



## Management report

To the Shareholders

In compliance with the relevant legal and statutory provisions, the management of Alubar Metais e Cabos S.A. presents the management report and the individual and consolidated financial statements of the Company for the year ended December 31, 2022, accompanied by the independent auditors' report.

### Message from the CEO

In 2022, the planning made over the last years was challenged, but it consolidated our company as a multinational company of the aluminum rod and cable industry. We already knew it was going to be a challenging year and we were prepared to face adversity, even those that arose during that period, and overcame high inflation, war and high interest rates. Our evolution so far, with increased production capacity and acquisition of assets inside and outside Brazil, was decisive for building the 2022 results.

Due to the low volume of businesses in the auctions promoted by the Brazilian Electricity Regulatory Agency (ANEEL), in previous years we had a hiatus in transmission projects that was remedied with the increase in distribution volume. We increased by more than 250% the volume of our deliveries of this type of product when compared to 2019. In addition, we had a strong comeback to the international market, exporting rods and cables.

We reached a production of more than 80,000 tons of finished products and managed to remain the main supplier of aluminum electrical cables in Brazil. In Canada, we increased the production volume to more than 84,000 tons.

What we experienced took a lot of dedication and we had to come up with ways to do our business so that we could move forward. I would like to list some of them.

One of the highlights that shows our ability to evolve in a time of crisis was our launch in the debenture market, a new operation for Alubar that gives us access to a new credit ecosystem.

In addition, we remain strong suppliers of cables for ANEEL's auction projects. Surpassing our planning, we obtained almost all the volumes of the actions held in 2022. We have also become a key player in the distribution market and today we serve almost all concessionaires in Brazil. In North America, we have consolidated our leading position as a supplier of aluminum rods.

With plants in several locations across the Americas and with distances that reach close to 9,000 km, we faced a great challenge in developing people and teams. With diverse cultures and a transformation in our view of labor relations, we overcame barriers and made our team go around the world.

The last few years of the COVID-19 pandemic, war and global economic crisis have made us grow once again and become stronger in the market where we operate, as we are able to understand the scenario and give solutions to elevate our business worldwide.

*Maurício Gouvea dos Santos*  
**CEO**



## Business management

### About Alubar

Doing business in the market for 25 years, Alubar is a leader in the production of aluminum electrical cables in Latin America and has a vast portfolio of products and solutions to meet the needs of electric power businesses. We are the largest producer of aluminum rods and alloys in the American continent. In our businesses, we value the local workforce, the commitment to the continuous improvement of our environmental performance and of the safety at the workplace, the development of products using high technological standards, and a relationship based on partnership and transparency with the community, customers, employees and suppliers.

The Alubar Group is a Brazilian company with international presence and, after expanding the production capacity of its industrial park in Barcarena, Brazil, by 60% in 2018, Alubar extended its operations to two new units in 2019: one in Rio Grande do Sul (Brazil) focused on the Latin American market, and another in Canada to develop projects in North America.

In Brazil, Alubar produces aluminum rods and electrical cables, with an annual production capacity of 120,000 tons/year and employs about 1500 people, directly and indirectly. In addition to the operational units, Alubar has a global office in São Paulo, the largest financial center in Latin America, which manages all plants in Brazil and North America.

In North America, we produce aluminum rods and alloys in Bécancour, Quebec. The plant is focused on the North American market and we have the capacity to produce more than 80,000 tons of rods and aluminum alloys rods per annum. Our sales team, located in Miami, serves the customers in North America.

### Mission

To supply aluminum rods, aluminum cables and copper cables, competitively meeting customer needs, with due respect for safety, the environment, and the community.

### Vision

To be recognized as one of the leading aluminum rod, aluminum cable and copper cable manufacturers in Brazil, always focusing on the development of new products and businesses for the electricity industry.

### Values

**INTEGRITY:** Means impartial and honest practices. It is also related to conformity with the laws and regulations that govern the activities of our industry and of our organization.

**CUSTOMERS:** We build long-term relationships with our customers, by listening, understanding, and exceeding their needs, in a timely and non-controversial manner.

**ENTREPRENEURSHIP:** Entrepreneurship is the continuous search for new opportunities and innovative solutions to problems and needs.

**CONTINUOUS IMPROVEMENT:** We know that ongoing success depends on our ability to continually improve the quality, cost and timeliness of our products.

**PEOPLE:** People are a key factor in the performance of Alubar. We recruit, train and promote best performances, and we are committed to quality, innovation, fair compensation, diversity, respect for others and merit.



## **PROUD TO BE ALUBAR:**

We are proud to be part of a company that makes a difference in its area of expertise and in its ability to face and overcome challenges. We act as true owners of the business, always seeking to achieve the objectives set.

## **Integrated Environmental and Quality Management Systems Policy**

As a manufacturer of conductors and solutions for the electricity industry, the Alubar Group is committed to:

- Ensure customer satisfaction, by offering quality products and services associated with strategic, quality, environmental and occupational health and safety objectives;
- Control the environmental aspects and impacts of the Company operations, products and services, within its borders and scope of action, encouraging environmental protection and preservation through the rational use of natural resources;
- Ensure conformity with federal, state and municipal laws and other requirements within the organizational context; and
- Seek to achieve continuous performance improvement in the areas of quality, environment and occupational health and safety, disseminating these values to employees, customers, suppliers, and other stakeholders.

## **Economic and Financial Performance**

2022 was marked by the expected return of the world economy with the decline in COVID-19 cases, due to vaccination. However, the increase in consumption that stalled during the period of the outbreak, the war between Russia and Ukraine, and several issues arising from these facts brought about a shortage in the world supply chain, high global inflation and consequent revisions in interest rates by central banks. All of these issues challenged the company's performance. We highlight below some relevant issues in 2022:

- In the transmission market, basically comprising bare aluminum cables, we are responsible for 60% of the domestic production, based on the data from ABAL (Brazilian Aluminum Association). In 2022, we recorded a decrease in volume compared to previous years since ANEEL has not promoted auctions. Despite this fact, we anticipate growth in the consumption of this product in the next years due to the new projects that emerged during that year;
- For the distribution market, which includes insulated, covered and bare cables, Alubar has confirmed that the studies that supported the investments made to increase production volume were correct. To date, we have increased by more than 2.5 times our volume of production of this product and we serve all major electricity concessionaires.
- In the North American market, we consolidated the Bécancour plant with a record production of more than 84 thousand tons;



- In the financial front, we started a relationship with financing companies in Canada and the United States for credit/payment of premiums and consolidated the change in the profile of brokers and insurers, focusing on meeting Alubar's global scope;
- In Brazil, we transacted one of the largest derivative volumes in Alubar's history to support the 86,000-ton transmission auction held in June 2022, improved governance by automating the flow of customer credit approvals according to the financial policy, and two new financial operations in the North American market.

Alubar is once again ranked among the 1000 Largest Companies in Brazil, in 273<sup>rd</sup> place, and for the third consecutive year, it is among the 500 largest companies ranked by Valor 1000 Magazine, which shows the constant growth of the company.

Alubar ends 2022 within the goals projected by management and maintains the sustainability of its business as planned.

	In R\$ thousand	
	2022	2021
<b>Net revenue</b>	<b>3,597,184</b>	3,468,010
<b>Net income</b>	<b>134,339</b>	161,647
<b>Net margin <sup>(1)</sup></b>	<b>3.7%</b>	4.7%
<b>EBITDA <sup>(2)</sup></b>	<b>409,194</b>	328,665
<b>EBITDA Margin <sup>(3)</sup></b>	<b>11.9%</b>	9.5%

(1) The net margin is calculated by dividing net income by net revenue.

(2) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-accounting ratio disclosed by the Company in accordance with the Resolution of the Brazilian Securities and Exchange Commission (CVM) No. 156, of June 23, 2022, as amended, and consists of net income for the year adjusted by net finance income, income and social contribution taxes (current and deferred), and depreciation and amortization costs and expenses.

(3) The EBITDA margin is calculated by dividing EBITDA by net revenue.

### **Reconciliation of EBITDA and EBITDA Margin:**

The reconciliation of EBITDA and EBITDA margin with the balances presented in the Company's consolidated financial statements is as follows:

	In R\$ thousand	
	2022	2021
<b>Net income</b>	<b>134,339</b>	161,647
<b>Finance income (costs)</b>	<b>203,031</b>	93,040
<b>Income and social contribution taxes</b>	<b>35,746</b>	30,726
<b>Depreciation and amortization</b>	<b>54,536</b>	42,908
<b>EBITDA</b>	<b>427,652</b>	328,321
<b>Net revenue</b>	<b>3,597,184</b>	3,468,010
<b>EBITDA margin</b>	<b>11.9%</b>	9.5%



## Internal Audit and Compliance

Throughout 2022, 10 internal audits were performed involving 19 departments of the Alubar Group, and 36 risks classified into 9 categories were assessed. Thus, 42 action plans were planned to mitigate these risks.

In 2022, the Compliance department promoted 153 training sessions for employees and third parties, totaling an investment of 537 hours distributed among integration, Daily Safety Dialogues (DDSs) and specific training based on the Compliance Risk Matrix. After the intense period of the pandemic, we resumed on-site training, enabling important interactions on relevant topics such as the different types of harassment and other issues involving integrity in relationships at the work environment, which included tests about the training applied.

As part of the Compliance activities, a total of 426 Due Diligence analyses were prepared regarding procurement contracts, key employees, attorneys-in-fact, sales representatives, sensitive suppliers, and other business partners. In addition, the Compliance department monitored conflicts of interest, bids and contracts with the public administration, sensitive accounts, sponsorships, gifts, donations, and interactions with public officials.

To continue the improvement process, the Compliance department created two new policies - the Ethics Channel Verification Policy, which defines the rules for addressing the reports registered in the channel, and the Competition Policy, which established the guidelines for our integrity program to ensure compliance with the competition legislation in Brazil and in other countries where Alubar Group operates.

In 2022, the Alubar Group's Ethics Channel recorded 103 reports that were considered valid, 77 of which were assessed as medium critical reports. Most of these reports were classified as reasonable, due to the quality and level of detail of the information provided, with an average score of 3 points on an internal maturity scale from 1 to 5.

The evolution of the Alubar Group's Integrity Program is evaluated considering a series of criteria based on the best market practices, especially those defined by the Office of the Comptroller General of the Brazilian Government (CGU), and it has been validated by the award "Empresa Pró-Ética" in all editions since 2017.

## Operating Performance

In 2022, Alubar Métaux, located in Bécancour, Canada, recorded a growth in annual production volume by 84,304 tons/year, with 12% of the production allocated to the Canadian market and 88% to the United States market.

In Brazil, 2022 was a challenging year due to the low supply of cables in the market, reflecting in a lower production, as well as the disruption in supply chains and the increase in fixed costs. A total of 74,700 tons of aluminum electrical cables were produced at the Barcarena (Pará State) and Montenegro (Rio Grande do Sul State) plants, as well as almost 77,000 tons of rods.



PLANT	PRODUCT	PRODUCTION		NUMBER OF MACHINERY	
		2021	2022	2021	2022
AMC	AL ROD	110,281t	76,750t	4	4
	AL CABLE	105,899t	69,889t	42	42
AMN	AL CABLE	8,541t	4,777t	5	6
AMX	AL ROD	79,347t	84,304t	1	1
AMM	AL ROD	-	23,808t	-	1

## Sales Performance

In 2022, with the return of large projects in the ANEEL's auctions of electric power transmission in Brazil, the Latin America Commercial department of Alubar Group achieved a significant scale to supply aluminum electrical cables in the next two years. This year, in the Transmission area, Alubar billed 9,400 tons of cables for the renewable energy market, and 5,500 tons were spot orders, i.e. orders with a short delivery time.

With the expansion of the plant to serve the distribution market, Alubar billed 24,573 tons and obtained new contracts throughout 2022, becoming the largest supplier of distribution cables in Brazil. In addition, 1,703 tons of aluminum rods were exported to Europe, 101 tons of cables were sold in Uruguay and Peru, and 1,109 tons of aluminum electrical cables were supplied to the United States in partnership with the North America Commercial department.

### Units in Brazil

Product	2021	2022
Transmission	99,871	50,751
Distribution	14,723	24,574
Copper	574	-
Rods	-	5,788
<b>Total</b>	<b>115,167</b>	<b>81,113</b>

### Unit in Canada

Product	2021	2022
Rods	79,191	84,508

## INDEPENDENT AUDITORS

The Company has entered into an agreement with Ernst Young Auditores Independentes S/S (EY) to provide audit services relating to its financial statements for 2022.

EY and its associates did not provide services other than independent audit services in 2022 that exceeded 5% of the contractual amount of the audit services. The Company's policy, as well as the policies of other Alubar Group companies, for engaging non-audit services is based on principles that protect the independence of the independent auditors. These principles are: (i) auditors shall not audit their own work; (ii) auditors shall not perform management functions for the client; and (iii) auditors shall not advocate their client's interests, in accordance with globally accepted rules.