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STRONG BUY

ALRO

Europe's aluminium industry: from crisis to cornerstone of resilience
Anchoring the green and defence transition

* We update our view on ALRO with a STRONG BUY recommendation and a target price of RON 2.10 per share. Our valuation reflects ALRO's structurally improved strategic positioning and the broader regulatory recalibration unfolding across Europe. From 2027, we expect profitability to improve, supported by tighter regulatory enforcement, the progressive phase-out of untraceable high-carbon imports, and a recovery in premia for certified, low-emission aluminium. This trend is expected to be reinforced by the ramp-up of VHVAPs output from the precision plate processing line, a project scheduled for completion in 2026. We expect ALRO's realised premium to the LME aluminum price to increase from USD 1,350/t in 2025 to USD 1,800/t by 2032. That said, profitability in 2025–2026 is expected to remain subdued, reflecting delayed policy impact, still elevated input costs, and continued pressure from low-cost, high-carbon imports.

* **Europe's aluminium industry is undergoing a structural reset. Recent regulatory shifts have redefined aluminium's role in the EU's industrial base, elevating it from a cyclical commodity to a political material** — essential to delivering Europe's dimate, economic, and defence ambitions. Aluminium is central to decarbonisation and defence. Lightweight, durable, and fully recydable, it underpins dean mobility, renewables, and energy storage — making it essential to meeting EU electrification and circularity targets. Its strength-to-weight ratio and corrosion resistance also make it critical for military platforms, from aircraft to naval and space systems. Economically, Europe's dependence on high-carbon imports has emerged as a vulnerability. The energy-intensive nature of aluminium processing, paired with decades of offshoring, has hollowed out domestic capacity. As rearmament accelerates, secure access to defence-grade aluminium is now a matter of operational readiness. The elevation of **aluminium to critical raw material status under the Critical Raw Materials Act (CRMA)**, in effect from October 2024, reflects a broader policy awakening: without a viable domestic supply chain, Europe remains exposed to price shocks, supply disruptions, and extemal leverage. This reframing is now embedded in key policy instruments — including the revised **Carbon Border Adjustment Mechanism (CBAM)** and the **Green Deal Industrial Plan** - both aimed at reversing deindustrialisation, rewarding low-carbon output, and rebuilding resilient production. Policy implementation remains uneven, but the direction is dear: Europe is moving to regain industrial control over a material it can no longer afford to lose.

* Meanwhile, **defence policy is emerging as a major demand driver.** The **European Defence Industry Programme** (EDIP) provides EUR 1.5b in direct grants. This is complemented by the Readiness 2030 initiative — branded as the **ReArm Europe Plan** — which aims to mobilise EUR 800b over four years. Together, these programmes mark a strategic shift in the EU policy with far-reaching implications for aluminium demand across defence platforms.

* **For investors, the opportunity lies in anticipating the policy shift.** As regulation turns into procurement and demand, firms aligned with traceability, circularity, and dean energy will lead Europe's industrial revival.

* For ALRO, this policy and market realignment marks a strategic inflection point. As one of the few EU producers operating with over 89% carbon-free electricity, the company is structurally positioned to benefit from reforms that reward dean energy use and traceable, low-carbon production—both of which align with CBAM thresholds and EU green procurement standards. With demand expected to rebound, policy risk diminishing, and structural protection improving, **ALRO's investment case has shifted toward strategic relevance in the next cycle of European reindustrialisation and defence-led rearmament.**

Romania, Aluminium

BQ: ALR RO				
Last close	**RON 1.47**			
Target price o/w	RON 2.10			
Upside/downside	43%			
52 - Week range	RON 1.38 | RON 1.67			
Market cap (m)	RON 1,049		USD 244	
	2024A	**2025F**	**2026F**	**2027F**
Trading multiples				
P/E	101.6	168.8	11.3	5.6
EV/EBITDA	6.4	9.5	5.7	4.4
Dividend yield	0.0%	0.0%	0.0%	0.0%
Per share data (RON)				
EPS	0.01	0.01	0.13	0.26
DPS	0.00	0.00	0.00	0.00
P&L summary (RONm)*				
Revenue	3,408	3,824	4,172	4,462
Gross result	177	219	384	511
G&A	(367)	(354)	(370)	(384)
EU ETS subsidies	303	281	284	286
Sale of emission rights	196	0	0	0
EBITDA	345	233	387	507
EBIT	225	113	264	378
EBT	29	7	110	223
Interest expense	(126)	(122)	(120)	(127)
FX gains (losses)	(41)	31	(19)	(13)
Net profit (a.m.)	10	6	93	187
Balance Sheet summary (RONm)*				
Cash & equivalents	431	175	78	106
Total assets	3,248	3,156	3,265	3,896
Net debt	1,123	1,337	1,438	1,844
Shareholders' equity	1,010	1,016	1,109	1,296
Key margins				
Gross result margin	5.2%	5.7%	9.2%	11.5%
EBITDA margin	10.1%	6.1%	9.3%	11.4%
EBIT margin	6.6%	2.9%	6.3%	8.5%
Net profit margin	0.3%	0.2%	2.2%	4.2%

*Source: The Group; Swiss Capital estimates; * IFRS consolidated*

Price performance	**1m**	**3m**	**12m**	**YTD**
	0.7%	-2.3%	-6.7%	-2.3%

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Investment case

Our STRONG BUY recommendation reflects ALRO's structurally improved strategic positioning - supported by the ramp-up of very high value-added products (VHVAPs) output, which offers materially higher margins and direct exposure to defence and aerospace, two of the fastest-growing aluminium demand segments - alongside the broader regulatory recalibration unfolding across Europe.

We expect ALRO's realised premium to the LME aluminum price to increase from USD 1,350/t in 2025 to USD 1,800/t by 2032.

From 2027, we expect the Group's profitability to improve, supported by tighter regulatory enforcement, the phase-out of untraceable high-carbon imports, and a recovery in premia for certified, low-emission aluminium. This trend is expected to be reinforced by the ramp-up of VHVAP output from the precision plate processing line, a project scheduled for completion in 2026. The line is designed to produce customised, near-net-shaped plates, commanding premiums more than double those of the delivered plates currently in Alro's portfolio.

That said, profitability in 2025–2026 is expected to remain weak, reflecting an expected lag in the rollout of the EU policy shift targeting the aluminium industry, continued pressure from still elevated electricity and other input costs, and ongoing competition from low-cost, high-carbon imports.

Europe's aluminium industry has undergone a dramatic decline since

We update our view on ALR RO with a STRONG BUY recommendation and a target price of RON 2.10 per share, implying an upside potential of 43% against last close.

Our valuation reflects ALRO's structurally improved strategic positioning - supported by the ramp-up of very high value-added products (VHVAPs) output, which offers materially higher margins and direct exposure to defence and aerospace, two of the fastest-growing aluminium demand segments - alongside the broader regulatory recalibration unfolding across Europe.

Our DCF explicitly forecast horizon runs through 2032, covering the full span of ALRO's current regulatory support. Under existing rules, the 85% green certificate waiver and EU ETS compensations expire in 2030, with the final earnings impact recorded in 2031 due to the one-year lag in compensation booking. For 2025, ALRO has budgeted USD 63m in energy cost compensations, which we hold flat over the remaining entitlement period. The waiver's expiry is expected to add approximately RON 95m to COGS from 2031. From 2032 onward, we model fully unsubsidised free cash flows.

From 2027, we expect the Group's profitability to improve, supported by tighter regulatory enforcement, the phase-out of untraceable high-carbon imports, and a recovery in premia for certified, low-emission aluminium. This trend is expected to be reinforced by the ramp-up of VHVAPs output from the precision plate processing line, a project scheduled for completion in 2026. The line is designed to produce customised, near-net-shape plates, with significantly higher commercial value, commanding premiums that are more than double those of the standard delivered plates currently in Alro's portfolio. We expect ALRO's realised premium to the LME aluminum price to increase from USD 1,350/t in 2025 to USD 1,800/t by 2032.

That said, profitability in 2025–2026 is expected to remain subdued, reflecting the expected lag in the implementation of the EU policy shift targeting the aluminium industry, continued pressure from still elevated electricity prices and other input costs, and the persistence of competition from low-cost, high-carbon imports. The revised Carbon Border Adjustment Mechanism (CBAM), entering full implementation in 2026, is expected to reduce — if not eliminate — the competitive distortion posed by carbon-intensive aluminium entering the EU market.

Although ALRO trades at a premium to the peer median of 5.6x FY 2025F EBITDA and 5.2x FY 2026F EBITDA, we view this as a function of earnings timing, not structural overvaluation. The premium reflects temporarily depressed EBITDA, which lags the company's underlying repositioning. As margins improve through policy support, product mix upgrades, and easing input cost disparities — notably Romania's relatively high energy prices — the multiple compresses to 5.3x by 2027 (at our target price), and averages 3.8x through 2032. This suggests a rerating path driven by fundamentals catching up with valuation, rather than a persistently high premium.

Europe's aluminium industry is undergoing a fundamental realignment. Once a competitive global producer, the sector has seen its primary output collapse by over

the energy crisis, with over 50% of its primary production capacity being curtailed and imports now meeting most of the demand.

In Europe, aluminium demand is forecast to grow 30% through 2040, driven by electrification, growth in renewable infrastructure, and rising military procurement.

No longer viewed as a cyclical commodity, the recent policy shifts have elevated aluminium to the status of a political material, essential to the delivery of Europe's climate, economic and defence ambitions.

The reclassification of aluminium as a critical raw material through the Critical Raw Materials Act (CRMA), in effect from October 2024, reflects a broader policy awakening: without a viable domestic supply chain, Europe remains exposed to price shocks, supply disruptions, and external leverage.

The policy reframing is codified now in multiple regulatory initiatives, including the revised Carbon Border Adjustment Mechanism (CBAM), and the Green Deal Industrial Plan.

Implementation remains uneven, and investor confidence will depend on the speed and coordination of the support mechanisms - But the direction is unmistakable: Europe is attempting to reclaim industrial

50% since the energy crisis, while imports now cover more than half of domestic demand. This erosion comes at a time when aluminium has become indispensable to Europe's energy transition, defence capability, and circular economy ambitions.

Demand is forecast to rise 30% through 2040, fuelled by electrification, growth in renewable infrastructure, and increased military procurement. Yet the supply base has shrunk. Structural cost disadvantages, particularly in energy, combined with policy fragmentation and trade asymmetries, have placed domestic producers at a severe disadvantage. The paradox is stark: the EU's strategic objectives cannot be met without aluminium, yet Europe is losing its production backbone.

Recent regulatory shifts have redefined aluminium's role in the EU industrial base, elevating it from a cyclical commodity to a political material — essential to delivering Europe's climate, economic, and defence ambitions.

In the climate sphere, aluminium is essential for decarbonisation technologies: lightweight, durable, and endlessly recyclable, it underpins clean mobility, renewable infrastructure, and energy storage. Electrification and circularity targets cannot be met without reliable access to low-carbon aluminium. In defence, aluminium's strength-to-weight ratio, corrosion resistance, and adaptability make it critical to military platforms, from aircraft and armoured vehicles to naval and space systems. As the EU accelerates rearmament, access to defence-grade aluminium becomes a matter of operational readiness. Economically, Europe's dependence on high-carbon imports has emerged as a vulnerability. The energy-intensive nature of aluminium processing, paired with decades of offshoring, has hollowed out domestic capacity.

The Critical Raw Materials Act (CRMA), in effect from October 2024, marked a decisive shift in Europe's approach to supply security. By formally listing aluminium as a strategic material, the legislation sets binding 2030 targets: 10% of the EU's needs must be met through domestic production, 40% through processing, and 25% through recycling. The goal is clear: to reduce external dependence and secure aluminium's availability for critical sectors such as electric mobility, renewable power, and defence. In positioning aluminium as a pillar of industrial resilience, the CRMA lays the groundwork for long-term strategic autonomy.

This reframing is now embedded in key policy instruments — including the revised CBAM and the Green Deal Industrial Plan. Collectively, these aim to reverse the EU's heavy reliance on carbon-intensive imports, restore domestic aluminium production capacity, and channel capital toward low-carbon, circular, and resilient industrial assets. Implementation remains uneven, and investor confidence will depend on the speed and coordination of support mechanisms. But the direction is unmistakable: Europe is attempting to reclaim industrial control over a material it cannot afford to lose. This changes the investment lens—from short-term commodity cycle to long-term strategic alignment.

Meanwhile, defence policy is emerging as a major demand driver. The material's defence relevance is expanding significantly as the EU implements its Readiness 2030 - marketed as the ReArm Europe Plan - and the European Defence Industry

control over a material it cannot afford to lose.

Meanwhile, the defence policy has emerged as a major new demand driver for the EU's aluminium industry as the EU implements its Readiness 2030 - marketed as the ReArm Europe Plan - and the European Defence Industry Programme (EDIP), which together mobilise over EUR 800b in multi-annual rearmament.

For investors, the opportunity lies in anticipating the policy correction. As the EU prepares to operationalise these plans, companies positioned on the right side of regulation, circularity, and clean energy will lead the reindustrialisation cycle.

The convergence of clean energy credentials, product diversification, and regulatory alignment places ALRO in a favourable position as capital reallocates toward transition-aligned industrial assets.

With demand expected to rebound, policy risk diminishing, and structural protection improving,

ALRO's investment case has shifted toward strategic relevance in the next cycle of European reindustrialisation and defence-led rearmament.

Programme (EDIP), which together mobilise over EUR 800b in multi-annual rearmament. Together, these programmes mark a strategic shift in EU policy with far-reaching implications for aluminium demand across defence platforms.

These shifts are not merely rhetorical. EU institutions increasingly acknowledge that aluminium is now explicitly linked to strategic policy objectives such as defence readiness, net-zero compliance, and industrial sovereignty.

For investors, the opportunity lies in anticipating the policy correction. As the EU prepares to operationalise these action plans, companies positioned on the right side of regulation, circularity, and clean energy will lead the reindustrialisation cycle. Contract visibility in defence and renewables, secure feedstock, and decarbonisation credentials will become core valuation drivers.

For ALRO, this policy and market realignment marks a strategic inflection point. As one of the few EU producers operating with over 89% carbon-free electricity, the company is structurally positioned to benefit from reforms that reward clean energy use and traceable, low-carbon production—both of which align with CBAM thresholds and EU green procurement standards.

Its Environmental Product Declarations (EPDs) offer third-party verified data on the lifecycle emissions of its rolled and cast products, supporting growing transparency requirements across industrial supply chains. The Group's EcoVadis Gold rating—awarded for best practices in environment, labour, ethics, and supply chain—places it in the top 5% of companies globally, a key differentiator as ESG filters increasingly guide capital allocation and public tenders.

ALRO is also advancing R&D in low-carbon alloys, circular production, and high-spec aluminium for aerospace and defence—capabilities that are becoming critical as Europe reorients its industrial base toward dual-use technologies, strategic autonomy, and clean mobility.

ALRO's technical capabilities in producing high-strength hard alloys position it as a credible supplier to Europe's defence and aerospace value chains—two of the fastest-growing aluminium demand segments.

The convergence of clean energy credentials, product diversification, and regulatory alignment places ALRO in a favourable position as capital reallocates toward transition-aligned industrial assets. With demand expected to rebound, policy risk diminishing, and structural protection improving, ALRO's investment case is no longer just about survival - it is about strategic relevance in the next cycle of European reindustrialisation and defence-led rearmament.

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Q1 2025 Results

Alro Group: Q1 2025 P&L Summary & Net debt

(RONm)	Q1 2024	Q1 2025	Y/Y
Sales	**804**	**1,035**	29%
Alumina	5	1	-80%
Primary aluminium	246	335	36%
Processed aluminium	550	694	26%
Other	2	4	81%
COGS	**(789)**	**(981)**	**24%**
Gross result	**15**	**54**	**270%**
Gross result margin	1.8%	5.2%	
G&A expenses	(72)	(85)	19%
Other operating income o/w	121	78	-36%
Income from sale of emission certificates	7	0	-100%
Energy costs compensations	102	75	-27%
Other operating expenses	(10)	(8)	-17%
EBITDA	**86**	**67**	**-22%**
EBITDA margin	10.7%	6.5%	
EBIT	**53**	**38**	**-29%**
Interest expenses	(31)	(29)	-5%
Other financial income	2	3	100%
Other financial costs	(8)	(8)	3%
Net foreign exchange gains / (losses)	(14)	28	N/M
Share of result of associates	(0)	0.1	N/M
EBT	**2**	**32**	N/M
Income tax	(17)	(11)	-35%
Net profit (Loss)	**(15)**	**21**	**N/M**
Total debt	1,449	1,512	4%
Cash & equivalents (excl restricted cash)	269	346	28%
Net debt	**1,179**	**1,166**	-1%

Source: The Group

Alro Group: Q1 2025 KPIs

	Q1 2024	Q1 2025
COMMODITY PRICES & ALRO's PREMIA to ALUMINIUM LME 3M PRICE		
Aluminium LME 3M price (USD/t)	2,241	2,626
Y/Y		*17%*
Alro's aluminium premium to LME (USD/t)	1,258	1,350
Y/Y		*7%*
Alumina spot price (USD/t)	366	534
Y/Y		*46%*
ALRO GROUP - PRODUCTION		
Electrolytic aluminium production (kt)	17	17
Y/Y		*2%*
Liquid aluminium production (kt)	18	27
Y/Y		*48%*
Primary aluminium production (kt)	57	65
Y/Y		*13%*
Processed aluminium production (kt)	29	33
Y/Y		*13%*
ENERGY PRICES		
Domestic forward power price (RON/MWh)	536	524
Y/Y		*-2%*
Domestic spot power price (RON/MWh)	372	692
Y/Y		*86%*
Domestic wholesale gas price (RON/MWh)	143	244
Y/Y		*70%*
RON/USD		
Period average	4.58	4.73
Y/Y		*3%*
End of period (Q4 2024 vs. Q1 2025)	4.78	4.60
Y/Y		*-4%*

Source: The Group; OPCOM, BRM, NBR

Alro's Q1 2025 results benefited from a supportive pricing environment, with aluminium price up 17% Y/Y and the average realised premium to LME increasing 7% to USD 1,350/tonne.

Sales rose 29% to RON 1,035m on the back of stronger volumes, particularly in wire rod and plates. Despite this, EBIT declined 29% Y/Y mainly on lower energy cost compensations.

The return to net profit (RON 21m vs. a RON 15m loss in Q1 2024) was largely driven by a RON 28m FX gain, reversing last year's currency losses.

Alro Group delivered robust top-line growth in Q1 2025, underpinned by firmer aluminium prices, a stronger realised premium, improved product mix, and continued investment in high-value-added capacity.

Consolidated revenues rose 29% Y/Y to RON 1,035m in Q1 2025, fuelled by both stronger volumes and firmer pricing across its product range. The recovery was supported by improved aluminium market fundamentals, as average LME quotations rose 17% Y/Y and realised premiums increased to USD 1,350/tonne, up 7% from Q1 2024.

Within the primary aluminium division, sales rose 36% Y/Y to RON 335m, largely propelled by robust wire rod demand. Wire rod volumes climbed by nearly 5,000 tonnes versus the prior year (+33% Y/Y), driven by solid end-market momentum in Romania and CEE from mid-January onward. As wire rod carries the highest added value within the primary aluminium segment, the performance provided a significant uplift, further amplified by favourable pricing trends. Meanwhile, billet sales continued to decline amid weak construction activity and unfavourable billet casting economics, falling by 2,800 tonnes Y/Y. The Group tactically reallocated production

This came amid a stronger gross margin but weaker EBIT performance.

In Q1 2025, global aluminium markets remained structurally imbalanced.

The primary segment continued to feel the effects of lackluster demand from construction and industrial sectors, particularly in Europe. Billet sales remained weak, mirroring the prolonged downturn in the building sector, while soft scrap availability and high-quality scrap premiums further tightened margins for remelters. As a result, ALRO reallocated capacity toward slab production to support higher margin processed output.

In contrast, the processed aluminium market was shaped by regionally divergent dynamics.

European demand remained fragile, with a particularly weak start to the year in automotive driven flat rolled products. Spot contracting for clad materials, closely tied to car manufacturing, remained muted.

Meanwhile, in the US, commercial sentiment was more resilient. Order volumes remained strong ahead and after the announced 25% import tariff, which later in Q2 escalated to 50%. Still, the tariff regime introduced uncertainty, leading to more cautious purchasing patterns. Simultaneously, Chinese mills expanded their footprint in Europe, selling flat rolled products at sharply reduced prices and intensifying competition. These imports added pressure to pricing negotiations, particularly in March.

Overall, the aluminium market grew increasingly fractured. Flexibility in capacity from billets to slabs, better suited for internal FRP production, enhancing margin resilience.

Sales of the processed aluminium division advanced 26% Y/Y to RON 694m in Q1 2025, supported by a 14% Y/Y increase in flat rolled deliveries and a favourable product mix led by plates. The commercial environment, however, remained uneven. In Europe, market activity was slow to recover—January lagged expectations, with only marginal improvement through February and March. Automotive demand remained muted, weighing on spot contracting for clad materials, a key indicator for this segment.

In contrast, commercial activity in the US proved more resilient. American customers maintained robust order intake both before and after the 25% aluminium import tariff was announced—later, in Q2 2025, raised to 50%. Still, the pace of orders moderated slightly as buyers adjusted to the new trade dynamics, showing more cautious purchasing behaviour. Meanwhile, escalating trade tensions prompted a surge in Chinese exports of flat rolled products to Europe at highly competitive prices. This wave of low-cost supply intensified competitive pressure, complicating negotiations and increasing pricing volatility.

Despite these external headwinds, ALRO grew flat-rolled product deliveries grew by 3,086 tonnes (+14% Y/Y), driven almost entirely by higher plate sales - confirming both demand resilience and the Group's shift toward higher-margin output. Extruded aluminium products followed the same trajectory, with volumes up 771 tonnes (+9% Y/Y, reflecting solid demand for both standard and customised profiles.

High value-added aluminium products remained central to the Group's revenue structure. In Q1 2025, the processed aluminium division contributed 67% of total Group sales (Q1 2024: 68%), while the share of the primary aluminium division in total revenues rose modestly from 31% to 32%.

Production trends reinforced the Group's strategic shift toward higher-margin and recycled inputs. Electrolytic aluminium output remained broadly flat Y/Y. However, total liquid aluminium production rose 48% to 26.7kt, as scrap and ingot-based remelting ramped up. Primary aluminium output reached 64.8 kt (+13% Y/Y), while processed aluminium output followed a similar trajectory.

Gross profit rose to RON 54m (5.2% margin), nearly quadrupling Y/Y, as sales growth and a mix improvement outpaced a 24% increase in COGS, driven by higher input costs and energy prices. Other operating income declined 36% Y/Y to RON 78m, reflecting lower energy compensation (RON 75m vs RON 102m in Q1 2024), the absence of emission rights sales (vs RON 7m a year earlier), and lower claims-related income. EBITDA fell 22% Y/Y to RON 67m (6.5% margin) from RON 86m, while EBIT declined 29% Y/Y to RON 38m, with the reduction largely traceable to the lower energy compensation costs recognised in the period.

Despite softer profitability at the EBIT and EBITDA level, the Group returned to profit in Q1 2025, posting a bottom-line result of RON 21m versus a RON 15m loss in Q1 2024. The gross margin improved Y/Y, but the swing into positive territory was largely driven by a RON 28m FX gain, following the appreciation of the RON against the USD

product mix and regional exposure became key levers for navigating volatility and preserving profitability.

In Q1 2025, ALRO continued to implement a suite of strategic investments aimed at expanding its high and very high value-added product range, improving operational safety, and advancing sustainable production.

The Group pursued several major projects, including the installation of an electric ageing furnace to replace older gas-powered units, a move expected to reduce emissions and improve heat treatment efficiency by Q2 2025. It also progressed with the acquisition of advanced testing equipment—such as a double-sided conductivity scanner and an immersion ultrasonic inspection system—to strengthen its aerospace capabilities and product controls. A new 60-tonne melting furnace is being installed to enhance capacity and ensure environmental compliance, with commissioning expected by the end of the year.

The largest investment underway is a RON 33.58m (USD 7.3m) precision plate processing line, designed for longitudinal cutting and milling of aluminium plates to customer specifications. The facility is expected to be operational in 2026 and deliver up to 20kt in annual output by 2029. This builds on the commissioning of the CutSmart Systems line in October 2024, which represented a milestone in ALRO's shift toward customised, high-margin aluminium solutions.

Altogether, these projects reflect a clear prioritisation of high-margin between Q4 2024 and Q1 2025. In the prior-year period, the Group had booked a RON 14m FX loss. Adjusted for this effect, the net result would have ended negative. Net debt remained broadly stable at RON 1.17b, down 1% Y/Y.

In Q1 2025, ALRO advanced a series of strategic investments aligned with its long-term objectives of increasing the share of high and very high value-added products, improving operational safety, and accelerating the Group's transition towards more sustainable production practices. Key projects under execution include:

* **Electric ageing furnace for heat treatment operations** – The Group continued the investment launched in October 2023 for the acquisition of a state-of-the-art aluminium ageing furnace with electric heating. This unit is set to replace three natural gas-powered furnaces within the processed aluminium division, thereby improving energy efficiency and reducing emissions. The investment supports ALRO's shift toward greener production while enabling an increase in premium product output. The total project value amounts to RON 12.65m (USD 2.75m), with commissioning scheduled for Q2 2025.

*** Double-sided conductivity scanner for aerospace plates** – Progress continued on the project initiated in 2023 to acquire advanced equipment for non-destructive conductivity testing of aluminium plates, with a focus on aerospace-grade materials. The scanner enhances operational safety and supports the Group's strategy to expand high value-added aerospace deliveries. The project is valued at RON 9.20m (USD 2.00m) and is expected to be operational in Q2 2025.

*** Immersion ultrasonic inspection system** – Also ongoing is the investment in an immersion US testing system designed to verify internal structural integrity of aluminium alloy plates used in aerospace applications. This will expand ALRO's US testing capacity, supporting its ambitions in the aerospace segment and increasing the very high value-added share in the hot rolled production mix. Commissioning is targeted for Q2 2025, with a total estimated cost of RON 10.21m (USD 2.22m).

*** New 60-tonne furnace to expand melting capacity** – The Group continued implementation of its Cast House project aimed at installing a 60-tonne melting furnace with a rated throughput of 5 tonnes/hour of aluminium ingots. This investment not only increases melting capacity but also ensures environmental compliance in line with evolving ESG expectations. The project has a total budget of RON 12.88m (USD 2.80m), with commissioning planned for December 2025.

*** Precision plate processing line** – ALRO is also progressing with the acquisition of precision processing equipment for longitudinal cutting and milling of aluminium plates, a project launched in 2024 and set for completion in 2026. This equipment supports production of customised, near-net-shaped products with very high added value, directly aligned with the Group's focus on margin-accretive growth. The investment totals RON 33.58m (USD 7.30m). **Within this very high value-added segment, the Group expects to add around 5kt of output in 2026, with volumes reaching up to 20kt annually by 2029 as the new processing line scales to full capacity.**

segments, process automation, and ESG compliance - each reinforcing ALRO's strategic repositioning in an increasingly competitive market.

The precision plate processing investment builds on the launch of the **CutSmart Systems plate-cutting facility in October 2024**. Initiated in late 2022, CutSmart entailed total investments of RON 25.5m over 2023–2024 and marked a key milestone in ALRO's move toward tailored, value-added aluminium solutions. Together, these projects reflect the Group's long-term commitment to performance-driven innovation and deeper client integration.

These projects reflect a clear prioritisation of high-margin segments, process automation, and ESG compliance—each reinforcing ALRO's strategic repositioning in an increasingly competitive market landscape.

In Q1 2025, ALRO expanded its portfolio of very high value-added aerospace products by launching two hard alloy plates—7475 (7351) and 2219 (T851), the latter being a rare alloy produced by only a few global players. The Group also filed a patent for a proprietary monochromatic aluminium alloy plate aimed at high-end industries.

ALRO continued to strengthen its innovation pipeline in Q1 2025, marking significant progress in both product development and certification. The Group began deliveries of two new very high value-added products: hard alloy plates 7475 (temper 7351) and 2219 (T851), the latter commonly referred to as the "**Concorde alloy**." Both products are designed for aerospace applications, and notably, **ALRO is among the very few producers globally capable of manufacturing 2219 alloy at this level**.

In parallel, the Group filed a patent application for a proprietary aluminium alloy plate featuring a monochromatic surface finish tailored for high-end industrial uses. The invention is fully developed in-house and reflects ALRO's renewed presence in the field of innovation and intellectual property—an area of strategic relevance for both the company and Romania's industrial landscape.

In parallel, a major aerospace client conducted a conformity audit at ALRO as part of a qualification process, highlighting the Group's push to grow its aerospace footprint.

In parallel, a major aerospace client conducted a product and laboratory conformity audit at ALRO during the quarter, part of an ongoing qualification process. While the client's identity remains confidential, the audit underscores ALRO's ambition to expand its aerospace footprint.

In Q1 2025, ALRO deepened its sustainability positioning, sourcing 89% of its electricity from carbon-free sources and publishing its first Environmental Product Declarations (EPDs) for green wire rod and 7175 hard alloy plate—both valid through 2030.

In Q1 2025, ALRO further reinforced its environmental credentials, with 89% of its electricity consumption sourced from carbon-free inputs, supporting its decarbonisation trajectory.

The company also issued its first Environmental Product Declarations (EPDs), externally verified under ISO 14025 and ISO 14040 standards, for two aluminium products: green wire rod and the 7175 hard alloy plate. These declarations—valid until January 2030—are now published on the official EPD platform and meet the sustainability requirements of key external clients, especially in high-end sectors.

The company earned a Gold Medal from EcoVadis, ranking in the top 5% globally for ESG performance, and secured "B" scores from CDP for both climate and water. The score indicates sound environmental governance and disclosure practices, positioning ALRO competitively alongside industry leaders such as Norsk Hydro.

Alos, ALRO was awarded a Gold Medal by EcoVadis, a globally recognised ESG rating agency that assesses companies across the environment, labour & human rights, ethics, and sustainable procurement. The Gold distinction places ALRO in the top 5% of rated companies worldwide, acknowledging its transparency and performance in sustainability management.

In addition, ALRO received a "B" rating from CDP (Carbon Disclosure Project) for both Climate Change and Water Security, placing it within the Management tier. This score indicates robust environmental governance and disclosure practices, positioning ALRO competitively alongside industry leaders such as Norsk Hydro.

ALRO also completed its first full-scope carbon footprint under the GHG Protocol, with Scope 1 emissions validated under EU ETS.

For the first time, ALRO also calculated its Scope 1, 2, and 3 carbon footprints using the GHG Protocol, with Scope 1 emissions verified in accordance with EU ETS directives.

These milestones reflect ALRO's integrated approach to sustainability and its strategic pivot toward premium markets increasingly sensitive to environmental impact.

Key regulatory changes enacted in Q1 2025

The EU ETS compensation scheme was revised to allow biannual payments, easing cash flow timing and working capital pressure, while the overall mechanism remains in force through 2030. Separately, the 85% waiver on green certificate acquisitions was formally extended to the end of the decade.

Key regulatory changes enacted in Q1 2025. Two material regulatory updates were issued in Q1 2025, reinforcing ALRO's cost relief framework through 2030.

First, **the EU ETS compensation scheme has been revised to allow for biannual payments**, replacing the previous one-off annual disbursement. This adjustment is expected to alleviate working capital pressure and improve cash flow timing. **The broader EU ETS compensation mechanism remains in force through 2030**.

Second, **the waiver covering 85% of ALRO's green certificate acquisition obligation has been formally extended through to the end of the decade**.

The regulatory changes are expected to improve cash flow timing and reduce working capital strain, supporting financial stability over the medium term.

The US tariff hike on aluminium imports - from 10% to 25%, and later to 50% - introduced both challenges and opportunities for ALRO.

On one hand, higher duties increased the cost of accessing the US market, potentially eroding absolute margins.

On the other hand, the elimination of discriminatory duty-free quotas narrowed the competitive gap between producers.

Trade shifts reshape aluminium flows and pricing asymmetries. In 2025, trade policy changes in the United States delivered a disruptive combination of tariff escalation and quota elimination, reshaping market access for non-domestic producers. The US administration raised aluminium import tariffs from 10% to 25%, and later to 50%, while simultaneously scrapping the system of country-specific duty-free quotas that had long created structural imbalances among European suppliers. Previously, players such as Austria's AMAG could ship up to 10,000 tonnes annually to the US market tariff-free, whereas ALRO's cap stood at just 500 tonnes. The removal of these contingent volumes narrows the advantage held by quota-rich competitors and introduces a more level—though costlier—playing field. For ALRO, which historically derived just 0.5% of its 2022–2024 turnover from US operations (peaking at 1.2% in 2024, or RON 41.5m), the impact is relatively muted.

Overall, while the tariff hike increased barriers, it also realigned market access and pricing dynamics in ways that may prove strategically neutral or even mildly positive for ALRO.

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2020–2024 Review

Alro Group: P&L evolution

(RONm)	2020	2021	2022	2022*	2023	2024
Sales	**2,515**	**3,500**	**3,554**	**3,412**	**2,850**	**3,408**
Y/Y	*-9%*	*39%*	*2%*		*-16%*	*20%*
Primary aluminium	1,110	1,470	854	854	851	1,089
% Sales	44.1%	42.0%	24.0%	25.0%	29.8%	32.0%
Processed aluminium	1,247	1,696	2,479	2,479	1,966	2,294
% Sales	49.6%	48.5%	69.8%	72.7%	69.0%	67.3%
Bauxite	51	15	142	0	0	0
Alumina	97	157	43	43	18	19
Other	10	162	35	35	16	6
GOGS (RONm)	(2,522)	(3,007)	(3,275)	(3,102)	(3,066)	(3,231)
Gross result	**(7)**	**493**	**279**	**310**	**(216)**	**177**
Y/Y	*N/M*	*N/M*	*-43%*		*N/M*	*N/M*
Gross result margin	-0.3%	14.1%	7.9%	9.1%	-7.6%	5.2%
EBITDA o/w	**567**	**386**	**864**	**864**	**(164)**	**345**
Y/Y	*129%*	*-32%*	*124%*		*N/M*	*N/M*
EBITDA margin	22.5%	11.0%	24.3%	25.3%	-5.8%	10.1%
Sale of emission certificates	74	0	52	52	9	196
Energy costs compensations	647	0	804	804	296	249
EBIT	**400**	**228**	**684**	**783**	**(364)**	**225**
Financial result, net	(33)	(171)	(162)	(163)	(143)	(196)
Interest expense, net	(59)	(42)	(94)	(92)	(129)	(126)
FX gains, net	41	(45)	(46)	(49)	(4)	(41)
Other	(15)	(83)	(23)	(22)	(10)	(29)
EBT	**366**	**57**	**522**	**620**	**(507)**	**29**
Income tax	(31)	(31)	(112)	(95)	48	(19)
Net result from discontinued operations				(115)	(103)	
Net profit	**335**	**26**	**409**	**409**	**(562)**	**10**
Y/Y	*N/M*	*-92%*	*N/M*	*N/M*	*N/M*	*N/M*
Net profit margin	13.3%	0.7%	11.5%	12.0%	-19.7%	0.3%
COMMODITY PRICES & ALRO's PREMIA to ALUMINIUM LME 3M PRICE						
Aluminium LME 3M price (USD/t)	1,704	2,488	2,713		2,285	2,457
Y/Y	*-5%*	*46%*	*9%*		*-16%*	*8%*
Alro's realised premium to LME (USD/t)	650	824	2,165		1,451	1,304
Y/Y	*-12%*	*27%*	*163%*		*-33%*	*-10%*
Alumina spot price (USD/t)	270	335	360		346	498
Y/Y	*-19%*	*24%*	*7%*		*-4%*	*44%*
DOMESTIC ENERGY PRICES						
Forward electricity price (RON/MWh)	254	280	587		889	499
Y/Y	*7%*	*10%*	*110%*		*51%*	*-44%*
Spot electricity price (RON/MWh)	197	539	1,349		529	587
Y/Y	*-22%*	*174%*	*150%*		*-61%*	*11%*
Wholesale gas price (RON/MWh)	81	130	405		273	154
Y/Y	*-21%*	*61%*	*210%*		*-33%*	*-44%*
RON/USD						
Annual average	4.24	4.16	4.69		4.57	4.60
Y/Y	*0%*	*-2%*	*13%*		*-2%*	*1%*
End of period	3.97	4.37	4.63		4.50	4.78
Y/Y	*-7%*	*10%*	*6%*		*-3%*	*6%*

Source: The Group; OPCOM, BRM, NBR
**2022 restated to account for the net result from discontinued operations*

Alro Group: Net profit bridge analysis

(RONm)	2020	2021	2022	2023	2024
NET PROFIT (Y-1)	**(67)**	**335**	**26**	**409**	**(562)**
Primary	(82)	360	(616)	(4)	239
Processed	(104)	449	784	(514)	328
Bauxite	(27)	(36)	127	0	0
Alumina	(44)	59	(114)	(25)	1
Other revenues	(7)	152	(127)	(20)	(9)
TOTAL REVENUES IMPACT	**(263)**	**985**	**54**	**(562)**	**558**
Energy, water gas	(21)	(413)	97	399	354
Raw materials	(17)	(40)	(319)	(439)	(428)
Other expenses	67	(33)	(45)	76	(90)
TOTAL COGS IMPACT	**29**	**(486)**	**(267)**	**36**	**(164)**
G&A	(43)	7	(28)	(24)	(38)
Other OPEX	9	(11)	(104)	(73)	108
Other operating income o/w	568	(667)	803	(523)	126
Sale of emission certificates	(47)	(74)	52	(43)	187
Energy costs compensations	647	(647)	804	(508)	(47)
Other financial costs, net o/w	99	(137)	9	20	(53)
Interest expense	18	17	(52)	(38)	4
FX gains (losses), net	75	(86)	(0)	45	(37)
Other	5	(69)	61	12	(19)
Income tax	3	0	(81)	144	(67)
Result from discontinued operations				11	103
NET PROFIT (Y)	**335**	**26**	**409**	**(562)**	**10**
ALRO GROUP - PRODUCTION					
Electrolytic aluminium production (kt)	192	201	79	65	68
Y/Y	*-4%*	*5%*	*-61%*	*-17%*	*5%*
Liquid aluminium production (kt)	27	33	20	43	92
Y/Y	*-9%*	*23%*	*-39%*	*110%*	*116%*
Primary aluminium production (kt)	271	293	191	**196**	**248**
Y/Y	*-3%*	*8%*	*-35%*	*3%*	*26%*
Processed aluminium production (kt)	98	114	91	**93**	**120**
Y/Y	*18%*	*16%*	*-20%*	*2%*	*30%*
Bauxite production (kt)	1,342	1,397	910	691	0
Y/Y	*-29%*	*4%*	*-35%*	*-24%*	*-100%*
Alumina production (kt)	426	499	108	0	0
Y/Y	*-7%*	*17%*	*-78%*	*-100%*	*0%*

Source: The Group

ALRO's financials over 2020–2024 reflect the aluminium sector's broader turmoil - with steep earnings volatility, policy unpredictability, and cost shocks.

Despite modest profitability, the Group remained operational through cost-cutting, downstream focus, and state support.

ALRO's financial performance over the past five years cannot be viewed in isolation from the extraordinary macroeconomic, energy and policy disruptions that have reshaped the aluminium industry. Between 2020 and 2024, the Group experienced a dramatic earnings swing — from a net profit of RON 335m in 2020 to a loss of RON 562m in 2023, followed by a modest recovery to RON 10m in 2024.

This volatility reflects the cumulative impact of pandemic-driven demand collapse, global supply chain dislocations, energy price shocks, and growing policy asymmetries associated with the green transition and shifting trade regimes. Aluminium prices fluctuated sharply, while input cost inflation — particularly for energy and raw materials — compressed margins in unpredictable cycles. The irregular nature of state

support schemes, varying in timing, scope and conditionality, further distorted earnings and complicated planning.

The Group's production model evolved in response. Electrolytic curtailments were implemented to manage energy exposure, while increased use of recycled aluminium and third-party scrap and ingots helped reduce cost intensity. At the same time, the company deepened its focus on processed volumes in high-margin segments such as plates and extruded profiles. The disposal of non-core assets, including the Sierra Leone bauxite mine, the outsourcing of alumina supply, and targeted investments in downstream integration and energy efficiency — most notably the CCGT Ișalnița gas-fired power project and new cutting lines — further illustrate management's response to sustained external pressure. Together, these measures capture both the structural constraints and the corrective actions that have shaped ALRO's profit trajectory.

Despite these efforts, profitability remained modest. Group sales grew at a CAGR of nearly 8% over 2020–2024, yet cumulative net profit reached just RON 218m. Total EBITDA over the five-year period stood at RON 1,997m — broadly in line with the aggregate EU ETS energy cost compensation booked during the same interval. Sales of emissions certificates added another RON 331m, helping to keep results marginally positive.

Exceptional items — including the one-off monetisation of certificates and temporary relief mechanisms — have played a decisive role in sustaining operations. Yet, in an industry that has seen EU primary aluminium output fall by over 50% since the energy crisis, ALRO's continued operation signals a level of strategic adaptability that other European peers have been unable to sustain. In this context, ALRO's ability to remain operational - amid sustained cost pressure, limited policy support, and widespread industry contraction — is not only a reflection of adaptive strategy, but a case of survival in an increasingly hostile environment for European aluminium producers.

But the environment is beginning to shift. The escalation of US import tariffs and broader security realignments mark a turning point in global market dynamics - one that is already driving a deeper transformation within Europe's aluminium sector. The old paradigm of survival — shaped by crisis management and margin defence - is gradually giving way to one defined by structural repositioning, regional rebalancing, and strategic reinvestment.

That said, in our view, ALRO's investment case is no longer just about survival. ALRO is moving past crisis — supported by stabilising cost structures, a more supportive policy environment, and expanding high-margin processing capacity and demand. ALRO's investment case has shifted toward strategic relevance in the next cycle of European reindustrialisation and defence-led rearmament.

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Anchoring the green and defence transition

Europe's aluminium industry has undergone a dramatic decline since the energy crisis, with over half of its primary production capacity being curtailed and imports now meeting most of the demand.

This comes as aluminum's importance surges - underpinning the EU's green transition, defence policy, and industrial resilience. Demand is expected to grow 30% by 2040, yet high energy costs and global trade distortions have made EU production structurally uncompetitive.

Europe's strategic ambitions became increasingly dependent on a material it can no longer reliably produce.

A policy realignment is under way.

March 2025 Clean Industrial Deal increased state aid ceilings and introduced direct energy cost relief, especially for producers investing in clean technology.

The Steel and Metals Action Plan added tighter origin rules ("melt and pour") and new trade defence tools.

Meanwhile, the Critical Raw Materials Act (CRMA), in force since October 2024, designated aluminium as strategic and set binding targets for domestic production, processing, and recycling.

Defence policy has emerged as a key new demand driver. Through the EDIP and the ReArm Europe Plan, the EU is scaling up defence. Used in everything from aerospace structures to radar, armoured vehicles, and satellite

Europe's aluminium industry: from crisis to cornerstone of resilience

Europe's aluminium industry is undergoing a fundamental realignment. Once a competitive global producer, the sector has seen its primary output collapse by over 50% since the energy crisis, while imports now cover more than half of domestic demand. This erosion comes at a time when aluminium has become indispensable to Europe's energy transition, defence capability, and circular economy ambitions. Demand is forecast to rise by 30% by 2040, driven by electrification, renewable infrastructure, and military procurement. Yet the supply base has shrunk. Structural cost disadvantages, particularly in energy, combined with policy fragmentation and trade asymmetries, have placed domestic producers at a severe disadvantage. The paradox is stark: the EU's strategic objectives cannot be met without aluminium, yet Europe is losing its production backbone.

The sector has articulated a six-pillar policy agenda centred on energy affordability, investment mobilisation, raw material access, trade policy, circularity, and regulatory alignment. Energy remains the primary vulnerability. European smelters face power and gas costs two to five times higher than competitors in regions such as the Middle East, China, or North America. Although the extension of indirect cost compensation under the EU ETS to 2030 offers partial relief, it is not sufficient to address the structural pricing gap. The industry is calling for broader access to long-term power purchase agreements (PPAs) and reforms to de-risk energy exposure over the investment cycle.

Decarbonisation targets compound the capital challenge. Cutting emissions by 93% by 2050, in line with Fit-for-55, will require over EUR 33b in investment, excluding infrastructure and innovation funding. Yet instruments such as the ETS Innovation Fund, the Net Zero Industry Act, and the Competitiveness Fund remain under-deployed, while the state aid framework lacks the agility to support large-scale reinvestment. Without better alignment between public tools and private capital, European aluminium producers risk losing out to subsidised international rivals offering cheaper power and faster decarbonisation support.

Material security adds a further layer of exposure. Aluminium was designated a strategic material under the 2024 Critical Raw Materials Act (CRMA). Yet Europe continues to lose over 1 million tonnes of aluminium scrap annually to exports. Recycling consumes only 5% of the energy required for primary production and is critical to the bloc's circularity ambitions. However, weak collection systems, insufficient sorting infrastructure, and absent export controls allow valuable feedstock to leak from the EU. A coherent scrap retention strategy is essential to stabilise supply, reduce emissions, and anchor value chains within the bloc.

On the regulatory front, the **Carbon Border Adjustment Mechanism (CBAM)** is emerging as both a cornerstone of the EU's climate policy and a source of significant concern for aluminium producers. CBAM is the EU's flagship instrument to prevent carbon leakage—the risk that production will shift to countries with looser climate rules. It does so by imposing a carbon cost on imports from outside the bloc, aiming

enclosures, aluminium is foundational to next generation defence platforms.

The Hague Centre for Strategic Studies classifies aluminium and graphite as posing the highest supply risk among all materials used in European defence systems, owing to their critical role across nearly every major platform and the EU's limited access to secure, diversified sources.

In sum, aluminium is no longer a commodity—it is a political material, essential to the EU's energy, industrial, and defence future.

Together, these policy shifts mark a strategic revaluation of aluminium in Europe.

Policy - wise, aluminium is now recognised as a strategic asset and a cornerstone of climate, economic, and defence resilience.

Whether the EU can convert these plans into industrial capacity will depend on implementation speed and investor confidence.

But the direction is clear: Europe is attempting to reclaim control over a sector it cannot afford to lose.

This shift reframes the investment case. In a market clouded by uncertainty, aluminium's trajectory has begun to align with the broader direction of the European project - Europe cannot deliver on climate, defence, or sovereignty targets without a viable aluminium sector.

to place EU and foreign producers on equal footing. Under the scheme, importers of certain carbon-intensive goods must declare the embedded emissions of their products and purchase CBAM certificates that reflect the carbon price paid under the EU Emissions Trading System (ETS).

CBAM was introduced in 2023 with a transitional phase running until the end of 2025. During this period, financial obligations do not apply, but importers must report emissions data—often a complex and costly process. Full implementation, including the requirement to buy CBAM certificates, will begin in 2026. The first sectors covered include cement, steel, fertilisers, electricity, and aluminium.

Despite its strategic objectives, CBAM in its current form has notable flaws. It fails to account for indirect emissions—those arising from electricity use rather than the industrial process itself. This omission penalises aluminium producers in Europe that have invested heavily in clean energy, as their lower carbon footprint goes unrecognised. Furthermore, the mechanism only applies to a narrow range of aluminium products, excluding many semi-finished and processed goods. This creates a backdoor for high-carbon imports to enter the EU untaxed, distorting competition and undermining the climate rationale.

CBAM is also exposed to circumvention. Exporters can shift shipments through third countries or slightly modify product classifications to avoid coverage. The compliance burden, particularly during the current reporting-only phase, is disproportionately heavy for mid-sized producers, adding cost without delivering immediate environmental benefit.

Without urgent reform - expanding the scope to cover downstream products, including indirect emissions, and simplifying administrative procedures - CBAM risks harming compliant EU producers more than their carbon-intensive competitors abroad. What was intended as a shield against carbon leakage may, paradoxically, accelerate industrial erosion unless recalibrated.

Trade policy remains similarly misaligned. Chinese state-supported overcapacity continues to depress global aluminium prices, while redirected flows, following new US tariffs, have intensified import pressure in Europe.

Yet a structural repricing is under way. Aluminium is no longer treated as a mere commodity but as a political material - central to Europe's ambitions for energy security, green mobility, defence capability, and industrial circularity. Demand is set to rise driven by expanding needs in transport, electrical infrastructure, construction, and aerospace. Although recycling is essential to closing material loops, high-performance applications still depend on blends containing 30–40% primary metal. This ensures that low-carbon smelting capacity remains a necessary pillar of the EU's industrial base.

In 2025, the European Union intensified its industrial policy response to support the aluminium sector as a strategic asset for the green transition, defence readiness, and economic resilience.

The Clean Industrial Deal, **adopted in March**, introduced a reformed state aid framework allowing significantly higher public support for energy-intensive industries. This included subsidies of up to EUR 200m per project and facilitated access to decarbonisation funding. Crucially, the scheme permits cost relief for electricity consumption, covering up to 50% of energy bills, contingent on reinvestment in clean technology. These measures aim to mitigate structural disadvantages faced by European aluminium producers, who continue to operate with power costs two to five times higher than global peers. The Deal explicitly states that the upcoming CBAM review will consider indirect electricity costs for EU producers and outline a strategy to tackle carbon leakage risks for exports.

In parallel, the **Steel and Metals Action Plan,** launched on 19 March, addressed persistent vulnerabilities in trade policy and raw material sourcing across Europe's metals sector. A central provision was the introduction of stricter "melt and pour" origin rules—an important shift in how the provenance of metal products is determined. Under these rules, a product is considered European only if the smelting (melting) and casting (pouring) of the metal occurred within EU borders. Downstream processing such as rolling, cutting or coating does not suffice to confer EU origin status if the primary transformation took place outside the Union. This approach aims to close loopholes that previously allowed basic metals imported from non-EU countries to undergo minimal finishing in Europe and be marketed as EU-made. The new framework enhances traceability, aligns with the bloc's decarbonisation goals—given that EU smelting operations tend to have a lower carbon footprint—and helps protect domestic producers from unfair competition. By making origin rules reflect the full environmental and economic footprint of production, the EU strengthens its capacity to distinguish compliant, low-emission materials from high-carbon, distortive imports. These measures are accompanied by reinforced trade defence instruments, including proposed anti-dumping tools, to counter the growing influx of underpriced metals, particularly amid a redirection of Chinese surplus following the imposition of new US tariffs.

A further priority was halting the annual leakage of over 1 million tonnes of aluminium scrap beyond EU borders. Proposed actions included the introduction of export duties on strategic scrap, improved collection infrastructure, and greater investment in domestic recycling, all intended to bolster Europe's circular value chains and reduce reliance on carbon-intensive primary imports.

The **Critical Raw Materials Act (CRMA), in effect from October 2024**, marked a decisive shift in Europe's approach to supply security. By formally listing aluminium as a strategic material, the legislation sets binding 2030 targets: 10% of the EU's needs must be met through domestic production, 40% through processing, and 25% through recycling. Beyond target-setting, the CRMA expedites permitting and steers funding toward recycling infrastructure. The goal is clear: to reduce external dependence and secure aluminium's availability for critical sectors such as electric mobility, renewable power, and defence. In positioning aluminium as a pillar of industrial resilience, the CRMA lays the groundwork for long-term strategic autonomy.

Meanwhile, **the defence policy has emerged as a major new demand driver for Europe's aluminium industry.** The **European Defence Industry Programme (EDIP) allocates EUR 1.2b** in direct grants to build industrial capacity, with an additional EUR 300 million earmarked for Ukraine-related production. This is complemented by the far-reaching Readiness 2030 initiative - marketed as the **ReArm Europe Plan - which aims to mobilise EUR 800b over four years**, including EUR 650b for advanced procurement. These programmes mark a significant shift in the EU's strategic posture and have profound implications for raw material demand.

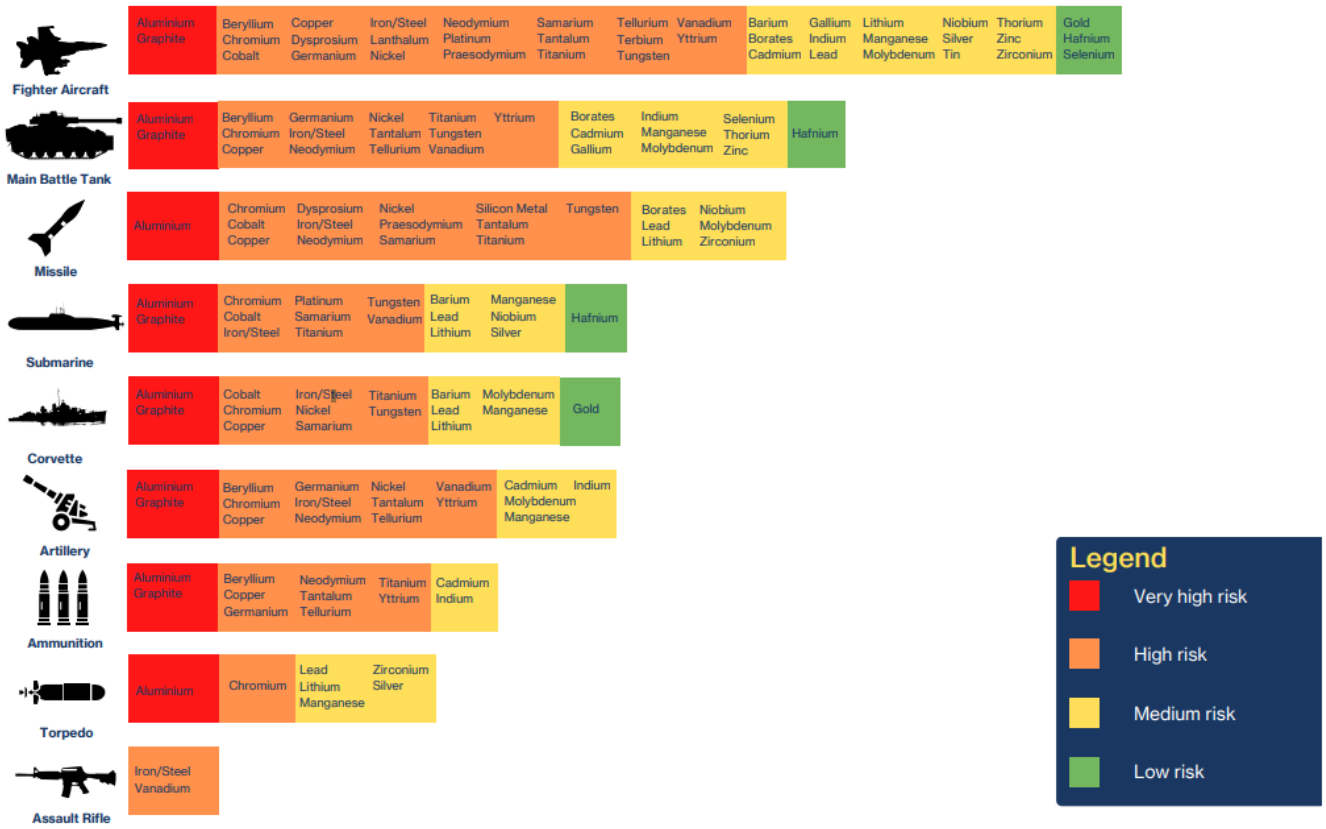
Aluminium occupies a central position in modern defence systems. Its low weight, high strength, and corrosion resistance make it indispensable across military domains. In aerospace, it remains the backbone of airframe design—used in fuselages, wings, and structural components to enhance manoeuvrability and fuel efficiency. On land, aluminium alloys are key to lightweight armour systems, striking a balance between mobility and protection. In naval applications, its resilience to corrosion ensures the durability of ship structures in harsh marine environments. Beyond platforms, aluminium also underpins defence infrastructure, contributing to radar systems, electromagnetic shielding, and thermal control. It is a material of choice for next-generation capabilities—from directed energy weapons and unmanned aerial systems to satellite housing and portable energy storage units.

Securing access to such a versatile input is becoming a strategic imperative. Military supply chains depend on consistent availability of high-grade aluminium, processed to stringent defence standards. Supply disruptions—be they political, economic, or logistical—threaten the EU's ability to deliver on its rearmament agenda. Industrial policy must therefore align with defence policy to ensure domestic smelting and downstream processing can keep pace with rising demand.

The urgency is underscored by the analysis from the Hague Centre for Strategic Studies, an independent think tank, which classifies **aluminium and graphite as posing the highest supply risk among all materials used in European defence systems**, owing to their critical role across nearly every major platform. Both are used extensively across all core platforms, from fighter aircraft and submarines to missiles, tanks, and artillery systems. Graphite, in particular, is becoming increasingly critical in energy storage, high-performance electronics, and thermal shielding, all of which are essential to the modern battlefield.

Europe's dependence on external suppliers for these inputs- amplifies exposure to geopolitical pressure. Without reinforced domestic capacity, improved recycling systems, and diversified import sources, the bloc risks compromising its strategic autonomy. In a defence landscape increasingly shaped by material access, aluminium is no longer just a metal—it is a prerequisite for credible deterrence.

Supply risk for critical raw materials in military applications



Source: The Hague Centre for Strategic Studies - "Strategic raw materials for defence – Mapping European industry needs", January 2023

Together, these policy shifts mark a strategic revaluation of aluminium in Europe. Once seen as a cyclical commodity, aluminium is now treated as a strategic asset and a cornerstone of climate, economic, and defence resilience. Whether the EU can convert these plans into industrial capacity will depend on implementation speed, coordination, and investor confidence. But the direction is clear: Europe is attempting to reclaim control over a sector it cannot afford to lose.

This shift reframes the investment case. In a market clouded by uncertainty, aluminium's trajectory has begun to align with the broader direction of the European project. Europe cannot deliver on climate, defence, or sovereignty targets without a viable aluminium sector.

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Valuation

We update our view on ALR RO with a STRONG BUY recommendation and a target price of RON 2.10 per share, implying an upside potential of 43% against last close.

Alro Group: Discounted Cash Flow Valuation

ALRO DISCOUNTED CASH FLOW								
(RONm)	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**	**2032F**
EBIT	113	264	378	553	649	684	624	373
Plus: D&A	121	123	129	132	137	142	147	152
Minus: Tax on EBIT	(18)	(42)	(61)	(88)	(104)	(109)	(100)	(60)
CAPEX	(161)	(158)	(159)	(160)	(160)	(161)	(161)	(157)
(Increase)/decrease in working capital	(44)	(53)	(48)	(81)	(91)	(74)	(67)	(97)
Free cash flow	**10**	**133**	**239**	**356**	**432**	**481**	**443**	**211**
WACC	**12.0%**	**12.0%**	**11.4%**	**10.9%**	**10.3%**	**9.8%**	**9.8%**	**9.8%**
Present value	10	112	181	243	266	271	227	98
Cumulative net present value	1,408							
Growth rate	2.5%							
Terminal Value (TV)								2,965
Present value of TV	1,260							
Enterprise value	**2,668**							
Minus: Latest Net debt (cash)	1,166							
Minus: Minorities	0.48							
Value of equity	**1,501**							
Target price	**2.10**							
Last close	1.47							
Upside/(Downside)	43.0%							
WACC assumptions								
Risk free rate	7.4%	7.4%	6.8%	6.2%	5.6%	5.0%	5.0%	5.0%
Market premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Beta levered	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Cost of debt	7.9%	7.9%	7.3%	6.7%	6.1%	5.5%	5.5%	5.5%
Cost of equity	17.3%	17.3%	16.7%	16.1%	15.5%	14.9%	14.9%	14.9%

Source: Swiss Capital estimates

Our explicit forecast horizon extends through 2032, aligning with the end of the Group's current regulatory support. Under existing legislation, both the 85% green certificate waiver and the EU ETS energy cost compensations are set to expire in 2030. However, given that compensations are booked with a one-year lag, 2031 captures the final impact of support inflows and represents the last year in which earnings are structurally subsidised. Beyond 2031, we model a fully normalised, unsubsidised free cash flow profile.

For 2025, ALRO has budgeted energy cost compensations of USD 63m, which we assume flat over the remaining entitlement period. According to our estimates, the expiration of the 85% green certificate waiver after 2030 is expected to add approximately RON 95m to COGS. These assumptions are reflected in our model, with structural support flows fully phased out by 2031, after which ALRO's cost base normalises under a post-subsidy regime.

Profitability outlook: subdued near term, structurally improving post-2026

While ALRO's profitability in 2025–2026 is likely to remain subdued — reflecting the expected lag in the implementation of the EU policy shift targeting the aluminium industry, continued pressure from still elevated electricity prices and other input costs, and the persistence of competition from low-cost, high-carbon imports in 2025 — our

From 2027 onward, we expect profitability to improve, supported by tighter regulatory enforcement, the progressive phase-out of untraceable high-carbon imports, and a recovery in premia for certified, low-emission aluminium. This trend is expected to be reinforced by the ramp-up of VHVAPs output from the precision plate processing line, a project scheduled for completion in 2026.

Demand tailwinds for high value and very high value processed products are also set to strengthen as aluminium's role in defence expands.

No longer viewed as a cyclical commodity, the recent policy shifts have elevated aluminium to the status of political material, essential to the delivery of Europe's climate, economic and defence ambitions.

This reframing is codified in multiple regulatory initiatives, including the revised Carbon Border Adjustment Mechanism (CBAM), the Critical Raw Materials Act, and the Green Deal Industrial Plan.

Implementation remains uneven, and investor confidence will depend on the speed and coordination of support mechanisms. But the direction is unmistakable: Europe is attempting to reclaim industrial control over a material it cannot afford to lose.

Meanwhile, the defence policy has emerged as a major new demand driver for the EU's aluminium industry.

valuation reflects ALRO's structurally improved strategic positioning and the broader regulatory recalibration now unfolding across Europe. In 2026, the implementation of the revised Carbon Border Adjustment Mechanism (CBAM) is expected to at least theoretically reduce, if not eliminate, the competitive distortion posed by carbon-intensive aluminium entering the EU market.

As the EU begins to operationalise its industrial reset—through CBAM enforcement, defence rearmament programmes, and ESG-aligned procurement— ALRO stands out as one of the few regional producers already aligned with future compliance thresholds.

From 2027 onward, we expect profitability to improve, supported by tighter regulatory enforcement, the progressive phase-out of untraceable high-carbon imports, and a recovery in premia for certified, low-emission aluminium. This trend is expected to be reinforced by the ramp-up of very high value-added products output from the precision plate processing line, a project scheduled for completion in 2026.

Demand tailwinds for high value and very high value processed products are also set to strengthen as aluminium's role in defence expands under the EU's defence-led rearmament.

Recent policy shifts—detailed in the section "Europe's aluminium industry: from crisis to cornerstone of resilience" (p.12 of our update report)—mark a structural redefinition of aluminium's role within the EU industrial base. No longer viewed as a cyclical commodity, aluminium has been elevated to the status of a political material, essential to the delivery of Europe's climate, economic and defence ambitions.

In the **climate sphere**, aluminium is essential for decarbonisation technologies. Lightweight and infinitely recyclable, it underpins clean mobility, solar and wind infrastructure, and energy storage systems. Electrification and circularity targets simply cannot be met without large volumes of low-carbon aluminium.

In **defence**, aluminium's strength-to-weight ratio, corrosion resistance, and adaptability make it foundational to military platforms—from aircraft and armoured vehicles to naval systems and satellites. As the EU re-arms, secure access to defence-grade aluminium becomes a matter of operational readiness.

Economically, Europe's overdependence on imports—particularly from high-carbon jurisdictions—has become a structural vulnerability. Aluminium processing requires stable, affordable energy, and past offshoring has hollowed out the EU's strategic capacity. Reclassifying aluminium as a critical EU material in October 2024 reflects the realisation that without a viable domestic industry, Europe remains exposed to price shocks, supply disruptions, and geopolitical leverage.

This reframing is codified in multiple regulatory initiatives, including the revised CBAM and the Green Deal Industrial Plan. These aim to reverse the EU's heavy reliance on carbon-intensive imports, restore domestic aluminium production capacity, and channel capital toward low-carbon, circular, and resilient industrial assets.

EDIP, the European Defence Industry Programme, allocates EUR 1.2b in direct grants to build industrial capacity, with an additional EUR 300 million earmarked for Ukraine-related production. This is complemented by the far-reaching Readiness 2030 initiative - marketed as the ReArm Europe Plan - which aims to mobilise EUR 800b over four years - These programmes mark a significant shift in the EU's strategic posture, with far-reaching implications for raw material demand.

For investors, the opportunity lies in anticipating the policy correction. As the EU prepares to operationalise these plans, companies positioned on the right side of regulation, circularity, and clean energy will lead the reindustrialisation cycle.

Contract visibility in defence and renewables, secure feedstock, and decarbonisation credentials will become core valuation drivers.

The convergence of clean energy credentials, product diversification, and regulatory alignment places ALRO in a favourable position as capital begins to reallocate toward transition-aligned industrial assets.

With demand expected to rebound, policy risk diminishing, and structural protection improving,

ALRO's investment case is about strategic relevance in the next cycle of European reindustrialisation and defence-led rearmament.

These shifts are not merely rhetorical. EU institutions increasingly acknowledge that aluminium is now explicitly linked to strategic policy objectives such as defence readiness, net-zero compliance, and industrial sovereignty.

For investors, the opportunity lies in anticipating the policy correction. As the EU prepares to operationalise these action plans, companies positioned on the right side of regulation, circularity, and clean energy will lead the reindustrialisation cycle. Contract visibility in defence and renewables, secure feedstock, and decarbonisation credentials will become core valuation drivers.

Implementation remains uneven, and investor confidence will depend on the speed and coordination of support mechanisms. But the direction is unmistakable: Europe is attempting to reclaim industrial control over a material it cannot afford to lose. This changes the investment lens—from short-term commodity cycle to long-term strategic alignment.

For ALRO, this policy and market realignment marks a strategic inflection point. As one of the few EU producers operating with over 89% carbon-free electricity, the company is structurally positioned to benefit from reforms that reward clean energy use and traceable, low-carbon production—both of which align with CBAM thresholds and EU green procurement standards.

Its Environmental Product Declarations (EPDs) offer third-party verified data on the lifecycle emissions of its rolled and cast products, supporting growing transparency requirements across industrial supply chains. The Group's EcoVadis Gold rating—awarded for best practices in environment, labour, ethics, and supply chain—places it in the top 5% of companies globally, a key differentiator as ESG filters increasingly guide capital allocation and public tenders.

ALRO is also advancing R&D in low-carbon alloys, circular production, and high-spec aluminium for aerospace and defence—capabilities that are becoming critical as Europe reorients its industrial base toward dual-use technologies, strategic autonomy, and clean mobility.

ALRO's technical capabilities in producing high-strength hard alloys position it as a credible supplier to Europe's defence and aerospace value chains—two of the fastest-growing aluminium demand segments. The material's defence relevance is expanding significantly as the EU implements its Readiness 2030 and the EDIP frameworks, which together mobilise over EUR 800b in multi-annual rearmament funding. The EDIP alone allocates EUR 1.2b in direct grants to boost industrial capacity, with a further EUR 300m earmarked for Ukraine-related production. This is reinforced by the broader Readiness 2030 initiative - branded as the ReArm Europe Plan - which aims to channel EUR 800b over four years, including EUR 650b for advanced procurement. These initiatives signal a decisive shift in the EU's strategic posture and carry material implications for the aluminium industry, elevating defence policy as a strong demand driver.

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The convergence of clean energy credentials, product diversification, and regulatory alignment places ALRO in a favourable position as capital begins to reallocate toward transition-aligned industrial assets. With demand expected to rebound, policy risk diminishing, and structural protection improving, ALRO's investment case is no longer just about survival - it is about strategic relevance in the next cycle of European reindustrialisation and defence-led rearmament.

Although ALRO currently trades at a significant premium to the peer median of 5.6x FY 2025F EBITDA and 5.2x FY 2026F EBITDA, at both market and target prices, we view this as a function of timing and earnings normalisation, rather than structural overvaluation.

The two-year premium reflects depressed near-term EBITDA, which lags the company's underlying strategic repositioning. As earnings recover and margins benefit from increased policy support, improved product mix, and a gradual narrowing of input cost disparities - particularly Romania's relatively high energy prices - the multiple compresses to 5.3x by 2027, at our target price, and averages 3.8x over the remaining explicitly forecasted period through 2032.

This dynamic suggests a rerating trajectory—driven by fundamentals catching up with valuation—rather than a persistently high premium.

Alro Group: Peers comparison

Company	Ticker	EV/EBITDA						P/E					
		2024A	2025F	2026F	2027F	2028F	2029F	2024A	2025F	2026F	2027F	2028F	2029F
Non-integrated aluminium producers													
Century Aluminum	CENX.O	10.7	5.3	5.6	N/A	N/A	N/A	5.6	7.4	7.6	N/A	N/A	N/A
Kaiser Aluminum	KALU.O	10.2	8.3	7.2	N/A	N/A	N/A	24.5	15.6	11.5	N/A	N/A	N/A
Amag Austria Metall AG	AMAV.VI	6.5	3.9	3.3	N/A	N/A	N/A	19.6	29.4	17.6	N/A	N/A	N/A
Hindalco Industries Ltd	HALC.NS	5.9	5.7	5.4	N/A	N/A	N/A	9.5	9.6	9.3	N/A	N/A	N/A
Constellium NV	CSTM.K	5.7	5.6	4.9	N/A	N/A	N/A	27.1	10.6	7.5	N/A	N/A	N/A
Granges AB	GRANG.ST	7.9	6.5	5.8	N/A	N/A	N/A	13.8	10.7	8.7	N/A	N/A	N/A
Median		**7.2**	**5.6**	**5.5**	N/A	N/A	N/A	**16.7**	**10.7**	**9.0**	N/A	N/A	N/A
Integrated aluminium producers													
Norsk Hydro ASA	NHY.OL	5.5	4.6	4.4	N/A	N/A	N/A	21.6	10.5	9.0	N/A	N/A	N/A
Mytilineos Holdings SA	MYTHY.PK	7.2	7.8	7.2	N/A	N/A	N/A	7.7	9.2	8.2	N/A	N/A	N/A
Rio Tinto Plc	RIO.L	5.0	4.7	4.5	N/A	N/A	N/A	8.4	9.1	9.1	N/A	N/A	N/A
Alcoa Corp	AA	7.4	4.7	4.8	N/A	N/A	N/A	134.8	8.2	10.2	N/A	N/A	N/A
Chalco	601600.SS	5.4	5.6	5.2	N/A	N/A	N/A	10.2	9.8	8.3	N/A	N/A	N/A
Median		**5.5**	**4.7**	**4.8**	N/A	N/A	N/A	**10.2**	**9.2**	**9.0**	N/A	N/A	N/A
Median of peers		**6.5**	**5.6**	**5.2**	**N/A**	**N/A**	**N/A**	**13.8**	**9.8**	**9.0**	**N/A**	**N/A**	**N/A**
Alro (@ market price)	ROALR.BX	**6.4**	**9.5**	**5.7**	**4.4**	**3.2**	**2.8**	**101.6**	**N/M**	**11.3**	**5.6**	**3.1**	**2.4**
Premium(Discount)		*(1%)*	*71%*	*11%*				*N/M*	*N/M*	*N/M*			
Alro (@ target price)	ROALR.BX	**7.7**	**11.4**	**6.9**	**5.3**	**3.9**	**3.4**	**145.4**	**N/M**	**16.2**	**8.0**	**4.4**	**3.4**
Premium(Discount)		*19%*	*105%*	*33%*				*N/M*	*N/M*	*N/M*			

Source: Thomson Reuters Eikon, Swiss Capital estimates

Two potential areas of strategic development — the reactivation of the idled electrolysis pots and the

The potential reopening of the three idled electrolysis pots—shut down in 2022 amid peak electricity prices—remains economically unviable under current conditions.

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Ișalnița gas-fired power project — remain under consideration, though neither is critical to the Group's current operating model. While the former remains economically unviable under current market conditions and is excluded from our base case, the latter is assumed to proceed, albeit with a revised cost structure and a one-year delay in commissioning.

The current energy compensation scheme is capped and does not scale with incremental consumption, while the estimated reactivation cost of USD 10–12m per pot in 2022 has likely increased significantly, reflecting cumulative inflationary pressures since that time.

Based on our understanding and discussions with the company, any restart would be contingent on two critical conditions: access to a substantial grant to cover the reactivation costs and long-term power purchase agreements (PPAs) to ensure price visibility and align input costs with EU benchmarks. Our base-case scenario assumes the restart is indefinitely postponed, given the lack of visibility on meeting either of these prerequisites.

Ișalnița power plant - Funding gap emerges as inflation drives up project cost

The Ișalnița 850 MW gas-fired power plant—developed jointly by ALRO and CE Oltenia—was initially budgeted at EUR 506m (RON 2.54b), with 50% non-refundable co-financing secured via the Modernisation Fund based on this estimate. However, the first construction tender launched in July 2024 was cancelled due to a lack of bidders. That procedure had valued the contract at RON 2.81b (EUR 555m). A new tender launched in 2025 showed a sharp upward revision, with the total value now estimated at RON 3.77b (EUR 745m)—an increase of 47% versus the original budget used to secure public funding. Accordingly, ALRO and its partner CE Oltenia may need either to absorb the cost overrun or renegotiate the public funding structure. Based on currently available information, our base-case scenario assumes full absorption of the additional cost, with project commissioning delayed by one year to 2028.

The project company is structured as a special purpose vehicle (SPV), with ALRO SA holding 40.1% of the shares and Complexul Energetic Oltenia owning the remaining 59.9%. ALRO accounts for its interest as an equity-accounted investment, reported under 'Other long-term financial investments' on the Group's consolidated balance sheet. As of year-end 2024, the carrying value stood at RON 216.2m (EUR 43.5m).

Main inputs pricing and upcharges assumptions

(USD/t)	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
LME Aluminium price (USD/t)	2,285	2,457	2,530	2,604	2,660	2,715	2,764	2,814	2,865	2,916
Y/Y	*-16%*	*8%*	*3%*	*3%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Alro's aluminium premium to LME (USD/t)	1,451	1,304	1,350	1,430	1,505	1,587	1,666	1,712	1,758	1,800
Y/Y	*-33%*	*-10%*	*3%*	*6%*	*5%*	*5%*	*5%*	*3%*	*3%*	*2%*
Alumina spot price (USD/t)	346	498	400	374	378	375	382	389	396	403
Y/Y	*-4%*	*44%*	*-20%*	*-6%*	*1%*	*-1%*	*2%*	*2%*	*2%*	*2%*
EEX - German futures price (RON/MWh)	1,474	681	448	463	420	377	368	366	360	349
Y/Y	*235%*	*-54%*	*-34%*	*3%*	*-9%*	*-10%*	*-2%*	*-1%*	*-2%*	*-3%*
Forward market (BCM) electricity price (RON/MWh)	889	499	524	508	442	388	374	368	360	349
Y/Y	*51%*	*-44%*	*5%*	*-3%*	*-13%*	*-12%*	*-4%*	*-2%*	*-2%*	*-3%*
Spot market (DAM) electricity price (RON/MWh))	529	587	587	559	478	416	393	387	378	366
Y/Y	*-61%*	*11%*	*0%*	*-5%*	*-15%*	*-13%*	*-5%*	*-2%*	*-2%*	*-3%*

Source: The Group; Bloomberg; OPCOM; EEX: Swiss Capital estimates

Bloomberg consensus sees aluminium prices remaining broadly stable, rising

Aluminium price outlook: stable range under balanced market expectations. The aluminium price outlook for 2025–2032, based on Bloomberg consensus estimates,

gradually from USD 2,530/t in 2025 to USD 2,916/t by 2032.

suggests a broadly stable path, with prices expected to move gradually from USD 2,530/t in 2025 to around USD 2,900/t by 2032. According to analysts, this reflects a market expected to remain broadly balanced, with moderate demand growth offset by disciplined supply, leaving little room for significant price swings.

Bloomberg consensus sees alumina prices correcting from USD 498/t in 2024 to USD 400/t in 2025 and USD 374/t in 2026.

Alumina price outlook: correction in 2025–2026 after the temporary spike from 2024.

After surging by 44% Y/Y in 2024, alumina prices are expected to fall by 20% Y/Y in 2025, followed by a further 6% decline in 2026, according to Bloomberg consensus. The decline reflects easing supply pressures expectations, as new refining capacity in Asia comes online and bauxite flows from Guinea stabilise, reversing the temporary tightness that drove prices sharply higher in 2024.

Electricity cost pressure, while still elevated in 2024–2025, is expected to ease progressively in the medium to long term. This view is supported by the German futures pricing curve, which indicates a return to structurally lower power prices toward the end of the decade.

Domestic electricity prices outlook: gradual decline and convergence with EU benchmarks. In 2024, the share of energy in ALRO's electrolytic aluminium production costs declined to 48% from 56% in 2023. The improvement reflects a 44% Y/Y drop in forward domestic electricity prices, following the highs reached in 2023 during the aftermath of the 2022 energy crisis — itself triggered by the Ukraine war and Europe's abrupt shift away from Russian gas. That said, the spot market reversed part of this correction: after falling 61% Y/Y in 2023, domestic spot electricity prices rose by 11% Y/Y in 2024.

For 2025, ALRO has stated that most of its electricity needs are already covered by contracts. Still, forward market data indicates a 5% Y/Y increase, with prices expected to reach EUR 105.6/MWh in 2025 — a level over 15% above the German benchmark, which averages EUR 87.85/MWh for the year.

In our model, we assume the gap will gradually close, with long-term domestic electricity contract prices expected to converge with German futures, which point to EUR 69.7/MWh by 2030 — more than 20% below current pricing.

We expect Alro's realised premium to the LME aluminium price to rise from USD 1,350/t in 2025 to USD 1,800/t by 2032. While this improvement is mainly supported by accretive investments in high and very high value-added processing, it remains well below the company's internal scenario, which anticipates the premium exceeding USD 2,000/t as early as 2029.

We expect **Alro's realised premium to the LME aluminium** price to rise progressively from USD 1,350/t in 2025 to USD 1,800/t by 2032. While this reflects a gradual improvement in product mix and downstream positioning, it remains well below the company's internal scenario, which anticipates the premium exceeding USD 2,000/t by 2029 as very high-value added processing capacity reaches full utilisation.

Although structural upgrades are expected to support ALRO's premium recovery, we assume a more measured pace of commercial ramp-up and price realisation, constrained

The company's expectations are underpinned by a series of strategic investments in advanced processing capabilities. Central to this is the longitudinal cutting and milling line for aluminium plates, launched in 2024 and scheduled for completion in 2026. The line is designed to produce customised, near-net-shape plates with significantly higher commercial value, commanding premiums that are more than double those of the standard delivered plates currently in Alro's portfolio. This aligns directly with the Group's shift toward performance-led output and deeper client integration. The total investment stands at RON 33.6m (USD 7.3m), with output initially projected at 5kt in 2026 and scaling to 20kt per year by 2029. The investment builds on the earlier CutSmart Systems facility, commissioned in October 2024, which marked a key milestone, enabling high-precision, customer-tailored deliveries and reinforcing

by customer qualification cycles and continued competitive pressure in core European high end-markets.

The revised CBAM, entering full implementation in 2026, is likely to provide incremental support to premium formation.

ALRO's position in the high-value-added segment. While both projects are critical to long-term margin expansion, we remain cautious on their ability to lift the realised premium to over USD 2,000/t within the current forecast horizon.

Although the structural upgrades are expected to support premium recovery, we assume a more measured pace of commercial ramp-up and price realisation, constrained by customer qualification cycles, procurement lead times, and sustained competitive pressure in core European high end-markets.

Further, the revised CBAM, entering full implementation in 2026, is expected to offer incremental support to premium formation. As carbon costs become embedded in import pricing, low-emission, traceable producers like Alro should gain a relative advantage in downstream negotiations. While the initial impact may be limited, the progressive institutionalisation of carbon-adjusted pricing is likely to reshape procurement dynamics across the EU. CBAM was introduced in 2023, with a transitional phase until end-2025 focused on emissions reporting only. From 2026, importers must purchase CBAM certificates for non-EU aluminium, effectively levelling the regulatory playing field. Alro's access to low-carbon power and ESG-aligned processing gives it a favourable position to capitalise on this shift — though, for now, we remain cautious on the timing of premium uplift embedded in management's projections.

Alro Group: Metals balance assumptions

(kt)	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Casthouse aluminum	196	248	261	273	282	285	288	291	294	298
Electrolytic aluminum	65	68	72	75	78	78	78	78	78	79
Secondary aluminium	131	180	189	197	204	207	210	213	216	219
Primary aluminum production	**196**	**248**	**261**	**273**	**282**	**285**	**288**	**291**	**294**	**298**
Primary aluminum sales	**65**	**77**	**90**	**91**	**92**	**93**	**94**	**96**	**97**	**99**
Wire rod	45	68	75	76	77	78	80	81	82	84
Inter-segment sales	0	0	0	0	0	0	0	0	1	2
Third parties sale	**45**	**68**	**75**	**76**	**77**	**78**	**80**	**81**	**82**	**84**
Billets	55	44	40	40	40	40	40	40	40	40
Inter-segment sales	43	32	32	32	32	32	32	32	32	32
Third parties sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Billets processing	**11**	**12**	**8**	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Slabs	97	137	145	156	165	166	168	170	171	173
Inter-segment sales	95	136	145	156	165	166	168	170	171	173
Third parties sale	**2**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Processed aluminum production	**93**	**120**	**130**	**138**	**143**	**145**	**146**	**147**	**148**	**149**
Flat rolled products	**58**	**88**	**97**	**104**	**110**	**111**	**112**	**113**	**114**	**116**
Plates o/w	40	59	68	74	80	81	82	83	84	84
Precision plates				*5*	*8*	*12*	*16*	*17*	*18*	*18*
Coils & Sheets o/w	18	28	29	30	30	30	30	31	31	31
Sheets	9	17	17	18	18	18	18	18	18	19
Coils	9	11	12	12	12	12	12	12	13	13
Extruded products	**35**	**32**	**33**	**33**	**33**	**33**	**33**	**33**	**33**	**33**
Processed aluminum sales	**93**	**120**	**130**	**137**	**143**	**144**	**145**	**146**	**147**	**148**

Source: The Group; Swiss Capital estimates

Alro Group: P&L (IFRS consolidated)

(RONm)	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net turnover	**2,850**	**3,408**	**3,824**	**4,172**	**4,462**	**4,674**	**4,872**	**5,038**	**5,195**	**5,376**
Bauxite	0	0	0	0	0	0	0	0	0	0
Alumina	18	19	18	17	16	15	15	14	13	13
Primary aluminum	851	1,089	1,264	1,332	1,387	1,440	1,489	1,539	1,586	1,655
Processed aluminum	1,966	2,294	2,536	2,816	3,052	3,212	3,362	3,479	3,589	3,702
Other	16	6	6	6	6	6	6	6	7	7
COGS	**(3,066)**	**(3,231)**	**(3,605)**	**(3,788)**	**(3,951)**	**(3,976)**	**(4,064)**	**(4,183)**	**(4,384)**	**(4,512)**
Gross result	**(216)**	**177**	**219**	**384**	**511**	**698**	**808**	**856**	**810**	**865**
Gross profit margin	*-7.6%*	*5.2%*	*5.7%*	*9.2%*	*11.5%*	*14.9%*	*16.6%*	*17.0%*	*15.6%*	*16.1%*
G&A	(329)	(367)	(354)	(370)	(384)	(397)	(411)	(424)	(438)	(453)
Net other operating income (expense) o/w	182	416	248	250	251	252	252	252	251	(39)
Income from EU Emissions Trading Scheme (ETS)	374	303	281	284	286	287	288	289	289	0
Income from sale of emissions certificates	9	196	0	0	0	0	0	0	0	0
EBITDA	**(70)**	**345**	**233**	**387**	**507**	**685**	**786**	**826**	**770**	**525**
EBITDA margin	*-2.5%*	*10.1%*	*6.1%*	*9.3%*	*11.4%*	*14.7%*	*16.1%*	*16.4%*	*14.8%*	*9.8%*
D&A	(294)	(120)	(121)	(123)	(129)	(132)	(137)	(142)	(147)	(152)
EBIT	**(364)**	**225**	**113**	**264**	**378**	**553**	**649**	**684**	**624**	**373**
EBIT margin	*-12.8%*	*6.6%*	*2.9%*	*6.3%*	*8.5%*	*11.8%*	*13.3%*	*13.6%*	*12.0%*	*6.9%*
Net interest income (expense)	(129)	(126)	(122)	(120)	(127)	(124)	(99)	(77)	(64)	(52)
Net FX gains (losses)	(4)	(41)	31	(19)	(13)	(8)	(5)	(3)	(1)	0
Other financial gains (losses)	(10)	(29)	(15)	(15)	(15)	(15)	(14)	(14)	(14)	(14)
EBT	**(507)**	**29**	**7**	**110**	**223**	**406**	**531**	**589**	**545**	**307**
Net profit from continuing operations	**(458)**	**10**	**6**	**93**	**187**	**341**	**446**	**495**	**457**	**258**
Discontinued operations	*(103)*									
Net profit	**(562)**	**10**	**6**	**93**	**187**	**341**	**446**	**495**	**457**	**258**
Net profit after minorities	**(560)**	**10**	**6**	**93**	**187**	**341**	**445**	**494**	**457**	**258**

Source: The Group; Swiss Capital estimates

Alro Group: Balance Sheet (IFRS consolidated)

(RONm)	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Long term assets	1,285	1,438	1,614	1,754	2,299	2,383	2,406	2,425	2,439	2,444
Inventories	885	877	889	934	974	1,035	1,113	1,180	1,249	1,607
Receivables	524	501	478	499	516	528	540	549	557	277
Cash	226	431	175	78	106	57	163	339	490	439
Total assets	**2,921**	**3,248**	**3,156**	**3,265**	**3,896**	**4,003**	**4,222**	**4,493**	**4,735**	**4,768**
Debt	1,484	1,555	1,512	1,516	1,950	1,724	1,498	1,272	1,046	840
Current liabilities	334	587	532	544	554	546	545	547	557	539
Long term liabilities	73	69	69	69	69	69	69	69	69	69
Shareholders' equity	1,002	1,010	1,016	1,109	1,296	1,637	2,082	2,576	3,033	3,291
Minority interest	0.49	0.51	0.52	0.65	0.91	1.39	2.01	2.70	3.34	3.71
Equity & liabilities	**2,921**	**3,248**	**3,156**	**3,265**	**3,896**	**4,003**	**4,222**	**4,493**	**4,735**	**4,768**

Source: The Group; Swiss Capital estimates

Alro Group: Cash Flow (IFRS consolidated)

(RONm)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Profit before taxes	7	110	223	406	531	589	545	307
(-) Income tax	(1)	(18)	(36)	(65)	(85)	(94)	(87)	(49)
(+) Depreciation & Impairments	121	123	129	132	137	142	147	152
(-) (Increase) / Decrease in working capital	(44)	(53)	(48)	(81)	(91)	(74)	(67)	(97)
Cash flow from operations	**82**	**162**	**268**	**392**	**493**	**563**	**538**	**313**
Capital expenditures	(161)	(158)	(159)	(160)	(160)	(161)	(161)	(157)
Long term investments - CCGT Power Isalnita (40.1%)	(136)	(105)	(515)	(56)	0	0	0	0
Cash flow from investing	**(297)**	**(263)**	**(674)**	**(216)**	**(160)**	**(161)**	**(161)**	**(157)**
Cash surplus (deficit) generated before financing	(214)	(101)	(406)	176	332	402	377	155
Increase (decrease) in debt	(42)	4	434	(226)	(226)	(226)	(226)	(206)
Dividends	0	0	0	0	0	0	0	0
Cash flow from financing	**(42)**	**4**	**434**	**(226)**	**(226)**	**(226)**	**(226)**	**(206)**
Total change in cash	**(257)**	**(97)**	**28**	**(50)**	**106**	**176**	**151**	**(51)**
Cash Balance - Beginning of Period	431	175	78	106	57	163	339	490
Cash Balance - End of Period	**175**	**78**	**106**	**57**	**163**	**339**	**490**	**439**

Source: The Group; Swiss Capital estimates

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Alro Group: Key Ratios

	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Profitability										
RoavgA	-45.9%	1.1%	0.7%	9.5%	18.5%	32.8%	41.9%	45.6%	41.5%	23.2%
RoavgE	-35.8%	1.0%	0.6%	8.7%	15.6%	23.2%	24.0%	21.2%	16.3%	8.1%
Asset management										
Inventory turnover (Days)	121	110	90	90	90	95	100	103	104	130
Days sales receivable	9	7	7	7	7	7	7	7	7	7
Payables days	28	39	39	38	37	36	35	34	33	30
Leverage and liquidity										
Gearing (Net debt/equity)	1.27	1.11	1.32	1.30	1.42	1.02	0.64	0.36	0.18	0.12
Net debt/EBITDA	-18.3	3.3	5.7	3.7	3.6	2.4	1.7	1.1	0.7	0.8
Payout ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: The Group; Swiss Capital estimates

Alro Group: Per Share Data and Trading Multiples

	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EPS	-0.78	0.01	0.01	0.13	0.26	0.48	0.62	0.69	0.64	0.36
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Valuation multiples at market price										
P/E	NEG	101.6	168.8	11.3	5.6	3.1	2.4	2.1	2.3	4.1
P/B	1.0	1.0	1.0	0.9	0.8	0.6	0.5	0.4	0.3	0.3
EV/EBITDA	NEG	6.4	9.5	5.7	4.4	3.2	2.8	2.7	2.9	4.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation multiples at target price										
P/E	NEG	145.4	241.5	16.2	8.0	4.4	3.4	3.0	3.3	5.8
P/B	1.5	1.5	1.5	1.4	1.2	0.9	0.7	0.6	0.5	0.5
EV/EBITDA	NEG	7.7	11.4	6.9	5.3	3.9	3.4	3.2	3.5	5.1
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: The Group; Swiss Capital estimates

DISCLOSURE SECTION

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A "**STRONG BUY**" recommendation indicates that upside is more than 30%.

A "**BUY**" recommendation indicates that upside is between 15% and 30%.

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The following disclosures relate to relationships between Swiss Capital SA and companies covered by the Research Division of Swiss Capital and mentioned in this research.

Mentioned companies

Company	BSE	Rating	Price	Price date	Disclosure
ALRO	ALR	STRONG BUY	1.47	3/07/2025	NONE

Rating history for Alro

Date	Rating	Share Price (RON)	Target Price (RON)
2/04/2021	Initiation – STRONG BUY	2.87	3.78
19/08/2021	Update – STRONG BUY	2.85	3.78
25/07/2022	Update – NEUTRAL	1.35	1.50
11/09/2023	Update – NEUTRAL	1.55	1.76
11/09/2023	Update – STRONG BUY	1.47	1.76
4/07/2025	Update – STRONG BUY	1.47	2.10

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