.

The details of the acquisition cost of the Company's investments in subsidiaries as at 31 December 2023 and 31 December 2022 are the following:

Name of subsidiary	Basic activity	No. of shares	Cost of purchase (RON/share)	Procentage of ownership / voting (%)	Cost of purchase(RON thousand)
Conef	- holding	2,675,914	24.604	99.97%	65,838
Vimetco Extrusion	- metalurgy industry of aluminium	2,189,320	10.00	100.00%	21,893
Alum	- production of alumina	72,355,909	5.95	99.40%	430,518
		6,052,951	5.60		33,896
		3,187,000	5.95		18,963
Vimetco Trading	- trade	100	156,000	100.00%	15,600
Total					**586,708**

The carrying amount of the Company's investments in subsidiaries as at 31 December 2023 and 2022 are presented in the table below:

Name of subsidiary	31 December 2023	31 December 2022
Conef	7,026	7,531
Vimetco Extrusion	21,893	21,893
Alum	99,659	288,298
Vimetco Trading	15,600	15,600
Total	**144,178**	**333,322**

All the entities mentioned above are incorporated in Romania.

18. Equity accounted investments

In 2023, ALRO was declared the "selected investor" following a public tender organized by Complexul Energetic Oltenia to build an 850 MW natural gas power generation plant at Isalnita (with a mix of gas/hydrogen when this is available). The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy.

On 18 September 2023, the company CCGT Power Isalnita SA ("CCGT Power") was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and Alro SA holding 40.1% of the shareholders equity. The share capital of the CCGT Power by the end of 2023, was of RON 270,000 thousand with Alro' contribution amounting to RON 108,269 thousand. This amount of share capital will be further increased, with Alro's equity participation of RON equivalent of EUR 43,514 thousand representing 40,1% of the share capital of the new company to be contributed in cash and with a contribution of Complexul Energetic Oltenia of EUR 65,000 thousand representing 59.9% of share capital contributed in kind (land, tangible and intangible assets). Alro's contribution will be financed in proportion of 15% with own funds and 85% with bank loan under a state guarantee, which was already in place. The Group's interest in CCGT Power is accounted for using the equity method in the consolidated financial statements.

This partnership will offer ALRO the opportunity to diversify its business model. The security of supply for electricity is a must for the aluminium industry and will support the Group's long-term development plans in a challenging business environment.

in RON '000, except stated otherwise

19. Goodwill

	Alro Group	
Cost	**2023**	**2022**
Balance 1 January	173,700	167,061
Disposal of subsidiaries	-115,123	-
Translation adjustment	-1,479	6,639
Balance at 31 December	**57,098**	**173,700**
Impairment		
Balance 1 January	-93,849	-70,753
Impairment charge recognized for the discontinued operations (Note 5)	-63,206	-21,580
Disposal of subsidiaries	115,123	-
Translation adjustment	668	-1,516
Balance at 31 December	**-41,264**	**-93,849**
Net book value		
Balance at 1 January	79,851	96,308
Balance at 31 December	15,834	79,851

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

	Alro Group	
	31 December 2023	**31 December 2022**
Alro Group	15,408	79,425
Vimetco Extrusion	426	426
Total	**15,834**	**79,851**

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired.

Alro Group

In 2023, the recoverable amount of the cash-generating unit Alro Group was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used. As the result of the impairment test performed, no impairment was recognized on the goodwill allocated to Alro Group.

The cash flow projections were based on the business plan estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU Alro Group reflect past experience, are consistent with external sources of information and are based on management's expectations of market development. The production quantities were estimated based on past experience, represent management's best estimate of future production and reflect company's investment plans. Sales prices were based on the long-term aluminium prices derived from available industry and market sources. Operating costs were projected based on the historical performance and adjusted for the current market conditions and inflation.

Key assumptions	**31 December 2023**	**31 December 2022**
Discount rate, after-tax	12%	12.5%
Growth rate (average of next five years)	12.7%	10.5%
EBITDA margin (average of next five years)	16.1%	15.9%

The discount rate is the CGU weighted-average of the cost of equity of the CGU, i.e. 13.0% (in 2022: 13.7%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 6.5% (in 2022: 3.4%), using the CGU's debt leverage of 15.8% (in 2022: 11.3%).

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 2.0% (at 31 December 2022: 2.0%).

The most sensitive key assumptions used in impairment test of CGU Alro Group are the discount rate and EBITDA margin. An increase of the discount rate to 25.1% and a decrease of EBITDA margin to 10.0% applicated separately, would cause the estimated recoverable amount to be equal to the carrying amount (31 December 2022: increase to 20.5% and decrease to 11.9% respectively). Another significant key estimates used by management in the impairment assessment are represented by LME quotations used in the forecasts of sales revenues and the amount of income from government compensation for indirect emission costs. A 38% reduction in the forecasted LME quotations in combination with a 38% decrease in the forecasted income from compensation for indirect emission at Group level, would result in the recoverable amount to be equal to the carrying amount (2022: a 10% reduction in the forecasted LME quotations in combination with a 10% decrease in the forecasted income from compensation).

Impairment tests for discontinued operations

Following the reclassification of the GAL group as discontinued operations preceding its disposal on 1 September 2023 (refer to Note 5 for details), the Group conducted an assessment of the fair value of net assets of GAL at 30 June 2023. As a result, a full impairment of RON 63,206 thousand was recognised on the remaining goodwill resulted on the initial acquisition of GAL group. The goodwill was allocated for the purpose of impairment testing to the group of cash generating units Alro Group, but following the disposal of GAL, the goodwill acquired in the business combination was written off, because GAL group was an operation within Alro Group CGU.

20. Right-of-use assets

The Group and the Company have leasing contracts for various items of plant, machinery, vehicles and other equipment with terms of up to 8 years. There are several lease contracts that include extension and termination options for which management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. Generally, the Group and the Company are restricted from assigning and subleasing the leased assets.

The Group and the Company also have certain leases with lease terms of 12 months or less and low value leases. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

in RON '000, except stated otherwise

Categories of right-of-use assets

Alro Group	Equipment	Vehicles	Other	Total right-of-use assets
Cost				
Balance at 1 January 2022	**2,803**	**8,779**	**3,964**	**15,546**
Additions	436	2,581	1,155	**4,172**
Disposals	-	-1,560	-2,184	**-3,744**
Transfers to other categories*	-	-1,286	-	**-1,286**
Balance at 31 December 2022	**3,239**	**8,514**	**2,935**	**14,688**
Additions	-	1,082	4,514	**5,596**
Disposals	-	-1,208	-759	**-1,967**
Balance at 31 December 2023	**3,239**	**8,388**	**6,690**	**18,317**
Accumulated amortisation				
Balance at 1 January 2022	**-623**	**-4,337**	**-2,389**	**-7,349**
Amortisation expense	-615	-1,960	-1,725	**-4,300**
Eliminated on disposals of assets	-	1,560	1,383	**2,943**
Transfers to other categories*	-	1,110	-	**1,110**
Balance at 31 December 2022	**-1,238**	**-3,627**	**-2,731**	**-7,596**
Amortisation expense	-411	-1,688	-893	**-2,992**
Eliminated on disposals of assets	-	1,202	759	**1,961**
Balance at 31 December 2023	**-1,649**	**-4,113**	**-2,865**	**-8,627**
Net book value				
Balance at 31 December 2022	**2,001**	**4,887**	**204**	**7,092**
Balance at 31 December 2023	**1,590**	**4,275**	**3,825**	**9,690**

Alro	Equipment	Vehicles	Other	Total right-of-use assets
Cost				
Balance at 1 January 2022	**-**	**7,577**	**2,590**	**10,167**
Additions	-	2,319	-	**2,319**
Transfers to other categories*	-	-1,286	-	**-1,286**
Disposals	-	-1,148	-	**-1,148**
Balance at 31 December 2022	**-**	**7,462**	**2,590**	**10,052**
Additions	-	1,019	960	**1,979**
Disposals	-	-889	-979	**-1,868**
Balance at 31 December 2023	**-**	**7,592**	**2,571**	**10,163**
Accumulated amortisation				
Balance at 1 January 2022	**-**	**-3,512**	**-1,607**	**-5,119**
Amortisation expense	-	-1,726	-542	**-2,268**
Eliminated on disposals of assets	-	1,148	-	**1,148**
Transfers to other categories*	-	1,110	-	**1,110**
Balance at 31 December 2022	**-**	**-2,980**	**-2,149**	**-5,129**
Amortisation expense	-	-1,506	-440	**-1,946**
Eliminated on disposals of assets	-	883	979	**1,862**
Balance at 31 December 2023	**-**	**-3,603**	**-1,610**	**-5,213**
Net book value				
Balance at 31 December 2022	**-**	**4,482**	**441**	**4,923**
Balance at 31 December 2023	**-**	**3,989**	**961**	**4,950**

in RON '000, except stated otherwise

The following amounts were recognised in profit or loss, following the application of IFRS 16:

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Depreciation expense of right-of-use assets	2,992	4,300	1,946	2,268
Interest on lease liabilities	1,611	235	127	183
Expenses related to short-term leases	188	188	-	-
Expenses related to leases of low-value assets	269	190	201	190
Total amounts recognised in profit or loss	**5,060**	**4,913**	**2,274**	**2,641**

* In 2022 *transfers to other categories* include the classification by the Company and the Group from the category of r*ights-of-use assets* to *Property, Plant and Equipment* of some fixed assets for which the leasing contracts have been finalized, and the risks and benefits of the property right over these fixed assets have been transferred to the Company and the Group.

21. Other non-current financial assets

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Collateral deposits	148,247	75,435	148,247	75,435
Other non-current assets	3,046	2,341	763	614
Total	**151,293**	**77,776**	**149,010**	**76,049**

At 31 December 2023 and 31 December 2022 *Collateral deposits* represent cash pledged to a bank until March 2026 for a loan of RON 470,000 thousand and for a non-cash facility of RON 168,000 thousand, until January 2027 and for another non-cash facility of RON 46,000 thousand, until February 2027 amounting RON 75,435 thousand. At 31 December 2023, RON 36,000 thousand representing cash pledged for a loan extended in November 2023 until November 2026 was reclassified, due to the maturity of the deposit, which is longer than 1 year, from *Restricted cash*, where it had been presented at 31 December 2022, to Other non-current financial assets. At 31 December 2023, besides these, the category *Collateral deposits* also included RON 36,812 thousand, representing cash pledged to banks until November 2031 for two loans concluded by Parent Company in November 2023 for supporting the investment in CCGT Power Isalnita SA Company. For further details, please see also *Note 29 Borrowings and leases* and *Note 26 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.

22. Inventories

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Raw and auxiliary materials	348,639	480,637	237,614	323,851
Work in progress	208,543	320,713	148,182	228,954
Finished goods	419,482	489,715	395,355	435,903
Less: allowance for obsolescence	-91,928	-122,878	-84,918	-104,479
Total	**884,736**	**1,168,187**	**696,233**	**884,229**

In the category *Raw and auxiliary materials* are included: at Alro, alumina and other raw and auxiliary materials needed for aluminium production, and, at the Group level, also the bauxite on stock at Alum.The category *Finished goods* includes Alro's finished goods of aluminium and extruded products.

The Group's management continued its strategy to procure raw materials used in the aluminium production from the market at more competitive prices than the one from its own production, such as alumina, scrap aluminium or aluminum ingots. This determined a decrease in respect of *Raw and auxiliary materials* where alumina and other raw materials are included, but also in the level of Work in Progress and Finished goods that were produced at lower material costs. Furthermore, the stock levels of Raw materials and auxiliary materials were reduced and kept at optimized levels for the current production and the sales plan was made in such a way so as to sell available output. During 2023, the Group and the Company identified and took advantage of the opportunities existing in the market, especially for aluminium wire rod and extruded products, and this is also visible in the variation of finished products presented above.

in RON '000, except stated otherwise

The value of inventories pledged for securing the Group's and the Company's borrowings amounts to RON 864,117 thousand for the Group and RON 696,233 thousand for the Company (at 31 December 2022: RON 1,105,831 thousand for the Group and RON 884,229 thousand for the Company).

During 2023, at the Group level, an amount of RON 3,015,197 thousand (2022: RON 3,021,482 thousand) and, at the Company level, an amount of RON 2,824,636 thousand (2022: RON 2,930,231 thousand) were recognised as Cost of goods sold.

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

	Alro Group		Alro	
	2023	2022	2023	2022
Balance at beginning of the year	-122,878	-44,263	-104,479	-32,465
(Charge) to cost of goods sold	-33,491	-78,850	-26,506	-72,886
Reversal to cost of goods sold	5,454	547	5,454	547
Utilization	40,613	325	40,613	325
(Charge) to cost of goods sold from disposed operations	-9,561	-	-	-
Reversal as a result of disposal of subsidiaries	27,218	-	-	-
Translation adjustments	717	-637	-	-
Balance at end of the period	**-91,928**	**-122,878**	**-84,918**	**-104,479**

The Group reversed RON 40,613 thousand of a previous inventory write-down as at 31 December 2022, as the relevant goods that have been written down were mainly sold during the year 2023.
The carrying amount of any inventories carried at fair value less costs to sell:

	Alro Group		Alro	
	2023	2022	2023	2022
Work in progress	164,773	276,395	109,317	184,636
Finished goods	377,499	435,557	355,477	381,745

23. Trade receivables, net

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Foreign trade receivables	54,815	59,225	38,550	35,907
Domestic trade receivables	25,970	35,394	51,184	89,128
Allowance for expected credit losses of trade receivables	-24,622	-24,839	-20,044	-20,105
Total	**56,163**	**69,780**	**69,690**	**104,930**

The concentration of credit risk is limited due to the fact that the customer portfolios of the Group and of the Company are large and unrelated.

As at 31 December 2023, the highest 5 trade receivables of the Group accounted for nearly 48% of the net trade receivables (at 31 December 2022: nearly 41%). In 2023, one client individually accounted for more than 5% of the Group's turnover, with 8% of the Company's turnover (in 2022: one client individually accounted for more than 5% of the Group's turnover, with 6% of the Company's turnover).

As concerns the Company, the top 5 outstanding balances at 31 December 2023 account for 78% of the total receivables, with its subsidiaries representing 53% of them (at 31 December 2022: 81%, with its subsidiaries representing 63% of them). Please refer to Note 36 for details about related parties balances. Apart from Group companies, three third party clients accounted for more than 5% of the outstanding balance at 31 December 2023 (at 31 December 2022, one third party client accounted individually for more than 5% of the outstanding balance, totaling 11% of it). In respect of revenues, in 2023, 2 clients accounted individually for more than 5% of the Company's turnover, of which the top client was a subsidiary, with 15% of the Company's revenues (in 2022: 2 clients accounted individually for more than 5% of the revenues, of which the top client was a subsidiary, with 15% of the Company's turnover).

in RON '000, except stated otherwise

The Company and its subsidiaries sell significant trade receivables under the existing factoring agreements on a non-recourse basis, so that the risks and rewards related to the receivables are substantially transferred to a factor and as a result the transferred amount at the transfer date is derecognized, and the factoring fees and related finance costs are recognized at the payment date.

Amounts available under factoring agreements:

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Factoring ceiling amounts, of which:	788,930	686,991	749,161	649,602
Factoring amounts utilized	240,895	196,855	234,224	196,677

The Group and the Company have established a provision matrix that is based on the Group's and Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, if any. The Group and the Company also assess impairment loss individually if there is evidence of significant increases in credit risk at an individual level. More information is disclosed in Note 37.

Accordingly, the Group and the Company's management believes that there is no further credit provision required in excess of the allowance for expected credit losses of trade receivables already provided for.

Movement in the allowance for expected credit losses of trade receivables is as follows:

	Alro Group		Alro	
	2023	2022	2023	2022
Balance at beginning of the year	-24,839	-15,305	-20,105	-10,801
Charge in the current year	-208	-10,166	-59	-9,936
Release in the current year	425	104	120	104
Utilization of allowances	-	528	-	528
Balance at end of the year	**-24,622**	**-24,839**	**-20,044**	**-20,105**

In 2023 and 2022, the *Allowance for expected credit losses of trade receivables* includes the allowance of RON 19,919 thousand in relation to the amounts receivable for penalties charged to some suppliers of electricity for the early cancellation of the contracts n previous year (see Note 8 *General, administrative and selling expenses*). The overdue balances were individually assessed and were presented separately in the table below the provision matrix from the Note 37.

A part of the Group receivables (RON 30,755 thousand at 31 December 2023 and RON 26,519 thousand at 31 December 2022) and of the Company's (RON 65,384 thousand at 31 December 2023 and RON 91,816 thousand at 31 December 2022) are pledged to secure the loans obtained from banks.

24. Other current financial assets

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Government grants receivable	373,980	437,059	372,156	436,358
VAT recoverable	43,389	69,695	21,820	29,985
Other current financial assets	15,960	4,135	13,336	3,574
Allowance for sundry doubtful debtors	-124	-124	-3	-3
Total	**433,205**	**510,765**	**407,309**	**469,914**

Movement in allowance for sundry debtors is as follows:

	Alro Group		Alro	
	2023	2022	2023	2022
Balance at beginning of the year	-124	-124	-3	-3
Release / (charge) in the current year	-	-	-	-
Balance at end of the year	**-124**	**-124**	**-3**	**-3**

in RON '000, except stated otherwise

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 during 2022 and 2023. In September 2023, the Group collected RON 359,430 thousand and the Company RON 358,268 thousand, as compensation for the electricity costs incurred in 2022 and recognized on an accrual basis as at 31 December 2022. The difference compared to the amount initially estimated in the balance at 31 December 2022 was resumed in the current year's result. At 31 December 2023 the outstanding balance of RON 373,980 thousand at the Group level and RON 372,156 thousand at the Company level represents the compensation receivable for 2023 recognized on an accrual basis. For further details please see also Note 9 *Other operating income.*

25. Other current non-financial assets

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Advances to suppliers	22,290	10,097	95,821	47,808
Prepayments	11,690	13,876	10,658	11,788
Other current non-financial assets	-	1,052	-	-
Total	**33,980**	**25,025**	**106,479**	**59,596**

At Company level, the category *Advances to suppliers* contains mainly down payments to one of its subsidiaries for the acquisition of raw materials.

The category *Prepayments i*ncludes green certificates purchased, which the Group and the Company estimates to use in order to settle its obligations in less than one year from the reporting date (at 31 December 2023: RON 316 thousand RON; at 31 December 2022: RON 4,593 thousand). Additionally, an amount of RON 6,131 thousand included under Prepayments at 31 December 2023 at the Group and the Company level represents commissions paid for a non-cash facility extended until February 2027, as well as for the value of undrawn loans until the date of 31 December 2023 (2022: RON 2,920 thousand). See also *Note 29 Borrowings and leases.*

26. Cash and cash equivalents

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Cash at banks in RON	152,620	546,719	141,292	535,526
Cash at banks in other currencies	53,461	83,274	18,976	64,542
Petty cash and cash equivalents	45	75	13	22
Total	**206,126**	**630,068**	**160,281**	**600,090**

At 31 December 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 160,797 thousand as at 31 December 2023 and RON 602,785 thousand as of 31 December 2022) and of the Company (RON 160,268 thousand as at 31 December 2023 and RON 600,068 thousand as of 31 December 2022) are pledged to guarantee the borrowings from banks.

Restricted cash

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Restricted cash	19,814	88,688	-	52,731
Total	**19,814**	**88,688**	**-**	**52,731**

As at 31 December 2023 the restricted cash of the Group in amount of RON 19.814 thousand 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). As at 31 December 2022 the restricted cash represented collateral deposits for two facilities concluded by Company: a revolving facility of RON 180,000 thousand and a non-revolving loan of RON 167,312 thousand, which has been fully paid during the year 2023. In November 2023 the Company exteded the revolving facility until November 2026, so at 31 December 2023 the collateral deposit related to this facility of RON 36,000 thousand has been reclassified from *Restricted Cash* to *Other non-current financial assets* (refer to Notes 21 and 29 as well).

27. Share capital

The share capital of the Parent Company issued and paid in has the following structure as at 31 December 2023 and 2022 (values recorded with the Trade Registry):

	31 December 2023		
	Number of shares	Nominal value (RON 000)	%
Vimetco PLC	386,795,344	193,399	54.19
Paval Holding S.R.L.	165,679,915	82,834	23.21
Fondul Proprietatea	72,884,714	36,438	10.21
Fondul de Pensii NN	31,500,000	15,739	4.41
Fondul de Pensii Allianz Viitorul tau	22,076,265	11,028	3.09
Others	34,842,897	17,452	4.89
Total	**713,779,135**	**356,890**	**100.00**

	31 December 2022		
	Number of shares	Nominal value (RON 000)	%
Vimetco PLC	386,795,344	193,399	54.19
Paval Holding S.R.L.	165,679,915	82,834	23.21
Fondul Proprietatea	72,884,714	36,438	10.21
Fondul de Pensii NN	31,500,000	15,739	4.41
Fondul de Pensii Allianz	22,076,265	11,028	3.09
Others	34,842,897	17,452	4.89
Total	**713,779,135**	**356,890**	**100.00**

At 31 December 2023, the major shareholder of Alro S.A. was Vimetco PLC, Cyprus.

The nominal value of each share is RON 0.5 (2022: RON 0.5). Each ordinary share carries one vote per share and carries the right to dividends.

The difference between the nominal value and the value of RON 370,037 thousand reported in the Statement of Financial Position of the Group and the Company as of 31 December 2023 and 2022, is represented by hyperinflation adjustments that were booked in accordance with I*AS 29 Financial Reporting in Hyperinflationary Economies* until 31 December 2003, less the amount of these adjustments utilized for covering the accounting loss carried forward in accordance with the approval of the General Shareholders' Meeting held in 2014.

28. Other reserves

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Legal reserve	91,931	91,931	71,378	71,378
Other reserves	283,935	283,935	234,813	234,813
Translation reserve	-	-18,880	-	-
Total	**375,866**	**356,986**	**306,191**	**306,191**

The legal reserve is made up to 20% of the issued and paid shared capital of the Romanian Companies, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws.

Other reserves include mainly amounts that were generated by fiscal facilities obtained during 2001 - 2003, by profit distribution to the development fund done until 2000 and by the application of IAS 29.

In 2022 the translation reserve represents foreign exchange differences resulting from the conversion of the foreign operations of the subsidiaries that have the functional currency different from RON, namely Sierra Mineral Holdings 1 Ltd, Global Aluminium Ltd. and Bauxite Marketing Ltd.

in RON '000, except stated otherwise

29. Borrowings and leases

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Long-term borrowings				
Long-term bank loans	1,474,795	1,669,841	1,471,808	1,643,606
Less: Short-term portion of long-term bank loans	-298,728	-999,744	-295,741	-976,572
Bank loans, non-current	***1,176,067***	***670,097***	***1,176,067***	***667,034***
Leases, non-current	5,963	3,831	3,061	2,812
Total long-term borrowings and leases	**1,182,030**	**673,928**	**1,179,128**	**669,846**
Short-term borrowings				
Short-term bank loans	-	15,300	-	-
Short-term portion of long-term bank loans	298,728	999,744	295,741	976,572
Bank loans, current	***298,728***	***1,015,044***	***295,741***	***976,572***
Short-term loans, total	***298,728***	***1,015,044***	***295,741***	***976,572***
Leases, current	2,782	2,465	1,696	2,067
Total short-term borrowings and leases	**301,510**	**1,017,509**	**297,437**	**978,639**
Total borrowings and leases	**1,483,540**	**1,691,437**	**1,476,565**	**1,648,485**

The bank borrowings of the Group and the Company will mature until 2031. Their related interest rates ranged between 3.66% for EUR and 26% for SLE (Sierra Leone Leones) in 2023 (in 2022: between 2.80% for EUR and 19% for SLE (Sierra Leone Leones)) at Group level and between 3.66% for EUR and 9.76% for RON in 2023 at Company level (2022: between 2.80% for EUR and 9.76% for RON).

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. The loan must be repaid by March 2026.

In November 2023, the Parent Company negotiated with a syndicate of banks and signed the extension of a revolving loan agreement of USD 120,000 thousand until November 2026 and of the non-cash facility amounting to USD 30,000 thousand until February 2027. At the same time, in November 2023 the Parent Company signed the extension until November 2026 of another revolving loan amounting to RON 180,000 thousand contracted from a commercial bank.

Additionally in November 2023, the Parent Company signed two credit facilities of EUR 22,000 thousand and EUR 15,000 thousand with a banks consortium, respectively with a commercial bank in order to support the investment in CCGT Power Isalnita SA Company. These loans have a maturity of 8 years, with a grace period of 2 years for the payment of instalments.

In November 2023, the Parent Company fully repaid, according to the schedule, a RON 167,312 thousand facility for working capital, this loan having been contracted in June 2021 from a commercial bank.

At 31 December 2023, the Group had the amount of RON 153,069 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 208,069 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee totaling RON 348,874 thousand (at 31 December 2022: RON 170,175 thousand from a total of RON 353,038 thousand).

According to the existing borrowing agreements, the Group and the Company are subject to certain restrictive covenants. These covenants require the Group and the Company, 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 have to be reported at 30 June and 31 December each year. At 31 December 2023, the Parent company was in breach of some of the covenants in respect of its loans. The Company discussed the situation with the banks and received the necessary waiver within the specified testing period.Therefore, the breach of covenants is not of a nature to allow the creditors to request an early repayment of the loans.

The Group and the Company borrowings and leases are secured with accounts receivable amounting to RON 30,755 thousand for the Group and RON 65,384 thousand for the Company (at 31 December 2022: RON 26,519 thousand for the Group and RON 91,816 thousand for the Company) (see Note 23), with their current accounts opened with banks (see Note 26), with collateral deposits of RON 148,247 thousand for the Group and the Company (at 31 December 2022: RON 128,166 thousand) (see Notes

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21), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 724,468 thousand for the Group and RON 659,179 thousand for the Company (including for lease contracts) (at 31 December 2022: RON 857,921 thousand for the Group and RON 674,143 thousand for the Company) (see Notes 15 and 20) and with inventories of RON 864,117 thousand for the Group and RON 696,233 thousand for the Company (at 31 December 2022: RON 1,105,831 thousand for the Group and RON 884,229 thousand for the Company) (see Note 22), 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 RON 180,000 thousand loan and for 90% of the RON 470,000 thousand, mentioned above, within the Framework support scheme provided by the Romanian State in the form of compensated interest and loan guarantees in the context of the Covid-19 pandemic and also with a letter of guarantee issued in the name and account of the State in favour of the lending State bank for 80% of the RON 168,000 thousand non-cash facility, guarantees from the Romanian State for 80% of EUR 15.000 thousand, respectively EUR 22.000 thousand signed in November 2023, mentioned above.

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

The minimum lease payments for leases are set out below:

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Lease instalments falling due:				
Within 1 year	3,484	2,511	2,233	2,212
1 to 5 years	6,610	4,801	3,505	2,927
Total lease instalments	**10,094**	**7,312**	**5,738**	**5,139**
Less: future finance charges	1,349	1,016	981	260
Present value of lease obligations	**8,745**	**6,296**	**4,757**	**4,879**
Thereof:				
Short-term lease obligation (less than 1 year)	2,782	2,465	1,696	2,067
Long-term lease obligations (1 to 5 years)	5,963	3,831	3,061	2,812

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2023	**1,685,141**	**6,296**	**6**
New contracts	127,378	5,340	-
Cash outflows	-303,354	-2,880	-
Interest expense	124,930	1,611	-
Interest and transaction costs for loans paid	-138,604	-1,611	-
Transaction costs for loans	2,197	-	-
Disposal of subsidiary	-5,306	-	-
Translation differences	-17,587	-11	-
Balance at 31 December 2023	**1,474,795**	**8,745**	**6**

Changes in liabilities arising from financing activities of Alro:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2023	**1,643,606**	**4,879**	**-**
New contracts	98,020	1,979	-
Cash outflows	-240,235	-2,089	-
Interest expense	122,460	127	-
Interest and transaction costs for loans paid	-136,075	-127	-
Transaction costs for loans	2,197	-	-
Translation differences	-18,165	-12	-
Balance at 31 December 2023	**1,471,808**	**4,757**	**-**

in RON '000, except stated otherwise

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2022	**1,176,025**	**7,028**	**1,856**
New contracts	611,143	2,579	-
Cash outflows	-155,096	-2,376	-1
Interest expense	89,575	235	-
Interest and transaction costs for loans paid	-79,090	-235	-
Transaction costs for loans not drawn down during the period	-3,518	-	-
Prescribed dividends	-	-	-1,849
Translation differences	46,102	-935	-
Balance at 31 December 2022	**1,685,141**	**6,296**	**6**

Changes in liabilities arising from financing activities of Alro:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2022	**1,076,781**	**4,688**	**1,850**
New contracts	609,380	2,317	-
Cash outflows	-90,942	-2,070	-1
Interest expense	85,055	183	-
Interest and transaction costs for loans paid	-74,812	-183	-
Transaction costs for loans not drawn down during the period	-2,699	-	-
Prescribed dividends	-	-	-1,849
Translation differences	40,843	-56	-
Balance at 31 December 2022	**1,643,606**	**4,879**	**-**

30. Provisions

Alro Group

	Provision for employee remuneration	Provision for land restoration	Provisions for fine, penalties and other	Total
Balance at 1 January 2022	**-**	**43,291**	**2,176**	**45,467**
Increase through income statement	28,906	-	14,685	**43,591**
Unwinding of discount	-	1,891	-	**1,891**
Utilisation of provisions	-11,924	-	-1,375	**-13,299**
Reversal of provisions	-	-2,948	-	**-2,948**
Translation adjustment	-	891	-33	**858**
Balance at 31 December 2022	**16,982**	**43,125**	**15,453**	**75,560**
Thereof:				
Current	16,982	-	15,453	**32,435**
Non-current	-	43,125	-	**43,125**
Disposal of subsidiaries	-	-16,853	-2,562	**-19,415**
Increase through income statement	16,485	-	1,354	**17,839**
Unwinding of discount	-	2,326	-	**2,326**
Utilisation of provisions	-24,308	-	-1,281	**-25,589**
Reversal of provisions	-2,389	-1,173	-11,847	**-15,409**
Translation adjustment	-	-209	-33	**-242**
Balance at 31 December 2023	**6,770**	**27,216**	**1,084**	**35,070**
Thereof:				
Current	6,770	-	1,084	**7,854**
Non-current	-	27,216	-	**27,216**

in RON '000, except stated otherwise

Alro

	Provision for employee remuneration	Provision for land restoration	Provisions for fine, penalties and other	Total
Balance at 1 January 2022	**-**	**2,541**	**-**	**2,541**
Increase through income statement	16,982	-		**16,982**
Unwinding of discount	-	115	-	**115**
Balance at 31 December 2022	16,982	2,656	-	**19,638**
Thereof:				
Current	**16,982**	**-**	**-**	**16,982**
Non-current	-	2,656	-	**2,656**
Increase through income statement	3,357	-	-	**3,357**
Unwinding of discount	-	120	-	**120**
Utilisation of provisions	-14,593	-	-	**-14,593**
Reversal of provisions	-2,389	-	-	**-2,389**
Balance at 31 December 2023	**3,357**	**2,776**	**-**	**6,133**
Thereof:				
Current	3,357	-	-	**3,357**
Non-current	-	2,776	-	**2,776**

Provision for land restoration of RON 16,853 thousand and other provisions in amount of RON 2,562 thousand related to SMHL were reversed on the disposal of GAL Group in 2023 (category *Disposal of subsidiaries*). See also Note 5 for details.

The provisions for employee remuneration are recognized by the Group in accordance with the Collective Labour Agreements and with GSM decisions regarding the Directors' remuneration. In 2023, the Group and the Company used the provision for remuneration of staff and management in amount of RON 24,308 thousand and 14,593 thousand, respectively, recorded at 31 December 2022 (in 2022: RON 11,924 thosusand for the Group; nill for the Company).

As at 31 December 2022, the category *Provisions for fine, penalties and other* included a provision of RON 11,847 thousand which was recognized by one of the Group's subsidiaries for CO_2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements (see also Note 10 *Other operating expenses)*. No such amounts were recognised in 2023, as the subsidiary has a surplus of certificates as at 31 December 2023 over the ones needed to be acquired for 2023. In addition, the provision of RON 11,847 thousand as at 31 December 2022 was reversed in 2023 and a corresponding income was recognized by the Group under the category *Other operating income* (Note 9).

The provision for land restoration is related to the rehabilitation of the premises where the Company and one of its subsidiaries deposit residue from production. According to the environment regulations, the land underneath the waste deposits must be restored until a certain date specified by specific authorisations. The provisions are based on the estimation of expenses necessary to perform the restauration works at the time when they are expected to be incurred, discounted to their present value at 31 December 2023 and are related to: the red mud lake in Tulcea: RON 24,440 thousand and the cost recognized by the Parent Company for the rehabilitation of the locations on which it deposits industrial waste in Slatina: RON 2,776 thousand (31 December 2022: the red mud lake in Tulcea: RON 23,919 thousand, the rehabilitation of the premises of the bauxite mine in Sierra Leone:RON 16,550 thousand and the cost recognized by the Parent Company for the rehabilitation of the locations on which it deposits industrial waste in Slatina: RON 2,656 thousand). The Group estimates that the costs would be incurred in 5 - 40 years' time (31 December 2022: 5 - 40 years' time) and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 64 – RON 145 per square meter in Romania and discount rates of 4.51% - 5.67% for Romania (31 December 2022: RON 64 – RON 145 per square meter in Romania, USD 6 per square meter in Sierra Leone, and discount rates of 4.51% - 7.08% for Romania and 4.7% for Sierra Leone).

31. Employee benefits

The Group and the Company recognized employment benefits expenses representing salaries and other staff costs as follows:

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Salaries and other staff costs	380,200	414,751	254,773	259,942

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Defined contribution plans

The employees of the Group and the Company are members of the state-managed retirement benefit plans in the countries where the Group and the Company are operating and in Romania they can subscribe also to private pension funds. The Group and the Company contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group and the Company with respect to the retirement benefit plan is to make the specified contributions during the period of employment of the respective employees.

The Group and the Company have an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of a part of their employees that have rendered service to the Group and the Company during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group and the Company is in the form of fixed amounts per employee, paid monthly. The Group and the Company recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Group's and the Company's legal and constructive obligation being limited to the amounts that it contributes to the fund.

Contributions to defined contribution plans

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Social insurance costs and other taxes	2,237	3,058	2,237	2,669
Other defined contribution pension plans	2,340	3,012	1,920	1,995

Defined benefit plans - post-employment benefits

According to the collective labour agreements, when retiring due to age or illness, the employees benefit from a retirement bonus which is computed based on the number of years of work.

The most recent actuarial valuations of the benefit plan and the present value of the defined benefit obligation were carried out at 31 December 2023 by an independent actuarial specialist. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2023	31 December 2022
Discount rate (%)	5.90	8.10
Estimated salary increase rate (%)	4.40	5.60
Estimated inflation rate (%)	2.90	4.10

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Current service cost	1,776	2,424	1,558	1,876
Interest cost on obligation	1,980	1,978	1,673	1,538
Total expense	**3,756**	**4,402**	**3,231**	**3,414**

The expense on current service cost for the year is included in the statement of profit or loss and other comprehensive income as *Cost of goods sold* (2023: RON 1,093 thousand, 2022: RON 1,252 thousand for Group and 2023: RON 1,051 thousand, 2022: RON 1,243 thousand for Company) and *Administrative expenses* (2023: RON 683 thousand, 2022: RON 1,172 thousand for Group and for Company 2023: RON 507 thousand, 2022: RON 633 thousand), and interest cost on obligation as *Interest expense.*

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The movement in the present value of the defined benefits obligation was the following:

	Alro Group		Alro	
	2023	2022	2023	2022
Balance at 1 January	**27,154**	**40,888**	**22,301**	**32,867**
Included in profit or loss:				
Current service cost	1,776	2,424	1,558	1,876
Past service cost	-329	-1,968	-	-
Interest cost on obligation	1,980	1,978	1,673	1,538
Disposal of subsidiaries	-2,267	-	-	-
Included in other comprehensive income:				
Actuarial changes arising from changes in demographic assumptions	-154	-103	-167	-35
Actuarial changes arising from changes in financial assumptions	3,712	-5,276	3,336	-4,509
Actuarial changes arising from changes in experience adjustments	1,853	-5,677	2,075	-5,842
Disposal of subsidiaries	-607	-	-	-
Benefits paid	-4,036	-4,147	-3,931	-3,594
Translation adjustment	-34	-965	-	-
Balance at 31 December	**29,048**	**27,154**	**26,845**	**22,301**

Significant actuarial assumptions for the determination of defined benefit obligation are: discount rate, estimated salary increase rate and estimated inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant:

Defined benefit obligation change

	Alro Group		Alro	
	2023	2022	2023	2022
Discount rate +1%	-1,933	-1,767	-1,750	-1,408
Discount rate -1%	2,178	2,065	1,972	1,576
Estimated salary increase rate +1%	2,230	2,221	2,019	1,703
Estimated salary increase rate -1%	-2,008	-1,925	-1,819	-1,536
Longevity +1 year	-147	-107	-129	-121
Longevity -1 year	168	198	147	137
Employee turnover rate +0.5%	-182	-107	-161	-115
Employee turnover rate -0.5%	186	187	164	118

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group expects to make a payment of RON 3,925 thousand from the defined benefit obligation in the next financial year, of which RON 3,811 thousand are related to the Company (at 31 December 2022 the estimations were of RON 3,477 thousand for the Group and RON 3,113 thousand for the Company).

The weighted average duration of defined benefit obligation is 15.1 years for Alro, 14 years for Alum and 11.1 years for Vimetco Extrusion (in 2022: 15.9 years for Alro, 14.4 years for Alum, 9.2 years for Vimetco Extrusion and 17.9 years for Sierra Mineral Holdings 1, Ltd).

The following information relates to the maturity profile of the undiscounted defined benefit obligation at 31 December 2023:

Alro Group

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	3,370	555	**3,925**
1 - 2 years	2,746	594	**3,340**
2 - 5 years	8,710	1,903	**10,613**
5 - 10 years	17,781	3,358	**21,139**
Over 10 years	55,413	7,975	**63,388**

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Alro

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	3,315	496	**3,811**
1 - 2 years	2,664	528	**3,192**
2 - 5 years	8,394	1,678	**10,072**
5 - 10 years	15,537	2,906	**18,443**
Over 10 years	49,723	7,356	**57,079**

32. Government grants

	Alro Group		Alro	
	2023	2022	2023	2022
Balance at 1 January	**39,436**	**43,703**	**32,303**	**35,745**
Released to the statement of profit or loss	-4,267	-4,267	-3,442	-3,442
Balance at 31 December	**35,169**	**39,436**	**28,861**	**32,303**
Thereof:				
Current	4,267	4,267	3,442	3,442
Non-current	30,902	35,169	25,419	28,861

Income released to the Statement of profit or loss of RON 4,267 thousand for the Group (2022: RON 4,267 thousand) and RON 3,442 thousand for the Company (2022: RON 3,442 thousand) represent the portion recognized as income during the year from subsidies received in previous years for production equipment.

The income recognized during the year in the Statement of profit or loss and other comprehensive income of the Group and the Company is included in the category *Other operating income* (refer to Note 9).

As at 31 December 2023 there are no contingent liabilities attached to these grants.

33. Other non-current financial liabilities

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Other non-current financial liabilities	13,541	18,834	794	579
Total	**13,541**	**18,834**	**794**	**579**

At 31 December 2023 the category *Other non-current financial liabilities* contains the long-term part of a trade liability owed by a subsidiary of the Group to an investment supplier for the acquisition of an extrusion plant (31 December 2023: RON 12,525 thousand; 31 December 2022: RON 17,795 thousand). The liability is payable in 13 installments over a period of 3.5 years, and it bears interest. The short-term part of RON 6,187 thousand is included under the category *Trade and other payables*.

34. Trade and other payables

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Foreign trade and other payables	87,255	78,439	52,506	29,012
Domestic trade and other payables	66,263	101,094	60,672	49,841
Accrued trade and other payables	87,289	51,100	79,383	48,784
Total	**240,807**	**230,633**	**192,561**	**127,637**

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone in 2022, respectively).

Trade and other payables of the Company as at 31 December 2023 were higher mainly due to the increase in the outstanding of utilities payable as a result of contractual changes.

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35. Other current liabilities

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Wages and social security taxes	29,658	37,784	19,236	24,360
Dividends payable	6	6	-	-
VAT payable	9,077	18,531	7,095	-
Other	12,008	10,855	11,771	2,205
Total	**50,749**	**67,176**	**38,102**	**26,565**

As at 31 December 2023, following a fiscal inspection which was carried out by the relevant tax authorities starting July 2023, the Parent Company recognized an amount payable of RON 7,095 thousand under the category *VAT payable*, as well as an amount payable of RON 8,092 thousand under the category *Other* for penalties resulting from the respective inspection. See also Notes 8, 10 and 40, respectively.

36. Related party transactions

The Group and the Company enter, 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.

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

Related party	
Vimetco PLC	Major shareholder
Paval Holding SRL	Significant shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Former subsidiary, deconsolidated since September 2023*
Global Aluminum Ltd.	Former subsidiary, deconsolidated since September 2023*
Bauxite Marketing Ltd.	Former subsidiary, deconsolidated since September 2023*
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
CCGT Power Isalnita SA	Associate

**These former subsidiaries of the Group were deconsolidated as at 1 September 2023, following the sale of the shares held by the subsidiary Alum S.A. in Global Aluminum Ltd, BVI (see Note 5 for more details).*

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

Sales of goods and services:

	Alro Group		Alro	
	2023	2022	2023	2022
Subsidiaries	-	-	397,431	518,131
Companies under common control	1,343	908	1,267	832
Total goods and services provided to related parties	**1,343**	**908**	**398,698**	**518,963**

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The category *Sales of goods and services* mainly includes income obtained by the Parent Company from the sale of billets to its subsidiary Vimetco Extrusion in the amount of RON 377,267 thousand (2022: RON 455,939 thousand) and from the sale of electricity to its subsidiaries in the amount of RON 16,707 thousand (2022: RON 57,900 thousand). Additionally, this category 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:

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Subsidiaries	-	-	-289,289	-475,484
Companies under common control	-125,413	-408,489	-109,729	-225,262
Total goods and services purchased from related parties	**-125,413**	**-408,489**	**-399,018**	**-700,746**

The purchases from related parties include acquisitions of alumina by the Parent Company from its subsidiary, Alum, in amount of RON 267,002 thousand during 2023 and RON 456,846 thousand during 2022 and acquisitions of gas for the production process by the Group companies from their related parties Conef Gaz (during 2023: RON 54,445 thousand at the Group level and RON 51,850 thousand at the Company level; during 2022: RON 356,669 thousand at the Group level and RON 186,977 thousand at the Company level) and Vimetco Management Romania (during 2023: RON 9,823 thousand at the Group level and RON 9.769 thousand at the Company level; during 2022: nil). The acquisitions of gas in 2023 were lower compared to 2022 mainly as a result of the suspension of the operation at alumina plant in Tulcea in 2022. In 2023, the acquisitions of alumina by Alro from Alum were lower than in 2022 due to the suspension of 3 electrolysis potrooms at Alro in 2022.

Additionally, the companies within the Group received services of a supportive nature from other entities under common control, such as advisory services, security, logistics and administrative services.

The following balances were outstanding at 31 December 2023 and 31 December 2022:

Trade and other accounts receivable:

	Alro Group		Alro	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Subsidiaries	-	-	113,384	106,951
Companies under common control	14,606	3,987	11,417	88
Allowance for doubtful receivables	-3,451	-3,522	-49	-49
Total trade and other accounts receivable from related parties	**11,155**	**465**	**124,752**	**106,990**
- non-current	-	-	-	-
- current	11,155	465	124,752	106,990

Trade and other accounts payable:

	Alro Group		Alro	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Subsidiaries	-	-	7,085	11,032
Companies under common control	9,105	9,977	7,665	8,890
Total trade and other accounts payable to related parties	**9,105**	**9,977**	**14,750**	**19,922**

Management compensation

The total compensation of the Group and the Company'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 18,889 thousand (2022: RON 12,985 thousand) at Group level and to RON 12,174 thousand (2022: RON 8,604 thousand) at Company level, respectively, while the expense for determined contribution plan (social contributions) was RON 6,130 thousand for 2023 for the Group (2022: RON 3,070 thousand), and RON 4,482 thousand in 2023 for the Company (2022: RON 2,013 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.

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A number of these companies transacted with the Group during the period. 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:

	Alro Group		Alro	
	2023	2022	2023	2022
Goods and services purchased from entities controlled by key management personnel or their close family members	177	258	72	36
Total	**177**	**258**	**72**	**36**

37. Risk management

The Group and the Company activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company financial performance. The Group and the Company may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group and the Company Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group and Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group and the Company's objectives when managing capital are to safeguard the Group and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in Note 29, net of *Cash and cash equivalents*, adjusted* and shareholders' equity.

The Group and the Company management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with other companies in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. *Net debt* is calculated as *total borrowings* (including *current and non-current borrowings* as shown in the consolidated and separate statement of financial position) less *cash and cash equivalents. Total capital* is computed as *total equity* as shown in the consolidated and separate statement of financial position plus net debt.

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Total borrowings (Note 29)	1,483,540	1,691,437	1,476,565	1,648,485
Less: cash and cash equivalents (Note 26), adjusted*	-325,938	-729,799	-280,093	-699,821
Net debt	**1,157,602**	**961,638**	**1,196,472**	**948,664**
Total shareholders' equity	**1,002,613**	**1,549,426**	**869,360**	**1,412,881**
Total capital	**2,160,215**	**2,511,064**	**2,065,832**	**2,361,545**
Gearing ratio	54%	38%	58%	40%

**The cash and cash equivalents* are adjusted to include the collateral deposits of RON 119,812 thousand at 31 December 2023 (included in *Other non-curent financial assets* due to their maturity) and RON 99,731 thousand at 31 December 2022 (RON 52,731 thousand included in *Restricted cash* and RON 47,000 thousand included in *Other non-curent financial assets*), pledged for oustanding borrowings.

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Market risk

The Group and the Company's activities expose them primarily to the financial risks of changes in commodity prices, energy prices, foreign currency exchange rates and interest rates. The Group and the Company may enter into a variety of contracts for derivative financial instruments to manage their exposure to market prices, such as:

- commodity options to protect Group and Company cash flows from the adverse impact of falling aluminium prices;
- swaps to manage the needs of clients for fixed prices and the associated commodity price risks resulting from quotations of aluminium based on the London Metal Exchange price for High Grade Aluminium.

In 2023, the Group and the Company did not use derivative financial instruments.

Foreign currency risk management

The Group and the Company operate internationally and undertake certain transactions denominated in foreign currencies. Hence, the Group and the Company are exposed to foreign exchange risk arising from various currency fluctuations against the reporting currency, primarily with respect to the EUR and USD. Exchange rate exposures are analyzed and managed by natural hedge with transactions in foreign currencies by utilising spot or forward foreign exchange contracts or other types of derivatives. The risk management policy used by the Group and the Company is to hedge between 0 and 50% of anticipated cash flows in USD and EUR (Romanian sales and purchases) by practicing an active hedging policy and thus covering a variable percentage based on the market opinions regarding future exchange rates correlated with the net exporter position of the Company, as far as the Management considers it appropriate and the market allows this at reasonable costs.

The Group and the Company's foreign currency exposure results from:
- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;
- firm commitments denominated in foreign currencies; an
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

The carrying amount of the Group and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Alro Group

Currency of denomination	EUR	USD	Other	Total
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2023				
Total monetary assets	41,053	35,601	53	**76,707**
Total monetary liabilities	323,682	616,507	139	**940,328**
31 December 2022				
Total monetary assets	90,511	67,566	36	**158,113**
Total monetary liabilities	244,215	736,177	33,471	**1,013,863**

Alro

Currency of denomination	EUR	USD	Other	Total
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2023				
Total monetary assets	19,151	15,324	18	**34,493**
Total monetary liabilities	304,683	593,769	139	**898,591**
31 December 2022				
Total monetary assets	50,476	29,236	4	**79,716**
Total monetary liabilities	227,853	661,293	148	**889,294**

These monetary assets and liabilities do not include derivative contracts entered into.

Foreign currency sensitivity

The Group and the Company are mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The aluminium market, in which the Group operates, is strongly linked to the US dollar. The Group's and the Company's sales are denominated in the USD, and this fact provides for a natural hedge for the liabilities in USD that the Group and the Company have. The following table details the

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Group and the Company's sensitivity as an impact of a 10% increase/ (decrease) in these currencies against the corresponding functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase/ (decrease) in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

An appreciation / (depreciation) by 10% of the RON against EUR and USD as indicated below at 31 December would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	Alro Group		Alro	
Currency of denomination	EUR	USD	EUR	USD
Functional currency	RON	RON	RON	RON
Change of exchange rate	+/- 10%	+/- 10%	+/- 10%	+/- 10%
31 December 2023				
Profit or loss	28,263[1)]	58,091 [2)]	28,553[1)]	57,845[2)]
Other equity	-	-	-	-
31 December 2022				
Profit or loss	15,370 [1)]	66,861 [2)]	17,738 [1)]	63,206 [2)]
Other equity	-	-	-	-

[1)] This is mainly attributable to the exposure outstanding on EUR denominated borrowings and trade payables at the end of the period.

[2)] This is mainly attributable to the exposure outstanding on short-term and long-term USD denominated borrowings at the end of the period.

Interest rate risk management

The Group and the Company's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings received at fixed rates expose the Group and the Company to fair value interest rate risk. The interest rates on the Group and the Company's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") and starting 1 July 2023 on CME Term SOFR for USD borrowings, on EURIBOR for borrowings in EUR and on ROBOR (Romanian Interbank Offered Rate) for RON borrowings. The Group and the Company borrowings are contracted at floating interest rates.

The Group and the Company's main interest bearing liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for EUR, USD and RON denominated loans received and borrowings granted at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's result for 2023 would decrease/increase by RON 14,965 thousand (2022: RON 16,928 thousand) and the Company's result would decrease/increase by RON 14,895 thousand (2022: RON 16,499 thousand), excluding the impact on income tax.

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings will be adversely impacted by changes in the market price of aluminium, but also of its main inputs such as energy. The Group and the Company's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when market conditions are favourable.

Swap fixed-to-floating

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

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group is exposed to credit risk from its operating activities, primarily trade receivables (see also Note 23) and from its financing activities, including deposits and cash at banks and financial institutions (see also Notes 21 and 26).

Trade receivables
Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. In order for the Group and Company to minimize the credit risk, the major part of the receivables are immediately sold to banks by factoring transactions on a non-recourse basis. For a small part of the receivables, which is not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Group and the Company exposure from the concluded transactions is spread amongst approved counterparties. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit history of debtors and, where appropriate, credit risk insurance is required. For the Group and the Company's concentration risk, refer to Note 23.

The credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix. This provision matrix is initially based on the Group's historical observed default rates, adjusted for forward-looking factors specific to the debtors and the economic environment, if any. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As the Group has trade receivables with term payments due within a relatively short time, the determination of forward looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses.

The methodology used by the Group to measuring expected credit losses for trade receivables could be described as follows:
- determine the period over which the observed historical loss rates are appropriate. The Group selected for this purpose the 5 previous periods ending 31 December 2022, 30 September 2022, 30 June 2022, 31 March 2022 and 31 December 2021 for capturing data;
- collect data on trade receivables and group them by their past due status at each of the period under analysis;
- analyze the evolution of these balances after a period of 9 months and determine what amounts from each group outstanding is still unpaid in order to determine the proportion of balances in each past-due category that was ultimately not collected;
- determine the weighted average loss rate (%) per past due status for all the 5 periods under analysis;
- this rate will be applied to determine the impairment loss on gross trade receivables as at 31 December 2023.

Additionally, there are trade receivables from 3rd parties or related parties for which the Group made individual assessments, presented below. For details, please refer to the Note 23 and Note 36.

The following table details the risk profile of trade receivables based on the Group and Company's provision matrix. As the Group and Company's historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group and Company's different customer segments.

Alro Group

Trade receivables			**31 December 2023**
Terms	**Gross carrying amount**	**Expected credit losses**	**Expected credit loss rate (%)**
Current (not past due)	49,226	-	0.00%
1-30 days past due	6,060	-23	0.38%
31-60 days past due	642	-6	0.93%
61-90 days past due	59	-	0.00%
91-180 days past due	54	-	0.00%
More than 180 days past due	1,373	-1,222	89.00%
Total pool	**57,414**	**-1,251**	
Individually assessed receivables	23,371	-23,371	
Total	**80,785**	**-24,622**	

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Trade receivables

31 December 2022

Terms	**Gross carrying amount**	**Expected credit losses**	**Expected credit loss rate (%)**
Current (not past due)	63,034	-	0.00%
1-30 days past due	4,304	-6	0.14%
31-60 days past due	2,229	-42	1.88%
61-90 days past due	11	-1	9.09%
91-180 days past due	15	-14	93.33%
More than 180 days past due	1,397	-1,233	88.26%
Total pool	**70,990**	**-1,296**	
Individually assessed receivables	23,629	-23,543	
Total	**94,619**	**-24,839**	

Alro

Trade receivables

31 December 2023

Terms	**Gross carrying amount**	**Expected credit losses**	**Expected credit loss rate (%)**
Current (not past due)	67,423	-	0.00%
1-30 days past due	1,204	-	0.00%
31-60 days past due	315	-	0.00%
61-90 days past due	48	-	0.00%
91-180 days past due	54	-	0.00%
More than 180 days past due	124	-75	60.48%
Total pool	**69,168**	**-75**	
Individually assessed receivables	20,566	-19,969	
Total	**89,734**	**-20,044**	

Trade receivables

31 December 2022

Terms	**Gross carrying amount**	**Expected credit losses**	**Expected credit loss rate (%)**
Current (not past due)	102,033	-	0.00%
1-30 days past due	2,270	-	0.00%
31-60 days past due	556	-	0.00%
61-90 days past due	11	-	0.00%
91-180 days past due	-	-	0.00%
More than 180 days past due	76	-16	21.05%
Total pool	**104,946**	**-16**	
Individually assessed receivables	20,089	-20,089	
Total	**125,035**	**-20,105**	

Financial instruments and cash deposits
Credit risk from transactions with banks and financial institutions is managed by the Corporate Finance department. Investment of surplus funds is done only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. No material exposure is considered to exist by virtue of the possible non performance by the counterparties in respect of financial instruments.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has set up an appropriate liquidity risk management framework for the Group and the Company's short-, medium- and long-term funding and liquidity requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 29 is a listing of additional undrawn facilities that the Borrowings has at its disposal to further reduce liquidity risk.

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The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Alro Group	within 1 year	1 to 5 years	after 5 years	Total
31 December 2023				
Borrowings (principal and expected future interest payments)	415,383	1,340,969	29,028	**1,785,380**
Trade and other monetary payables	311,587	-	-	**311,587**
Total	**726,970**	**1,340,969**	**29,028**	**2,096,967**
31 December 2022				
Borrowings (principal and expected future interest payments)	1,143,883	735,479	35,756	**1,915,118**
Trade and other monetary payables	386,699	-	-	**386,699**
Total	**1,530,582**	**735,479**	**35,756**	**2,301,817**

Alro	within 1 year	1 to 5 years	after 5 years	Total
31 December 2023				
Borrowings (principal and expected future interest payments)	411,006	1,337,864	29,028	**1,777,898**
Trade and other monetary payables	237,913	-	-	**237,913**
Total	**648,919**	**1,337,864**	**29,028**	**2,015,811**
31 December 2022				
Borrowings (principal and expected future interest payments)	1,102,368	730,418	35,756	**1,868,542**
Trade and other monetary payables	220,591	-	-	**220,591**
Total	**1,322,959**	**730,418**	**35,756**	**2,089,133**

Categories of financial instruments

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial assets				
At amortised cost				
Cash and bank balances	225,940	718,756	160,281	652,821
Receivables	637,402	650,680	622,750	641,435
Fair value through profit or loss (FVTPL)				
Designated as at FVTPL	3,259	9,458	3,259	9,458
Total financial assets	**866,601**	**1,378,894**	**786,290**	**1,303,714**

Financial assets designated at FVTPL represent trade receivables covered by factoring contracts that were not yet sold to the factor at the reporting date. These are used within the business' model to manage the financial assets with the objective of realising cashflows mainly through the sale of the assets, therefore they are classified as at fair value through profit or loss, and are subsequently measured at fair value. Their fair value measurement is classified within Level 2 of the fair value measurement hierarchy. Net gains and losses, if any, are recognised in profit or loss. Due to the very short term between their issuance and the settlement, their cost is a fair approximate of their fair value, and the gain or loss on disposal is nil.

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Designated as at FVTPL (derivative financial instruments)	-	-	-	-
Amortised cost:				
Trade and other payables	305,097	316,643	231,457	154,781
Long-term borrowings and leases	1,182,030	673,928	1,179,128	669,846
Short-term borrowings and leases	301,510	1,017,509	297,437	978,639
Total financial liabilities	**1,788,637**	**2,008,080**	**1,708,022**	**1,803,266**

There were no reclassifications between the categories of financial assets during 2023 and 2022.

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.

• The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of the fixed-to-floating swap contracts on energy is determined by using forward quotations from publicly available platforms and exchange rates forecasts provided by internationally reputed data providers.

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 and the Company do 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 they 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;
- Borrowings and leases.

38. Commitments and contingencies

Commitments

Investment commitments
As at 31 December 2023, the Group’s and the Company's commitments pertaining to the investments for the year 2024 amounted to RON 63,923 thousand (31 December 2022: RON 46,284 thousand) at the Group level and to RON 45,008 thousand (31 December 2022: RON 20,152 thousand) at the Company level.

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Raw material and utilities purchase contracts

As at 31 December 2023, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities of RON 1,120,175 thousand (31 December 2022: RON 1,679,919 thousand) for the Group and RON 1,120,175 thousand (31 December 2022: RON 1,672,498 thousand) for the Company.

Lease commitments — Group and Company as a lessor

The Parent Company has investment property consisting of an extruded aluminium production hall rented to one of its subsidiaries. In 2022 the agreement was extended until 2032 and contains clauses regarding the increase of rented area and a fixed rent payment in EUR. In 2023 an addendum was issued for a supplementary area, with the rent payment increase accordingly. Additionally, the Parent Company also rented a building to one of their related parties and classified it as investment property, with the agreement being concluded until 2024.

Rental income recognized by the Group and the Company in 2023 was of RON 222 thousand (in 2022: RON 204 thousand) at Group level and RON 2,599 thousand at Company level (2022: RON 2,536 thousand).

Future minimum lease payments receivable under non-cancellable leases of the Group and the Company as at 31 December 2023 are presented by maturities below:

	Alro Group		Alro	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Within 1 year	228	204	2,639	2,332
1 to 5 years	-	170	9,642	9,329
After 5 years	-	-	9,642	11,661
Total	**228**	**374**	**21,923**	**23,322**

Contingencies

The Parent Company has a commitment concluded with the financing bank of one of its subsidiaries (Vimetco Extrusion) where it is mentioned, among others, that the Company should not, by its actions, cause circumstances in which the subsidiary might not be able to discharge its liabilities towards the financing bank. The Management does not expect that this commitment might materialize into cash outflows from the Company, as the conditions imposed by it are totally under the control of Alro.

Litigations

As at 31 December 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 with ANRE 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 was judged by the High Court of Cassation and Justice, during the year 2023, respectively on 11 May 2023, following deliberation, the High Court dismissed the appeal brought by the Parent Company as unfounded.

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, they are subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, according to the Fiscal Procedure Code the period for which the fiscal year remains open for fiscal verification is 5 years (term that begins on July of the year following the year for which the fiscal obligation is due). For fiscal obligations before 25 December 2020, according to Government's derogatory regulations, following the Covid-19 pandemic, the fiscal year open for tax audit was changed to a period of 5 years and 253 days. In Sierra Leone the term is of 7 years. The management considers that the tax liabilities included in these financial statements are adequate.

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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. On 24 May 2023, the fiscal inspection was completed and the inspection report din not result in any additional debits, interest or penalties. See also Note 40 for the fiscal inspection completed after the reporting date.

39. Auditor's fee

This note shows the total remuneration payable by the Group and the Company, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	Alro Group		Alro	
	2023	**2022**	**2023**	**2022**
Audit expenses	1,004	1,233	708	835
Other assurance services	61	51	51	51
Total	**1,065**	**1,284**	**759**	**886**

40. Events after the reporting date

Starting July 2023, the Parent Company of the Group has been subject to a substance fiscal audit by the National Agency for Fiscal Administration for the period January 2016 - December 2020. In October 2023, the National Agency for Fiscal Administration sent a notice regarding the extension of the fiscal audit also for the year 2021. On 23 January 2024, the fiscal inspection was completed and the inspection report resulted in additional charges, interest and penalties in a total amount of RON 21,643 thousand. As at 31 December 2023, the Parent Company recognized all these amounts in the following categories: *Current income tax expense* (RON 6,456 thousand; Note 13), *General, administrative and selling expenses* (RON 7,095 thousand; Note 8) and *Other operating expenses* (RON 8,092 thousand; Note 10). Further, the Parent Company will file a fiscal appeal with the National Agency for Fiscal Administration against the fiscal inspection report, and will continue to defend its position through actions in court.

In January 2024, one of the Group's subsidiaries was notified by the National Agency for Fiscal Administration in connection with an unexpected control, the subject being "Risk Analysis". The Group's management cannot estimate an impact of this control.

In January 2024, one of the Group subsidiaries signed the extension until January 2026 of the overdraft facility of EUR 9,000 thousand with a commercial bank. As at 31 December 2023 this facility was fully undrawn.

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

Statement of the Persons in Charge

Statement of the Persons in Charge

Pursuant to the legal stipulations of the Regulation no. 5/2018 issued by the Financial Supervisory Authority (FSA) for issuers and operations with securities, the Management of the Group and of the Company states that:

1. We confirm to the best of our knowledge that the consolidated and separate financial statements of Alro and its subsidiaries ("the financial statements"), prepared in accordance with the applicable accounting standards give a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2023;

2. We confirm that the electronic format of the financial statements mentioned above for the financial year ended 31 December 2023 is prepared in accordance with the requirements of the Commission Delegated Regulation (EU) 2018/815 dated 17 December 2018 that completes the Directive no. 2004/109/CE of the European Parliament and of the Council concerning the technical regulation standards regarding the specification of a unique electronic reporting format (ESEF Regulation);

3. The Consolidated Directors Report for the financial year ended 31 December 2023 gives a true and fair view of the development and the performance of the Group and of the Company, as well as a description of the main risks and uncertainties associated with the expected development of the Group and of the Company.

The Board of Directors represents the interests of the Group, of the Parent-company and of its shareholders and is responsible for the overall management of the Group and of the Company.

At the date of this report, the Board of Directors of the Parent-company consists of 11 members as follows:

1.	Marian-Daniel Nastase	Chairman
2.	Svetlana Pinzari	Vice-President
3.	Gheorghe Dobra	Member
4.	Vasile Iuga	Member
5.	Marinel Burduja	Member
6.	Adrian Fercu	Member
7.	Darius Pavăl	Member
8.	Voicu Cheta	Member
9.	Genoveva Nastase	Member
10.	Igor Higer	Member
11.	Dragos-Adrian Voncu	Member

The consolidated financial statements of Alro and its subsidiaries and the separate financial statements of Alro for the year ended 31 December 2023 are audited.

Chairman of the Board of Directors
Marian Daniel Nastase

CEO
Gheorghe Dobra

CFO
Genoveva Nastase

25 March 2024

Ernst & Young Assurance Services SRL
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alro S.A.

Report on the Audit of the Consolidated and Separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Alro S.A (the Company) and its subsidiaries (together referred to as "the Group") with official head office in Pitesti, 116 Street, Slatina, Olt county, Romania, identified by sole fiscal registration number 1515374, which comprise the consolidated and separate statements of financial position as at December 31, 2023, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in shareholders' equity and the consolidated and separate statements of cash flows for the year then ended and notes to the consolidated and separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company as at December 31, 2023 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and separate financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated and separate financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Description of each key audit matter and our procedures performed to address the matter

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment testing of investments in subsidiaries in the separate financial statements
Alro Group's disclosures about investments in subsidiaries, including the related impairment, are included in Note 17.</td></tr>
<tr><td>Investments in subsidiaries are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2023 (carrying value of investments in subsidiaries is RON 144 million in the separate statement of financial position, after impairment of RON 442.5 million). The assessment of the recoverability of the carrying value of investments requires management to apply significant judgements and estimates in assessing whether any impairment has arisen at year-end or an impairment may be reversed and in measuring any such impairment adjustment. An impairment assessment also involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.

As of 31 December 2023, due to the evolving economic landscape and specific challenges faced by the industry, as a result of the impairment test performed was recorded an additional impairment charge of RON 189.1 million, which includes an amount of RON 188.6 million for the impairment of investment in Alum and an amount of RON 0.5 million for the impairment of investment in Conef.

Given the judgements and estimates used by the management in the determination of future cash flow projections and uncertainties regarding current economic environment this is considered a key audit matter.</td><td>Our audit procedures included, among others:
a) we involved our internal valuation specialists to assist us in:
➢ evaluating the key assumptions and methodologies used by the Company for the impairment testing of investments in subsidiaries (e.g. checked the mathematical accuracy of the model and its conformity with the requirements of the International Financial Reporting Standards, discount rates used for discounting future cash flows for each investment, macroeconomic assumptions);
➢ evaluating the competence, capabilities and objectivity of the external valuator;
b) we evaluated the sensitivity analysis of the investments' recoverable amounts to changes in the significant assumptions made by management (such as expected sales prices, production/sales volumes vs. capacity, materials cost and administrative expenses, net capital investments, working capital changes, and the resulting growth rate and EBITDA margin for each of the future periods included in the impairment test) as well as analysis of their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group;
c) we assessed the consideration of the current energy prices evolution impact in the cash flow models;</td></tr>
</table>

	d) we evaluated the management's assessment of impairment indicators for investments in subsidiaries by considering whether the assessment covered all significant investments for which impairment indicators could have existed at the end of the reporting period as well as management's assessment of the recoverability of the carrying value of investments for which triggering events were identified. e) we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance. f) we further assessed the adequacy of the Company's disclosures about impairment of investments in subsidiaries.
Impairment testing of property, plant and equipment in the consolidated financial statements and in the separate financial statements Alro Group's disclosures about property, plant and equipment, including the related impairment, are included in Note 15	
The property, plant and equipment of Alro Group are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2023 (amounting RON 902 million in the consolidated statement of financial position and respectively RON 725 million in the separate statement of financial position). Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, whether impairment indicators exist and, if they exist, an impairment test is required. At 31 December 2023 as a result of the several factors, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Group to take a decision to temporary suspend the alumina production operations and reduction of the primary aluminium production by 60% by shutting down three electrolysis pot rooms, a test of the property, plant and equipment of Alro and Alum was carried out by the Group, which resulted as follows:	Our audit procedures included, among others: a) we analysed and evaluated the management's assessment of the existence of impairment indicators; b) we involved our internal valuation specialists to assist us: ➢ in evaluating the key assumptions and methodologies used by Group for the impairment testing of property, plant and equipment (e.g. checked the mathematical accuracy of the model and its conformity with the requirements of the International Financial Reporting Standards, discount rates used for discounting future cash flows for the companies in the Group, macroeconomic assumptions); ➢ evaluation of the competence, capabilities and objectivity of external valuator; c) we compared the assumptions used within the future cash flow models to approved budgets and business plans which considered also the current energy prices evolution impact on the future cash flow;

➢ for Alro, the recovery value of the property, plant and equipment was higher than their carrying value, therefore no impairment adjustments were required for property, plant and equipment; ➢ for Alum, it was determined that the recoverable value of property, plant and equipment was materially different from its carrying value, therefore an impairment in amount of RON 77.5 million was recognized as at 31 December 2023. The assessment of the recoverability of the carrying value of property plant and equipment requires management to apply significant judgements and estimates in determining the main assumptions used in the impairment test such as discount rate, growth rate and EBITDA margin, as well as expected income from government compensations for indirect emission costs embedded in the electricity price. Due to the uncertainty of forecasting and discounting future cash flows, the level of judgements involved and the significance of the Group's property plant and equipment as at 31 December 2023, this audit area is considered a key audit matter.	d) we evaluated the sensitivity analysis of the cash generating units' recoverable amounts to changes in the significant assumptions made by management (such as expected sales prices, production/sales volumes vs. capacity, materials cost and administrative expenses, expected income from government compensations for indirect emission costs embedded in the electricity price, net capital investments, working capital changes, and the resulting growth rate and EBITDA margin for each of the future periods included in the impairment test) as well as analysis of their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the two entities; e) we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance; f) we further assessed the adequacy of Group's disclosures about Impairment testing of property, plant and equipment.

Other information

The other information comprises the Annual report, which includes the Directors' Consolidated Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement, as well as the Remuneration Report, but does not include the consolidated and separate financial statements and our auditors' report thereon. We obtained the Annual Report and the Remuneration Report, prior to the date of our auditor's report, and we expect to obtain the Sustainability Report, as part of a separate report, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's and respectively the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, respectively the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company, respectively the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats to independence or safeguards applied to reduce these threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Consolidated and Separate financial statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Consolidated Report and the Remuneration Report, we have read these reports and report that:

a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2023;
b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19 and 26-27;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2023, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact;
d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 5 September 2023 to audit the consolidated and separate financial statements for the financial year ended December 31, 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments as auditor, has lasted for ten years covering the financial periods ended December 31, 2013 until December 31, 2023.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 March 2024.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and other services as disclosed in the consolidated and individual financial statements, no other services were provided by us to the Company, and its controlled undertakings.

Report on the compliance of the electronic format of the consolidated and separate financial statements, included in the annual report with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated and separate financial statements of Alro S.A. (the Company) and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2023, included in the attached electronic file „5493008G6W6SORM2JG98-2023-12-31-EN.zip" (identified with the key a096a71d9dd4bfd8ceb774f8bbb71c055cc45c2e271167a7f23c3c61e3f7d470) with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the consolidated and separate financial statements and does not extend to the other information included in the annual report.

Description of the subject matter and the applicable criteria

The Management has prepared electronic format of consolidated and separate financial statements of the Company for the year ended 31 December 2023 in accordance and to comply with ESEF Regulation requirements.

The requirements for the preparation of the consolidated and separate financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Management and Those Charged with Governance

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the consolidated and separate financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Company's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated and separate financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of consolidated and separate financial statements of the Company, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the consolidated and separate financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the consolidated and separate financial statements of the Company is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which requires that we design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the consolidated and separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the consolidated and separate financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the consolidated and separate financial statements of the Company, including the preparation of the consolidated and separate financial statements of the Company in XHTML format and for the consolidated financial statements its tagging in machine readable language (iXBRL);
- tested the validity of the applied XHTML format;
- checked whether the human-readable layer of electronic format of the consolidated and separate financial statements (XHTML) corresponds to the audited consolidated and separate financial statements;
- assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
- assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy for the consolidated financial statements;
- evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation for the consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated and separate financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, in our opinion, the electronic format of the consolidated and separate financial statements of the Company for the year ended 31 December 2023 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

On behalf of
Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA 77

Cojocaru

Name of the Auditor/ Partner: Verona Cojocaru
Registered in the electronic Public Register under No. AF1568
Bucharest, Romania
25 March 2024

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Cojocaru Iuliana Verona
Registru Public Electronic: AF1568

vimetco alro

NON-FINANCIAL STATEMENT

FOR THE FISCAL YEAR 01.01.2023 - 31.12.2023

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alro@alro.ro

1. Report Outcome ☆☆☆☆☆

ALRO Group's Business Model	★★★★★
Governance and Compliance	★★★★★
Sustainability Strategy	★★★★★
ESG Material Aspects (Environmental, Social, Governance)	★★★★★
Policy Implementation	★★★★★
Risk Management	★★★★★
Environmental Impact	★★★★★
Social Responsibility and Human Resources	★★★★★
Human Rights and Fight against Corruption	★★★★★

SUMMARY

2.Introduction

2.1 Presentation of ALRO Group

ALRO Group is a vertically integrated producer of alumina, primary and processed aluminium, flat rolled products (FRP) and extruded frames, with production capacities in Slatina and Tulcea, as well as a branch in Bucharest. Our aluminium production, smelting and processing facilities are located in Slatina, Romania.

The largest company within the Group is ALRO S.A., the parent company, established in 1961 and founded for an indefinite period as a joint-stock company in accordance with the Romanian Government Decision No. 30 of 14 January 1991 on the establishment of companies in the non-ferrous metallurgy sector. The company's registered office is located at 116 Pitești Street, Slatina, Olt County, where the primary aluminium production capacity is located. ALRO S.A. also owns a second production facility, for processed aluminium at 1 Milcov Street, Slatina, as well as a branch at 64 Splaiul Unirii, District 4, Bucharest.

ALRO S.A. has been listed on the Bucharest Stock Exchange since October 16, 1997 and its shares are traded under the symbol "ALR".

Regarding the **shareholding structure**, it consists of:

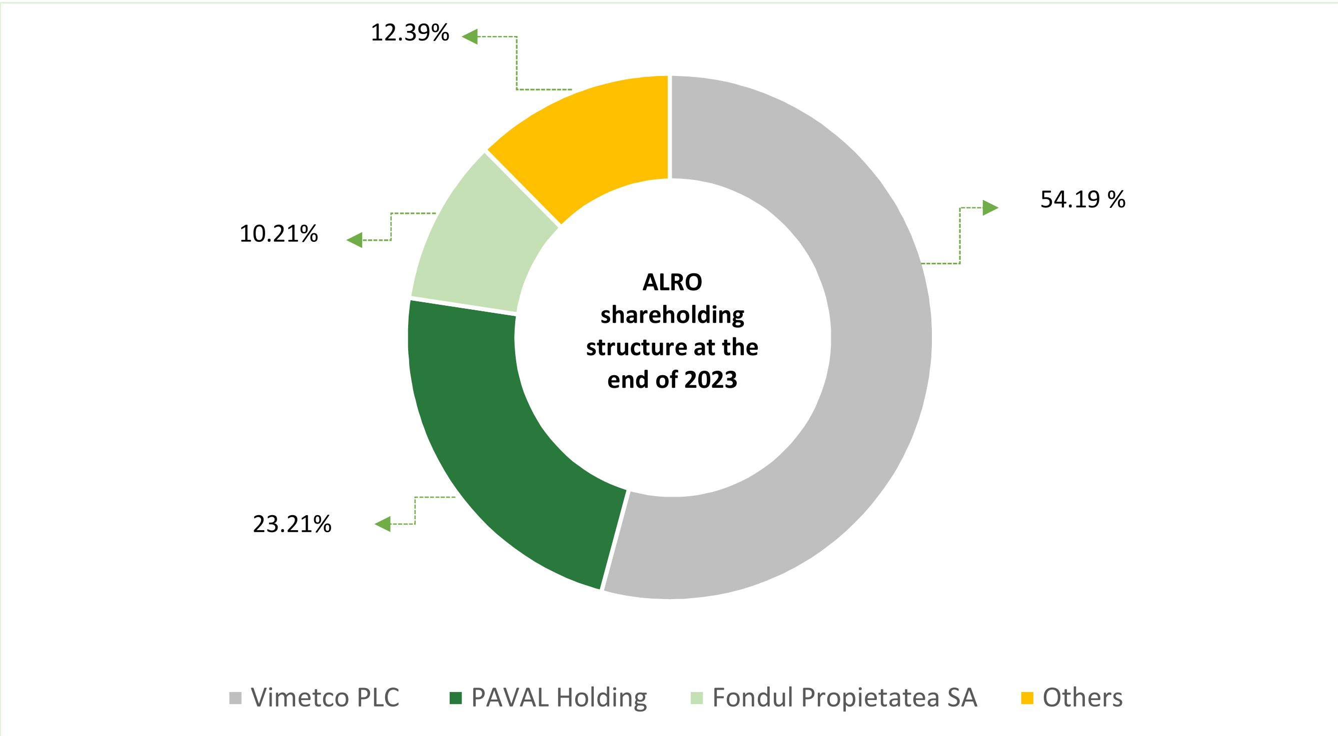


Chart 1. Shareholding structure

At the end of 2023, ALRO S.A. held majority stakes in most subsidiary companies within the Group, thus emphasizing its central position and the control exercised over its operations.

Chart 2. ALRO Group companies structure

The structure of ALRO Group companies is detailed as follows:

ALUM, part of the ALRO Group, is a joint-stock company organised under Romanian law, established on 1 July 1973 and founded for an unlimited period as a joint-stock company in accordance with Romanian Government Decision No 30 of 14 January 1991 on the establishment of companies in the non-ferrous metallurgy sector. Hydrometallurgical processing of bauxite is the key activity for obtaining aluminium oxide, the main raw material for aluminium production.

ALUM is listed on the Bucharest Stock Exchange. Initially, ALUM was listed on RASDAQ (since 2 December 1997), but since May 2015 it has migrated to the ATS segment, category AeRO. ALUM shares are traded under the symbol "BBGA".

Vimetco Extrusion (VE), based in Slatina and established in 2006, is the largest producer of extruded profiles in Romania and an important player in the Western European extrusion market. The company currently operates three extrusion presses and is focused on producing a wide range of profiles (standard and customised) required by customers from various industries across Europe.

Vimetco Trading (VT) - In December 2021, ALRO S.A. completed the integration steps of the sales activity into the Group structure by finalizing the acquisition of Vimetco Trading SRL from the majority shareholder, Vimetco PLC, and its subsidiary, Vimetco Management Romania. This transaction, conducted at the market value of Vimetco Trading, allows ALRO to improve its links between the production and sale of finished products and to benefit from a sales and marketing team with over ten years of consolidated experience. Since

2008, Vimetco Trading has primarily acted as ALRO's agent without representation in all aluminium product markets worldwide. As a result of this transaction, ALRO owns 100% of Vimetco Trading.

Conef - is a holding and management company and ALRO S.A. holds 99.9% of the share capital.

CCGT Power Ișalnița S.A. - On September 18, 2023, CCGT Power Ișalnița S.A. ("CCGT Power") was established, with Complexul Energetic Oltenia holding 59.9% and ALRO S.A. holding 40.1% of the share capital. This partnership will give ALRO the opportunity to diversify its business model. Securing electricity supply is a necessity for the aluminium industry and will support the Group's long-term development plans in a challenging business environment.

The ALRO Group has consistently strengthened its market position and efficiently responded to the demands of the dynamic aluminium sector. Through the diversity of its operations and the synergies created between its various divisions and subsidiaries, the ALRO Group offers a complete portfolio of aluminium products and services.

Location of headquarters and production facilities

ALRO Group has production and administrative facilities in 3 main locations: Slatina, Tulcea and Bucharest.

- **ALRO Production Facility - Slatina**
    - **Primary Aluminium Division Address:** 116 Pitești Street, Slatina, Jud. Olt, Postal Code 230048, Romania
    - **Processed Aluminium Division: Address:** 1 Milcov Street, Slatina, Jud. Olt, Postal Code 230077, Romania
      Tel: +40 249 434302

      Fax: +40 249 437500

      Web: http://www.alro.ro
- **Vimetco Extrusion production facility - Slatina**
    - Address: 1 Milcov Street, Slatina, Jud. Olt, Postcode 230077, Romania

      Tel: +40 249 414040

      Web: http://www.vimetcoextrusion.com
- **ALRO Work Point - Bucharest:**
    - Address: 64 Splaiul Unirii, Rivergate Centre, 040036 Bucharest, District 4, Romania

      Tel: +40 (0)21 408 35 00

      Fax: +40 (0)21 408 35 82

      Web: http://www.alro.ro
- **Alum Production Facility - Tulcea:**
    - Address: 82 Isaccei Street, Tulcea, Jud. Tulcea, Romania

      Tel: +40 (0)240 535022, 535740

      Fax: +40 (0)240 535495, 535230

      Web: http://www.alum.ro

2.2 Purpose and importance of the non-financial statement

In accordance with the provisions of OMFP 1938/2016 and subsequent amendments, ALRO Group discloses detailed information in this statement, addressing key governance, environmental, social and personnel issues, as well as respect for human rights and efforts to combat corruption and bribery, as required by law.

ALRO Group has developed this non-financial statement based on the specific criteria of OMFP 1938/2016 and drew inspiration from the reference elements of GRI standards, without strictly following an indexing approach. This document highlights how the Group conducts its operations in Romania, with a focus on the principles of sustainable development and corporate responsibility.

Recognised throughout Europe for the innovation and quality of its aluminium products, ALRO Group is committed to promoting sustainable practices in all its operational and management actions, as well as in its business relationships.

As a major player in the aluminium industry, ALRO Group focuses on adaptability, innovation and sustainability. Through continued investment in technology and research, the company aims to reduce its environmental impact, support the communities in which it operates and provide a safe and stimulating workplace for its employees.

This statement reflects the non-financial performance of ALRO Group for the period January 1, 2023 to December 31, 2023.

For a more detailed perspective on sustainability performance, the ALRO Group will publish an extended sustainability report which will be available on 30.06.2024, thus providing a comprehensive overview of the company's evolution and commitments for the last two financial years.

3. ALRO Group Business Model

3.1 Description of the business model

ALRO Group is a vertically integrated producer of alumina, primary and processed aluminium, flat rolled products (FRP) and aluminium extruded profiles, with main production activities in Slatina and Tulcea. ALRO S.A. is the parent company, founded in 1961 and listed on the Bucharest Stock Exchange under the symbol "ALR".

The parent company ALRO S.A., headquartered in Slatina, 116, Pitesti Street, Olt County, Romania, operates with a subscribed and paid-up share capital of 356,890 Th RON.

3.2 Our Business - Overview, Products, Services

Products and Services: ALRO S.A. offers a wide range of aluminium products, including wire, ingots and billets, along with flat rolled products, as well as extruded products through the Vimetco Extrusion subsidiary. Our products are used in various industries such as aerospace, automotive, marine, transportation, construction and photovoltaic panels.

The Primary Aluminium Division focuses on the production of:

- **Electrolytic aluminium:** being an intermediate product, further used in the production process to obtain a wide range of aluminium products.
- **Recycled aluminium:** contributing to the circular economy by recycling aluminium, which reduces the need for new raw material and environmental impact.

The main end products of this division include:

- **Wire:** used in the production of cables and electrical conductors, including high-voltage conductors, essential for the utilities sector.
- **Ingots:** used as raw material for hot and cold rolling equipment in the processed Al division, subsequently transformed into high-value-added value aluminium products.
- **Billets:** which are processed through extrusion to produce standard or custom profiles.

The Processed Aluminium Division specialises in:

- **Flat rolled products:** such as sheets, plates and strips, which are used in engineering, construction, vehicle and aircraft sectors, due to the superior mechanical properties and reduced weight of aluminium.

These products are vital for:

- **Utilities sector:** due to their electrical and thermal conductivity.
- **Automotive industry:** where the reduced weight of aluminium helps in reducing fuel consumption and hence emissions.
- **Construction sector:** for lightweight and durable structures.
- **Aerospace industry:** where aluminium is used due to its corrosion and wear resistance.
- **Renewable energy:** such as photovoltaic panels, where aluminium is used for frames and supports due to its durability and weather resistance.

Vimetco Extrusion, a subsidiary of the Group, deals with:

- **Aluminium extrusion:** the process by which aluminium is transformed into profiles with complex shapes used in various industrial applications.

The main end products of this division include:

- **Extruded products**: which include profiles for transportation, construction, photovoltaic panels and many other industries.
- **Special products:** which are considered to have a high added value due to the complexity and technical specifications required.

ALRO Group's SIZE in figures

Table 1. Financial Indicators

Indicator	2023				
	ALRO (Th RON)	ALUM (Th RON)	VE (Th RON)	VT (Th RON)	CONEF (Th RON)
Net sales	2,533,585	284,654	697,572	18,545	57
Net Profit	-539,116	-188,521	36,133	755	-505
Operating result (EBIT)	-477,230	-188,812	49,015	975	-715

Table 2. Sales indicators

Indicator	2023	2022
Primary aluminium sales volume (tonnes)	101,651	91,094
Sales volume of processed aluminium* (tonnes)	91,860	89,632
Alumina sales volume (tonnes)	119,612	159,137

* The volume of processed aluminium sales includes aluminium sales from the Processed Aluminium Division and EV aluminium sales

Table 3. Indicator - Total number of employees

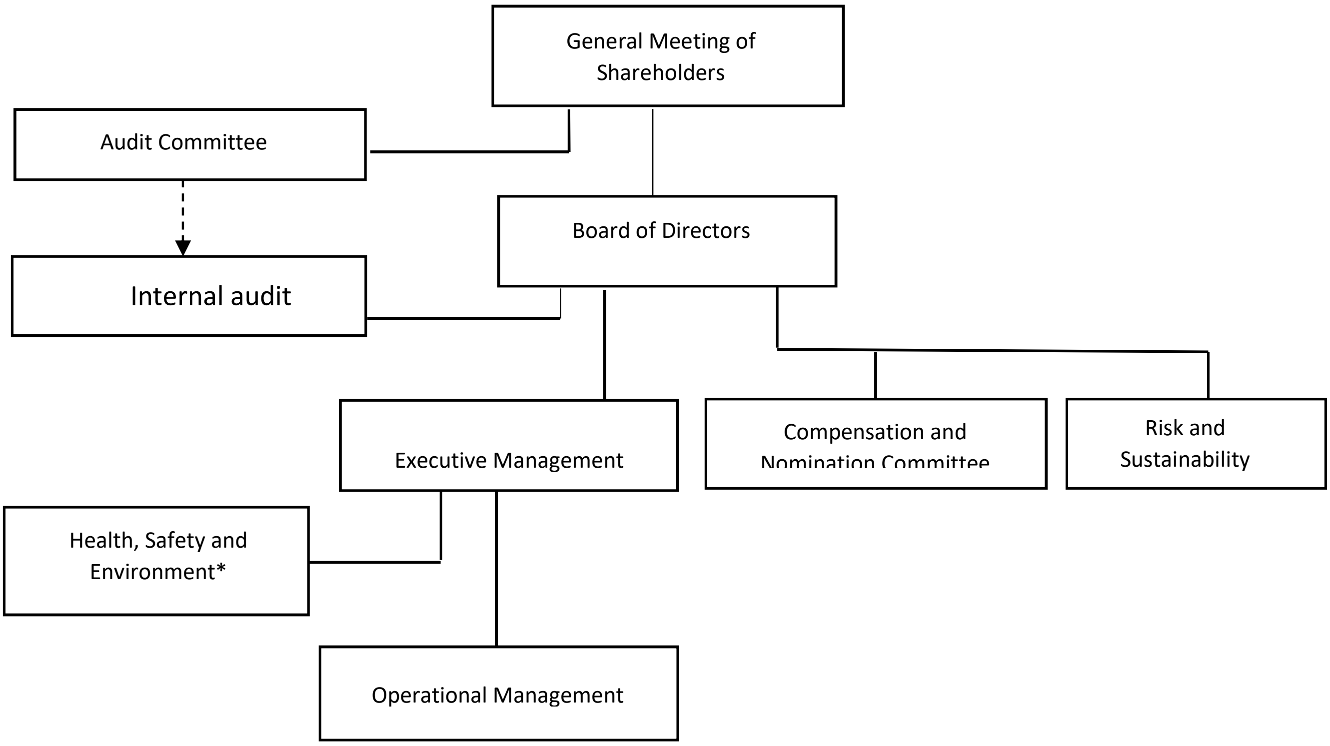
Indicator	2023				
	ALRO	ALUM	VE	VT	CONEF
Total number of employees	2,061	190	418	57	1

4. Governance and Compliance

4.1 Corporate governance and business ethics

Governance structure

The governance system of the Parent Company, ALRO S.A., is the governance structure ensuring the coordination of the Group. The Group is managed in a unified system and has four levels of leadership: the General Meeting of Shareholders ("AGM"), the Board of Directors (hereinafter referred to as the "Board" or "BoD"), executive management and operational management. Similar structures are present at the level of each company within the Group, but overall coordination is provided by the ALRO S.A. governance structure.



Note

*Operationally, this function reports to the Director-General

The Audit Committee oversees the work of Internal Audit

Chart 3. ALRO Governance Structure

The governance structure of ALRO S.A. is designed to provide effective and thorough oversight of the company's activities. The General Meeting of Shareholders, which can be either ordinary or extraordinary, is an expression of the company's commitment to shareholder involvement in strategic decision-making. With a meeting frequency depending on the emerging needs of the company, the General Meeting of Shareholders serves as the first line of control and direction.

The General Meeting of Shareholders has appointed the Audit Committee, which consists of three members, two of whom are independent, in accordance with the legislation in force. Financial reporting, external and internal audit, significant transactions with affiliates, are activities that are carried out under the supervision of the Audit Committee. The "Audit Committee Terms of Reference", which can be consulted on the ALRO website, contain more information.

The Board of Directors shall carry out its activities in accordance with the Articles of Association and the Rules of Organisation and Functioning of the Board of Directors as well as the applicable legal provisions. The term of office of the members of the Board of Directors is 4 years, ensuring continuity and stability in corporate governance.

The Board of Directors, composed of 11 members, of which 18.18% (2) are women and 18.18% (2) are independent members, operates as a central body in the governance structure. The Board meets regularly to evaluate and direct the Group's strategies, thus ensuring that ALRO S.A. remains aligned with its long-term objectives and industry best practices.

On December 21, 2023, the Board of Directors of ALRO S.A. decided to appoint an external company as the internal auditor of ALRO for a 3-year term. The decision was taken following a tender and a thorough cost/benefit analysis and qualifications assessment of the provider, whereby the respective internal audit company was deemed suitable to meet ALRO's legal specifications. The internal audit activity is governed by the Guidelines for the Implementation of International Standards on Internal Auditing ("Guidelines") issued by the CAFR to help maintain high quality standards for the organisation, conduct and delivery of internal audit missions by the financial auditors, members of the CAFR, who coordinate internal audit activities, as well as those who are part of internal audit mission teams. The internal audit firm will report directly to the Board of Directors of ALRO and its activities are overseen by the ALRO Audit Committee.

The members of the Board of Directors for the reporting period are:

- Marian Năstase (Chairman, non-executive member)
- Svetlana Pînzari (Non-executive member)
- Gheorghe Dobra (Executive Member)
- Genoveva Năstase (Executive Member)
- Vasile Iuga (Independent non-executive member)
- Marinel Burduja (Independent non-executive member)
- Adrian Fercu (Non-executive member)
- Darius Pavăl (Non-executive member)
- Voicu Cheta (Non-executive member)
- Igor Higer (Non-executive member)
- Dragoș Adrian Voncu (Non-executive member)

Recruitment to the Board follows a rigorous and transparent procedure. Candidates are either proposed by shareholders or by directors, thus ensuring a diversity of perspectives and competencies within the Board, and the independence and compatibility thereof for the proposed position are reviewed in advance by the Remuneration and Nomination Committee. The Board plays a vital role in defining and overseeing the company's strategic directions, including in the area of sustainability.

Board Committees:

- **Remuneration and Nomination Committee**

  - Marian Năstase (President)
  - Vasile Iuga (Member, Independent)
  - Marinel Burduja (Member, Independent)

This committee is responsible for overseeing the compensation policy of the executive and operational management and the general compensation policies of the Group, recruiting executive and operational management and ensuring succession planning. "Terms of Reference of the Remuneration and Nomination Committee", which can be found on the ALRO website, contain more information.

- **Risk and Sustainability Committee**

  - Vasile Iuga (President)
  - Svetlana Pînzari (Member)
  - Adrian Fercu (Member)
  - Marinel Burduja (Member)
  - Darius Pavăl (Member)

The Risk and Sustainability Committee focuses on business risks and sustainability, monitoring and managing risks associated with sustainable practices, formulating recommendations and overseeing company policies in these areas. The " Terms of Reference of the Risk and Sustainability Committee", available on the ALRO website, contain more information regarding the duties and responsibilities of the Risk and Sustainability Committee.

Executive management, consisting of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has day-to-day responsibility of managing the company's operations, including engaging in transactions, ensuring alignment with the strategies and objectives set by the Board of Directors. These positions also provide regular reports to the Board to ensure smooth communication and maximum transparency regarding progress and encountered obstacles.

In conclusion, the governance structure of the ALRO Group reflects a holistic approach, where each level and function of management plays an essential role in achieving operational excellence and compliance with the highest standards of integrity and professionalism.

4.2 Compliance procedures

The Management System Principles constitutes the fundamental pillars of ALRO Group, thus forming the foundation of a robust and adaptable management system, ready to efficiently respond to the challenges and opportunities in the contemporary business environment.

ALRO has defined and implemented an Integrated Management System (IMS) that includes quality management, environmental management, occupational health and safety management, energy management, sustainability of ALRO's business processes as a whole. The IMS complies with current international standards ISO 9001, EN 9100, IATF 16949, ISO 14001, ISO 45001, ISO 50001, ASI Performance standard v3, and is documented through manuals, system procedures, operational procedures, quality plans, control plans and other documents, forming together a hierarchical structure, which facilitates the implementation of this system within the company.

The IMS is self-evaluated through the Internal Audit Programme of management systems, processes and products, as well as through the regular analysis system conducted at all operational levels. The mentioned internal audits are carried out by qualified internal auditors from the Technical Quality – Investments Department and target elements of the IMS, ALRO's processes and products, constituting a complete audit cycle on an annual basis.

All environmental aspects identified through systematic analysis are internally monitored and reported to the National Environmental Protection Agency and the Olt County Environmental Protection Agency on a regular basis. ALRO's systematic compliance with environmental protection regulations is confirmed by the Integrated Environmental Permit issued by the Olt Environmental Protection Agency, as well as by inspections/controls carried out by the representatives of the National Environmental Guard Commission - Olt County, Olt County Emergency Situations Inspectorate, Ministry of Internal Affairs, MAI - National Anti-Drug Agency, MAI - Directorate of Explosives and Explosive Materials, Romanian Waters National Administration, Olt Basin Administration, Olt County Environmental Protection Agency, Olt County Public Health Directorate, etc.
ALRO's environmental performance in terms of greenhouse gas emissions is validated by verifications carried out by a third party body notified at government level, Greenhouse Gas Permits for the period 2021-2030 are issued by the National Agency for Environmental Protection, and the greenhouse gas emissions monitoring plans being uploaded on the European Commission's EU Declare platform.

In 2023, ALRO underwent 8 audits by SRAC Cert (4 pre-audits and 4 audits) related to greenhouse gas emissions.

The effectiveness, efficiency and overall performance of IMS are recognised by the certifications that ALRO holds regarding compliance with international standards ISO 9001, EN 9100, IATF 16949, ISO 14001, ISO 45001, ISO 50001, ASI Performance standard v3. These certifications have been awarded by prestigious national and international accredited certification bodies (DQS GmbH Germany, SRAC Romania).

Regarding ALRO's sustainability performance, as well as the transparency of public sustainability reporting, it should be noted that ALRO has made relevant sustainability data publicly available on the CDP (Climate Disclosure Project) platform and obtained a B rating (in 2022 ALRO obtained a rating of D).

In 2023, **ALUM** continued to monitor the functioning of the Quality Management System with the aim of maintaining the certification of the Integrated Quality, Environmental, Energy and Occupational Health and Safety Management System. Within the IMS program, the following requirements were established and continuously monitored:

- general and specific objectives and their status of achievement;
- analysis and management of IMS risks;
- annual documentation and review program;
- supplier evaluation;
- internal audit plan;
- validity of authorisations, certifications and authorised personnel.

Over the years, ALUM has conducted various energy audits, which have contributed to enhancing energy performance management. In 2023, a total of 45 internal audits were carried out: 33 audits between March and August as per the annual audit plan and 12 follow-up audits between June and July. As for external audits, the SRAC surveillance audit took place from 02-05 October 2023, in accordance with the management standards SR EN ISO 9001/2015, SR EN ISO 14001/2015, SR ISO 45001/2018 and SR EN ISO 50001/2019. As a result, ALUM maintained its certifications by obtaining the annual visa.

Additionally, to validate annual CO2 emissions, for the year 2023, ALUM prepared two GHG emissions reports, verified by a certified auditor during an annual external audit, namely the GHG Emissions Monitoring Report 2023 and the Activity Level Report 2022-2023. The GHG emissions monitoring reports as well as the activity level reports validated by the external verifier are submitted to the National Environmental Protection Authority and then uploaded to the COM platform.

VE has established and implemented a Quality Management System (QMS) as well as environmental management, ensuring the sustainability of VE's business processes holistically.

The Management Systems comply with the international standards in force ISO 9001, ISO 14001, ASI Performance Standard, and are documented through manuals, system procedures, internal procedures, quality plans, control plans and other documents, forming together a structure that facilitates the implementation of these systems at all organizational levels of VE.

Management systems undergo self-assessment through the Internal Audit Programme as well as through the system of regular reviews conducted at all operational levels. Internal audits are carried out by qualified internal auditors within the Internal Management Systems and cover MS elements, processes and products of VE, constituting a comprehensive annual audit cycle. All environmental issues identified through systematic analysis are internally monitored and reported to the National Environmental Protection Agency and the Olt Environmental Protection Agency regularly.

VE's systematic compliance with legal provisions on environmental protection is confirmed by the Environmental Authorization granted by the National Agency for Environmental Protection and inspections/controls conducted by the representatives of the National Environmental Guard Commissioner CJ OLT, ISU OLT. The environmental performance of the VE in terms of greenhouse gas emissions is validated by checks carried out by third party bodies.

In 2023, VE underwent 4 audits conducted by the SII (one certification surveillance audit and 3 other audits) related to system certification and CE & UKAS marking certifications.

The effectiveness, efficiency and overall performance of the management systems are recognised by the certifications VE holds for compliance with the international standards ISO 9001, ISO 14001 and ASI Performance Standard. These certifications have been awarded by prestigious accredited certification bodies (SII, IQNet, TUV Rheinland CERT GBMBH). Additionally, concerning VE's sustainability performance and transparency of public communication on sustainability, it should be noted that all data has been publicly disclosed.

VE has carried out various energy audits contributing to improving energy performance management. The 4th surveillance audit was conducted in 2023, with energy efficiency measures at 100% implementation status as part of the initial audit in 2019. Additionally, in 2023, an initial energy audit was conducted by an authorised external firm across the VE organisation.

4.3 Customer management

ALRO Group maintains and develops both existing and new business relationships, adopting a proactive approach in identifying and addressing the specific needs of each customer. A such, ALRO Group offers a wide range of high quality products, thereby enabling and amplifying the success of its partners.

The range of products offered by the ALRO Group plays an important role in the decarbonisation efforts of critical sectors of the economy, such as aerospace and automotive industries. Aluminium, owing to its advantages - such as reduced mass, robust mechanical performance, corrosion resistance and unlimited recyclability – forms the basis of these endeavours.

Regarding the extruded products marketed, the ALRO Group has the ability to meet the particular requirements of its clients by providing customised solutions for extruded profiles.

On January 13, 2023, ALRO reaffirmed its commitment to quality and sustainability by obtaining ASI (Aluminium Stewardship Initiative) certification, number 237, under the ASI performance standard. This certification represents a firm commitment to responsible practices in the aluminium sector, making the first certification under version 3 of the ASI standard for a company in Europe. Simultaneously, ALRO adheres to the rigorous requirements of international quality management standards, holding EN 9100:2018 certification for the aerospace industry and IATF 16949:2016 for the automotive industry, certifications obtained from recognised certification bodies such as DQS GmbH in Germany and SRAC in Romania. The quality of products marketed by the ALRO Group, intended for special applications as well as for products used in pressure equipment manufacturing and CE marking for the construction industry, is validated through certifications by TUV Süd Industrie Service GmbH from Germany. The ALRO Group also holds DNV-GL Germany and Bureau Veritas France certifications for products used in the maritime industry.

Furthermore, ALRO has achieved NADCAP accreditation (National Aeronautics and Defense Contractors Accreditation Program of the Performance Assessment Institute) since 2008, attesting to the high level of accuracy of its heat treatment processes, laboratory testing and non-destructive inspections, in line with aerospace industry standards. ALRO is also recognised as a high quality NADCAP supplier, undergoing bi-annual audits instead of annual ones, which is a clear proof of constant compliance with the strict requirements imposed by the NADCAP Management Board. These distinctions allow ALRO to continuously improve its offering to its customers, consistently maintaining the highest level of industry standards.

4.4 Level of customer satisfaction

Monitoring Customer Satisfaction
Every year, we conduct customer satisfaction monitoring through a detailed procedure, aiming to identify their perception regarding meeting their requirements, overall impression about the company, their expectations and the effectiveness of the interaction between the ALRO Group and its customers. The procedure includes distributing satisfaction evaluation questionnaires, at least once a year. The feedback obtained is essential in the process of improving the quality of the products and services offered. The collected responses are centrally analysed and, based on the results, specific action plans are developed.

Performance Indicators
Customer satisfaction is measured by two main indicators: **delivery punctuality** and **product quality**. This emphasis on quality underscores its importance in ensuring continuous success and business development. We manage and assess the impact of quality through a well-defined process and a rigorous approach to risk management in accordance with international standards.

Integrated Management System

We have developed an integrated management system comprising clear objectives and targets documented in the Annual Programme. These objectives, covering the entire group and all production lines, reflect our commitment to continuous improvement and customer satisfaction.

Settlement of Complaints

Our procedure includes a dedicated mechanism for resolving customer complaints. The sales team documents quality-related complaints, with technical solutions being reviewed and decided upon by the Technical Analysis Committee based on detailed analysis.

Performance Improvement

To enhance performance in customer management and product quality, we implement various initiatives, including the Lean Six Sigma approach to continuous improvement. Additionally, starting from October 2023, a total number of eight employees are participating in the EMBA postgraduate course, organised in collaboration with ASEBUSS Bucharest, which helps to promote and identify opportunities for improvement.

Data Privacy and Security

Our management system ensures the confidentiality and protection of customer data, preventing issues related to confidentiality breaches. In 2023, we did not receive any complaints related to violations of customer privacy or personal data protection.

Measurement and Evaluation of Customer Satisfaction

Customer satisfaction is measured by comparing their expectations with their perceptions. We use surveys and questionnaires and analyse data from business relationships to evaluate satisfaction. The frequency of this measurement is at least once a year and the results are used in management evaluation.

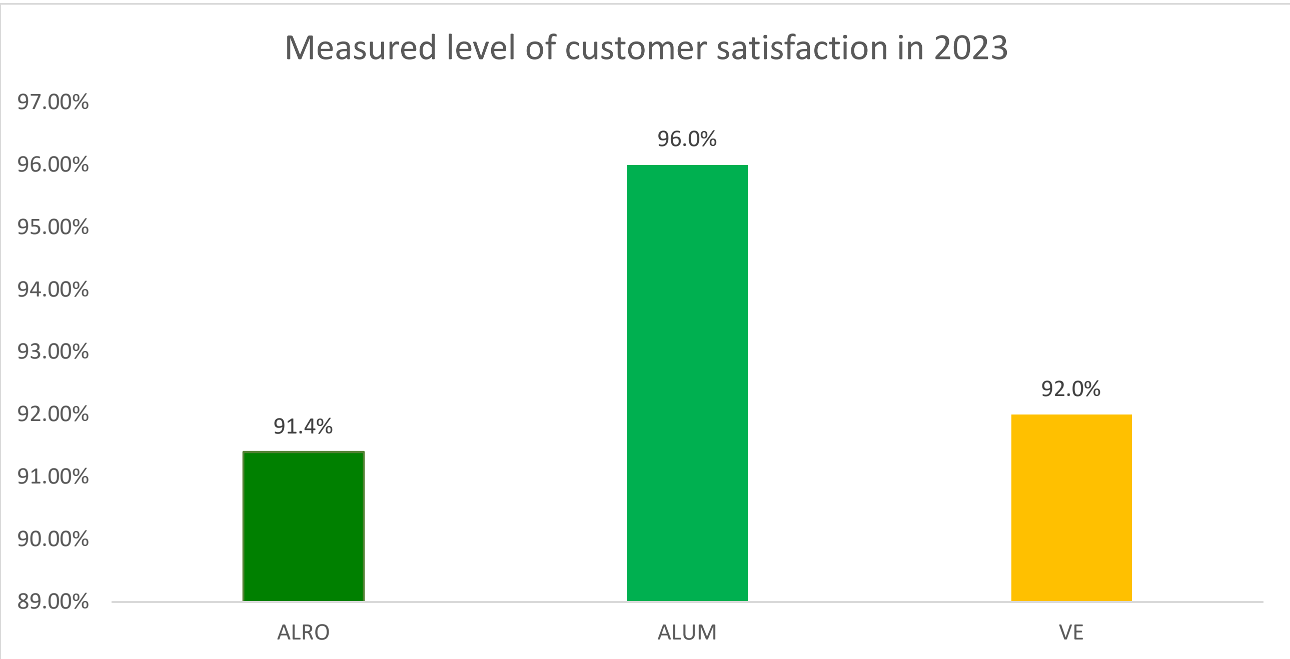


Chart 4. Measured level of customer satisfaction in 2023

These surveys include:

- **Detailed questionnaires:** These include questions that focus on customers' overall experience with our products, asking for ratings on a scale of 1 to 10 for various criteria such as product quality and delivery time efficiency.
- **Telephone interviews:** Through this method, we aim to obtain specific feedback and deepen our understanding of clients' needs and expectations, thus facilitating a constructive dialogue.

- **Social media feedback analysis**: By monitoring feedback and comments on online platforms, we aim to identify opportunities to improve interactions with our customers.
- **Regular surveys:** Sending regular surveys to our customers helps us track the dynamics of their experience over time and assess our performance against industry standards.
- **Adaptation of the Evaluation System**: In recent years, we have modified the evaluation system to make improvements more visible, as the previous values of close to 100% did not clearly reflect progress.

This structured and detailed approach highlights the ALRO Group's commitment to continuous improvement in customer satisfaction and product quality through close monitoring, improvement initiatives and a robust quality management system.

4.5 EU Taxonomy

This section provides the information needed to comply with the requirements of the EU Regulation 852/2020 establishing a framework to facilitate sustainable investment and related delegated acts.

In 2023, our Group can report as eligible activities, according to the Climate Delegated Act no. 2139/2021, the primary aluminium manufacture through alumina electrolysis and aluminium recycling (secondary aluminium according to the Taxonomy Regulation), both carried out at Slatina in ALRO units.

We have considered ineligible alumina refining, extrusion activities and other minor activities (water collection, treatment and supply, non-hazardous waste collection, etc.) that are implemented by the Group as support activities for aluminium production and/or their proportion may be considered insignificant in calculating the performance indicators to be reported in accordance with taxonomy requirements.

ALRO's Primary Aluminium Division includes the Anodes Section, the Electrolysis Section, the Casthouse, the Aluminium Eco-Recycling Section, the Repair Workshop and Spare Parts, the Road and Rail Transport Sections and other sections responsible for ancillary services. To calculate the taxonomy-required indicators, we included activities carried out in the Electrolysis, Casthouse and Aluminium Eco-Recycling Sections.

According to the internal assessment conducted at ALRO Group level, the environmental objectives to which we could substantially contribute are "Climate Change Mitigation" and " Adaptation to Climate Change". To be able to make such a contribution our activities at ALRO S.A. units must meet the criteria for substantial contribution set out in the taxonomy, not cause significant harm to any of the other environmental objectives ("DNSH Criteria") and comply with the minimum safeguards.

Analysis of how eligible activities align with technical examination criteria

1. Substantial contribution

Regarding the first environmental objective "Climate Change Mitigation", the operations conducted at ALRO meet, for the year 2023, only one of the three substantial contribution criteria according to the taxonomy - electricity consumption for the production process does not exceed 15.5 MWh/t Al, but all DNSH requirements are met.

The specific GHG emissions value for the year 2023 was 1.527 tCO_2e for the primary aluminium sub-installation. Although the production of cast aluminium in 2023 was higher than the production achieved in 2022, total GHG emissions decreased in 2023. The major impact of GHG emissions was determined by the primary aluminium sub-installation, given that electrolytic aluminium production decreased in 2023 by 17.17% compared to 2022.

As for the average carbon intensity for indirect GHG emissions, for this year the emission value was 143.039* g CO_2e/kWh (*ALRO energy label for 2022), compared to the limit for the substantial contribution of 100 g CO_2e/kWh.

Thus, we continued the alignment assessment process for the second environmental objective, namely "Adaptation to Climate Change". We initiated the climate risk analysis process under the TCFD framework, considering the taxonomy criteria for substantial contribution to this environmental objective, but we cannot confirm that the substantial contribution criteria have been met for this item either, as this analysis is still ongoing at the time of publication of this statement.

2. Compliance with the principle of "Do No Significant Harm" (DNSH)

Although substantial contribution was not possible for any environmental objective this year, we initiated an analysis of the degree of compliance with the DNSH criteria for the environmental objective "Adaptation to Climate Change" have been met.

- Climate Change Mitigation

The primary aluminium produced by ALRO complies with the DNSH criteria set out in the Climate Delegated Act, namely: (i) GHG emissions do not exceed 1.604 tCO_2e per tonne of aluminium produced, (ii) indirect GHG emissions do not exceed 270g CO_2e/kWh, and (iii) electricity consumption for the manufacturing process does not exceed 15.5 MWh/t Al.

- Sustainable use and protection of water and marine resources

The water required for primary aluminium production is extracted from the Olt river, but also from underground sources. Environmental degradation risks related to maintaining water quality and avoiding water stress are identified and addressed through specific procedures to minimise the impact on water sources, based on our environmental management system. ALRO complies with BAT (*Best Available Techniques*) norms and implements a Prevention and Control Plan for Accidental Water Sources Pollution, establishing measures to prevent and manage events that could lead to water sources pollution for potentially affected bodies of water, in consultation with interested parties (neighbours, contractors). The last consultation took place between January 2023 and February 2024.

- Pollution prevention and control

In 2023 we assessed compliance with the DNSH criteria for hazardous chemicals listed in Appendix C to Annex 2 of the Delegated Act. ALRO acts in accordance with the REACH Regulation, so ALRO products do not contain substances listed in Art. 57 of the Regulation. ALRO also complies with Regulation 1005/2009 regarding substances that deplete the ozone layer. The company is not engaged in the manufacture or placing on the market of substances listed in Annexes I or II of Regulation (EU) 2019/1021, nor does it use them outside the legal limits. It does not acquire or use mercury and mercury compounds as defined by Regulation (EU) 2017/852. ALRO is not engaged in the manufacture or placing on the market of electrical and electronic equipment, and the equipment used complies with European regulations and is recovered at the end of its life.

Emissions fall within the emission level limits associated with best available techniques (BAT-AEL), which are regularly measured and monitored in accordance with ALRO S.A.'s emission reduction and BAT compliance plan.

There are no significant cross-sectoral effects. ALRO reports annually to the European Pollutant Release and Transfer Register.

- Biodiversity and ecosystems protection and restoration

In 2022 we conducted an impact assessment of ALRO's operations in Olt County. Based on the list of protected areas (Natura 2000, UNESCO, key areas in terms of biodiversity), it was concluded that none of them are significantly impacted by our activity. Additionally, through the activity carried out on the ALRO site, exotic species are not introduced into the ecosystems of the ALRO area of influence. ALRO's operations and sites have not changed since the date of this assessment.

3. Compliance with the minimum guarantee criteria

Throughout 2023, we continued our internal analysis of compliance with the minimum safeguards, a criterion set out in Article 18 of the Taxonomy Regulation. Minimum safeguards represent a set of procedures carried out by group companies to ensure compliance with the following guiding principles:

- OECD Guidelines for Multinational Enterprises
- United Nations Guiding Principles on Business and Human Rights
- Basic principles and rights in the eight fundamental Conventions of the International Labour Organisation
- Principles of the International Bill of Human Rights

Compliance with minimum safeguards was assessed according to the Final Report on Minimum Safeguards for four areas: Human Rights, including Labour Rights, Bribery/Corruption, Taxation and Fair Competition. Each of these areas was analysed to determine whether the relevant process and outcome criteria for compliance with the minimum safeguards were met. The results of the analysis are presented in the following table:

Table 4. Compliance with minimum guarantees

		Criteria of fulfilment	**Compliance status**
Human rights	*Process*	Adequate due diligence process on human rights following the UN Guiding Principles (UNGPs) and OECD Guidelines for Multinational Enterprises.	Economic activities of the company are conducted in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO Core Conventions and the International Bill of Human Rights.
	Result	The company or its management has not committed any violation of labour law or human rights.	There were no labour law or human rights violations in FY2023.
		The company has not refused to engage in dialogue with the OECD National Contact Point (NCP) and the NCP has not issued a statement accusing the company of labour law or human rights violations.	The company has not been contacted by an OECD NCP as there have been no suspicions or allegations to this effect.
		The company responded to the Business and Human Rights Resource Centre (BHRRC) within 3 months of the date of the allegation, if it was made.	There has been no accusation from the Business and Human Rights Resource Centre.

		Criteria of fulfilment	Compliance status
Bribery/Corruption	*Process*	Implementation and publication of internal controls to prevent and detect bribery	In 2022, the procedure for dealing with requests, referrals and complaints was approved in accordance with European standards, applied to all employees and parties with a legitimate interest. They can also be submitted in a virtual environment at sesizari@alro.ro. The company has included training courses to educate employees on business ethics and anti-corruption.
	Result	The company or its management has not been convicted of bribery	There were no incidents of bribery/corruption in FY2023.
Taxes	*Process*	Tax governance is treated as an important element; implementation and publication of tax risk management and tax risk strategy.	ALRO properly documents and accounts for financial matters in accordance with the relevant regulations as a listed company that must ensure proper financial reporting to its investors and stakeholders. Due diligence and verification of transactions and business partners is ensured and legal obligations regarding money laundering are met and closely monitored. Trade embargoes are respected, as ALRO is a globally active company subject to national and international laws related to trade, capital movements and payments. A number of employees have also been trained in IFRS and taxation.
	Result	The company has not been convicted of tax evasion.	The company strictly complies with current tax legislation and has not been convicted of tax evasion.
Fair competition	*Process*	Conducting and unveiling training courses for managers on competition issues	There are training courses for managers that address issues of unfair competition and promote transparency in business. These courses can cover a wide range of topics, including fair competitive practices, business ethics, corruption prevention and legal compliance. There is also a CSR policy on the company's website that includes this topic.
	Result	The company has not been convicted of violating competition law	The company strictly complies with current legislation, and has not been convicted of competition law violations.

Reporting results

In this report, the ALRO Group reports aligned, taxonomy-eligible and non-taxonomy-eligible economic activities as a proportion of total turnover, capital and operating expenses.

Turnover has been computed as follows: the denominator encompasses all revenues generated by the Group from contracts with customers, as delineated in the ALRO Group Consolidated Financial Statements, amounting a total of **RON 2,849,717** Th. In the numerator, we have incorporated sales to third parties of primary aluminium products and the value of metal transferred to the Processed Aluminium Division and Vimetco Extrusion.

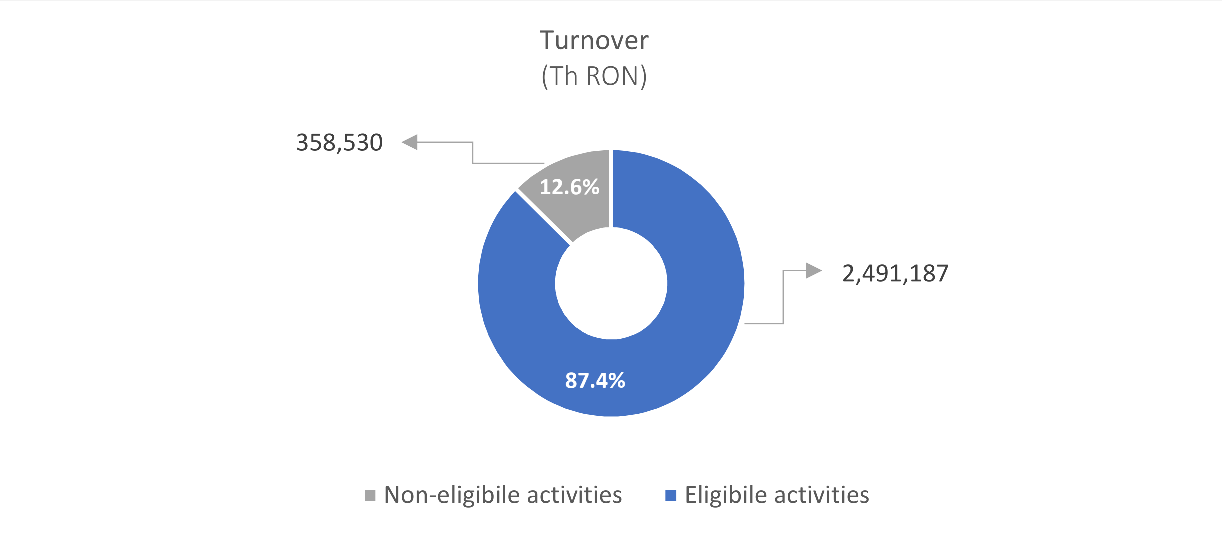


Chart 5. Turnover (Ths RON) 2023

CapEx (Capital expenditures) has been determined as follows: in the denominator we have included the aggregate entries for the financial year reported under the Notes "Property, plant and equipment" and "Intangible assets" in the ALRO Group Consolidated Financial Statements 2023. The denominator value of CapEx in 2023 was RON 97,867 Th. For the calculation of the numerator we have considered the entries of tangible and intangible fixed assets associated with eligible business activities aligned with the taxonomy, specifically capital expenditures linked to Electrolysis, Casthouse and Eco-Recycling Sections.

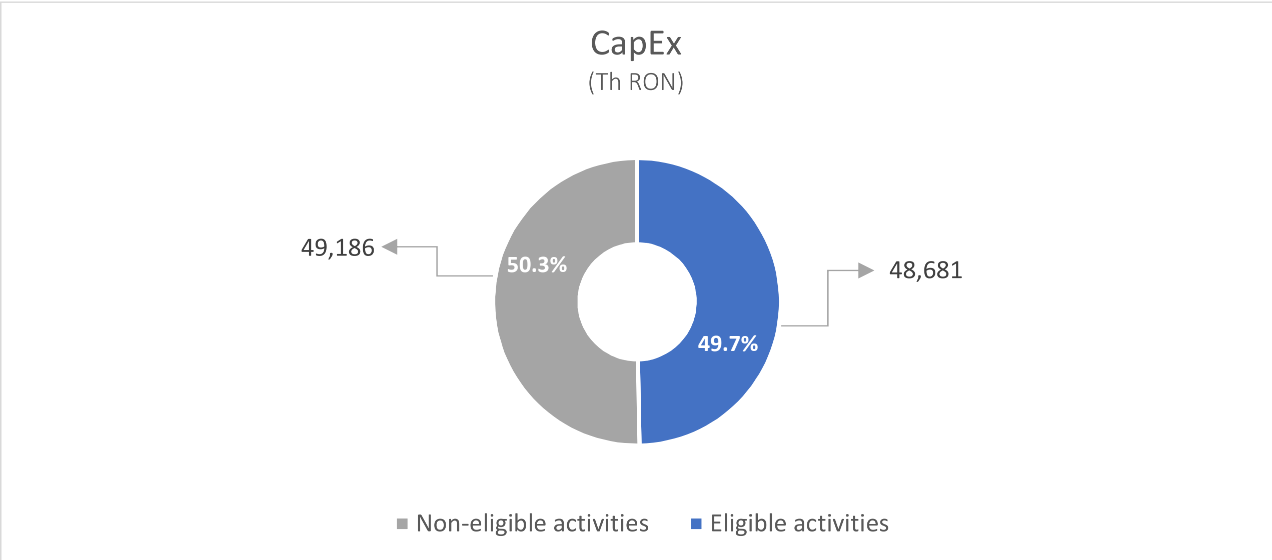


Chart 6. CapEX (Th RON) 2023

OpEx was calculated as follows: in the denominator we have included total operating expenses for the specified functions established by Delegated Act no. 2178/2021, totalling RON 49,142 Th for the financial year 2023. For the numerator, we have included the operational expenses related to repairs carried out by third parties, as well as other maintenance, upkeep and repair services carried out internally (material cost, labor force and general expenses of service providers and repairs) which are associated with taxonomy-eligible economic activities (Electrolysis, Casthouse and Eco-Recycling Sections).

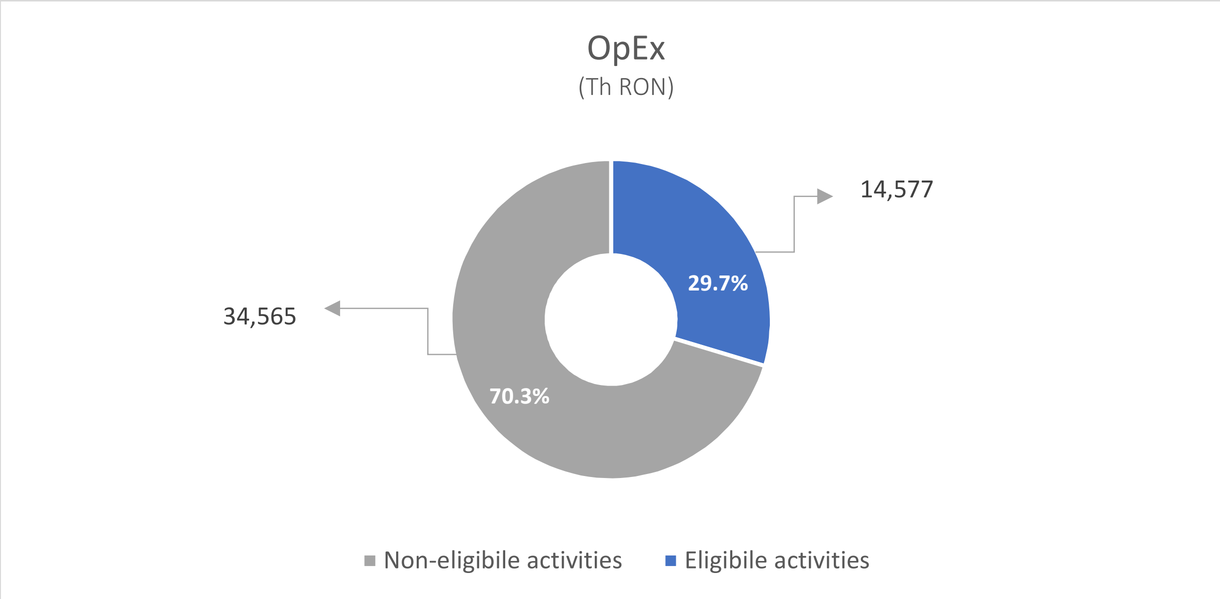


Chart 7. OpEx (Th RON) 2023

Table 5. Proportion of turnover generated by products or services associated with taxonomy-aligned economic activities - information provided for the year 2023

				Substantial contribution criteria						DNSH criteria ("Do no significant harm")									
Economic Activities	**Code**	**Absolute Turnover**	**Proportion of Turnover**	**Climate Change Mitigation**	**Adapting to Climate Change**	**Water and marine resources**	**Pollution**	**Circular Economy**	**Biodiversity and ecosystems**	**Mitigating Climate Change**	**Adapting to Climate Change**	**Water and marine resources**	**Pollution**	**Circular economy**	**Biodiversity and ecosystems**	**Minimum guarantees**	**Share of total turnover by taxonomy, year 2023**	**Category (enabling activity)**	**Category (transitional activity)**
Text		*Th RON*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*%*	*E*	*T*
A. TAXONOMY ELIGIBLE ACTIVITIES			**87%**																
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
Aluminium manufacturing	3.8	0	0%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	0%		T
Turnover of environmentally sustainable activities (aligned to the Taxonomy) (A.1)		0	0%	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**0%**	**0%**	**0%**
A.2 Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned activities)																			
Aluminium manufacturing	3.8	2,491,187	87%																
Turnover of Taxonomy-eligible but environmentally unsustainable activities (non-taxonomy activities) (A.2)		**2,491,187**	**87%**																
Total (A.1+A.2)		**2,491,187**	**87%**																
B. TAXONOMY-INELIGIBLE ACTIVITIES																			
Turnover of activities not eligible under the Taxonomy		**358,530**	**13%**																
Total (A+B)		**2,849,717**	**100%**																

Table 6. Proportion of CapEx from products or services associated with taxonomy-aligned economic activities - information provided for the year 2023

				Substantial contribution criteria						DNSH criteria ("Do no significant harm")									
Economic Activities *Text*	Code	Absolute Turnover	Proportion of Turnover	Climate Change Mitigation	Adapting to Climate Change	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Mitigating Climate Change	Adapting to Climate Change	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Minimum guarantees	Share of total turnover by taxonomy, year 2023	Category (enabling activity)	Category (transitional activity)
		Th RON	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*%*	*E*	*T*
A. TAXONOMICALLY ELIGIBLE ACTIVITIES			**49,7%**																
A.1. Environmentally sustainable activities (aligned with the Taxonomy)																			
Aluminium manufacturing (CapEx A)	3.8	0	0%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	0%		T
CapEx related to environmentally sustainable activities (aligned to the Taxonomy) (A.1)		**0**	**%**	**50%**	**0%**	**0%**	**0%**	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**0%**	**0%**	**0%**
A.2 Activities eligible under the Taxonomy but not environmentally sustainable (not aligned to the Taxonomy)																			
Aluminium manufacturing (CapEx A)	3.8	48,681	49.7%																
CapEx related to Taxonomy-eligible but environmentally unsustainable activities (non-taxonomy activities) (A.2)		**48,681**	**49.7%**																
Total (A.1+A.2)		**48,681**	**49.7%**																
B. TAXONOMY-INELIGIBLE ACTIVITIES																			
Capex related to non-eligible activities in terms of the Taxonomy		**49,186**	**50.3%**																
Total (A+B)		**97,867**	**100%**																

Table 7. Proportion of OpEx from products or services associated with taxonomy-aligned economic activities - information provided for the year 2023

Economic Activities	Code	Absolute Turnover	Proportion of Turnover	Substantial contribution criteria: Climate Change Mitigation	Adapting to Climate Change	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	DNSH criteria ("Do no significant harm"): Mitigating Climate Change	Adapting to Climate Change	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Minimum guarantees	Share of total turnover by taxonomy, year 2023	Category (enabling activity)	Category (transitional activity)
Text		*Th RON*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*YES/ NO*	*%*	*E*	*T*
A. ELIGIBLE ACTIVITIES IN TERMS OF THE TAXONOMY			**30%**																
A.1. Environmentally sustainable activities (aligned with the Taxonomy)																			
Aluminium manufacturing (OpEx A)	3.8	0	0%	0%	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	0%		T
OpEx related to environmentally sustainable activities (aligned to the Taxonomy) (A.1))		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**0%**	**0%**	**0%**
A.2 Taxonomy-eligible but environmentally unsustainable activities (non-taxonomy activities)																			
Aluminium manufacturing (OpEx A)	3.8	14.577	30%																
OpEx related to activities that are eligible under the Taxonomy but not environmentally sustainable (non-taxonomy activities) (A.2)		**14,577**	**30%**																
Total (A.1+A.2)		**14,577**	**30%**																
B. TAXONOMY-INELIGIBLE ACTIVITIES																			
OpEx related to activities not eligible under the Taxonomy		**34,565**	**70%**																
Total (A+B)		**49,142**	**100%**																

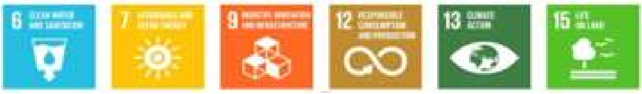
5. Sustainability Strategy of ALRO Group

5.1 Strategic Objectives / Strategic Priorities

In the current context, marked by global challenges and a pressing need for sustainable development, ALRO Group defines its strategic priorities through a deeply committed and responsible sustainability strategy. At the heart of this strategy are five main pillars, reflecting not only the ALRO Group's strategic vision but also the company's firm commitment to innovation, efficiency and social responsibility. These pillars, described below, are fundamental in achieving our sustainability goals and demonstrate how the ALRO Group is taking its role as a responsible industry leader. The ALRO Group Sustainability Strategy can be found at this link: ALRO Sustainability Strategy

Sustainability Pillars - ALRO Group Strategic Priorities:

- ✓ Protecting the Future



Under this pillar we address our main environmental protection priorities aligned with European environmental objectives. In this respect, we have established specific targets and actions aimed at securing a future for both our company and the communities in which we operate.

- ✓ Healthy, Protected and Prepared People

To implement this pillar, we set ourselves ambitious targets aimed at improving the working environment, but also at ensuring an inclusive environment that allows for the harmonious development of our employees. We aim to be an attractive employer and provide concrete career development opportunities for the new generations.

- ✓ Creating Value for the Community

A satisfied community is one whose needs are met. Maintaining ongoing dialogue, actively identifying the needs of all stakeholders and implementing projects for the well-being of the community are measures we aim tu pursue under this pillar.

- ✓ Research, Development and Digitisation

In order to ensure the highest level of competitiveness of our products, we will continue to carry out ambitious research and development projects. At the same time, we will increase awareness of cyber risks among employees and continue the process of integrating digitalisation within our Group.

- ✓ Responsible and Sustainable Business

Promoting good governance practices throughout our supply chain, strengthening the way we manage anti-corruption and business ethics issues, as well as addressing and selecting the end-consumers with whom we wish to cooperate, are areas of interest that we address under this pillar.

6. Material Aspects ESG (Environmental, Social, Governance)

6.1 Identification of ESG material aspects / Description of ESG material aspects

Material Sustainability Themes

In order to respond adequately to sustainability challenges, the ALRO Group has identified 18 material themes that embody the direction of the sustainability strategy thereof:

Stakeholder Engagement

The ALRO Group acknowledges the importance of engaging stakeholders in the sustainability process. By reviewing the stakeholder list and establishing effective communication channels, the Group aims to identify and manage risks and opportunities. Stakeholders identified at ALRO Group level are:

1. **Employees**
2. **Shareholders**
3. **Customers**
4. **Trade Unions**
5. **Suppliers**
6. **Competitors**
7. **Public Authorities**
8. **Credit Institutions**
9. **Research organisations**
10. **Media**
11. **Communities**
12. **Auditors, Consultants**
13. **Associations**
14. **Scholarship**
15. **Education**
16. **Partners**

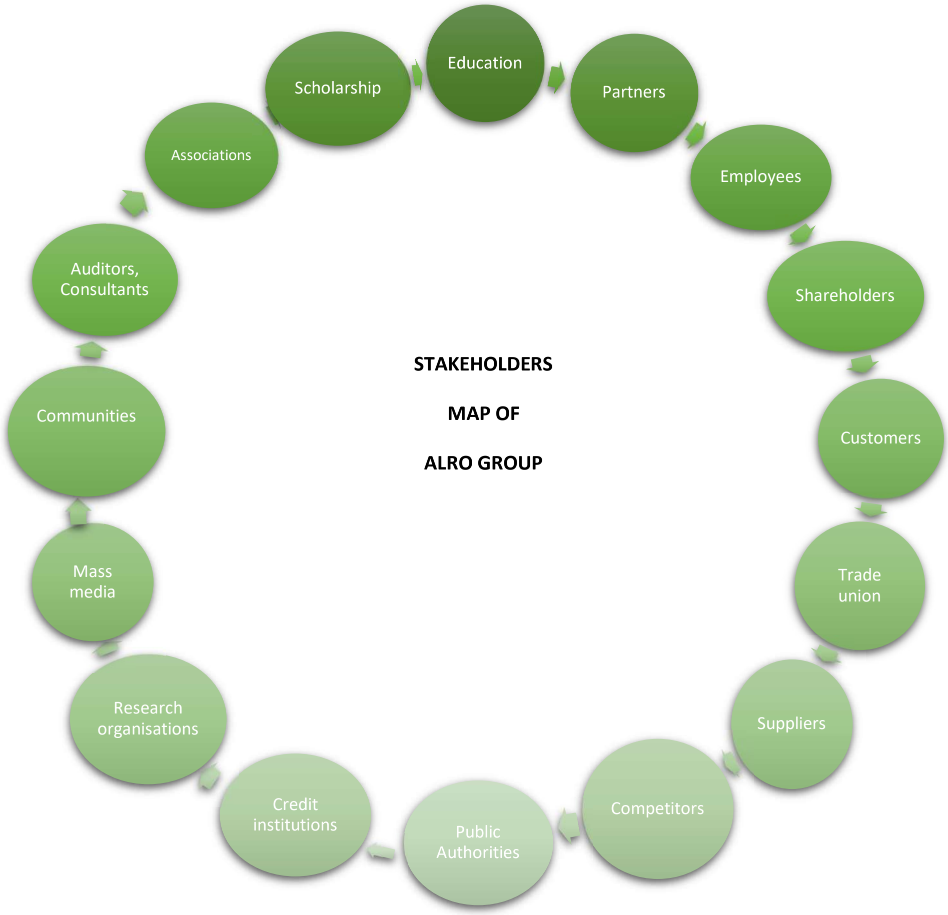


Chart 8. Map of ALRO Group stakeholders

The table below describes the Material Aspects for each ESG domain, alongside a description defining the course of action used at Group level.

Table 8. Material Aspects

ESG field	Material Aspects	Description
Governance	Corporate Governance and Business Ethics	The effective implementation of a governance that promotes fairness, transparency and accountability at the level of each company is the stable basis for development of the ALRO Group. In order to achieve our business objectives, ethics is a key factor contributing substantially to the evolution and progress of our Group on all three pillars of sustainability: economic, environmental and social.
	Economic Performance	Economic performance within the ALRO Group refers to our financial health and efficiency in the production and sale of aluminium products, including factors such as revenue, profit margins, cost management and return on investment. We are also convinced that good management of sustainability issues is a key contributor to maintaining a healthy economic performance for the Group.
	Supply Chain Management	Through efficient supply chain management, supplier portfolio improvement, flexibility and planning, our Group adapts to the current business environment. In addition, we pay close attention to activities closely linked to sustainability throughout the supply chain, while also considering the environmental, economic and social responsibility of our partners to be extremely important.
	Customer and Relationship Management	We are committed to providing our customers with the highest quality products to contribute to their satisfaction. To ensure a high level of satisfaction, we have developed an integrated management policy that generates long-lasting and profitable business relationships. Throughout this process, we also involve values that are closely linked to social, economic and environmental responsibility.
	Risk Management and Emergencies	At Group level, we have developed methods and identified major risks that may affect our business and the achievement of our business objectives. We are prepared to manage the risks associated with our activities, with a strong focus on safety and well-being in the workplace, both from a business and human resources perspective.
Products	Product Quality and Continuous Development	Quality standards, innovation and continuous improvement are our priorities when it comes to products. During their development, we pay attention to the efficient use of resources and strive to manage possible negative environmental impacts.
	Innovative Products and Technologies	Innovation is key to the development of our Group. We invest in research and development to drive technological advances that promote sustainability throughout our value chain. To this end, we develop sustainable products, improve production processes and optimise resource use.
	Responsible Communication	Responsible communication within our Group is about how we address our stakeholders and the public, ensuring that our messages are transparent, ethical and in line with our values and relevant regulations. We apply these principles in all communication-based activities, including when we provide information about our products.
Environment	Optimal Resource Management	Resource management involves good management of existing resources and the use of tools to monitor, measure and anticipate needs. In this way, we are aware of existing consumption and establish strategies to optimise all processes, while paying attention to the impact on the environment and society, and maintaining an economic balance.

ESG field	Material Aspects	Description
	Industrial Emissions	We are aware of the emissions generated by our production activities and pay close attention to good management in this regard. We have invested significantly in environmental protection projects and ALRO is the first company in Olt which received an Integrated Environmental Authorisation. On top of this, we have clear targets to further reduce our emissions and carbon footprint. ALRO's management of direct and indirect energy consumption and emissions is defined by the Integrated Management System implemented at company level.
	Circular Economy and Waste Management	Within our Group we are committed to constantly improving methods of waste reduction and reuse, thereby supporting the transition to a circular economy and ensuring that waste management is carried out both in accordance with the environmental management system implemented in each of our companies and in line with our internal policies and procedures.
	Climate Change and Business Resilience	Climate change and business resilience are important issues for our Group. We take responsibility for further reducing our environmental impact and adapting to climate change. We address these challenges through measures such as reducing greenhouse gas emissions, using sustainable resources and developing resilience plans to ensure our business is prepared to face future climate risks. We are committed to helping protect the environment and ensure our business is sustainable in the long term.
	Water and Effluent Management	Water consumption can have a negative impact on both the availability and quality of local water resources. Through our resource management system, we have implemented effective measures to recover a significant amount of the water we use, thereby minimising the impact on water resources. Our operations also generate wastewater that is treated before disposal to ensure the lowest possible environmental impact.
	Biodiversity and Ecosystems	Projects in the aluminium industry can impact on natural habitats, affecting animal and plant species. These sectors are important users of natural resources and therefore have an important role to play in protecting sensitive sites and minimising damage to the ecology, an objective we have set ourselves and implemented by adapting our activities to this end.
Social	Human Resources Management	The level of productivity and employee satisfaction is directly proportional to the economic success of companies. Human resource management coordinates a complex of activities whose ultimate goal is to make the most efficient use of our company's human capital to ensure its success, without neglecting the individual goals and well-being of each employee.
	Health and safety at work	Safety and health at work are fundamental issues for our Group. We are committed to providing a working environment where all employees can carry out their activities in a safe and healthy manner. This involves implementing and maintaining safety procedures, providing appropriate training to prevent accidents and constantly improving working conditions.
	Human Rights, Diversity and Equal Opportunities	We pay close attention to respect for human rights and social inclusion and promote equal opportunities for all, regardless of gender, ethnicity, religion, age or economic status. We analyse all incidents of discrimination that occur and implement concrete remedial plans.
	Commitment to Community	Our commitment to community is an integral part of our corporate values. We are actively involved in the communities in which we operate, given our impact on them. We aim to be a trusted partner, supporting local projects and initiatives, providing jobs and promoting social and economic development. We are keen to contribute to overall economic prosperity and to have a positive impact on improving the quality of life in the communities we are part of and the lives of those around us.

7. Policy Implementation

7.1 Policies and Regulations applicable to the ALRO Group

The ALRO Group is deeply committed to ensuring ethical and responsible conduct in all aspects of its business. This chapter highlights the key policies and regulations that govern the organisation's activities and conduct. These policies reflect our commitment to ethical principles, safety, legal compliance and sustainability.

On the ALRO Group website, we have published our Code of Ethics and Conduct, which serves as a guide for our employees, giving them precise guidelines for handling ethical situations. This code is binding for all ALRO, ALUM, VE, VT and CONEF employees, as well as for members of the Board of Directors.

We emphasize the solid prohibition of any gifts of money or other equivalent forms, whether intended or received from competing companies or from any entity with which we have or intend to establish business relationships. Our organization also does not make any financial or in-kind contributions to political parties, and this policy is fully consistent with our Code of Ethics and Conduct.

In 2023, we **did not make political donations** and **we did not lobby**, but we were actively involved in our sector by joining various associations and organisations that defend the interests of all its members.

Within the ALRO Group, if an employee observes any suspicious, fraudulent or illegal activity that may represent a violation of our policies and could affect the company, he or she is obliged to report this immediately to management, who will take the necessary steps to investigate the matter.

Employees have the possibility to anonymously report any problem via suggestion boxes available in all Group companies. This year, we developed a specific procedure to support the management of the irregularity reporting system, a process that will continue into 2024.

Across all companies, employees and the community can make requests, complaints or proposals through hearings, which are organised by the CEO or his/her deputy. Problems raised are resolved within a set timeframe and the final solution is communicated transparently.

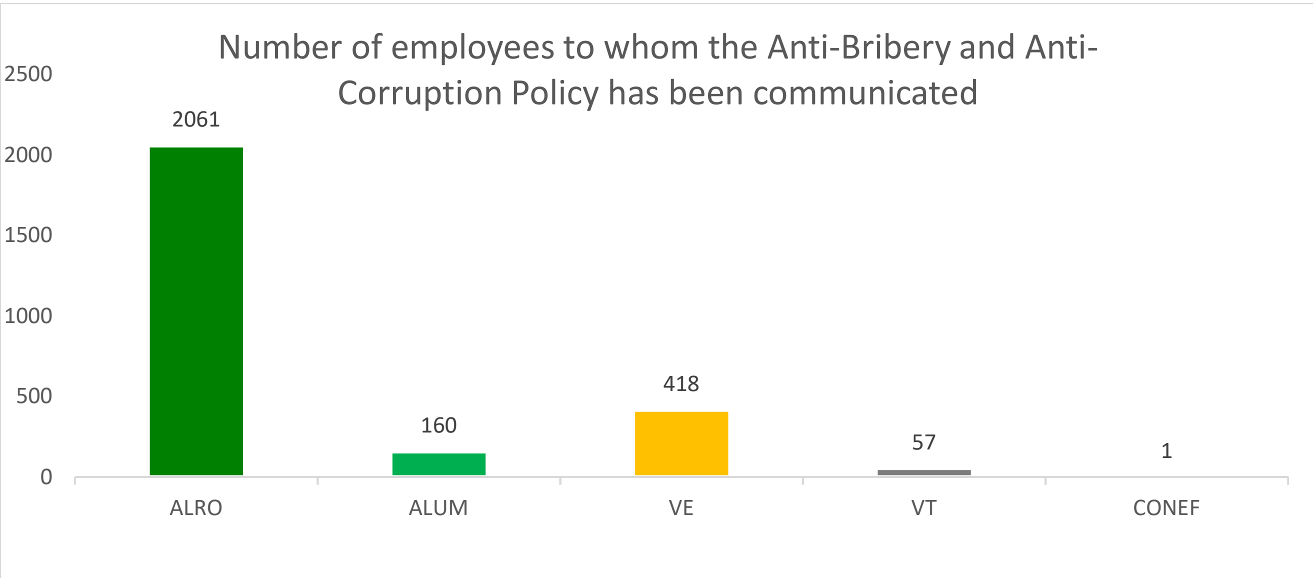


Chart 9. Policy Implementation

We have also developed a Supplier Code of Conduct for our supply chain in line with European Aluminium standards, covering all governance, environmental and social aspects. This code is sent to all our suppliers, who are obliged to accept it and return it signed.

Policies applied by ALRO Group

The ALRO SA Group shares and applies a set of fundamental principles and points of view for the management of the business. These policies apply throughout the organisation. They cover the following key areas:

Anti-Bribery and Anti-Corruption Policy: The ALRO Group takes a firm stance against bribery and corruption, ensuring that all activities carried out are ethical and in compliance with applicable laws.

Code of Ethics and Conduct: This document sets out the ethical principles and standards of conduct that ALRO SA employees and collaborators must follow in all their interactions. The Code of Ethics and Conduct promotes integrity, respect and responsibility in all company activities.

Human Rights Policy: The policy is dedicated to safeguarding and respecting human rights in all aspects of its business. Through this policy, the Company ensures that it does not tolerate human rights violations and takes measures to prevent and address such situations.

Corporate Social Responsibility (CSR) Policy: The ALRO Group assumes its responsibility towards the community and the environment. The CSR policy focuses on the company's positive contribution to sustainable development, active community involvement and environmental protection.

Cyber Security Policy: The Cybersecurity Policy defines the measures and procedures for protecting the data and information systems of ALRO Group against cyber threats. Data security is a top priority for the company.

Physical Security Policy: This policy pertains to the physical security measures taken to protect the buildings, assets and personnel of the entire ALRO Group. The physical safety of employees and company assets is essential.

For detailed information on specific policies and regulations, we invite you to consult the "https://www.alro.ro/politici-model-de-afacere-responsabil" section on the ALRO Group website, where you can find full information.

7.2 Communication and training mechanisms

We have an internal and external communication mechanism of the policies adopted by the Group, these are essential to launch information to relevant stakeholders and interested parties. Thus, at Group level, we have established various communication channels that allow the submission of complaints and notifications from any interested party. We are concerned about our relationship with employees, customers, suppliers, as well as with members of the local community, so we have established several ways of addressing complaints, grievances or proposals, as follows:

- by filling in the contact form on the website: https://www.alro.ro/petitii
- by e-mail to: sesizari@alro.ro
- in writing, by post, to ALRO S.A., 116 Pitești Street, postal code 230048, Slatina, Olt County.
- in writing, by submitting a petition in one of the specially designed petition boxes placed at the entrance gates to the company or to the business areas.
- by leaving a message on 0349.880.551

At ALRO Group level, the professional training of employees is based on the annual training programme. This includes induction, qualification, requalification, multi-skilling, refresher, specialisation and authorisation courses; internal professional training courses organised at sector level; programmes dedicated to operators working in the production of aluminium and aluminium alloy products for the AERO, AUTO and general use industries, completed with internal job certification. To prepare the workforce in advance, every year we run vocational training programmes in partnership with educational institutions, vocational schools, specialized high schools and universities.

As regards the training mechanism, the Group pays particular attention to the integration of new employees whom we include in training or professional development programmes, in order to facilitate their adaptation to specific work activities and procedures. Depending on the results obtained, their professional training may continue with specific training programmes. Within the ALRO Skills Academy we provide employees with part of these specific training programmes, thus ensuring that we build up a pool of employees with special qualifications.

8. Risk Management

The ALRO Group's risk management system is structured to encompass a series of policies, methods and organisational structures designed to facilitate the identification, assessment, mitigation and monitoring of risks crucial to ensure the smooth running of operations. This system covers both financial risks, such as market, currency, interest rate, cash flow and price risks, as long as non-financial risks like credit risk, liquidity risk and operational risk.

To effectively manage these risks, the Board of Directors has instituted a Risk and Sustainability Committee. This committee is tasked with overseeing and supervising the implementation of risk management processes within the Group.

The main responsibility for identifying and mitigating risks lies with the executive management team. Board members provide support, coordination and active involvement in refining the risk management system through constant monitoring. In this context, the Board approves the Risk Matrix and Risk Control Plan developed by the Executive Management, based on the recommendations of the Risk and Sustainability Committee. The effectiveness of risk management measures is assessed through regular reports provided by Executive Management and Internal Audit, endorsed by the Risk and Sustainability Committee and, in the case of financial reporting risks, also by the Audit Committee.

Risk management plays a crucial role in the decision-making process associated with major projects and the development of new strategies. High-level meetings are organised to discuss and assess risks specific to major projects, taking into account the perspectives of third party specialists such as internal auditors or external consultants.

Special attention is also given to sustainability risks, which, once identified, are integrated into the Group's risk management system. These are carefully assessed and monitored, including the involvement of the Risk and Sustainability Committee.

Furthermore, the Quality Department, in collaboration with the Human Resources Department, conducts an annual sustainability audit in accordance with ASI Performance Standard v3. Additionally, all ALRO Group policies are subject to an annual review as part of the Annual Management Review to ensure their alignment with developments in the business environment, including legislation, ALRO Group initiatives and partner expectations.

Organisational Structure:

- **The Board of Directors (BoD)** actively monitors and improves the risk management system.
- The ALRO Group has established a **Risk and Sustainability Committee** responsible for overseeing and monitoring the Group's risk management processes.
- **The executive management** team is responsible for identifying, mapping and mitigating risks.

Risk Management Process:

- **Identification:** financial and non-financial risks are identified, including market risk, currency risk, interest rate risk, cash flow risk, price risk, credit risk, liquidity risk and operational risk.
- **Assessment**: the BoD, together with the Risk and Sustainability Committee, assesses the identified risks and develops a risk control plan.
- **Mitigation:** The Executive Management Team is responsible for implementing mitigation measures for identified risks.
- **Monitoring:** the BoD receives regular reports on the risk situation from executive management and internal audit. These reports are reviewed and assessed to ensure that risks are being properly managed.

Risk Management in Major Projects:

- For major projects, specific meetings are organised to discuss and assess the associated risks. These meetings involve senior management and may take into account the views of third party specialists.

Identification and assessment of physical risks:

- The ALRO Group has contracts with companies that provide protection and guarding activities, alarm system monitoring, intervention, design and installation of technical security systems as well as technical security risk assessment.
- Protection and security personnel are available 24/7 at ALRO Group sites.
- The contract with specialist companies covers the installation and maintenance of fire signalling, alarm and warning systems and installations, as well as the installation and maintenance of fire extinguishing systems and installations.
- Employees in each sector of the company are appointed as Emergency Managers, with updated job descriptions and regular training.

Risk management and mitigation strategies:

- Regular drills and exercises are carried out for announcing, organising and conducting emergency response actions.
- There are fire containment and suppression systems and installations, including sprinklers, FM 200 suppression systems, interior and exterior hydrants, fire extinguishers.
- Firefighters and fire-fighting vehicles are present 24/7 on ALRO Group sites.
- Work with competent authorities (ISU, GNM, APM, IPJ, DSP, SJA) for practical emergency exercises.

Employee training:

- ALRO staff are regularly trained in emergency situations, evacuation and fire protection plans are posted in all areas of activity and regularly updated.

- There are Emergency Managers in every sector of the company, with up-to-date job descriptions and specialised training.

Hazardous materials management:

- ALRO Group sites are top level according to Law 59/2016, with responsibility for safety management, major accident prevention policies and internal and external emergency plans.

Working with the authorities:

- The Olt Emergency Inspectorate collaborates with the Group companies and there is an established communication protocol for emergency situations.

Interaction with the local community:

- The ALRO Group has communicated relevant information to the public, including a description of the activities carried out, the types of possible major accidents, and the warning procedures and conduct in the event of a major accident.

9. Environmental Impact

9.1 Supply chain management

The ALRO Group recognises that the supplier evaluation extends beyond economic criteria or the quality of products and services offered, encompassing their impact on the environmental and adopted social practices. In this context, our evaluation processes are designed to identify and promote collaborations with partners who share and uphold the same sustainability values. Through the 'Supplier Code of Conduct' document and detailed questionnaires, the ALRO Group aims to ensure that its suppliers not only comply with applicable legislation, but also adhere to an organisational culture oriented towards a sustainable and responsible future.

This approach reflects a deep understanding that, in the global value chain, every link is essential for sustainability success. Our assessments are designed to recognise suppliers who demonstrate excellence not only in their economic performance but also in the responsible management of social and environmental impacts. Within this framework, the ALRO Group continues its mission to be a leader in industrial sustainability by empowering its suppliers and business partners, thus contributing to a greener and fairer future for all.

Assessment of New Suppliers on Environmental and Social Criteria

Environmental Assessment process:

- Each new supplier is assessed through a process which includes the identification of potential suppliers, collection of data regarding their environmental practices, as well as the analysis of such data.
- Suppliers are required to sign the ALRO Group's 'Supplier Code of Conduct', which includes environmental criteria.
- The assessment is not only limited to compliance with environmental criteria, but also includes a reputational risk assessment, which involves checking for possible legal issues or conflicts in which the supplier might be involved.
- The ALRO Group carried out supplier assessments based on environmental criteria, resulting in the evaluation of **12 suppliers for ALUM** and **142 suppliers for ALRO**.

Negative Environmental Impacts in the Supply Chain and Actions Taken

- In 2023, the ALRO Group has not identified any actual or potential negative environmental impacts in the supply chain.
- The supply process is designed to ensure the safety of the production process and includes measures such as: product balances, safety stocks and an ERP system to avoid disruptions in the production process due to exhaustion but also lack of necessary stocks (optimisation of product and raw material stocks).
- The supply chain is optimised for specific consumption and production needs, and transport is organised according to consumption, with options for multimodal transport.
- Quality validation of raw materials is done in-house.

Percentage of New Suppliers Selected on Social Criteria

- So far, there have been no cases where a supplier has been rejected based on social criteria.
- The evaluation process for new suppliers also includes an assessment of reputational risk and requires suppliers to provide documents related to environmental and social compliance.

The Number of Suppliers Assessed in Terms of Social Impact

- All ALRO suppliers sign the 'Supplier Code of Conduct', which includes social criteria.
- The social impact assessment of suppliers is included in the standard supplier evaluation process.
- The ALRO Group carried out supplier assessments based on social criteria, resulting in 85% of ALRO's total suppliers being assessed.

Each year comes with a careful evaluation of our procurement team, focusing on the results achieved in the previous period. This annual appraisal aims to assess staff performance against well-defined criteria that reflect both professional skills and personal qualities.

Specific criteria for procurement activity:

- **Optimising inventory management:** Efficiency and effectiveness in contract management are essential, with the aim of both meeting the needs of the organisation and optimising costs.
- **Price negotiation:** Ability to negotiate favourable purchasing terms, reflecting in significant savings for the organization.
- **Logistics experience:** skills in managing logistics flows, essential for an efficient supply chain.
- **Attracting new suppliers:** Ability to identify and integrate new suppliers, contributing to diversification and security of supply.
- **English Proficiency:** Linguistic skills facilitating effective communication with international partners.

Personal evaluation criteria:

- **Accountability:** Consistently taking responsibility and meeting commitments.
- **Work Attitude and self-improvement:** dedication to continuous improvement and commitment to excellence in work.
- **Initiative**: Proactivity and ability to propose innovative solutions to improve procurement processes.
- **Problem solving**: Ability to quickly identify challenges and find efficient solutions, thus contributing to smooth flow of procurement activities.

9.2 Optimal resource management

The ALRO Group sets ambitious energy efficiency targets and adopts clear strategies to align with European directives and standards in this field. One of the main targets is to reduce energy consumption by 10% per tonne of aluminium produced or processed in Europe by 2025, in line with European Aluminium Association (EAA) guidelines. To achieve this target, the ALRO Group has implemented and continues to develop energy efficiency programmes in its various technological processes.

A concrete example is the AP12LE project, conducted in collaboration with Rio Tinto Alcan, which focuses on reducing energy consumption in the electrolysis process, optimising the water recirculation rate and gradually replacing electric motors with higher energy efficiency class variants equipped with frequency converters.
In addition to these initiatives, the ALRO Group is committed to improving utility usage by upgrading existing equipment and installing new meters to monitor electricity consumption and associated forecasts. We also plan to implement a warning system every 15 minutes to signal any exceeding of the established limits in energy consumption.

Other actions include upgrading lighting installations, replacing thermal insulation and optimising cleaning methods for leaching autoclaves to reduce diesel consumption. Consideration is also being given to returning pure condensate from steam users to the Thermal Power Plant without intermediate storage, optimising hydrate filtration technology, and replacing spent pumps with high-performance frequency converter driven equipment.

In terms of green energy, the ALRO Group aims to generate electricity autonomously from renewable sources such as solar energy by 2030. Plans also include establishing long-term contracts for the purchase of renewable energy and implementing projects for domestic energy production. We also plan to install a combined cycle gas power plant by 2028 and implement CHP technology for electricity and heat production at ALUM.

In the coming years, the ALRO Group is focused on continuing its efforts to modernise and streamline its technological and energy processes, with a view to integrating renewable energy sources into its energy mix.

ENERGY MANAGEMENT

We implement advanced energy management strategies based on a comprehensive and results-oriented approach to promote efficiency and sustainability within our organisation.

Table 9. Total energy consumption in the ALRO Group

GRI 302-1	2023			2022		
	ALRO	ALUM	VE	ALRO	ALUM	VE
Total fuel consumption in the organisation from non-renewable sources (MWh)	5,733	556	888	5,760	1,916	427
Total electricity consumption (MWh)	1,018,702	3,998	11,975	1,201,907	43,374	9,835
Total gas consumption (MWh)	370,643	301	18,075	328,772	366,094	16,454
Total electricity sold	0	1,771	0	0	1,647	0
Total energy consumption (MWh)	1,395,078	6,626	30,938	1,536,439	413,030	26,716

In 2022, ALRO's total renewable energy consumption was 48.31% and Low Carbon sources 16.43% (nuclear power) and data for 2023 will be available at the end of July 2024.

ENERGY INTENSITY

Energy intensity is a key issue in assessing and managing environmental impacts in industrial organisations. In the ALRO Group, for the year 2023, energy intensity has been recorded at approximately **19,731 gigajoules** per production unit. This indicator reflects the total amount of energy consumed in relation to the activities carried out in that period.

Emissions management and climate impact

Awareness of environmental impacts and climate change is increasingly important for companies in all industries. The ALRO Group, a leading aluminium producer, recognises this responsibility and is committed to managing and reducing greenhouse gas emissions effectively.

In this context, this non-financial statement explores how the ALRO Group approaches the management of greenhouse gas emissions from a technical perspective.

Within the ALRO Group, integrating aluminium recycling into its production process is a key factor in reducing its carbon footprint. Aluminium recycling is known for its outstanding energy efficiency, consuming only 5% of the energy required in the primary aluminium production process and reducing CO_2 emissions associated with aluminium production by up to 80%.

The "Energy efficiency of ALRO SA's electricity supply" projects were continued in 2023 by obtaining the necessary approvals and drafting the documentation for the installation of two photovoltaic parks within ALRO S.A., one of 23.3 MW and the other of 26.9 MW.

As a first step towards the autonomous generation of electricity from renewable sources, the design and execution contract was signed for the investment project "Increasing the energy efficiency of the electricity supply system of

ALRO S.A. by installing a photovoltaic power plant in the ALRO S.A. car park, 116 Pitești Street", a project consisting of the design and installation of a photovoltaic park with an installed power of 1,465 MW on a metal carport structure and two electric charging stations in the ALRO Primary Division cars parking.

In addition to the above projects, ALRO S.A. is part of the CCGT 850MW Ișalnița project for the construction of an 850 MW natural gas combined cycle power plant with the main goal of reducing annual CO_2 emissions by more than 3,000 kt, which represents 10% of the target of the National Integrated Energy and Climate Change Plan. This project is partly financed from the Modernisation Fund based on the European Commission decision of 23.05.2022.

- **GHG emissions in 2023:**

Gases Included in Calculation: ALRO reports that in 2023, monitored and reported greenhouse gas emissions included CO_2 and PFCs. These emissions are the result of specific technological processes in aluminium production.

Baseline Year for Calculation: For calculating greenhouse gas emissions, ALRO has chosen the year 2007 as the baseline year. The selection of this year is due to the availability of historical data and the fact that significant levels of production and emissions were recorded during that period.

Significant Changes and Recalculations: Significant changes in technological and legislative processes, such as technological improvements and upgrades and changes in greenhouse gas legislation, have necessitated recalculations of emissions from the baseline year.

Approach to Strengthening Emissions: ALRO has adopted an approach focused on operational control of emissions, closely monitoring data flows, activity data and control systems to ensure effective management of greenhouse gas emissions.

Standards and Methodologies Used: ALRO relies on regulations and standards such as the European Commission Implementing Regulation (EU) 2018/2066 and the European Commission Implementing Regulation (EU) 2020/2085 to calculate greenhouse gas emissions. Industry specific standards such as EN 19694-4:2023 for the aluminium industry are also involved.

- **Reducing GHG Emissions:**

Main Sources of Emissions: Greenhouse gas emissions are generated at different stages of the aluminium production process. The production of copper anodes, the use of raw materials such as calcined petroleum coke and the electrolysis process are important sources of emissions.

Emission Reduction Strategies: ALRO has adopted strategies such as implementing energy efficiency programs in all technological processes, upgrading existing equipment and installing new energy efficient technologies and equipment.

Use of Renewable Energy: The company considers the use of renewable energy to reduce GHG emissions, and in 2022 implemented an ISO 50001/2018 certified management system focusing on monitoring and reducing electricity consumption.

Involvement of Employees and Other Stakeholders: Employees are involved in emission reduction efforts through regular training and awareness of the impact of their activities. Collaborations with external partners and regulatory organisations are also key to the effective implementation of emission reduction measures.

- **Challenges and Perspectives:**

Challenges: The main challenge for the ALRO Group in its efforts to reduce GHG emissions is to integrate aluminium recycling into the production process in order to reduce energy consumption and associated emissions. Additionally, legislative and technological changes may pose obstacles to the efficient implementation of emission reduction measures.

Plans to Overcome Challenges: To overcome these challenges, ALRO continues to invest in innovation and technological modernisation, focusing on adopting cleaner and more energy-efficient technologies and collaborating with partners and organisations in the field. Constant performance monitoring and transparent reporting are also key to achieving GHG emission reduction goals.

GHG DIRECT EMISSIONS (PURPOSE 1)

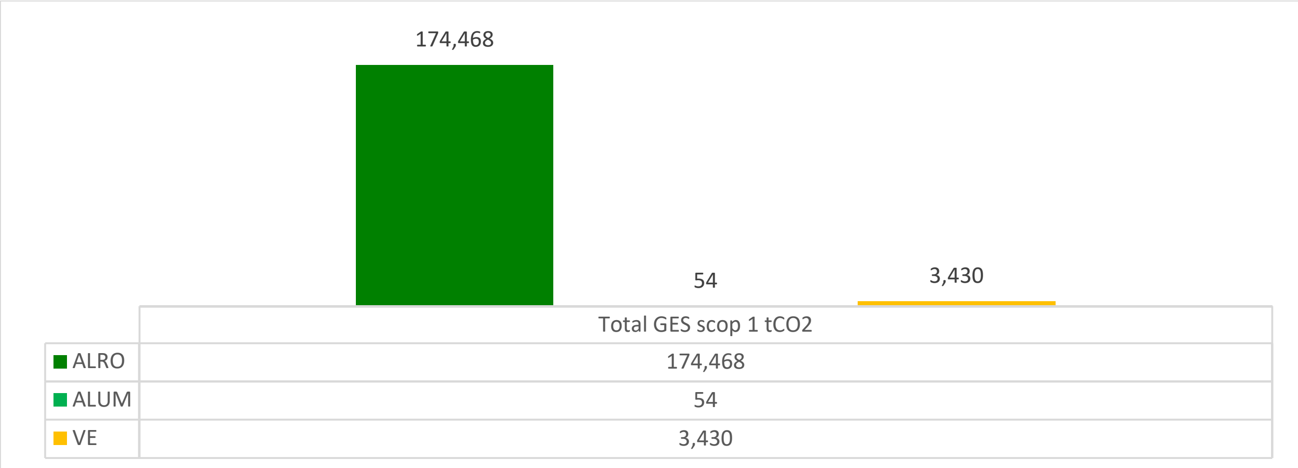


Chart 10. Direct emissions by 2023 (SCOP 1) - t CO_2e

GHG INDIRECT EMISSIONS (PURPOSE 2)

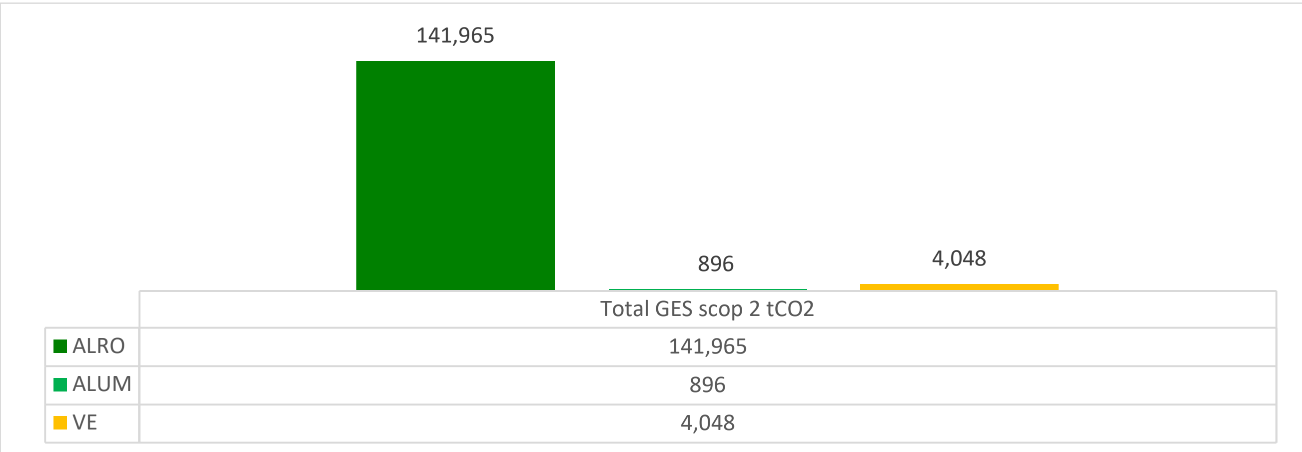


Chart 11. Indirect emissions by 2023 (SCOP 2*)

* the value is calculated using the 2022 ALRO energy label

SIGNIFICANT AIR POLLUTANTS

Our Group has an impact on air quality through the amount of PFCs and other air emissions (such as SO_2, NO_x and particulate matter emissions) resulting from the production process at Group level. ALRO, which is the holder of the Integrated Environmental Authorisation (ALRO Social) and the Environmental Authorisation (ALRO Secondary), is obliged to self-monitor emissions (other than GHG) and must submit data on a monthly basis (monitoring carried out by its own laboratory) and annually (monitoring carried out by ISO 17025 certified laboratory) to the competent environmental authorities.

Table 10. Air pollutants ALRO

GRI 305-7 ALRO	UM	2023	2022	2021
SO_2 (sulphur dioxide)	t	338.1	411.0	1,069.0
NO_x (nitrogen oxides)	t	172.6	148.8	313.0
Particulate matter (PM)	t	125.2	90.1	165.0

Circular Economy and Waste Management

The ALRO Group is committed to efficient and responsible waste management in line with the latest legislative requirements and EU standards, focusing on recycling and reuse of waste, especially aluminium waste, to minimise negative environmental impact. The waste management strategy includes the "Zero Waste" programme, which aims to recover and recycle waste as well as dispose of non-recyclable waste responsibly. We have also set up a By-Products Working Group to identify best practices for the recovery of waste and by-products.

ALRO complies with the provisions of the Integrated Environmental Authorisation and aims to ensure efficient management of recyclable waste. Regular internal and external audits, together with the Environmental Management Programme based on ISO standards, support the company in maintaining high quality waste management performance. Investments in technology and infrastructure are geared towards reducing paper, cardboard and wood waste, demonstrating the company's commitment to innovation and efficiency.

ALRO has maintained a strong commitment to responsible waste management, implementing internal procedures and complying with the integrated environmental permit. Through the Zero Waste programme and the By-Products Working Group, ALRO aims to increase the percentage of recovered, recycled and recycled waste, with a percentage of 95.55% by 2023. Waste is managed transparently, with public reporting on the company portal and direct employee involvement through regular training. Circular economy initiatives are supported through the optimal use of resources and projects that support waste recovery, such as the aluminium waste melting plant.

In 2023, **ALUM** recorded a significant reduction in the amount of waste generated due to the suspension of production activities. Waste management processes have been regulated by operational procedures compliant with national and European legislation and supported by environmental management based on the ISO 14001 standard. Waste management assessment is conducted through minimisation audits every two years and analysis of the Annual Environmental Report, leading to action plans for continuous improvement. ALUM is engaged in research projects for the valorisation of red mud and bauxite residues, contributing to innovation and sustainability.

VE reported no significant changes in its 2023 sustainability strategy and was not a generator of waste with significant environmental or local community impacts. Waste management is monitored on a monthly basis with the aim of implementing ISO 14001 in 2024. VE has identified the main sources of waste in its production activities and has invested in technologies that will reduce paper and cardboard and wood waste, such as the Automated Packaging Line. No major obstacles have been encountered in waste management and employees and business partners are involved in responsible waste management through regular trainings.

WASTE GENERATED

Total amount of waste generated, tonnes/year

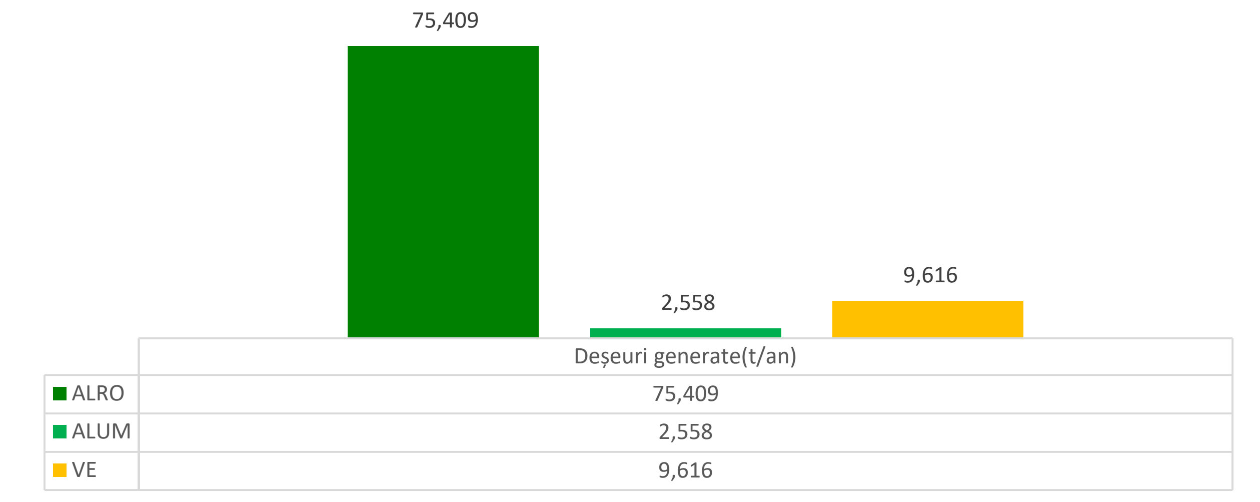


Chart 12. Waste generated in 2023

Water and Effluent Management

In the ALRO Group, we have set strategic goals to ensure efficient and responsible water consumption, thus aligning with sustainability commitments and legislative requirements. Our actions are aimed at achieving a level of industrial water recirculation of more than 80%, and by 2025 we aim to inaugurate a new recirculation plant in the Repairs and Spare Parts Section - an ambitious project designed to optimise resource consumption.

Within the ALRO Group, water is essential for both industrial and drinking needs. Most of the industrial water comes from the Olt River through three intakes. In 2023 we extracted **1,414 million litres of saline water** and **522 million litres of groundwater** for aluminium production. Groundwater extraction is done through ten of our own wells, and our water management infrastructure includes receiving reservoirs, chlorination and pumping stations, water towers and underground pipelines.

Within the Group, ALRO shows a recycled water quantity of 8,647,127 m3, while Vimetco Extrusion stands out by recycling 6,659 m3 of water in its processes, which demonstrates that the EV activities do not generate effluents that have a significant impact on water sources. In addition, VE receives its drinking and industrial water requirements directly from ALRO by contract and there is no use of technological water requiring discharge into the sewer.

Negative impacts on water, which may occur in the event of technical or natural accidents, are prevented by strict safety and monitoring measures. At ALUM, water is used for steam generation and cooling, and wastewater is managed responsibly, with discharge into the Danube according to applicable regulations.

To assess our performance and continuously improve our practices, we carry out regular water quality measurements and are in constant dialogue with regulators. ALRO has implemented a plan to prevent and combat accidental pollution of water sources, and ALUM relies on its Water Management Authorisation to ensure that all activities comply with the highest environmental protection standards.

ALRO implements strict standards for effluent quality management, according to HG 352/2005 - NTPA 001 and NTPA 002. Water quality monitoring is done in accordance with the Water Management Permit and through technical advisory committees, including the participation of ANR, CAO and SGA Olt. With regard to water consumption, ALRO has significant infrastructure for water storage, including large tanks for industrial and drinking water. Water storage data is estimated and monitored on a regular basis, with no major changes from existing structures.

ALUM adheres to the established quality standards and indicators for monitoring discharged water as set out in the Water Management Permit. No significant changes in water storage or consumption have been reported in the recent period, reflecting a consistent and sustainable approach to managing this critical issue.

Impact on biodiversity

Biodiversity analysis in our operations is fundamental to ensuring that we operate in a sustainable and responsible way. In this sub-chapter of the non-financial statement, we aim to present how each company within the ALRO Group - in particular ALUM and VE - manages its impact on biodiversity.
By examining operational sites, assessing the impacts of activities, identifying associated risks, outlining measures taken to mitigate impacts and describing monitoring and reporting practices, we aim to highlight our commitment to biodiversity conservation and respect for environmental values.

This analysis in terms of compliance with the DNSH principle in line with the Commission Communication - Technical guidance on the application of the "do no significant harm" principle under the Recovery and Resilience Mechanism Regulation (2021/C 58/01) and the Commission Delegated Regulation (EU) (C (2021) 2800/3) under the Taxonomy Regulation (EU) (2020/852), reflects our overall vision and the concrete actions we are taking to meet our social and environmental responsibilities in our operations, concretizing that:

- Any project to be developed in ALRO will have an insignificant impact on the site, considering the following:
    - it does not reduce the area of habitats or populations of the species of wild fauna and flora for which the site of Community interest has been designated;
    - no loss of percentage of habitat areas used for the feeding, resting and breeding needs of species of Community interest;
    - there is no fragmentation of habitats of Community interest.
- Projects implemented in ALRO are not located in or near biodiversity sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and key biodiversity areas and other protected areas).
- Projects will not affect arable land and cultivated land with a moderate to high level of soil fertility and below-ground biodiversity, land that is recognised as having a high biodiversity value or land that serves as habitat for endangered species (flora and fauna) or forest land (whether or not covered by trees), other wooded land or land that is partially or fully covered or intended to be covered by trees.
- All these conclusions remain unchanged as long as the conditions under which these insignificant impacts occur remain unchanged.

ALRO:

1. **Operational sites:** ALRO S.A. is located at a distance of 4,497 m from the boundaries of the Lower Olt Valley Site (ROSPA0106). Investments on the ALRO site have an insignificant, temporary and reversible impact on Natura 2000 sites.
2. **Significant impacts:** ALRO's activities do not affect biodiversity and do not generate risks to biodiversity.
3. **Measures taken to reduce the impact:** Not required as no risks to biodiversity associated with the company's activities have been identified.
4. **Monitoring and reporting:** The quality of the indicators referred to in the regulatory acts is monitored and reported, with a view to keeping the values within the required limits. No exceedances of the limits of the monitored indicators were recorded. Monitoring reports are annexed to the monthly/annual environmental report, which is a public document.

ALUM:

1. **Operational sites:** The ALUM "Halda de șlam" site is located in the vicinity of Natura 2000 sites (ROSPA0031 Danube Delta and Razim Sinoe Complex and ROSCI0065 Danube Delta). The Halda de șlam is located near Mineri, south of DN 22 Tulcea-Isaccea-Macin, about 3.5 km from the alumina plant. No species or habitats of Community interest or requiring a special level of protection have been identified.
2. **Significant impacts:** Impact studies carried out for the slurry pit have shown that the impact on biodiversity is considered insignificant by experts. No risks to biodiversity associated with the company's activities have been identified and long-term impacts on biodiversity have been analysed and assessed in all implemented projects.
3. **Measures taken to reduce the impact:** No measures were required as no risks to biodiversity associated with the company's activities were identified.
4. **Monitoring and reporting:** The quality of the indicators mentioned in the regulatory documents (environmental permits, opinions and agreements) is monitored and reported, aiming to keep the values within the required limits. No exceedances of the limits of the monitored indicators were recorded. Monitoring reports are annexed to the monthly/annual environmental report, which is a public document.

VE:

1. **Operational sites:** VE operates in a rented space from ALRO SA, in the area of the ALRO Secondary Site. Investments on the VE site have an insignificant, temporary and reversible impact on Natura 2000 sites.
2. **Significant impacts:** The VE activities do not affect biodiversity and do not generate risks to biodiversity.
3. **Measures taken to reduce impacts:** Not required as no risks to biodiversity associated with the company's activities have been identified.
4. **Monitoring and reporting:** EV activities do not generate risks to biodiversity.

10. Social

10.1 Human Resources Management

Within the ALRO Group, our Human Resources team is dedicated to ensuring a skilled workforce, preserving our reputation as a top employer and facilitating ongoing training, all of which is meticulously managed to harmonize with the medium and long-term requirements of the entire Group.

To accomplish these objectives, we prioritize the following key initiatives:

Objective 1: Ensuring a proficient workforce tailored to the medium and long-term requisites of the Group.

To achieve this goal, we engage in various initiatives, such as dual education classes and annual student scholarship programs, which allow us to align with our needs for qualified personnel.

In 2023, we entered into a promising new partnership with the Slatina Metallurgical High School, offering internships for 28 students specialising in mechanics. In addition, we strengthened our collaboration with educational institutions, actively participating in job fairs and interacting directly with potential candidates, giving them a real picture of job opportunities within the ALRO Group.

On 15-16 November 2023, ALRO participated as an exhibitor at the UPB PoliJOBS student job fair. ALRO's marketing and HR teams were looking for enthusiastic students or graduates to join a unique opportunity to gain metallurgical experience, develop new skills, offering those interested access to training and participation in research programs.

Objective 2: Maintain top employer status by investing in professional excellence and employee well-being.

Within the ALRO Group, we continue to offer a safe and comfortable working environment, competitive salary packages and continuous professional development opportunities.

We have managed to maintain and provide jobs in 2023, while respecting key principles such as human rights, equal opportunities and health and safety conditions at work.

Objective 3: Continuing training and professional development programmes.

We are committed to supporting the continuous training of our employees by offering specialisation courses and professional development programmes at least every two years.

In 2023, we implemented the Annual Training Programme at ALRO, ensuring that our employees enjoy continuous skills development opportunities.

We have created and implemented employee motivation systems, providing training and professional development programs to meet the changing needs of the market and the ALRO Group.

In addition, we ensure that clear and transparent policies and procedures govern all aspects of human resources management within the Group, contributing to our long-term success.

In 2023, ALRO's Human Resources strategy has been rigorously aligned with our business objectives, with a strong focus on recruiting and retaining a skilled workforce essential to our operational activities.

Despite a challenging labour market characterised by a shortage of skilled labour, our recruitment strategy has been based on several key pillars:

1. **Internal Identification and Promotion:** We focus on identifying potential employees within the organization who possess the necessary qualifications, specializations or clearances, ensuring that internal talent is recognized and nurtured.
2. **Re-hiring Former Employees:** Recognizing the value of previous experience at ALRO has allowed us to re-hire former employees who have left the company for various reasons, thus accessing a familiar and proven talent base.
3. **Innovative Recruiting Strategies:** Our multi-pronged approach has included posting job ads on recruiting and social media sites, especially LinkedIn, and collaborating with recruiting firms to effectively connect with the most suitable candidates.
4. **Efficiency of the Recruitment Process:** By reducing the length of the recruitment process, we aimed to minimise the loss of potential candidates due to lengthy procedures.
5. **Training and Development:** New employees were systematically included in on-the-job training and qualification programmes, ensuring a smooth transition into their roles.
6. **Active Engagement with Educational Institutions:** We cultivated partnerships with educational institutions for specialized student internship programs and offered scholarship programs and internship opportunities, strengthening our commitment to developing future talent.
7. **Equal Opportunity and Non-Discrimination:** ALRO has maintained a firm position on equal opportunity, ensuring that all applicants and potential employees are treated fairly and without discrimination.

Full-time employees - women:

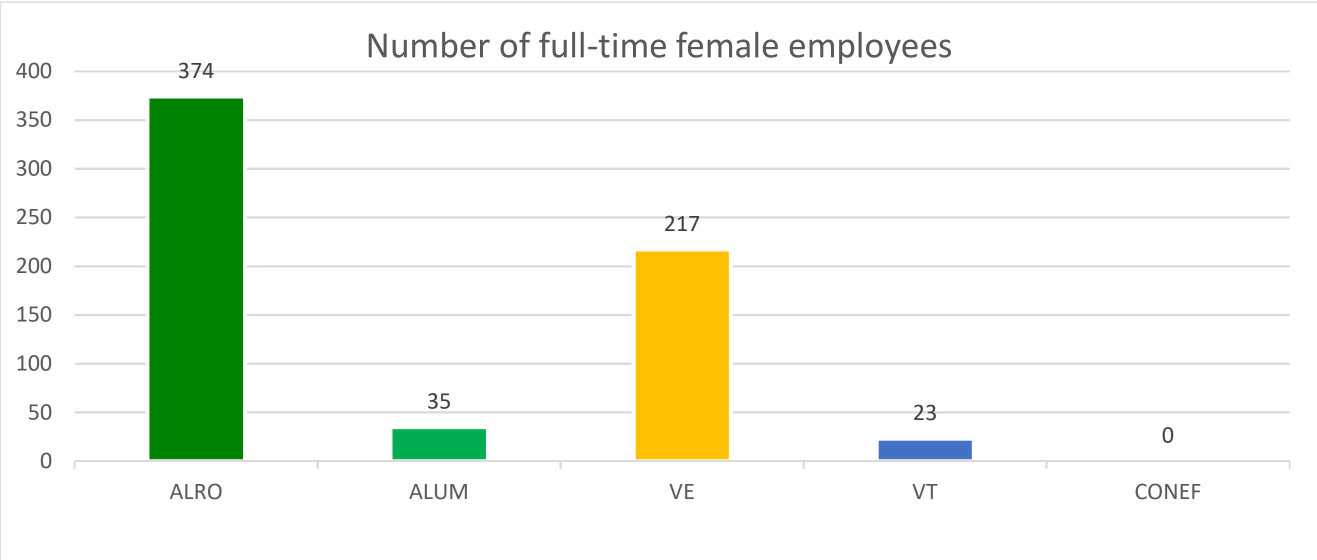


Chart 13. Number of full-time female employees

Full-time employees - men:

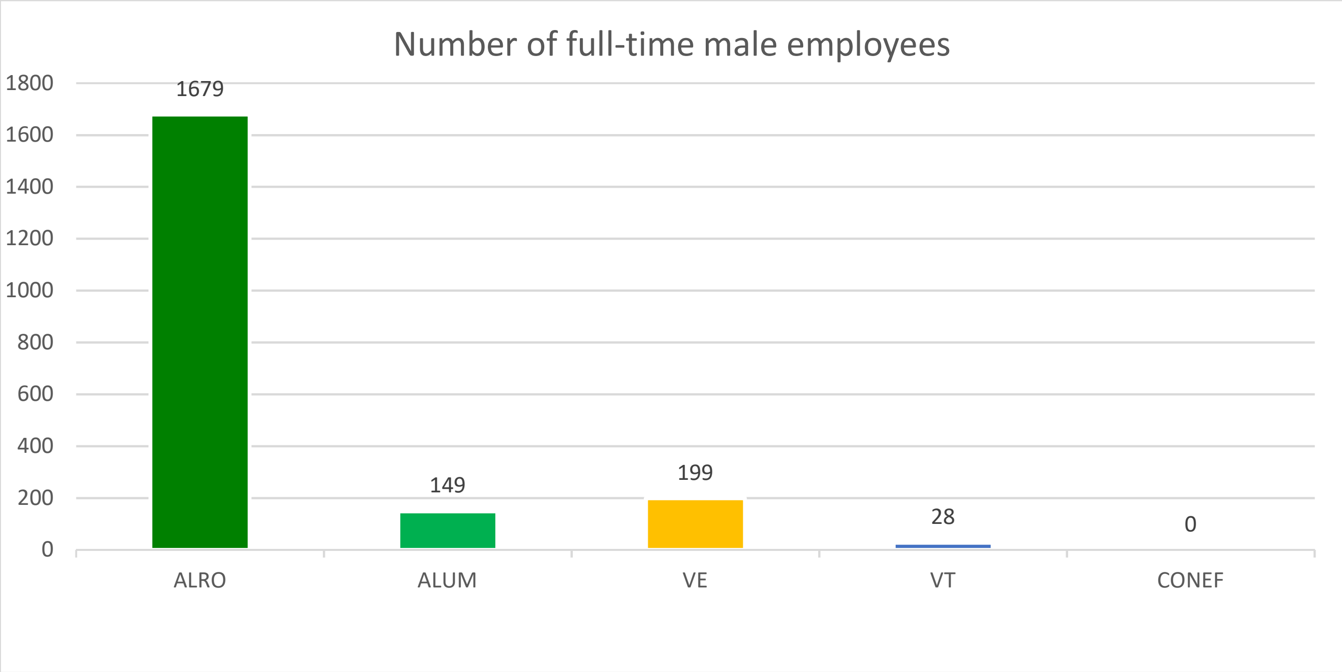


Chart 14. Number of full-time male employees

Part-time employees - women:

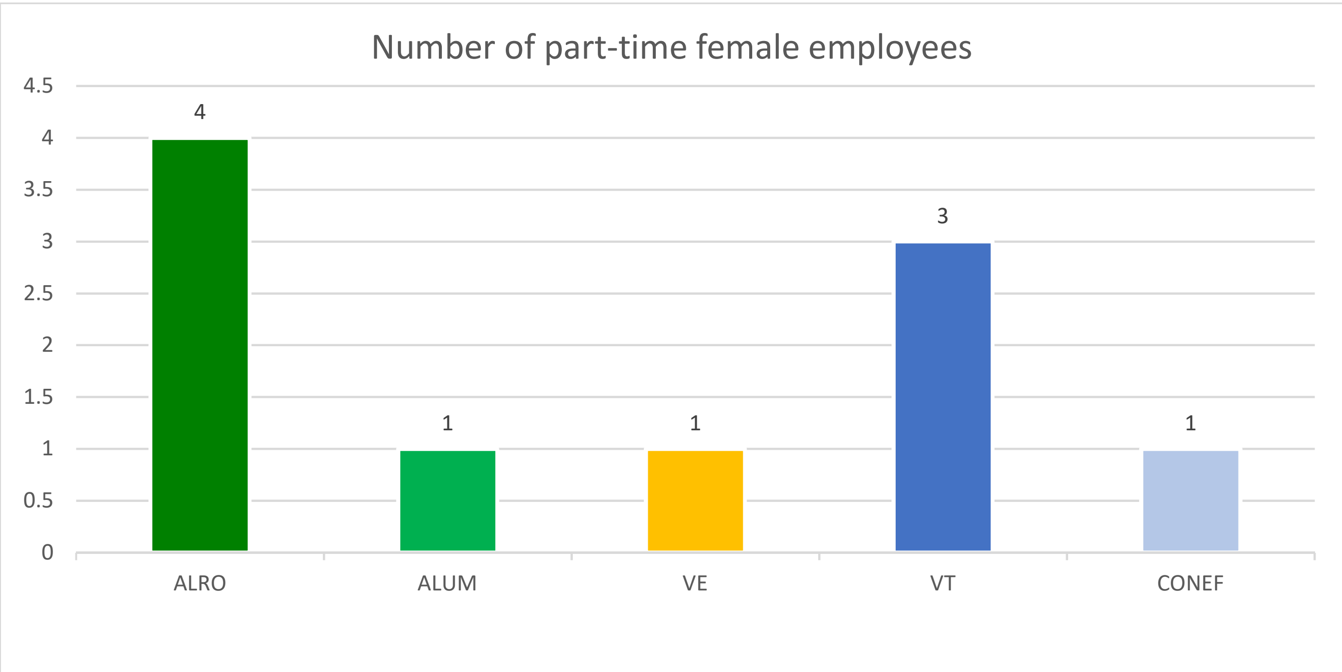


Chart 15. Number of part-time female employees

Part-time employees - men:

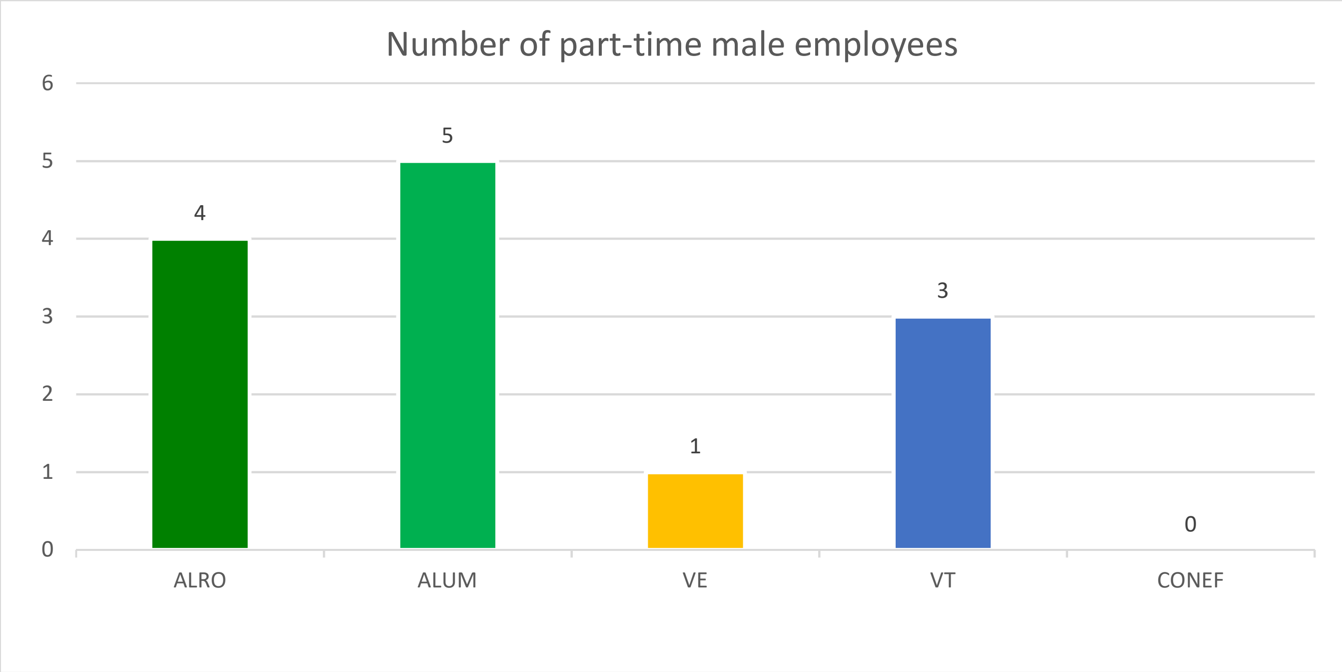


Chart 16. Number of part-time male employees

10.2 Health and safety at work

Within the ALRO Group, we prioritise the safety and health of our employees and strive to maintain a safe and healthy working environment. We recognise the different types of risks associated with our activities and apply proactive measures to prevent and manage them.

For our Group, safety and health at work are essential elements, fundamentally integrated into the Collective Labour Agreement. We want to create a safe and healthy working environment where every employee can work safely. This commitment involves constantly maintaining safety procedures and providing adequate training to prevent incidents and optimise working conditions.

Our infrastructure and activities may pose risks to the health and safety of our employees, as well as to communities near our production sites. We are strongly committed to promoting a health and safety culture, taking proactive steps to ensure a safe working environment for all employees.

We have established HSE Policies for each company within the Group, integrating the requirements of the ASI standard. In 2023, we stepped up awareness campaigns and participated in specialised national sessions, addressing main occupational risks and prevention and mitigation strategies in a modern way.

Assessing hazards, risks and investigating incidents is vital in managing health and safety at work. Procedures include regular inspections, risk assessments, employee involvement in hazard identification, analysis of past incidents and workplace ergonomics assessment. We constantly update and review these processes to respond dynamically to changes.

Once hazards are identified, we develop effective control measures, clearly communicate these measures to employees and monitor them constantly. Our health and safety management system is periodically recertified and aligned to ISO 45001:2018, involving detailed procedures to ensure a safe working environment.

Risk Identification and Monitoring

Each function and workplace within ALRO is assessed for potential health and safety risks. We use risk assessment tools and standardised procedures to identify and assess risks. Preventive and management measures include personal protective equipment, rigorous safety protocols, and ongoing training and information for staff.

Concrete Examples of Risks and Management Measures

- **Fall Risk:** We implement fall protection systems and provide specific training for working at height.
- **Exposure to Chemicals:** We use respiratory protective equipment and proper ventilation in areas where there is exposure to hazardous chemicals.
- **Ergonomic Risk:** We implement workplace wellness programs and ergonomically review workstations to reduce risks associated with repetitive movements and inappropriate postures.

Monitoring Health and Safety Management System Performance

The performance of our occupational health and safety management system is monitored through performance indicators such as accident rates, near misses and lost work days. Identified non-conformities are managed through a continuous review and improvement process.

Risk Identification and Assessment Process

We use regular safety inspections and workplace reviews to identify and assess risks. Employees are encouraged to report any situation they consider unsafe and we have processes in place to investigate all reported incidents to identify corrective actions and improvements needed.

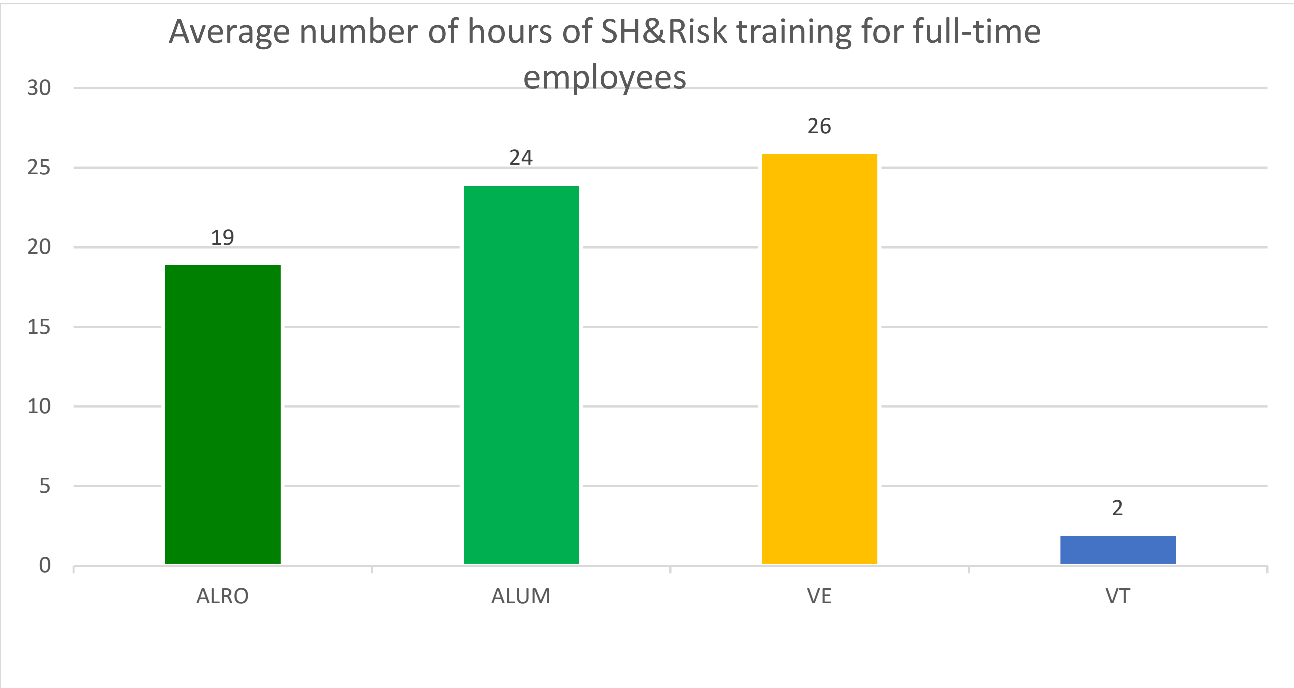


Chart 17. Average number of hours of training for SH & Risk full-time employees

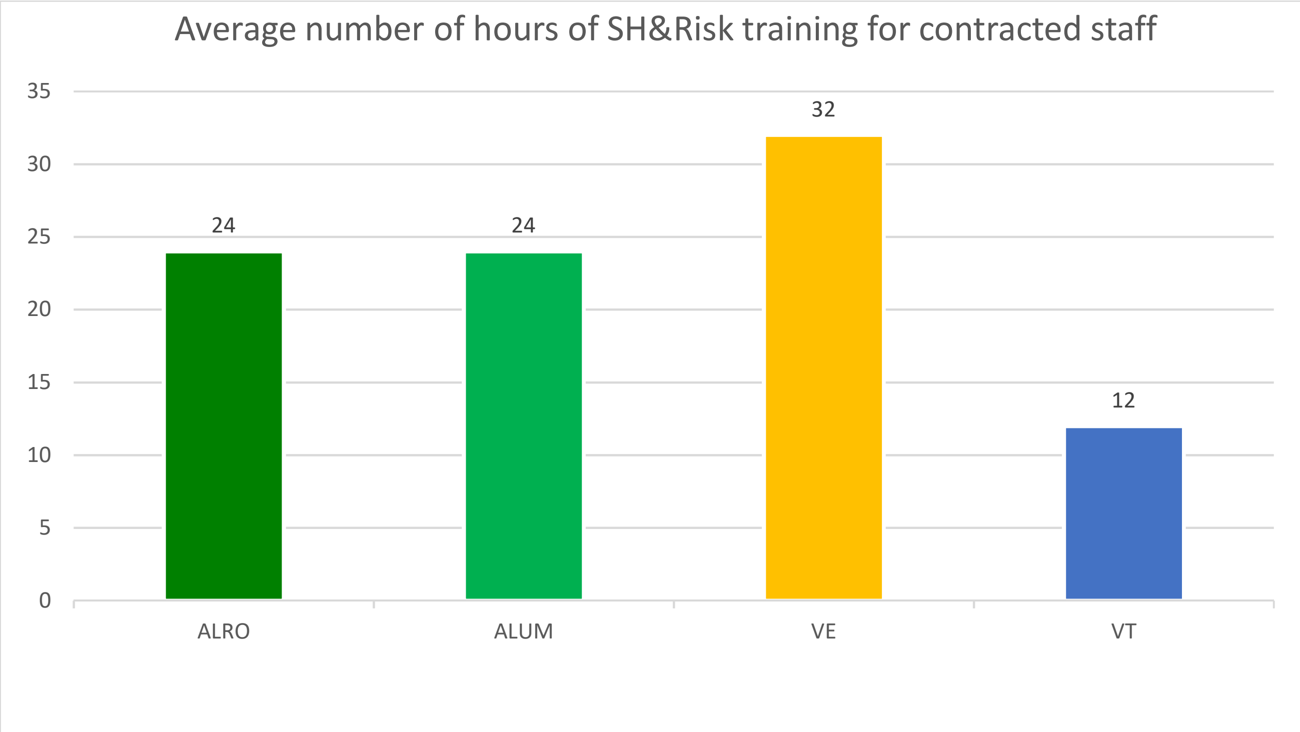
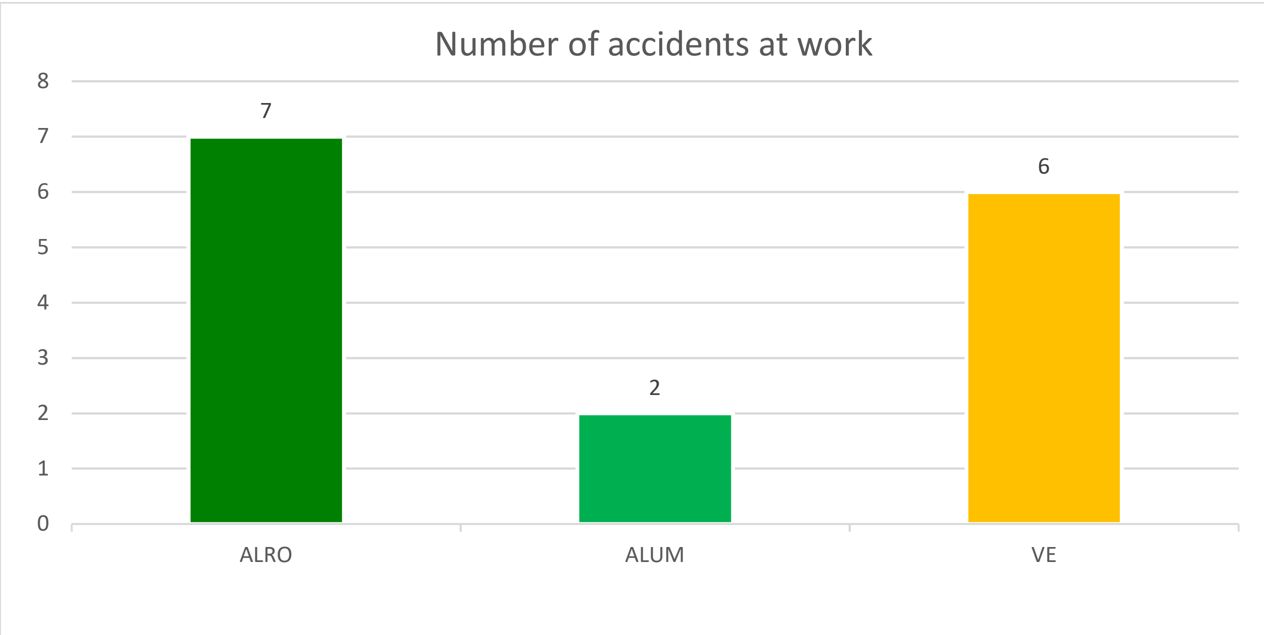


Chart 18. Average number of hours of SH & Risk training 2023 contracted staff



Graph 19. Number of accidents at work

According to the Work Safety Report issued by European Aluminium in December 2023, ALRO is included in the category of "top performing plants" for both the Primary Aluminium Division and the Processed Aluminium Division, and VE is included in the same category for extruded aluminium products.

In ALRO and ALUM no labour incidents were identified and in VE one labour incident was identified for the year 2023.

Number of sick leave days related to accidents at work in 2023:

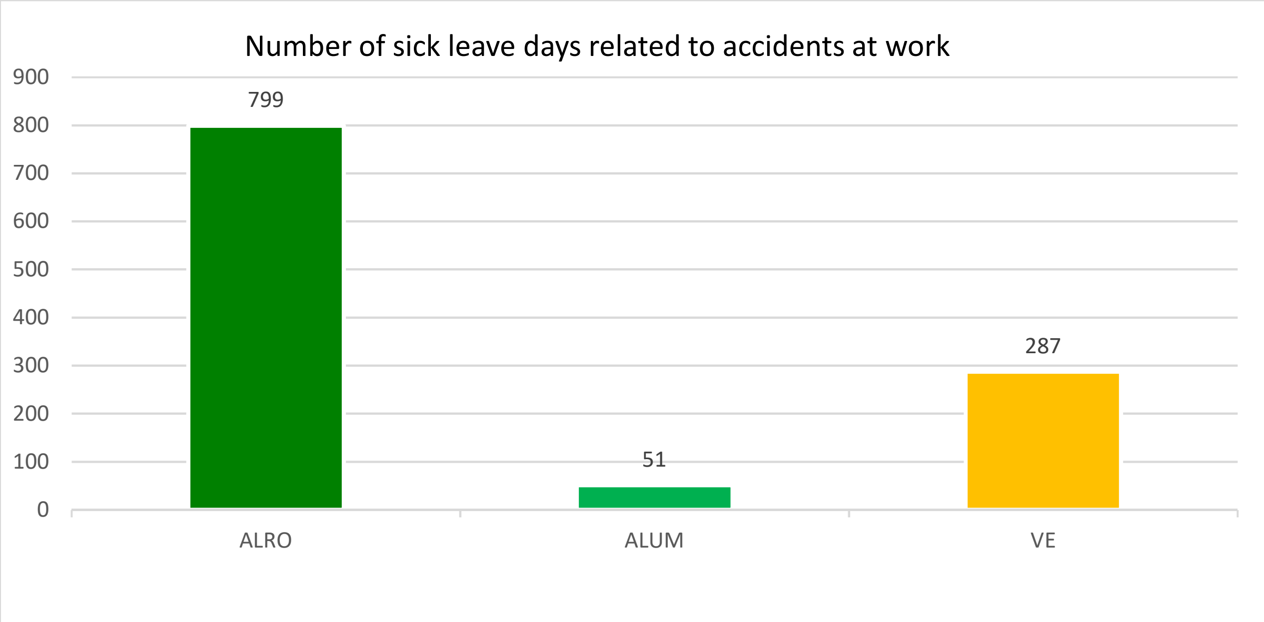


Chart 20. Number of sick leave days related to accidents at work

Number of sick leave days (excluding accidents at work) in 2023:

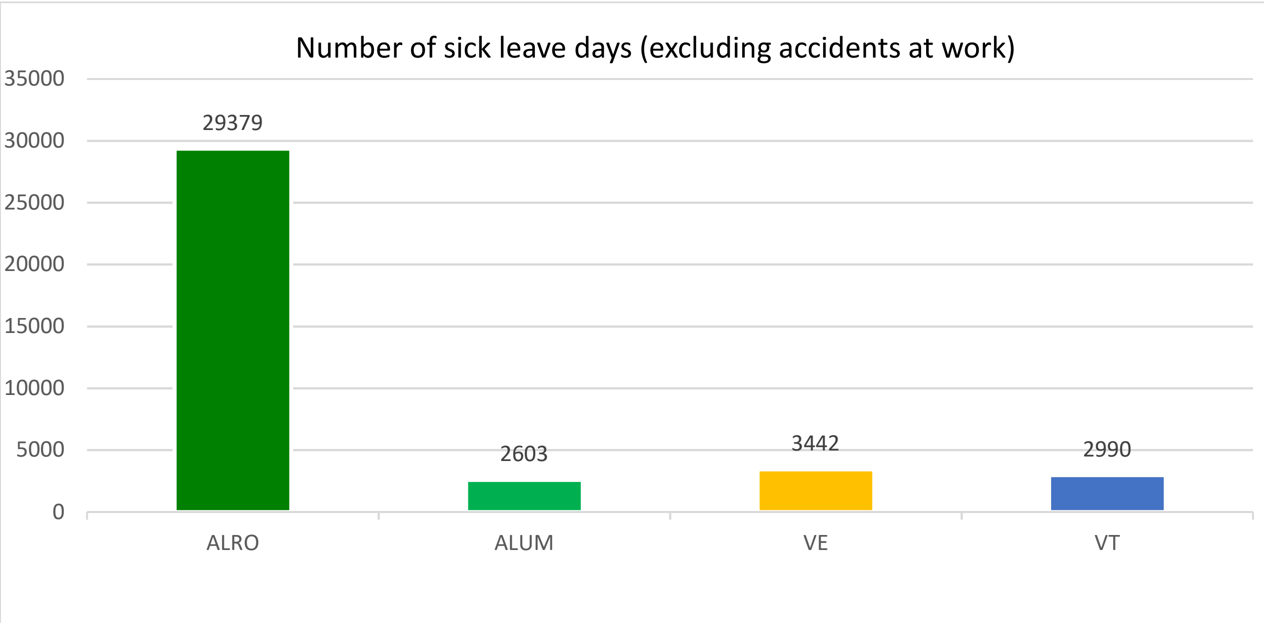


Chart 21. Number of sick leave days (excluding accidents at work)

Number of employees represented in OSH (Occupational Health and Safety) committees in 2023:

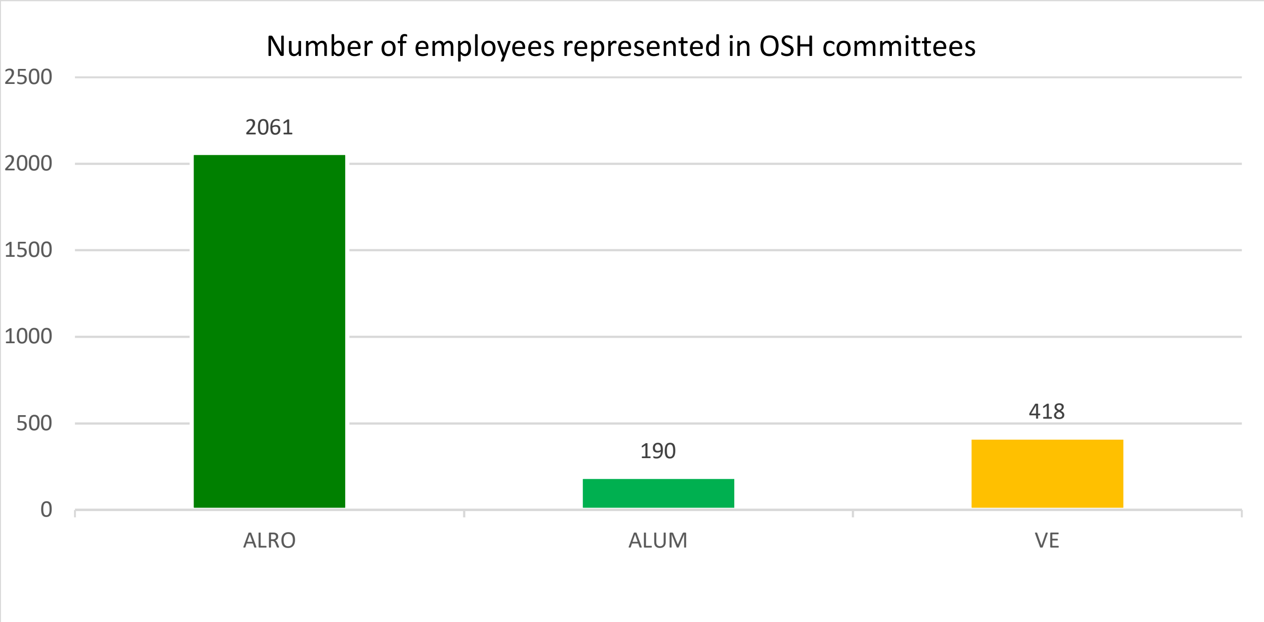


Chart 22. Number of employees represented in the OSH committees

10.3 Commitment to the community

The ALRO Group is deeply committed to contributing to solving social problems in the communities in which it operates and takes its responsibility to employees, shareholders, the community and the environment seriously. We are actively involved in community life through diversified corporate responsibility programmes covering issues such as reconstruction of housing affected by natural disasters, education, sports and health programmes. In addition, we maintain a constant and open dialogue with all local authorities, our employees and various members of the community, as well as other relevant stakeholders such as customers, suppliers, investors, academics and representatives of other industries and companies.

We are responsive to stakeholder questions and concerns and initiate dialogues and discussions whenever we plan to start a new project. These conversations provide us important insights into community expectations and help us identify the steps needed to build and maintain trust, establish strong partnerships and promote acceptance and sustainability of our business activities. For significant projects, we systematically identify key stakeholders to initially address critical issues and to prevent conflicts and appropriately manage potential negative impacts.

We have strong partnerships with various educational institutions, such as high schools, vocational schools and universities, to facilitate internships and research visits for students and alumni conducting research or academic work.

In addition, we develop partnerships with numerous associations, foundations and public institutions to organise actions of public interest, such as Environment Day, National Environment Guard Day or City Days.

At ALUM, we maintain a close and ongoing relationship with the local community through well-established internal procedures for handling petitions and holding hearings. In addition, we are actively involved in volunteer activities and support various public interest projects such as charity work or sports events.

Overall, our commitment to the local community is integral to our corporate values and is reflected in all aspects of our business, from business strategy to day-to-day operations.

Community Involvement and Monitoring

ALRO Group's activities of involvement in the local community are measured and reported both internally and externally using a variety of methods. These include charitable contributions, donations and funds allocated to support community needs. A concrete example is the collaboration with UNICEF in Romania to support the Romanian Government in identifying and monitoring children's needs and vulnerabilities. Communication about these actions is done through the drafting and dissemination of reports and documents, as well as the organisation of professional development courses.

ALRO also supported the Intelligent Energy Association in organising the fifth edition of the "Energy for Life" campaign, which aimed to install photovoltaic systems consisting of photovoltaic panels, batteries, light bulbs, etc. in six isolated households in the Rodna Mountains.

Partnerships and Collaborations

The ALRO Group's collaborations with local organisations and groups are diverse and extensive, covering partnerships with educational institutions to facilitate student practice, as well as collaborations with associations and foundations to organise events of public interest. These partnerships are vital to achieving community engagement goals and improving the company's social and environmental impact.

So, in May 2023, ALRO supported the Association for the Help of Children Artists in Romania (ASCAR) with important prizes during the event organized in Slatina, Olt County, an event dedicated to children and young artists who excel in fields such as fine arts, music, dance; children coming from disadvantaged backgrounds.

Impact on the Environment and Society

In terms of environmental protection and social impact, including gender impact, the ALRO Group continues to invest in reducing negative impacts by modernising and streamlining environmental management. Investments are directed towards adopting the best available technologies, monitoring emissions and promoting an organisational culture of environmental protection.

Key Decisions and Community Involvement

The ALRO Group involves both employees and the local community in making key decisions and developing new projects and initiatives. This is done through active participation in various decision-making and consultative bodies at local or county level, as well as through collaboration with associations and foundations for the organisation of actions of public interest.

Feedback and Community Concerns

Managing feedback and community concerns are key aspects of ALRO Group operations. The company maintains open and accessible communication channels to ensure an ongoing and accountable dialogue with all stakeholders.

Operations with Negative Effects

With regard to operations with potential negative impacts on local communities, the ALRO Group has not identified any such significant situations in its current activities. However, the company maintains constant vigilance and is prepared to quickly and effectively address any new challenges that may arise.

Risk and Opportunity Assessment

The ALRO Group uses a structured process to manage the risks and opportunities associated with community rights and interests. This process includes regular consultations with community members and local leaders, conducting social impact assessments prior to project initiation, and ensuring compliance with relevant legislation. For example, prior to opening a new facility, the ALRO Group holds community meetings and reviews feedback received to ensure that community rights and concerns are respected and addressed.

Community Programmes

ALRO Group investments in local communities are subject to rigorous internal procedures, with committees reviewing and approving community initiatives. For example, an interdepartmental committee meets regularly to evaluate and approve projects supporting local education and health. These decisions are made after a thorough assessment of the expected impact and benefits to the community.

In 2023, the ALRO Group was highlighted by its contributions to various community programs, both for education, health, community welfare and youth development programmes, as well as for the environmental with a total amount of 9,391,038 RON, as follows:

- the amount of RON 449,005 to support **educational programs**;
- the amount of RON 5,736,475 for **health programs**;
- the amount of RON 2,231,263 to support programs regarding **youth development**;
- the amount of RON 912,337 for **community welfare programs**;
- the amount of RON 61,958 for **environmental programs**.

11. Human Rights, Diversity and Equal Opportunities

11.1 Preventing human rights abuses, diversity and equal opportunities Human Rights Policy

1. **Description of policies adopted:**

The ALRO Group places particular emphasis on respecting human rights, aiming at inclusive development and recognition of individual value. The Group has developed and published on its website a Human Rights Policy applicable to all directors, managers, employees and business partners. This policy reflects ALRO's commitment to respect human rights, national and international legal principles and requirements. The Group prohibits forced labour in any form and believes that everyone has the right to choose their profession and occupation.

The ALRO Group takes responsibility for maintaining and improving its management system to prevent negative situations regarding human rights in its operations.

By addressing human rights compliance and promoting equal opportunities, the ALRO Group is committed to providing an ethical and respectful working environment where all employees and collaborators are treated fairly and have equal opportunities for professional development, regardless of personal characteristics.

It is important to underline that the ALRO Group recognises and values diversity in the organisation as a factor that brings innovation and increased performance. Promoting these values builds a positive work environment, which generates increased satisfaction among employees and improves the overall performance of the organisation.

Total training hours on human rights policies for the ALRO Group were 2,466 hours in 2023.

2. **Due diligence procedures applied:**

The ALRO Group has recruitment, hiring and promotion procedures that are strictly based on competence and performance. Collective bargaining agreements are established at the level of each company that comply with the Labour Code. The Group continuously monitors compliance with the human rights policy and implements communication and promotion actions as well as training sessions for employees.

3. **The results of those policies:**

In 2023, no incidents of human rights violations were identified at Group level. The Human Rights Policy was posted on the website and all employees attended training sessions on the policy. Communication and promotion of respect for human rights were also organised.

4. **Main risks and their management:**

Although the ALRO Group has so far not identified any situations with an adverse impact on human rights, there is a strong commitment to maintain and improve a robust management system to prevent such situations.

List of non-financial indicators regarding the prevention of human rights abuses, diversity and equal opportunities

- **Diversity of Board of Directors - GRI 405-1**

Table 11. Gender diversity of the Board of Directors in companies within the ALRO Group

Company	GRI 405-1 Board Diversity	Total number in 2023	% of total members
ALRO	Women	2	18,18%
	Men	9	81,82%
ALUM	Women	1	20,00%
	Men	4	80,00%
VE	Women	1	20,00%
	Men	4	80,00%
VT	Women	1	50,00%
	Men	1	50,00%
CONEF	Women	1	33,33%
	Men	2	66,67%

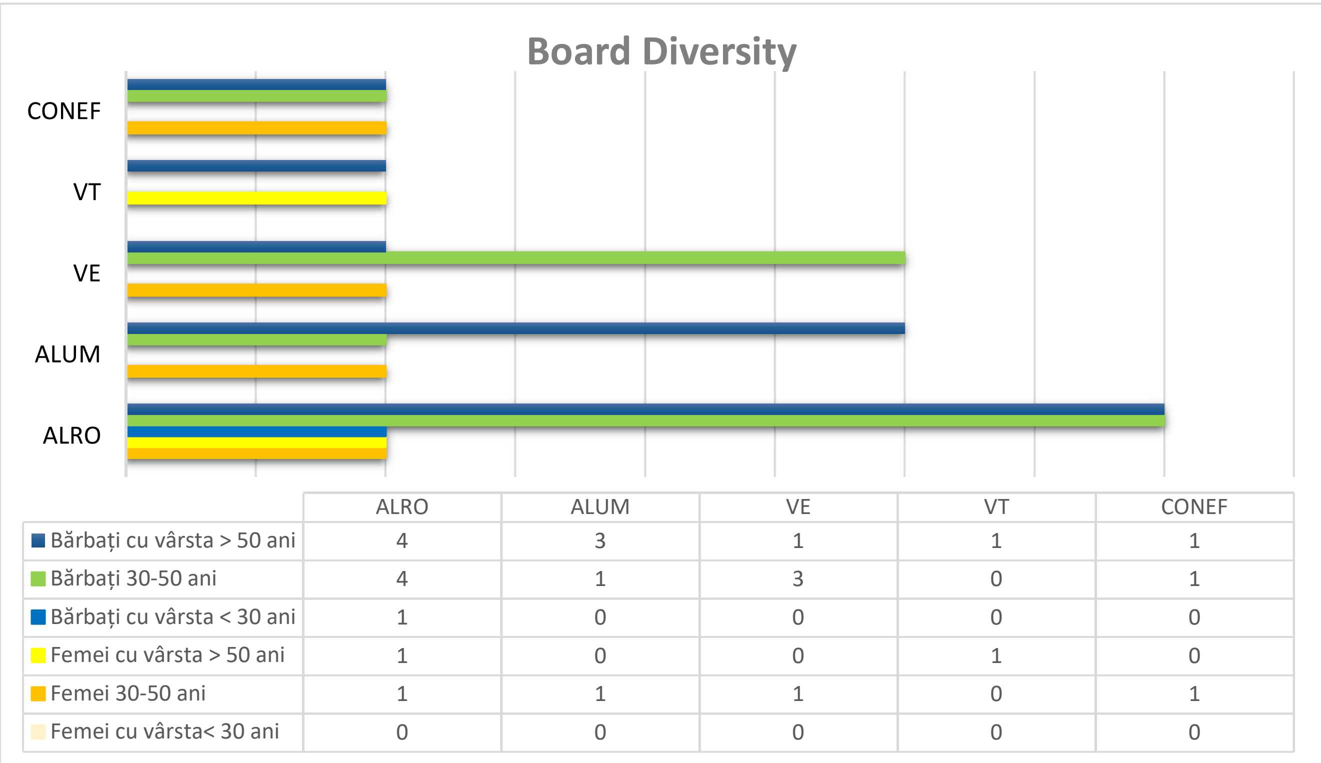


Chart 23. Diversity of the Board of Directors

- **Employee Diversity - GRI 405-1**

Table 12. Employee diversity

Company	GRI 405-1 Employee diversity	Total number in 2023
ALRO	Total number of female employees < 30 years old	14
	Total number of male employees < 30 years	121
	Total number of female employees aged 30-50	185
	Total number of male employees aged 30-50	865
	Total number of female employees >50 years old	179
	Total number of male employees >50 years	697
ALUM	Total number of female employees < 30 years old	0
	Total number of male employees < 30 years	4
	Total number of female employees aged 30-50	21
	Total number of male employees aged 30-50	61
	Total number of female employees >50 years old	15
	Total number of male employees >50 years	89
VE	Total number of female employees < 30 years old	12
	Total number of male employees < 30 years	31
	Total number of female employees aged 30-50	158
	Total number of male employees aged 30-50	127
	Total number of female employees >50 years old	48
	Total number of male employees >50 years	42
VT	Total number of female employees < 30 years old	0
	Total number of male employees < 30 years	1
	Total number of female employees aged 30-50	20
	Total number of male employees aged 30-50	18
	Total number of female employees >50 years old	6
	Total number of male employees >50 years	12
CONEF	Total number of female employees < 30 years old	0
	Total number of male employees < 30 years	0
	Total number of female employees aged 30-50	1
	Total number of male employees aged 30-50	0
	Total number of female employees >50 years old	0
	Total number of male employees >50 years	0

11.2 Measures and instruments against corruption and bribery

Code of Ethics and Conduct

- **Description of policies adopted:**

ALRO is firmly committed to promoting business ethics and preventing corruption, guided by the values, principles and rules of conduct set out in its policy commitments. The Group ensures that it respects and protects human rights, promotes ethical business principles and implements a robust system of governance. The company has developed and published its Code of Ethics and Conduct, which is binding for all its entities, and has established specific procedures to manage potential cases of corruption.

- **The results of those policies:**

Through rigorous implementation of its policies, ALRO has ensured responsible business conduct, with zero incidents related to corruption or ethics in 2023. There were no reported concerns or requests for advice regarding unethical or illegal behaviour.

- **Main risks related to these aspects:**

ALRO company is aware that all companies can be affected by corruption, regardless of where it occurs. Risks can arise from both internal operations and external business relationships.

- **How the entity manages those risks:**

To address and manage these risks, ALRO has several policies and procedures in place, including a Code of Ethics and Conduct, a Human Rights Policy and procedures for managing payments, purchasing goods and selling products. In addition, specific procedures have been established for whistleblowing and managing conflicts of interest.

- **Non-financial key performance indicators:**
  - Zero incidents of corruption and ethics in 2023.
  - Implement and update the Code of Ethics and Conduct.
  - Train all employees on anti-corruption and fraud.
  - ASI Performance Standard V3 certification achieved by ALRO in early 2023.

11.3 Anti-Bribery and Anti-Corruption Policy

- **Description of adopted policies:**

ALRO S.A. has zero tolerance for bribery and corruption, with an emphasis on integrity, lawful conduct and compliance with applicable laws in business activities.

The aim of anti-bribery and anti-corruption policy is to set standards of behaviour that reduce the risk of bribery and corruption.

The policy is governed by the Code of Conduct and includes specific provisions to avoid conflicts of interest and to maintain transparency and integrity.

- **The results of those policies:**

Prevent and combat bribery and corruption by establishing a clear framework of action for employees and contractual partners.

Clarify the consequences of non-compliance with the policy, including possible disciplinary and legal action.

- **Main risks related to these aspects:**

The existence of bribery and corruption can lead to indictment, criminal prosecution, fines and other penalties for the company and its employees.

Conflict of interest and corrupt behaviour can negatively affect a company's reputation and long-term success.

- **How the entity manages those risks:**

Compliance risk analysis conducted annually to identify and prevent corruption and conflicts of interest.

Holding top management accountable for preventing and detecting corruption within their areas of responsibility.

Providing training and education of employees on risk management and compliance with legal and internal regulations.

- **Non-financial key performance indicators:**
  - Number of reported cases of policy violations.
  - Number of trainings carried out to prevent corruption and bribery.
  - Number of internal controls and audits to ensure compliance with the policy.

Legal framework and scope of the report

Through this non-financial statement, the ALRO S.A. Group intends to disclose information regarding the company's performance and impact on various aspects of sustainability for the reporting period of the year 2023. This statement focuses on environmental, social and personnel issues, occupational health and safety, as well as measures to prevent and combat corruption and money laundering, alongside initiatives for sustainable development and the fight against climate change.

The company has prepared the non-financial statement in accordance with the specific requirements of the Order of the Minister of Public Finance 1938/2016 and is in line with national and international reporting frameworks for the Non-Financial Statement. Additionally, in presenting the non-financial information, the Company has considered the European Commission's Guidance "Guidance on the reporting of non-financial information (methodology for reporting non-financial information) (2017/C 215/01)", published in the Official Journal of the European Union, Series C, No 215 dated July 5, 2017.

General Director

Dr. Ing. DOBRA Gheorghe

Chief Financial Officer

Ec. NĂSTASE Genoveva

ABBREVIATIONS

ABA - Romanian Waters Basin Administration

AGA - General Meeting of Shareholders

ANR - Romanian Naval Authority

APM - Environmental Protection Agency

ASCAR - Association for supporting child artists in Romania

ASEBUSS - Romanian-American Business School - Executive MBA

ASI - Aluminium Stewardship Initiative

BAT - Best Available Techniques

CA - Board of Directors

CAFR Chamber of Financial Auditors from România

CAO - Oltenia Water Company

CapEx - Capital expenditure

CDP - Climate Disclosure Project

CE - European Compliance

CJ - County Council

CO_2 - Carbon Dioxide

COM - Certificate of origin and manufacturing

CSR - Corporate Social Responsibility

DNSH - Do no Significant Harm

DNV-GL - Norwegian-German Certification and Classification Organisation

DQS GmbH Germania - German Society for the Certification of Management Systems

DSP - Public Health Directorate

EAA - European Aluminium Association

EMBA - Executive Master in Business Administration

ERP - Enterprise Resource Planning

ESG – Environmental, Social, Governance

FM - Modernisation Fund

GES - Greenhouse Gas

GHG - Greenhouse Gas

GNM - National Environmental Guard

GRI - Global Reporting Initiative

IPJ - County Police Inspectorate

IQNet - International Certification Network

ISU - County Inspectorate for Emergency Situations

MAI - Ministry of Internal Affairs

NADCAP – National Aerospace and Defence Contractors Accreditation Program of the Performance Evaluation Institute

NO_x - Nitrogen Oxides

OCDE - Organisation for Economic Cooperation and Development

OIM - International Labour Organisation

OpEx - Operational expenditure

PFC – Perfluorocarbons

PLP - Plate Laminate Products

QMS - Quality Management System

RTA - Rio Tinto Aluminium Alcan

SII - Israel Standards Institute

SJA - County Ambulance Service

SM - Management Systems

SMI - Integrated Management System

SO_2 - Sulphur dioxide

SRAC - Romanian Society for Quality Assurance

SSM - Health and Safety at Work

TUV Rheinland CERT GBMBH - Association for Technical Supervision

UE - European Union

UKAS - United Kingdom Accreditation Service

VE - Vimetco Extrusion

VT - Vimetco Trading

NON-FINANCIAL STATEMENT

2023

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