REPORT OF THE BOARD OF DIRECTORS

REGARDING THE PATRIMONIAL SITUATION OF THE COMPANY ALUM S.A. ACCORDING TO THE ART. 153^{24} FROM THE LAW NO. 31/1990 PERTAINING TO COMPANIES

I. Report's Legislative background

According to the provisions of the art. 153^{24} of the Law no. 31/1990 pertaining to companies, republished, with subsequent changes, if the Board of Directors finds out, following to some losses in the annual financial statements, approved according to the law, that the net assets of the Company, considered as the difference between the total assets and the total liabilities, has decreased to less than half of the subscribed share capital, shall immediately convene the Extraordinary General Shareholders Meeting in order to decide if the Company must be dissolved.

The paragraph 3 of the art. 153^{24} stipulates the obligation of the Board of Directors to present to the Extraordinary General Shareholders Meeting gathered according to paragraph (1) a report regarding the Company's patrimonial situation, accompanied by the censors' remarks, or, if the case may be, of the internal auditors. This report must be deposited at the Company's registered office with at least one week prior to the general shareholders meeting's date in order to be analysed by any interested shareholder. During the Extraordinary General Shareholders Meeting the Board of Directors shall inform the shareholders regarding any relevant facts occurred after drafting the report.

Below are reproduces the provisions of the paragraphs 4 and 5 of the art. 153^{24}:

„(4) If the extraordinary general meeting does not decide the company's dissolution, then the company is obliged, not later than the end of the financial year following the year when the losses were determined and under the provisions of art. 10, to proceed to the capital decreasing with an amount at least equal to the amount of losses that it is not possible to be covered from the reserves, if during this period the net assets of the company was not re-established to the threshold at least equal to half of the registered capital.

(5) Should the extraordinary general meeting is not held, according to the paragraph (1) or should the extraordinary general meeting does not validly deliberate also in the second session, any concerned person may claim in court the dissolution of the company. The dissolution may be claimed also in the case of failure to comply with the obligation regulated by paragraph (4). In any such cases, the court may grant the company a term in order to settle the situation, term which will not exceed 6 months. The company shall not be dissolved if the reestablishment of the net assets to the threshold at least equal to half of the registered capital is carried out until the court dissolving final decision."

Article 10 is mentioning the following:

„(1) The registered capital of the joint-stock company and of the limited partnership by shares shall not be lower than RON 90,000. The Government shall updated once in 2 years at the most, the minimum value of registered capital, taking into account the exchange rate, thus this amount shall be the RON equivalent of EUR 25,000.

(2) Except for the case when the company changes its legal status into a company with another status, the capital of the companies mentioned at paragraph (1) may not be reduced under the legal minimum threshold unless its level is established to a level at least equal to the legal minimum threshold by taking a

decision related to increase the capital in the same time with the decision to reduce the capital. In the case of failure to comply with these provisions, any concerned person may claim in court the dissolution of the company. The company shall not be dissolved if, until the court's final decision, the registered capital is established to the legal minimum threshold provided by this law."

II. Analysis of current situation of Alum's assets

At December 31, 2013, according to the financial statements of Alum S.A. (The "Company") for the financial year 2013, approved on April 29, 2014 by the decision no. 33 of the Ordinary General Shareholders' Meeting, the Company's net assets were of 203,468,997 RON and the subscribed and paid share capital amounted to 488,412,908 RON, resulting in a deficit (up to the minimum permitted by the law for the net assets) of 40,737,457 RON.

At October 31, 2013, according to the figures achieved for the first 10 months of the year, the Company's net assets were of 235,714,388 RON, the reported deficit decreasing up to 8,492,066 RON.

Considering the improvment of the Company's financial results during the first 10 months of 2014, the Company's management considers there are financial and economic premises for covering entirely the deficit by the end of 2014.

Details regarding net assests (equity) of Alum S.A. are presented in the table below:

EQUITY	31-Dec-13 Actual	31-Oct-14 Actual	31-Dec-14 Forecast	Note
I. SHARE CAPITAL, out of which				
- subscribed and paid share capital (account 1012)	488,412,908	488,412,908	488,412,908	
III. REVALUATION RESERVE (account 105)	81,118,853	71,826,889	71,826,889	1
IV. RESERVES (account 106)				
2. Legal reserves	5,458,475	5,458,475	5,458,475	
3. Reserves representing realized surplus of the revaluation reserve (account 1065)	86,153,985	95,445,949	95,445,949	1
4. Other reserves (account 1068)	53,511	53,511	53,511	
TOTAL	*91,665,972*	*100,957,935*	*100,957,935*	
V. RETAINED EARNINGS (account 117)				
Acummulated losses (debit balance)	320,210,830	457,728,734	457,728,734	
VI. RESULT FOR THE YEAR				
Profit (credit balance)		32,245,390	41,557,694	2
Loss (debit balance)	137,517,904			
TOTAL EQUITY	**203,468,998**	**235,714,388**	**245,026,692**	
SHARE CAPITAL	488,412,908	488,412,908	488,412,908	
1/2 OF SHARE CAPITAL	244,206,454	244,206,454	244,206,454	
EQUITY - 1/2 OF SHARE CAPITAL	**-40,737,456**	**-8,492,066**	**820,239**	

***Note 1**: as the amounts related to revaluation reserves are depreciated, these amounts are transferred into the account 1065 - Reserves representing realized surplus of the reevaluation reserve. This transfer does not affect equity in total, which is the reason both the reevaluation reserve, and the surplus were considered constant.*

***Note 2**: the forecast was prepared based on the information available at the date of this report and management's best estimates regarding the future evolution of the business. If the assumptions considered for preparing this forecast prove to be inaccurate, the targets are not achieved or certain risks materialize, actual results may significantly deviate from those currently anticipated. The Company's management does not assume to revise these forecasts in light of any new information or future events.*

The forecast for for the last two months of 2014 was made considering the following aspects:

- estimating a RON/USD exchange rate of 3.55 RON/USD for the end of 2014, the RON/USD exchange rate having a significant impact on the revaluation of the Company's financial position in foreign currency due to high receivables denominated in USD. An appreciation of the US dollar against the Romanian leu has a positive effect on the Company's net result, while a depreciation of the US dollar has a negative impact.
- maintaining the current level of price and quality of the bauxite used in production;
- a normal course of the Company's business, without significant disruptions during the remaining period until the end of 2014.

At the moment, the Company does not have an internal audit department and/or censors, and therefore this report does not include their remarks.

III. The conclusions of the report regarding the Company's patrimonial situation

Taking into consideration the general economic background, the environment in which the Company is developing its activity, the liabilities structure and their protection degree, (a significant balance of about 70% from the Company's liabilities represents liabilities within the Group) and the Company's affiliation at Alro's Group, Alum being part of its production integrated chain, the Company's management considers that there were taken all the measures to sustain the Company's activity and to continue its activity in a predicable future. Moreover, on a medium and short term, Alum targets the fulfilment of the following objectives:

- Finalizing the current investments, with effect in reduction of the fabrication costs and competitiveness increasing;
- Continuing the modernization process in order to fulfil the requests of the high economic efficiency, environment protection and social responsibility;
- Assurance, on the long term, of the resources of the raw materials and energy, in the most profitable economic conditions;
- Active management of the contracts and market risks, taking into consideration the evolution of the local and international market;
- New products development.

Supplementary, in addition to the above mentioned actions regarding the improvement of the Company's activity, the Board of Directors of Alum is taking into consideration also the following measures for recovering the Company's net assets deficit, measures to be analysed until the end of the year, such as:

- Revaluation of the fixed assets, especially of the production equipment that, due to the executed maintenance and modernization works shall be used in the operational activity for a longer time than their actual life time. We are mentioning that last revaluation of the Company's fixed assets was made as of December 31, 2012 only for the building class, the other classes being revaluated as per December 31, 2004;
- Reviewing the provisions for the slam dump and for the clients, for reflecting the best estimation of the future cash flows.

In conclusion, basis on the available information, the Company's management considers that the Company is able to perform its activity in a predictable future, and, as a consequence, considers that is no need to carry on other expensive actions, such as diminishing and then eventually, the re-establishment of the share capital.

Therefor, the Board of Directors recomand to the shareholders to vote against the Company's dissolution.

President of the Board of Directors

Gheorghe Dobra