S.C. ALUM S.A. TULCEA

INDEPENDENT AUDITOR'S REPORT

AND

THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Prepared in accordance with Ministry of Public Finance Order no. 1802/2014 with subsequent amendments

This is a free translation from the original Romanian binding version.

CONTENTS **PAGE**

INDEPENDENT AUDITOR'S REPORT	1 – 3
INDIVIDUAL BALANCE SHEET	4 – 7
INDIVIDUAL INCOME STATEMENT	8 – 10
INDIVIDUAL CASH FLOW STATEMENT	11 – 12
INDIVIDUAL STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	13 – 14
ACCOUNTING POLICIES AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS	15 – 38

EY

Building a better working world

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 22nd
Floor 15-17 Ion Mihalache Blvd., Sector
1 **011171 Bucharest**, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITORS' REPORT

Catre actionarii Alum SA
To the shareholders of Alum SA

Raport asupra situatiilor financiare
Report on the financial statements

1 Am auditat situatiile financiare anexate ale societatii Alum SA ("Societatea") care cuprind bilantul la data de 31 decembrie 2015, contul de profit si pierdere, situatia modificarilor capitalului propriu si situatia fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte note explicative. Situatiile financiare mentionate se refera la:

- Activ net: 259.906 mii RON
- Rezultatul net al exercitiului financiar: 6.378 mii RON, profit

1 We have audited the accompanying financial statements of Alum S.A ("the Company"), which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

- *Net assets/Total negative equity and reserves: 259,906 thousand RON*
- *Profit for the year: 6,378 thousand RON.*

Responsabilitatea conducerii pentru situatiile financiare
Management's responsibility for the financial statements

2 Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a acestor situatii financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014 si modificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 1802/2014 and subsequent amendments and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsabilitatea auditorului
Auditors' responsibility

3 Responsabilitatea noastra este ca, pe baza auditului efectuat, sa exprimam o opinie asupra acestor situatii financiare. Noi am efectuat auditul conform standardelor de audit adoptate de Camera Auditorilor Financiari din Romania. Aceste standarde cer ca noi sa respectam cerintele etice ale Camerei, sa planificam si sa efectuam auditul in vederea obtinerii unei asigurari rezonabile ca situatiile financiare nu cuprind denaturari semnificative.

Building a better working world

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 Un audit consta in efectuarea de proceduri pentru obtinerea probelor de audit cu privire la sumele si informatiile prezentate in situatiile financiare. Procedurile selectate depind de rationamentul profesional al auditorului, incluzand evaluarea riscurilor de denaturare semnificativa a situatiilor financiare, datorate fraudei sau erorii. In evaluarea acestor riscuri, auditorul ia in considerare controlul intern relevant pentru intocmirea si prezentarea fidela a situatiilor financiare ale Societatii pentru a stabili procedurile de audit relevante in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficientei controlului intern al Societatii. Un audit include, de asemenea, evaluarea gradului de adecvare a politicilor contabile folosite si rezonabilitatea estimarilor contabile elaborate de catre conducere, precum si evaluarea prezentarii situatiilor financiare luate in ansamblul lor.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

.

5 Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza opiniei noastre de audit.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinia
Opinion

6 In opinia noastra, situatiile financiare ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2015, ca si a performantei financiare si a fluxurilor de numerar ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014 si modificarile ulterioare.

6 In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 and subsequent amendments.

Cerinte de raportare cu privire la raportului administratorilor
Reporting requirements in regards to the Administrators' Report

Administratorii au responsabilitatea intocmirii si prezentarii raportului administratorilor care sa nu contina denaturari semnificative, in conformitate cu cerintele Ordinului Ministrului Finantelor Publice nr. 1802/2014, punctele 489-492, si pentru acel control intern pe care administratorii il considera necesar pentru a permite intocmirea raportului administratorilor care sa nu contina denaturari semnificative, cauzate fie de frauda, fie de eroare.

Raportul administratorilor prezentat de la pagina 1-8 nu face parte din situatiile financiare. Opinia noastra privind situatiile financiare la data de 31 decembrie 2015 nu acopera raportul administratorilor.

In legatura cu auditul nostru privind situatiile financiare la data de 31 decembrie 2015, noi am citit raportul administratorilor si raportam urmatoarele:
a) in raportul administratorilor nu am identificat informatii care sa nu fie consecvente, in toate aspectele semnificative, cu informatiile prezentate in situatiile financiare la data de 31 decembrie 2015, atasate;
b) raportul administratorilor, identificat mai sus, include, in toate aspectele semnificative, informatiile cerute de Ordinului Ministrului Finantelor Publice nr. 1802/2014, punctele 489-492;
c) pe baza cunoasterii si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2015 cu privire la Societate si la mediul acesteia nu am identificat informatii eronate semnificative in raportul administratorilor.

The Administrators are responsible for the preparation and presentation of the Administrators' Report free of any material misstatements, in accordance with the requirements of the Ministry of Public Finance Order no. 1802/2014, points 489-492 and for such internal control as Administrator's determine is necessary to enable the preparation and presentation of the Administrators' Report that is free from material misstatement, whether due to fraud or error.
The Administrators' Report presented from page 1-8 is not part of the financial statements. Our opinion on the financial statements as at 31 December 2015 does not cover the Administrators' Report.
In connection with our audit of the financial statements as at 31 December 2015 we have read the Administrators' Report and report that:
a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at 31 December 2015;
b) the Administrators' Report identified above include, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1802/2014, points 489-492;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2015, we have not identified information in the Administrators' Report that contains a material misstatement of fact.

In numele
On behalf of

Ernst & Young Assurance Services SRL
Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 77/15 august 2001

Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Numele semnatarului: Alexandru Lupea
Name of signing person: Alexandru Lupea

Alexandru Lupea

Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 273/1 Martie 2001
Registered with the Chamber of Financial Auditors in Romania
Nr. 273/1 March 2001

Bucuresti, Romania
24 martie 2016
Bucharest, Romania
24 March 2016

S.C. ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

COUNTY **TULCEA**
UNIT: **S.C. ALUM S.A. TULCEA**
ADDRESS: loc: **TULCEA**, Sector
Str. **ISACCEI**, nr. **82**

TELEPHONE 0240 535022
FAX 0240 535495
Trade Registry no.
J/36/29/1991

OWNERSHIP FORM 34
MAIN BUSINESS
(name of CAEN class)
Metalurgy of Aluminum
CODE CAEN CLASS 2442
VAT NO

RO2360405

Code 10

No.		Row	December 31, 2014	December 31, 2015
A	**NON-CURRENT ASSETS**			
I	**Intangible assets**			
1	Set-up expenses	**01**	-	-
2	Development expenses	**02**	715,562	-
3	Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets	**03**	21,922	12,263
4	Goodwill	**04**	-	-
5	Intangible assets for exploration and evaluation of mineral resources	**05**	-	-
6	Advances	**06**	-	-
	Total (rows 01 to 06)	**07**	**737,484**	**12,263**
II	**Property, plant and equipment**			
1	Land and buildings	**08**	93,542,929	87,789,931
2	Technical installations and machinery	**09**	63,244,617	53,649,866
3	Other fixtures, plant and furniture	**10**	33,111	22,065
4	Investment property	**11**	-	-
5	Tangible assets in progress	**12**	3,734,472	3,989,438
6	Investment property in progress	**13**	-	-
7	Tangible assets for exploration and evaluation of mineral resources	**14**	-	-
8	Biological assets	**15**	-	-
4	Advances	**16**	-	483,978
	Total (rows 08 to 16)	**17**	**160,555,130**	**145,935,278**
III	**Financial assets**			
1	Shares held in related parties	**18**	-	-
2	Loans to related parties	**19**	15,313,005	17,227,338
3	Participating interests	**20**	-	-
4	Loans to entities based on participating interests	**21**	-	-
5	Other investments	**22**	-	-
6	Other borrowings	**23**	-	-
	Total (rows 18 to 23)	**24**	**15,313,005**	**17,227,338**

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2014	December 31, 2015
	Total NON-CURRENT ASSETS (rows 07+17+24)	**25**	**176,605,619**	**163,174,879**
B	**CURRENT ASSETS**			
I	**Inventories**			
1	Raw materials and consumables	**26**	40,834,412	51,798,623
2	Work in progress	**27**	59,848,393	38,164,316
3	Finished goods and merchandise	**28**	12,188,727	2,495,710
4	Advances	**29**	155,942,588	198,874,685
	Total (rows 26 to 29)	**30**	**268,814,120**	**291,333,335**
II	**Receivables**			
1	Trade receivables (net)	**31**	14,898,170	1,990,149
2	Amounts receivable from Group companies	**32**	8,248,796	17,105,567
3	Amounts receivable from participating interests	**33**	-	-
4	Other receivables	**34**	779,553	629,022
5	Capital subscribed and paid in	**35**	-	-
	Total (rows 31 to 35)	**36**	**23,926,519**	**19,724,738**
III	**Short term financial investments**			
1	Shares held in related parties	**37**	-	-
2	Other short term investments	**38**	-	-
	Total (rows 37+38)	**39**	**-**	**-**
IV	**Petty cash and bank accounts**	**40**	**2,242,208**	**979,311**
	TOTAL CURRENT ASSETS (rows 30+36+39+40)	**41**	**294,982,847**	**312,037,384**
C	**PREPAID EXPENSES (rows 43+44)**	**42**	**185,353**	**244,261**
	Amounts to be resumed within 1 year	**43**	185,353	244,261
	Amounts to be resumed within a period >1 year	**44**	-	-
D	**PAYABLES WITHIN 1 YEAR**			
1	Debenture loans	**45**	-	-
2	Amounts due to credit institutions	**46**	18,635,561	10,447,676
3	Advances on account of orders	**47**	79,457,375	94,906,718
4	Trade payables	**48**	83,496,616	78,364,071
5	Bills of exchange payable	**49**	-	-
6	Amounts due to Group companies	**50**	-	-
7	Amounts due to related parties	**51**	-	-
8	Other payables, including tax and social security	**52**	7,514,964	9,933,967
	Total (rows 45 to 52)	**53**	**189,104,516**	**193,652,431**

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2014	December 31, 2015
E	**NET CURRENT ASSETS/NET CURRENT LIABILITIES (rows 41+43-53-70-73-76)**	**54**	**106,063,684**	**118,629,214**
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 25+44+54)**	**55**	**282,669,303**	**281,804,093**
G	**LONG TERM PAYABLES**			
	1 Debenture loans	**56**	-	-
	2 Amounts due to credit institutions	**57**	9,217,000	-
	3 Advances received on account of orders	**58**	-	-
	4 Trade payables	**59**	-	-
	5 Bills of exchange payable	**60**	-	-
	6 Amounts due to affiliates	**61**	-	-
	7 Amounts due to related parties	**62**	-	-
	8 Other payables, including tax and social security	**63**	58,281	297,913
	Total (rows 56 to 64)	**64**	**9,275,281**	**297,913**
H	**PROVISIONS**			
	1 Provisions for employees benefits	**65**	2,856,906	2,430,337
	2 Provisions for taxes	**66**	-	-
	3 Other provisions	**67**	17,009,012	19,169,909
	Total (rows 65 to 67)	**68**	**19,865,918**	**21,600,246**
I	**DEFERRED INCOME**			
	1 Subsidies for investments (rows 70+71)	**69**	-	-
	Amounts to be resumed within 1 year	**70**	-	-
	Amounts to be resumed within a period >1 year	**71**	-	-
	2 Deferred income (rows 73+74)	**72**	-	-
	Amounts to be resumed within 1 year	**73**	-	-
	Amounts to be resumed within a period >1 year	**74**	-	-
	3 Deferred income for assets transferred from clients (rows 76+77)	**75**	-	-
	Amounts to be resumed within 1 year	**76**	-	-
	Amounts to be resumed within a period >1 year	**77**	-	-
	4 Negative goodwill	**78**	-	-
	TOTAL (rows 69+72+75+78)	**79**	**-**	**-**
J	**EQUITY AND RESERVES**			
I	**Equity**			
	1 Capital subscribed and paid in	**80**	488,412,908	488,412,908
	2 Capital subscribed and not paid in	**81**	-	-

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2014	December 31, 2015
3	Company patrimony	**82**	-	-
4	Patrimony of national research institute	**83**	-	-
5	Other equity items	**84**	-	-
	TOTAL (rows 80 to 84)	**85**	**488,412,908**	**488,412,908**
II	**Share premiums**	**86**	**-**	**-**
III	**Revaluation reserves**	**87**	**69,974,104**	**59,304,070**
IV	**Reserves**			
1	Legal reserves	**88**	7,964,167	8,332,307
2	Statutory or contractual reserves	**89**	-	-
4	Other reserves	**90**	53,511	53,511
	TOTAL (rows 88 to 90)	**91**	**8,017,678**	**8,385,819**
	Own shares	**92**	-	-
	Gains related to equity instruments	**93**	-	-
	Losses related to equity instruments	**94**	-	-
V	**PROFIT OR LOSS CARRIED FORWARD**			
	– Cr balance	**95**	-	-
	– Dr balance	**96**	360,484,724	302,206,552
VI	**PROFIT OR LOSS FOR THE YEAR**			
	– Cr balance	**97**	50,113,830	6,377,830
	– Dr balance	**98**	-	-
	Allocation of profit	**99**	2,505,691	368,141
	Total equity (rows 85+86+87+91-92+93-94+95-96+97-98-99)	**100**	**253,528,104**	**259,905,934**
	Public patrimony	**101**	-	-
	Private patrimony	**102**	-	-
	TOTAL EQUITY AND RESERVES (rows 100+101+102)	**103**	**253,528,104**	**259,905,934**

These individual financial statements were approved today, March 24, 2016.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2014	Year ended December 31, 2015
1	**Net turnover (rows 02+03-04+05+06)**	**01**	**536,644,895**	**635,519,848**
	Income from production sold	**02**	535,258,453	633,552,272
	Income from sales of goods	**03**	1,386,443	1,969,239
	Commercial discounts granted	**04**	-	1,663
	Interest income recorded by entities removed from the General Register and who have ongoing leases	**05**	-	-
	Income from operating subsidies pertaining to net turnover	**06**	-	-
2	Income pertaining to the cost of the Work in progress			
	– Cr balance	**07**	15,199,558	-
	– Dr balance	**08**	-	27,701,493
3	Production for own purposes and capitalized	**09**	127,706	-
4	Income from revaluation of tangible assets	**10**	-	-
5	Income from property investment production	**11**	-	-
6	Income from subsidies	**12**	-	-
7	Other operating income	**13**	19,420,457	2,408,425
	out of which, income from negative goodwill	**14**	-	-
	out of which, income from subsidies for investments	**15**	-	-
	Total operating income (rows 01+07-08+09+10+11+12+13)	**16**	**571,392,616**	**610,226,779**
8	a) Raw materials and consumables	**17**	301,347,885	350,752,330
	Other material expenses	**18**	143,012,193	142,783,046
	b) Other external expenses (power and water supply)	**19**	22,392,138	19,884,738
	c) Merchandise expenses	**20**	1,266,934	1,816,734
	Commercial discounts received	**21**	483	62,295
9	**Personnel related expenses (rows 23+24)**	**22**	**30,530,454**	**32,777,926**
	a) Salaries and bonuses	**23**	24,503,869	26,963,420
	b) Social security	**24**	6,026,585	5,814,507
10	**a) Adjustments for tangible and intangible assets (rows 26-27)**	**25**	**22,665,904**	**24,758,736**
	a. 1) Expenses	**26**	22,665,904	24,923,013
	a. 2) Revenues	**27**	-	164,278

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2014	Year ended December 31, 2015
	b) Adjustments for current assets (rows 29-30)	**28**	**236,785**	**26,279,698**
	b. 1) Expenses	**29**	475,660	26,592,358
	b. 2) Revenues	**30**	238,874	312,660
11	**Other operating expenses (rows 32 to 38)**	**31**	**20,078,957**	**24,409,345**
	11.1. External services	**32**	13,633,498	18,211,386
	11.2. Other taxes and similar payments	**33**	2,018,615	1,744,786
	11.3. Expenses on environmental protection	**34**	-	1,131,165
	11.4. Expenses from revaluation of tangible assets	**35**	-	-
	11.5. Expenses related to calamities and other similar events	**36**	-	-
	11.6. Other expenses	**37**	4,426,843	3,322,009
	Refinancing interest expense recorded by entities removed from the General Register and who have ongoing leases	**38**	-	-
	Impairment adjustments (rows40-41)	**39**	**544,661**	**(426,569)**
	Expenses	**40**	765,855	(205,375)
	Income	**41**	221,194	221,194
	Total operating expenses (rows 17 to 20-21+22+25+28+31+39)	**42**	**542,075,427**	**622,973,689**
	Operating Result			
	- profit (rows 16-42)	**43**	29,317,190	-
	- loss (rows 42-16)	**44**	-	12,746,910
12	Income from participating interests	**45**	-	-
	- of which, income from affiliates	**46**	-	-
13	Interest income	**47**	1,269,573	1,427,897
	- of which, income obtained from affiliates	**48**	1,262,720	1,425,430
14	Income from other financial investments and loans part of the non-current assets	**49**	-	-
15	Other financial income	**50**	54,442,114	81,634,267
	- of which, income from affiliates	**51**	-	-
	Total financial income (rows 45+47+49+50)	**52**	**55,711,688**	**83,062,164**
16	Adjustments for long term financial assets and financial investments held as current assets (rows 54-55)	**53**	-	-
	Expenses	**54**	-	-
	Income	**55**	-	-

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2014	Year ended December 31, 2015
17	Interest expenses	56	2,190,719	1,431,399
	- of which, expenses incurred with affiliates	57	-	-
	Other financial expenses	58	32,724,328	61,521,038
	Total financial expenses (rows 53+56+58)	59	**34,915,047**	**62,952,437**
	Financial profit or loss			
	- profit (rows 52-59)	60	20,796,640	20,109,727
	- loss (rows 59-52)	61	-	-
	Total income (rows 16+52)	62	**627,104,304**	**693,288,943**
	Total expenses (rows 42+59)	63	**576,990,474**	**685,926,126**
18	**Gross profit or loss**			
	- profit (rows 62-63)	64	50,113,830	7,362,816
	- loss (rows 63-62)	65	-	-
19	Income tax	66	-	984,986
20	Other taxes not included in the captions above	67	-	-
21	**Net profit or loss for the year**			
	- profit (rows 64-65-66-67)	68	50,113,830	6,377,830
	- loss (rows 65+66+67-64)	69	-	-

These individual financial statements were approved today, March 24, 2016.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL CASH FLOW STATEMENT
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

	Year ended December 31, 2014	Year ended December 31, 2015
Cash flows from operations		
Net profit	**50,113,830**	**7,362,816**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	22,665,904	23,209,103
Adjustment for the impairment of tangible and financial assets	-	1,549,633
Adjustments for the impairment of receivables	247,066	23,133,574
Provisions	544,661	(426,569)
Adjustments for the impairment of inventories	(10,281)	3,146,124
Profit/(Loss) from foreign exchange differences	24,816,392	(8,551,725)
Net earning pertaining to disposals of tangible assets	-	-
Interest income	(1,269,573)	(1,427,897)
Interest expenses	2,190,719	1,431,399
Cash from operations before changes to working capital	**99,298,717**	**49,426,458**
Decrease of inventories	6,674,668	17,266,759
Increase of trade receivables and other receivables	(85,358,826)	(45,293,102)
(Decrease)/increase in trade payables and other payables	(1,030,228)	11,757,996
Cash flow from operations	**19,584,331**	**33,158,111**
Interests received	1,413,412	2,467
Interests paid	(1,513,162)	(972,677)
Income tax paid	-	-
Net cash from operations	**19,484,581**	**32,187,901**
Cash flow from investment activities		
Purchases of tangible and intangible assets	(2,216,561)	(7,372,948)
Proceeds from sale of fixed assets	-	-
Net cash used for investment activities	**(2,216,561)**	**(7,372,948)**
Cash flow from financing activities		
Loans granted	-	(6,089,475)
Repayment of bank loans	(16,639,875)	(19,988,375)
Net cash from/(used in) financing activities	**(16,639,875)**	**(26,077,850)**

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

	Year ended December 31, 2014	Year ended December 31, 2015
Cash and cash equivalents at the beginning of the year	1,614,064	2,242,208
Net increase/(decrease) in cash and cash equivalents	628,144	(1,262,897)
Cash and cash equivalents at the end of the year	**2,242,208**	**979,311**

These individual financial statements were approved today, March 24, 2016.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

S.C. ALUM S.A. TULCEA
INDIVIDUAL STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2014	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2014
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	5,458,476	2,505,691	2,505,691	-	-	7,964,167
Reserves representing surplus made from revaluation reserves	86,153,985	11,144,749	11,144,749	-	-	97,298,734
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	81,118,853	-	-	11,144,749	11,144,749	69,974,104
Retained earnings	(319,503,051)	(137,572,628)	(137,517,904)	-	-	(457,075,679)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	(137,517,904)	50,113,830	-	(137,517,904)	(137,517,904)	50,113,830
Allocation of profit	-	(2,505,691)	(2,505,691)	-	-	(2,505,691)
Total	**203,468,999**	**(76,314,049)**	**(126,373,155)**	**(126,373,155)**	**(126,373,155)**	**253,528,105**

These individual financial statements were approved today, March 24, 2016.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

S.C. ALUM S.A. TULCEA
INDIVIDUAL STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2015
(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2015	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2015
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	7,964,167	368,141	368,141	-	-	8,332,308
Reserves representing surplus made from revaluation reserves	97,298,734	-	-	97,298,734	97,298,734	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	69,974,104	-	-	10,670,034	-	59,304,070
Retained earnings	(457,075,679)	155,576,906	147,412,564	-	-	(301,498,773)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	50,113,830	6,377,830	-	50,113,830	50,113,830	6,377,830
Allocation of profit	(2,505,691)	(368,141)	(368,141)	(2,505,691)	-	(368,140)
Total	**253,528,105**	**161,954,736**	**147,412,564**	**155,576,906**	**147,412,564**	**259,905,934**

These individual financial statements were approved today, March 24, 2016.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

1 NON-CURRENT ASSETS

a) Property, plant and equipment

COST	Balance as at January 1, 2015	Increases	out of which revaluation	Decreases	out of which revaluation	Balance as at December 31, 2015
Land and buildings	109,715,248	2,925,407	-	-	-	112,640,655
Installations and machinery	344,549,479	3,187,194	-	750,165	-	346,986,508
Measurement, control, adjustment installations and devices	10,957,165	507,032	-	913,179	-	10,551,018
Vehicles	15,960,280	545,006	-	722,014	-	15,783,273
Other installations, plant	320,494	-	-	48,535	-	271,959
Advances and tangibles in progress	3,812,060	4,652,947	-	2,684,071	-	5,780,936
TOTAL	**485,314,726**	**11,817,586**	**-**	**5,117,964**	**-**	**492,014,348**

ACCUMULATED DEPRECIATION	Balance as at January 1, 2015	Depreciation recorded during the year	Reductions	Revaluation	Balance as at December 31, 2015
Land and buildings	16,053,425	8,678,405	-	-	24,731,830
Installations and machinery	284,867,302	12,863,330	696,336	-	297,034,297
Measurement, control, adjustment installations and devices	8,507,699	482,543	895,877	-	8,094,365
Vehicles	13,755,535	416,889	557,646	-	13,614,778
Other installations, plant	287,383	9,231	46,720	-	249,894
TOTAL	**323,471,345**	**22,450,398**	**2,196,579**	**-**	**343,725,164**

1 FIXED ASSETS (continued)

ADJUSTMENT FOR IMPAIRMENT

	Balance as at January 1, 2015	Increases	Transfers	Decreases	Balance as at December 31, 2015
Constructions	118,893	-	-	-	118,893
Installations and machinery	1,091,770	-	-	164,278	927,492
Tangible assets in progress	77,588	1,713,911	-	-	1,791,499
Total	**1,288,251**	**1,713,911**	**-**	**164,278**	**2,837,884**
Net value	**160,555,130**				**145,451,300**

As of December 31, 2015 the net book value of tangible assets acquired through finance leasing is RON 15,349 (December 31, 2014: RON 105,131).

The net value of the fixed assets in preservation as at December 31, 2015 is of RON 66,132 (December 31, 2014: RON 1,210,663).

Tangible assets in progress include improvements made to the existent fixed assets and new investments in equipment that have not been put in function yet.

The gross book value of the fully amortized fixed assets as of December 21, 2015 is in amount of RON 149,524,696 (2014: RON 138,220,143).

The gross book value of the disposed fixed assets in 2015 is in amount of RON 2,433,893 (2014: nil).

b) Intangible assets

COST

	Balance as at January 1, 2015	Increases	Decreases	Balance as at, December 31, 2015
Development expenses	5,034,412	-	-	5,034,412
Advances and intangible assets in progress	-	-	-	-
Concessions, patents, licenses	185,648	33,484	-	219,132
Total	**5,220,060**	**33,484**	**-**	**5,253,544**

ACCUMULATED AMORTIZATION

	Balance as at January 1, 2015	Increases	Decreases	Balance as at, December 31, 2015
Development expenses	4,318,849	715,563	-	5,034,412
Concessions, patents, licenses	163,727	43,143	-	206,870
Total	**4,482,576**	**758,705**	**-**	**5,241,281**
Net value	**737,484**			**12,263**

1 NON CURRENT ASSETS (continued)

The development expenses include projects, solution and efficiency studies related to the study of the process of silicon removal and technological sizing per variants, increasing the capacity of the static oven, respectively technical and technological rehabilitation and are depreciated over a period of 5 years.

c) Financial long term assets

In May 2011, the Company purchased 100% of the share capital of Global Aluminium Ltd BVI, with the head office in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 30 million, the equivalent of RON 82,581,000. The Company carried out an impairment test of its investment in Global Aluminium Ltd. BVI as of December 31, 2013. As a result of this test there was recorded an adjustment for impairment for the entire value of the investment. According to the analysis as of December 31, 2015 the impairment remained at the same value as for the previous year.

In June 2011, the Company concluded a receivable assignment agreement with Global Aluminium Ltd BVI, with the head office in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 10,383,669. The interest according to the contract is Libor 12M + 4.5% per year. The receivable shall be recovered within 3 years in equal annual installments.

Receivable assignment agreement GAL	**Balance as at January 1, 2015**	**Balance as at December 31, 2015**
Receivable - USD	6,230,202	6,548,887
Receivable - RON	22,969,507	27,162,819
Interest - USD	160,652	176,448
Interest - RON	592,293	731,854

In September 2015, the Company concluded a loan agrement with Sierra Mineral Holdings I Limited, with the head office in Sea Meadow House, Blackburne Highway, Road Town Tortola, British Virgin Islands, for the amount of USD 1,560,000. The interest according to the contract is Libor 3M + 5% per year. The loan shall be reimbursed within 1 year.

Loan agreement SMHL	**Balance as at January 1, 2015**	**Balance as at December 31, 2015**
Receivable - USD	-	1,533,000
Receivable - RON	-	6,358,424
Interest - USD	-	19,242
Interest - RON	-	79,809

2 PROVISIONS

	Balance as at January 1, 2015	Increases	Decreases	Balance as at December 31, 2015
Provisions for pensions and similar obligations	2.856.906	(205.375)	221.194	2.430.337
Provisions for rehabilitation of fixed assets	17.009.012	2.160.897	-	19.169.909
Total	**19.865.918**	**1.955.522**	**221.194**	**21.600.246**

The provision for pensions and similar obligations was set up for the Company's obligation to give retirement benefits to the employees in accordance with the provisions of the collective employment contract.

The Company makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for residual product (red mud lake) on a discounted basis.

The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

These provisions have been recorded based on the estimates made by the Company's experienced constructions engineers specialists. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

Also, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates.
The discount rate used in the calculation of the provision as at 31 December 2015 equalled 3.603% (2014: 3.552%).

3 ALLOCATION OF PROFIT

The Company recorded a profit of RON 6,377,830 for the year ended December 31, 2015 that will be allocated in the General Shareholders Meeting according to the actual legislation.

In 2015 there has been distributed to legal reserves the amount of RON 368,141 representing 5% from the gross profit for 2015.

4 ANALYSIS OF THE OPERATING RESULT

	Caption	Year ended December 31, 2014	Year ended December 31, 2015
1.	**Net turnover**	**536,644,895**	**635,519,848**
2.	**Cost of goods sold and services provided (3+4+5+6)**	**503,868,025**	**597,566,785**
3.	Basic activity expenses	332,657,870	422,512,930
3.1	Raw materials and other materials	275,108,220	365,679,982
3.2	Direct salary expenses	9,991,570	10,694,271
3.3	Other direct material expenses	47,558,079	46,138,677
4.	Auxiliary activity expenses	141,682,677	140,974,269
5.	Production overheads	28,260,544	32,262,852
6.	Expenses regarding the materials sold	1,266,934	1,816,734
7.	**Gross result pertaining to net turnover (1-2)**	**32,776,871**	**37,953,063**
8.	Marketing expenses	1,709,736	1,478,344
9.	General administrative expenses	17,295,873	20,242,114
10.	Non operational expenses	4,334,599	31,609,135
11.	Other operating income*)	19,880,526	2,629,619
12.	**Operating result (7-8-9-10+11)**	**29,317,189**	**(12,746,911)**

*) In 2014, the Company sold 632,000 carbon dioxide certificates out of which 434,070 allocated for 2012 and 197,930 allocated for 2014. The value of these certificates was of RON 17,691,007.
In 2015, there were no revenues from sale of carbon dioxide certificates.

5 RECEIVABLES AND PAYABLES

Receivables	Balance as at December 31, 2015	Due	
		within 1 year	over 1 year
Domestic clients	5,542,883	5,542,883	-
Foreign clients	63,863,748	63,863,748	-
Adjustment for the impairment of doubtful receivables	(67,418,191)	(67,418,191)	-
Trade receivables	**1,988,439**	**1,988,439**	**-**
VAT under settlement	254,411	254,411	-
VAT recoverable	-	-	-
Advances to personnel	91,694	91,694	-
Other receivables	30,221	30,221	-
Sundry debtors	264,743	264,743	-
Adjustments for the impairment of other receivables	(10,337)	(10,337)	-
Other receivables	**630,732**	**630,732**	**-**
Loans to affiliates	**34,332,905**	**17,105,567**	**17,227,338**
Total	**36,952,076**	**19,724,738**	**17,227,338**

5 RECEIVABLES AND PAYABLES (continued)

Receivables	Balance as at December 31, 2014	Due within 1 year	Due over 1 year
Domestic clients	4,769,991	4,769,991	-
Foreign clients	54,411,087	54,411,087	-
Adjustment for the impairment of doubtful receivables	(44,284,617)	(44,284,617)	-
Trade receivables	**14,896,461**	**14,896,461**	**-**
VAT under settlement	670,065	670,065	-
VAT recoverable	-	-	-
Advances to personnel	77,818	77,818	-
Other receivables	13,422	13,422	-
Sundry debtors	30,296	30,296	-
Adjustments for the impairment of other receivables	(10,337)	(10,337)	-
Other receivables	**781,263**	**781,263**	**-**
Loans to affiliates	**23,561,800**	**8,248,796**	**15,313,005**
Total	**39,239,523**	**23,926,519**	**15,313,005**

Company's receivables from related parties are presented in Note 10.5.

Payables	Balance as at December 31, 2015	Due within 1 year	Due over 1 year
Trade payables and similar accounts	78,364,071	78,364,071	-
Creditor clients	94,906,718	94,906,718	-
Bank loans	10,447,676	10,447,676	-
VAT payable	5,929,561	5,929,561	-
Guarantees received from suppliers	576,689	278,776	297,913
Dividends payable	4,534	4,534	-
Sundry creditors	25,835	25,835	-
Other payables	2,710,275	2,710,275	-
Income tax	984,986	984,986	-
Total	**193,950,344**	**193,652,431**	**297,913**

Payables	Balance as at December 31, 2015	Due within 1 year	Due over 1 year
Trade payables and similar accounts	83,496,616	83,496,616	-
Creditor clients	79,457,375	79,457,375	-
Bank loans	27,852,561	18,635,561	9,217,000
VAT payable	5,140,211	5,140,211	-
Guarantees received from suppliers	321,654	263,373	58,281
Dividends payable	4,534	4,534	-
Sundry creditors	36,305	36,305	-
Other payables	2,070,540	2,070,540	-
Income tax	-	-	-
Total	**198,379,797**	**189,104,516**	**9,275,281**

5 RECEIVABLES AND PAYABLES (continued)

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2015 there is a potential loss from receivables from SMHL for which the Company recorded a provision in amount of USD 16,007 thousand (RON 66,392 thousand).

Movement in allowance for trade receivables is as follows:

	2014	2015
Balance at beginning of the year	44,037,551	44,284,617
Charge during the year	296,051	23,133,574
Release during the year	48,984	-
Balance at end of the year	**44,284,617**	**67,418,191**

Company's payables to related parties are presented in Note 10.5.

In May 2011, the Company concluded a long term loan agreement in amount of USD 25,000,000 with Raiffeisen Bank SA, to finance the full purchase of Global Aluminium LTD BVI, with the head office in Trinity Chambers, British Virgin Islands.

To secure the loans, there were concluded:

- mortgages over the land and all buildings on the respective land;
- real estate guarantee over the fixed asset owned by Alum and Alum's accounts opened with Raiffeisen Bank SA;
- assignment of receivable over the receivables of Alum from any alumina supply contracts concluded with Alro SA Slatina.

The net book value of the pledged fixed assets as of December 31, 2015 is RON 124,448 thousand (December 31, 2014: RON 138,894 thousand).

The interest rate is Libor 3 M + 4% and the loan is repaid in equal quarterly installments.

As at December 31, 2015, the balance of the loan is of USD 2,500,000, the equivalent of RON 10,369,250, and the related interest is in amount of USD 18,908, the equivalent of RON 78,426.

6 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These individual financial statements are the responsibility of the Company's management and are prepared in compliance with the Order of Ministry of Public Finance no. 1802/2014 ("OMF no. 1802/2014"), with the subsequent amendments.

MoPFO no.1802/2014, as revised is harmonized with the European Directives IV and VII and differs from the International Financial Reporting Standards. As a result, these financial statements are not to be considered as being in accordance with the International Financial Reporting Standards.

These financial statements, prepared in accordance with MoPFO no. 1802/2014 as revised, are not to be used by third parties or users of the financial statements that are not familiar with MoPFO no. 1802/2014 as revised, applicable in Romania.

6 SIGNIFICANT ACCOUNTING POLICIES

A. Accounting principles (continued)

Currency of presentation

These individual financial statements are presented in RON.

A. Accounting principles

These individual financial statements for the period ended December 31, 2015 have been prepared in accordance with the following accounting principles:

Going concern

These individual financial statements are prepared based on the assumption that the company will continue normal operations for the foreseeable future, without becoming unable to continue its operations or significantly reduce the operating activity.

Consistency

The same rules, methods, norms regarding the evaluation, registration and presentation in the accounting of the elements of patrimony are used, in order to ensure the comparability in time of the accounting information.

Prudence

In the preparation of these individual financial statements, all value adjustments due to the depreciation of the assets' value have been taken into consideration, also all foreseeable obligations and potential losses which appeared during the financial year concluded or during any of the previous years.

Cut-off

In the preparation of these individual financial statements, there have been considered all the incomes and expenses of the financial year, without considering the date of receipt or of making the payment.

Separate valuation of asset and liabilities

In order to determine the total value corresponding to a balance sheet position, the value of each individual element of asset and liability was separately determined.

Use of estimates

The preparation of the individual financial statements in accordance with the revised MoPFO 1802/2014 requires the management to make certain estimates and assumptions that affect the reported values of the assets and liabilities, the presentation of the contingent assets and liabilities as at the date of preparation of the individual financial statements and the income and expenses reported for the corresponding period. Although these estimates are made by management based on the best information available as at the date of these individual financial statements, actual results may differ from these estimates. These estimates are periodically revised and any necessary adjustments are recorded in the income statement in the period when they become known. Although these individual estimates present a degree of uncertainty, the cumulated effect of this on the individual financial statements is considered to be insignificant.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

Comparatives

For each caption of the individual balance sheet, individual income statement and, where applicable, individual statement of changes in shareholders' equity and individual statement of cash flows, it is presented the value pertaining to the corresponding caption of the prior financial year.

Non-offsetting

The value of the captions representing assets have not been offset with the values of the captions representing liabilities, that is income with expenses, except for the offsetting between the assets and liabilities allowed by MoPFO 1802/2014, as revised.

Substance over form

The information presented in the individual financial statements reflect the economic reality of the events and transactions, not only their legal form.

Materiality

Any caption of a significant value is presented distinctly in the financial statements.

Treatment of accounting errors

Any possible errors of the current period noted in the same period are adjusted before the individual financial statements are authorized to be issued. However, it is possible that certain significant errors are discovered subsequently to the period to which they refer. These errors pertaining to a prior period are retrospectively adjusted and recorded in the account "Retained earnings from the adjustment of errors".

S.C. Alum S.A. is the parent company of the Alum Group (Note 1) and the consolidated financial statements of Alum Group prepared in accordance with the International Financial Reporting Standards will be issued separately.

B. Significant accounting policies

Translation of foreign transactions

The Company's transactions expressed in a foreign currency are recorded as at the exchange rates of the date of the transactions. The earnings and losses resulted from the settlement of the transactions in a foreign currency and from the translation of the monetary assets and liabilities in a foreign currency are recognized in the income statement. Such balances are translated in RON at the exchange rates at the official exchange rate of the National Bank of Romania existent at the end of each month.

As at December 31, 2015, the official exchange rate used was USD 1 = RON 4.1477 and EUR 1 = RON 4.5245.

As at December 31, 2014, the official exchange rate used was USD 1 = RON 3.6868 and EUR 1 = RON 4.4821.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

.

Property, plant and equipment

(i) Cost

Property, plant and equipment are initially stated at cost. Subsequently, property, plant and equipment have been restated based on several government decisions, by adjusting the historic cost with indexes set by the respective government decisions, as well as by recording the results of the revaluation report as at December 31, 2012 of the independent appraiser, member of ANEVAR, S.C. CMF Consulting S.R.L. The increases in the book value of the property, plant and equipment resulted from the restatements made in the past which were initially credited in the revaluation reserves or share capital, in accordance with the provisions of the respective laws.

The maintenance and repairs to the fixed assets are charged against income as incurred.

Fixed assets in the form of inventory items, such as small tools, are charged against income at the put in function date and are not included in the book value of the tangible assets.

The tangible assets that are disposed of are written off the balance sheet together with the corresponding accumulated depreciation. Any profit or loss resulted from such an operation is included in the current profit and loss account. Significant upgrading are capitalized when they meet the defining criteria of the assets. The earnings and losses from the disposal of fixed assets are determined based on their book value and are included in the operating profit.

(ii) Depreciation

Depreciation is calculated at restated cost on a straight line basis. Depreciation is calculated throughout the estimated useful life of the assets, as follows:

	Years
Buildings and special constructions	2 - 52
Technical installations and machinery	1 - 25
Equipments and vehicles	1 - 25

Land is not depreciated as it is assumed that it has an indefinite service life.

The earnings and losses generated by the disposal of land and fixed assets are determined by comparison to their book value and are included in the determination of the operating profit.

Impairment of property, plant and equipment

The Company should make sure that its assets are not recorded at a value that exceeds their recoverable value. An asset is recorded at a value higher than its recoverable value, if its book value exceeds the value recoverable from the use or disposal of the asset. The fixed assets held and used by an entity should be analyzed from the point of view of diminishing the value of such an asset whenever events occur that indicate the possibility of not recovering the book value of an asset from the future cash flows. In cases where the estimated future cash flows are insufficient to cover the book value of the asset, there needs to be applied an adjustment to reflect the impairment of the fixed assets.

As at December 31, 2015, the management made an impairment analysis for the tangible assets and concluded that they are not recorded at a value exceeding their recovering value.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Set-up expenses

Development expenses are capitalized and amortized on a straight line basis for a period from 3 to 5 years.

Licenses and software

Usually, the costs associated with the development and maintaining the computer software are charged against income as incurred. Direct costs associated with computer software whose future economic benefits are probable and for a period of more than one year are recognized as intangible assets.

The expense with the purchased computer software is capitalized and amortized on a straight line basis throughout their useful life, without exceeding a period of 5 years. Intangible assets are not restated.

The book value of each intangible asset is verified annually and adjusted from the point of view of the permanent impairment, where necessary.

Inventories

Inventories are recorded at the lower of evaluated cost and net realizable value, determined based on the FIFO ("first in, first out") method. The cost of the finished and semifinished products includes raw materials, direct salary expenses, other direct expenses and production overheads (based on the normal production capacity), but excludes the general administrative expenses, marketing expenses and financial expenses. Net realizable value is determined based on the sale price in normal conditions. Adjustments are recorded for the impairment of slowly moving, deteriorated and obsolete inventories.

Trade receivables

Trade receivables are recorded at anticipated net realizable value. For doubtful receivables, an estimated adjustment is made based on an analysis of all amounts outstanding at year end. Non recoverable receivables are charged against income in the year when they are identified.

Other receivables

Receivables are recorded at a value estimated to be recovered.

Cash and cash equivalents

Cash and cash equivalents are recorded in the individual balance sheet at cost. For the individual cash flow statement, cash and cash equivalents include petty cash, current accounts and demand deposits with banks.

Payables

Payables are recorded at nominal value.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized as at the time when the Company has a legal or contractual obligation resulted from past events, when an outflow of resources embodying economic benefits is necessary to settle the obligation and when a reliable estimate can be made with regard to the value of the obligation.

Contributions for employees

The Company pays contributions to the State Budget for social insurance, health insurance and unemployment benefit according to the levels established by the law and in effect during the year, calculated on the basis of the gross salaries. The value of these contributions is recorded in the income statement in the same period as the related salary expenses.

Provision for decommissioning

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

Impairment of investments in subsidiaries

The Company’s investments in subsidiaries are accounted for at cost less the impairment. Impairment exists when the carrying value of an investment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the Company’s budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Retirement and other post retirement benefits

In the normal course of its business, the Company makes payments to several institutions of the Romanian state on the account of the pensions of its employees. All the Company employees are members of the pensions plan of the Romanian state. The Company does not operate any other pension or post retirement benefit scheme and therefore has no other pension related obligations. Upon retirement, the Company offers its employees, according to the collective employment contract, a bonus ranging between 2 - 6 salaries, plus permanent bonuses for the last worked month, according to the length of service in the Company.

For these amounts, the Company records in the financial statements a provision revised annually by an actuarial calculation expert.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Short and long term borrowings are presented at the outstanding value as at the date of the individual balance sheet date. The current part of the long term loans and the accumulated interest as at the balance sheet date are classified as “Payables within one year”.

Financial leases

Financial lease is the lease obligation that transfers, to a large extent, all the risks and benefits related to the ownership over the asset. The title can be eventually transferred or not.
Financial lease operations are recorded at the fair values of the leased item or by the updated value of the minimum lease installments, if the latter is lower. To calculate the discounted value of the minimum lease payments, the discount factor is considered the effective interest rate of the lease agreement.

Share capital

Ordinary shares are included in equity.

The dividends pertaining to ordinary shares are recognized in equity in the period when they are declared.

Income

The income from sales is recorded upon the delivery of the products and, when applicable, upon their receipt by the client, or upon the provision of services. Recording is made net of VAT, and any possible sale fees or commercial discounts.

The Company uses carbon dioxide certificates. According to the group policy, the certificates are recognized in the financial statements based on the net exposure/emission method. According to this method, it is recognized as a liability the value of the certificates for the emission that exceeds the equivalent of the certificates granted according to GD 780/2006 issued by the National Environment Authority.

The Company estimates the annual amount of emissions as at each balance sheet date and recognizes the supplementary liability at the market value of the additional certificates that need to be purchased or at the level of the penalties that need to be paid according to the laws in force. The additional liability is recognized in the income statement based on the production unit method. If the Company estimates the use of a lower number of certificates that the allocated level, the income resulted from the sale of the supplementary certificates is recognized only at the time of the actual sale.

Income tax

Income tax is calculated based on the result of the year adjusted for various elements that are neither taxable nor deductible. It is calculated using the income tax rate in effect as at the balance sheet date.

Financial instruments

The financial instruments recorded in the individual financial statements include cash and cash equivalents, receivables and trade receivables, other assets and long term liabilities. The particular methods of recognition adopted are presented in the individual accounting policies associated to each element.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The real value of the financial instruments represents the amount for which an instrument can be traded between willing and knowing parties in an arm's length transaction. This represents a general approximation of the possible value and it might never be realized.

The Company is subject to the fluctuation of various economic variables, as follows:
(a) The foreign exchange rate of the RON against the foreign currencies;
(b) The interest rates that influence the financial assets and liabilities;
(c) The increase/decrease in the purchasing power of the RON;

As a result the real market value of the financial instruments as at the date of closure of the INDIVIDUAL balance sheet is approximately in agreement with the value presented in the financial statements of the Company.

Cash and cash equivalents, receivables and other current monetary assets, trade payables and other obligations are reflected in the individual financial statements at fair value as a result of the short term due dates of these instruments.

7 SHARE CAPITAL

The share capital is in amount of RON 488,412,908 representing 82,086,203 shares having a par value of RON 5.95 per share. The share capital subscribed and paid in as at December 31, 2015 is in amount of RON 488,412,908.

	Value
As at January 1, 2015	488,412,908
Increases	-
As at December 31, 2015	**488,412,908**

	2015		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.40
Individuals	481,177	2,863,003	0.59
Legal entities	9,166	54,538	0.01
Total	**82,086,203**	**488,412,908**	**100**

	2014		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.40
Individuals	481,177	2,863,003	0.59
Legal entities	9,166	54,538	0.01
Total	**82,086,203**	**488,412,908**	**100**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	2014	2015
Average number of employees	689	698

Remuneration per categories of personnel in 2014 was:

	No. of employees	Salaries RON
Management	14	1,655,226
Administrative staff	122	5,396,609
Operatives	553	15,502,561
TOTAL	**689**	**22,554,396**

Remuneration per categories of personnel in 2015 was:

	No. of employees	Salaries RON
Management	14	1,814,990
Administrative staff	125	5,900,423
Operatives	559	17,163,114
TOTAL	**698**	**24,878,527**

9 CALCULATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

Caption	2014	2015
Liquidity ratios		
Current liquidity ratio (current capital ratio)	1.56	1.61
Quick liquidity ratio (acid test)	0.14	0.11
Risk ratios		
Gearing	3.64	-
Interest cover ratio	23.88	6.14
Activity ratios (management ratios)		
Turnover of inventories	2.07	2.13
Days in store	176.02	171.07
Turnover of trade receivables – days	7.29	4.85
Turnover of trade payables – days	49.40	46.48
Turnover of fixed assets	3.04	3.89
Turnover of total assets	1.14	1.34
Profitability ratios		
Profitability of capital employed	0.20	0.03
Result per share RON	0.61	0.08
Gross margin from sales – %	5.46	(2.01)

10 OTHER INFORMATION

10.1 Information regarding the presentation of the Company

The Company was initially incorporated in March 1972, ALUM S.A., Tulcea, being the only manufacturer of calcined alumina in Romania.

The main business is the hydro-metallurgical processing of bauxite to obtain aluminum oxide, the raw material for obtaining aluminum.

Bayer method, which uses caustic soda to produce a solution, is used to extract the aluminum hydroxide from the processing of bauxite in order to obtain aluminum oxide, the raw material for the production of alumina. The production capacity of the refinery is of about 600,000 ton/year.

The Company's shares are allowed for trading on the alternative transactional system AeRO within Bucharest Stock Exchange. In 2015, the price per share was as follows:

	RON
- minimum price	0.60
- maximum price	2.98
- average price	1.79

10.2 Turnover

	Year ended December 31, 2014	**Year ended December 31, 2015**
Sales of alumina	503,600,602	601,203,946
Sales of hydrate	29,607,504	31,076,871
Revenues from sales of scrap iron and wastes	761,057	223,164
Revenues from sales of utilities	517,837	533,938
Other revenues	2,157,896	2,481,929
Total	**536,644,895**	**635,519,848**

10.3 Other material expenses

	Year ended December 31, 2014	**Year ended December 31, 2015**
Natural gas expenses	141,456,424	141,153,832
Packaging materials expenses	1,050,014	871,747
Work protection materials	368,669	507,264
Small assets	137,086	250,205
Total	**143,012,193**	**142,783,046**

10 OTHER INFORMATION (continued)

10.4 External services

	Year ended December 31, 2014	Year ended December 31, 2015
Third parties repairs	2,627,582	5,290,577
Rent	654,562	875,634
Insurance	540,550	854,215
Transport	684,539	618,054
Audit and consultancy	1,597,072	2,029,507
Guard services	2,060,648	2,278,870
Other services	5,468,546	6,264,529
Total	**13,633,498**	**18,211,386**

10.5 Petty cash and bank accounts

	December 31, 2014	December 31, 2015
Bank accounts	2,237,583	969,936
Petty cash	4,624	9,375
Letters of credit	-	-
Other values	-	-
Total	**2,242,208**	**979,311**

10.6 Inventories

Inventories are presented in the balance sheet after deducting the impairment adjustments.

	December 31, 2014	December 31, 2015
Raw materials, materials and goods	40,856,867	51,319,698
Work in progress	52,049,537	39,699,803
Small tools	591,052	606,715
Semi finished products and finished goods	19,769,994	4,418,070
Packaging	130,805	87,208
Adjustments for the impairment of inventories	(526,723)	(3,672,847)
Advances for inventories	155,942,588	198,874,685
Total	**268,814,121**	**291,333,335**

The advances for inventories include payments for bauxite to SIERRA MINERALS HOLDING LTD, affiliate, in amount of RON 198,364,375 (see Note 10.5).

10 OTHER INFORMATION (continued)

10.6 Inventories (continued)

	Balance as at January 1, 2015	Transfers		Balance as at December 31, 2015
		to acc.	from acc.	
Adjustment for the impairment of raw materials	179,609	-	179,609	-
Adjustment for the impairment of materials	347,114	-	133,051	214,063
Adjustment for the impairment of work in progress	-	2,868,905	-	2,868,905
Adjustment for the impairment of finished goods	-	220,637	-	220,637
Adjustment for the impairment of semi finished products	-	369,242	-	369,242
Total	**526,723**	**3,458,784**	**312,660**	**3,672,847**

10.7 Indicators regarding the result per share

The basic result per share is calculated by dividing the number of shareholders by the weighted average number of ordinary shares in circulation during the year, less the shares bought back by the Company during the year. There were no ordinary potentially diluted during the year.

	2014	2015
Net profit for the year	50,113,830	6,377,830
Number of shares	82,086,203	82,086,203
Result per share, basic – RON	0.61	0.08
Average market price per share	1.66	1.79

10.8 Transactions and balances with related parties

Affiliates are entities with direct or indirect common shareholders, common directors or management. A significant part of the Company transactions are conducted with related parties.

The nature of the relations with the related parties with which the Company conducted significant transactions or which have significant balances not settled as at the balance sheet date are detailed below. The relations were established in the normal course of the Company's activity. Management considers that the prices at which the transactions were conducted were in an arm's length.

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Subsidiary	Sales/purchases of goods/services
Global Aluminium Ltd *	Subsidiary	Assignment of receivables
Vimetco Management Romania S.R.L.	Common control	Purchases of goods and services
Vimetco Power	Common control	Sales of goods and services
Vimetco Extrusion	Common control	Sales/purchases of goods
Vimetco Ghana	Common control	Sales of goods and services
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

The transactions and balances with related parties are detailed below:

(i) Sales

	December 31, 2014	December 31, 2015
ALRO Slatina	464,474,936	575,502,927
CENTRUL RIVERGATE	34,539	34,450
SIERRA MINERALS HOLDING LTD.	2,655,180	4,663,032
VIMETCO POWER	202,099	2,532
VIMETCO EXTRUSION	1,949	62,730
Total	**467,368,703**	**580,265,672**

(ii) Purchases

	December 31, 2014	December 31, 2015
ALRO Slatina	24,070,462	20,573,189
CENTRUL RIVERGATE	2,408,951	2,631,542
VIMETCO MANAGEMENT ROMANIA	813,042	813,484
VIMETCO EXTRUSION	8	-
CONEF GAZ	141,456,424	141,153,832
SIERRA MINERALS HOLDING LTD.	127,973,716	171,713,084
Total	**296,722,603**	**336,885,131**

(iii) Receivables

	December 31, 2014	December 31, 2015
SIERRA MINERALS HOLDING LTD.	208,675,701	261,473,951
GLOBAL ALUMINIUM LTD. (împrumut - v. Nota 5)	23,561,800	27,894,672
SMHL (împrumut - v. Nota 5)	-	6,438,233
CONEF GAZ	-	404,800
CENTRUL RIVERGATE	3,595	3,631
VIMETCO POWER	3,072,237	3,150,023
VIMETCO EXTRUSION	650	381
ALRO Slatina	2,980	8,303
Total	**235,316,963**	**299,373,994**

(iv) Payables

	December 31, 2014	December 31, 2015
ALRO Slatina	147,422,563	153,961,561
CONEF GAZ	673,080	-
CENTRUL RIVERGATE	246,414	-
VIMETCO MANAGEMENT ROMANIA	161,200	-
VIMETCO EXTRUSION	-	-
Total	**148,503,256**	**153,961,561**

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

In 2015, the following related party transactions were also conducted:

	2014	2015
Interest income - Global Aluminium Ltd,	1,262,720	1,346,126
Interest income - Sierra Minerals Holding Ltd,	-	79,304

The remuneration of directors and other members of key management personnel during the year was in amount of 860,520 RON (2014: RON 819,902) and consist only of wages as there are no other benefits.

10.9 Legal reserve

As at December 31, 2015, the legal reserve amounted to RON 8,332,307 (December 31, 2014: RON 7,964,167).

10.10 Information regarding the income tax

The Company records net income tax in accordance with the financial statements, in compliance with the laws in force regarding the income tax.

The Company did not record extraordinary income or expenses during the financial year ended December 31, 2015.

The reconciliation between the result of the year and the fiscal result for the year is presented below:

Calculation of the income tax

	Year ended December 31, 2014	Year ended December 31, 2015
Total income	627,104,304	693,288,943
Total expenses	(576,990,475)	(685,926,127)
Gross profit	**50,113,830**	**7,362,816**
Allocation to the legal reserve	(2,505,691)	(368,141)
Elements similar to income	5,519,320	5,101,375
Non taxable income	(450,272)	(698,132)
Non deductible expenses	6,525,378	32,825,020
Prior years loss	(97,019,338)	(37,816,774)
Fiscal profit/(loss)	**(37,816,774)**	**6,406,165**
Current income tax	**-**	**984,986**

10 OTHER INFORMATION (continued)

10.11 Guarantees and commitments

The Company has the following investment commitments as at December 31, 2015 for the year 2016:

Description	th. USD
Endowments	292
High pressure pump for descaling	194
Forced circulation cooling tower White Filtration	77
Works for revamping the red mud lake	10
Total	**573**

The Company has the following purchasing commitments as at December 31, 2015 for the year 2016:

Description	Amount	
Contract with Sierra Mineral Holdings LTD for bauxite	50,160,000	USD
Contracts for bauxite handling Constanta-Tulcea	8,979,920	EUR
Contract with Conef Gaz for natural gas	36,974,570	USD
Contract with ALRO Slatina for electricity	5,565,050	USD
Contract with Oltchim Rm. Valcea for caustic soda	7,029,600	EUR
Contract with Chimcomplex Borzesti for caustic soda	6,862,500	USD
Contract with Celco SA for industrial lime	5,040,000	RON
Contract with Carmeuse Holding SRL for industrial lime	2,100,000	RON
Contract with NALCO- flocculants	56,792	EUR
Contract with FLOCHEM INDUSTRIES SRL Bucuresti – flocculants	93,060	EUR
Contract with CYTEC INDUSTRIES, The Netherlands – flocculants	319,343	USD
Contracts for caustic soda transport	5,073,550	RON

Alum has issued a support letter to Sierra Minerals Holding 1 Ltd under which the Company will provide technical and financial support until the total assets of Sierra Minerals Holding 1 Ltd, fairly valued, exceed its total liabilities.

10.12 Contingencies

Litigations

As at December 31, 2015, the Company was subject to a number of disputes in court resulted from the normal course of its business.

SC Alum SA Tulcea opened a legal action against the debtor SC Prosidex Rom SRL Constanta, under which the Company was listed on the creditors table with the amount of RON 160,463.

The management considers that based on the lawyers opinion these actions will not have a significant effect on the individual economic results and individual financial position of the Company.

As at December 31, 2015, the Company had in the balance the amount of RON 216,317 RON for doubtful or litigating receivables, amount for which a provision has been recorded (Note 5).

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

Taxation

Taxation system in Romania is undergoing a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain cases, tax authorities can treat differently certain aspects, calculating supplementary tax and interests of 0.04 % per day plus penalties of 0.02% per day.
Starting with March 1, 2014 the fiscal procedure Code has been modified by the OUG 8/2014. According to the provisions of the new law the interest paid by the overdue tax payers for each day of delay decreased from 0.04% to 0.03%. In this conditions, the annual interest level could reach 10.95% compared to the previous value of 14.6%.

In Romania, the fiscal year remains open for fiscal verification for 5 years. Management considers that the tax obligations included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of the elements of equity that have not been subject to income tax as at the date of recording in the accounts, considering their nature, should the Company change the destination of the revaluation reserves in the future (to cover losses or to distribute to the shareholders), this will lead to supplementary income tax liabilities.

Transfer price

The fiscal legislation in Romania has included rules regarding the transfer prices between affiliates since the year 2000. The current legislative framework defines the principle of “market value”, as well as the methods of establishing transfer prices. As a result, it is expected that the tax authorities should initiate thorough verifications in order to make sure that the fiscal results and/or the value in customs of the imported goods are not distorted by the effect of the prices used in the relations with the related parties. The Company cannot quantify the result of such verifications, but the management considers that the related party transactions are in agreement with the fiscal legislation in Romania with regard to the transfer price and the necessary documentation regarding the transfer prices is available and can be presented to the authorities in case of a tax audit.

10.13 Financial Auditor’s Fee

The fee for the financial audit of the financial statements for 2015 is in accordance with the service rendering agreement and is in amount of 194,191 RON (2014: 160,004 RON).

10.14 Risk management

a. Foreign exchange (“FX”) risk

FX risk is the risk that the value of a financial instrument should fluctuate because of the variations in the FX rate.

The Company is exposed to the fluctuations in the FX rates in the commercial and financing transactions. FX risk results from the commercial assets and liabilities recognized, including borrowings, expressed in foreign currencies. Given the high associated costs, the Company’s policy is not to use derivative financial instruments to mitigate this risk.

10 OTHER INFORMATION (continued)

10.14 Risk management (continued)

b. Interest rate risk regarding the cash flow and fair value

The interest rate risk regarding the cash flow is the risk that the future cash flows should fluctuate due to the variations in the market interest rates.

The interest rate risk at fair value is the risk that the value of a financial instrument should fluctuate due to the variation in the market interest rate. The financial instruments bear interest at market values and, as a result, it is considered that their fair values do not significantly differ from the book values.

c. Credit risk

Credit risk is the risk that one of the parties of a financial instrument should fail to meet the obligation assumed causing a financial loss to the other party.

The Company is subject to a credit risk due to its trade receivables and other types of receivables. The Company has policies meant to ensure that the sales are made to clients with proper references regarding their reliability. The receivables are mainly related to Alro (over 90 %). The company is dependent operationally and financially on Alro.
The due date of the liabilities is carefully monitored and the amounts due after exceeding the term are promptly monitored. Trade receivables (clients) are presented net of the adjustments for doubtful receivables (Note 5). The Company develops policies that limit the value of the credit exposure against any financial institution.

d. Liquidity risk

Liquidity risk (also called financing risk) is the risk that an entity should encounter difficulties in meeting the commitments pertaining to the financial instruments. Liquidity risk may result from the incapacity to rapidly sell a financial asset at a value close to its fair value.

A prudent liquidity risk management involves maintaining sufficient cash and credit lines available, by continuously monitoring the estimated and real cash flow, by correlating the due dates of the financial assets and liabilities. Due to their nature, the Company aims at maintaining flexibility in the financing possibilities, including by the support of the majority shareholder.

e. Fair value of the financial instruments

Fair value is the amount for which a financial instrument can be traded between willing and knowing parties in an arm’s length transaction.

Specific recognition methods are presented in the individual policies corresponding to each element. The Book values of the financial instruments as at the balance sheet date approximate their fair values, according to the mentions in the accounting policies of the Company and according to MoPFO 1802/2014 as revised.

The Company does not use financial instruments traded on active markets.

10 OTHER INFORMATION (continued)

10.15 Subsequent events

In January 2016 Alum concluded a new loan agreement with Raiffeisen in amount of RON 41,770,000 that will be used to repay some commercial debts. The balance of the previous loan has been fully reimbursed.

For the first trimester 2016 the selling price of alumina to Alro was updated based on the formula agreed in the addendum signed in February 2015.

In August 2015 the Company applied to the 2014-2020 Competitiveness Operational Programme supported by the European Union with the project "Equipping the Research and Development Department of SC ALUM SA with performing independent research facilities to support economic competitiveness and business development".
The project consists in the acquisition of tangible assets respective research equipment technologies for obtaining aluminum hydroxide for high-tech applications. The project value is in amount of RON 20,786 thousand out of which the non-reimbursable financial assistance amounts to RON 7,606 thousand and the contribution of the Company amounts to RON 13,180 thousand.
The project was approved in December 2015 following the Company's management to decide whether the project will be implemented starting with 2016.

Report of the directors
and
their discharge from liabilities

- 2015 -

CONTENTS

1.1 Company orientation

1.2 Management and organizational culture

1.3 Corporate social responsibility

1.4 Internal control

1.5 Financial risk management policies

1.6 Market

1.7 Competition

1.8 Shareholding structure and Share capital

2.1 Status of synthetic indicators defining company's activity for 2015

2.2 Economic indicators chart for 2015

2.3 Profit and loss account for 2015

2.4 Discharge from liabilities of the Board of Directors for 2015

Report of the directors for 2015
and their discharge from liabilities

1.1 Company orientation

The main goal of ALUM SA ("ALUM"/ "Company") is to continue its efforts to capitalize its human and material resources in order to be among the profitable and competitive companies on the alumina market. The Company aims to become a model of private plant, which will continue to bring important economical and social benefits both to Tulcea town and to the national economy

For this purpose the Company established the following main objectives:

- Completion of on-going investments having as result the decrease of production costs;
- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsibility;
- Ensurring raw materials and energy resources on long term basis;
- Increasing the energetical efficiency for the entire production process;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Developping new products and activities.

1.1.1. The main development directions of ALUM

The future development projects which ALUM intend to implement are briefly presented below:

1. Environmental projects to ensure operational continuity
   - Maintenance work for red mud pond;
   - Reinforcing the red mud pond perimetral dykes – left bank embankmnet and improving the sprinklers system for preventing the dust formation;
   - Forced cooling tower for White Filtration;
   - Particle emissions monitoring system for bag filters.
2. Projects for efficient and safe operation of industrial facilities
   - High pressure pump for descaling for Evaporation;
   - Foundations comsolidation on the Precipitation tanks;
   - Warning system for fire protection;
   - Process monitoring systems for Evaporation and Digestion units;
   - Plant endowments;
   - Investments for maintenance and improvment of equipment parameters.
3. Projects to support ANRE proposals
   - New natural gas burners at Steam Bolier no 1 (low Nox);
   - Optimizing the steam lines and installing steam traps for 2 digestion units;
   - Digestion modernization – autoclaves registers and agitators for 2 lines;
4. Projects to increase energy efficiency – Burned gas fan for Steam Boiler no 2
5. Development of new products – Increasing Alum comptetitiveness by installing equipment to obtain wet and dry hydrate.

1.1.2. Branch offices of ALUM

We mention that ALUM does not have fiscally registered branch offices.

1.2 Management and organizational culture

The management team promotes the values that define the Company's organizational culture and mainly:

- **Performance**

In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates

- **Competence**

Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.

- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial ad financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

Alum's main goals regarding the environment are the following:

- Compliance with the environmental law adopted under the requierements of the European Directives and strictly respect all legal regulations applicable to the company;
- Continuous improvement of activities, processes, products and environmental performance;
- Preparation for emergencies situations and the ability to respond, organizing and conducting simulation exercices for incidents involving dangerous substances;
- Pollution prevention and combat the environmental factors through investments, organizational measures, maintenance and repairs and technological changes;
- Continuous monitoring of environmental aspects of production activity through weekly environmental programs.

Through its environmental policy, the Company creates the premises for the activity in the most demanding environmental standards set by the athorities.

1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of the companies in solving some of the problems of the communities where it operates.
The advantages of implementing the social responsibility management system are:

- Demonstrated commitment to business ethics, socially responsible;
- Protecting the brand;
- Enhanced reputation as a responsible corporate citizen;
- Consumers confidence and a positive perception of investors;
- A better employee morale;
- A properly working environment, safe and fair;
- Improved working conditions;
- Commercial risk management;
- Differentiation from global competitors.

In order to implement CSR in Alum were made the following steps:

- The Company developed procedures for the relations with the media and organized an audience program; in this way the Company expresses its openness to listening and solving the community problems (employees, citizens, local authorities, companies collaborating, etc) and involvement in education and other activities of social utility.
- Were developed and distributed questionnaires about how the Company is perceived in various community organizations with which it comes into contact (public administration, financial and banking institutions, cultural organizations and sports, religious, educational, environment protection, etc). In the feed-back received from collaborating organizations showed that Alum is actively involved in the local community life, with a positive and important influence.

.**1.4 Internal control**

Company's internal control aimes at ensuring:
- Compliance with the existing law;
- Implementation of decisions taken by the Company's management;
- Proper functioning of the internal affairs of the Company;
- Reliability of financial information;
- The effectiveness of its operations;
- Efficient use of resources;
- Prevention and control of risks of not achieving the objectives set.

As a result, the main objectives of the internal control procedures:
- On one hand, the Company's business registration and tracking behavior of staff within the framework defined by applicable laws, values, rules and internal rules of society;
- On the other hand, checking whether the accounting, financial and business management information communicated accurately reflect the situation of society.

Control activities are an integral part of the process by which the entity seeks to achieve management objectives. Control concerns the application of rules and internal control procedures at all levels: approval, authorization, verification, assessment of operational performance, asset security, separation of functions.

1.5 Financial risk management policies

a) Currency risk

The Company is exposed to foreign exchange risk because the predominant part of its sales of alumina is denominated in or linked to the USD while the vast majority of its operating costs (such as power costs, wages, etc.) are denominated in or linked to the RON. The currency exposure is related to the fact that most of the Company's receivables are linked to USD of EUR while the liabilities are denominated in RON. The Company is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

1.5 Financial risk management policies (continued)

b) Interest rate risk on cash flow and fair value

Interest rate risk on cash flow is a risk that future cash flows will fluctuate because of changes in market interest rates.
The interest rate risk is the risk that the value of a financial instrument would fluctuate as a result of the variation of the interest rates on market. Financial instruments are bearing interest at market rate, therefore it is considered that their fair values do not differ significantly from book values.

In May 2011 the Company signed a long term loan agreement worth 25 million USD with Raiffeisen Bank, for partial financing of the acquisition of shares representing 100% of the share capital of Global Aluminium Company Ltd. BVI, based in Trinity Chambers, British Virgin Islands. The loan has been granted for a period of 5 years with an interest rate of Libor 3M+4%.

c) Credit risk

The credit risk represents the risk that one of the parties participating in the financial instrument will fail to fulfill an obligation, thus causing a financial loss to the other party.
Financial assets that expose the Company to the potential credit risk concentrations comprise mainly receivables from the main activity. The Company has policies to ensure that sales are to customers with appropriate references on their creditworthiness. Date of maturity of debt is carefully monitored and the overdue amounts are promptly pursued. These are presented at the net adjusting value for uncertain receivables.

d) Liquidity risk

The liquidity risk, also named financing risk, is the risk that a plant has difficulties in accumulating funds in order to fulfill the obligations related to the financial instruments. The liquidity risk can arise from the inability to sell quickly a financial asset at a value close to its actual value.
Prudent liquidity risk management implies maintaining sufficient cash and available credit lines, through continuous monitoring of estimated and real cash flows and matching the estimated maturities of financial assets and liabilities. Due to the nature of the business, the Company seeks to maintain flexibility in funding opportunities, including majority shareholder support.

e) Fair value of financial instruments

Fair value is the amount a financial instrument can be traded, voluntarily, between informed parties, in a transaction whose price is determined objectively.
Specific methods of recognition are presented in Company's policies for each item. The carrying values of financial instruments at balance sheet date approximates their fair values, as listed in the Company's accounting policies and as OMF no. 1802/2014 amended.
The Company does not use financial instruments traded in active markets.

1.6 Market

In 2015 Alum had a turnover in amount of 635,520 th RON structured as follows:

✓ Sales of alumina	601,204	th RON
✓ Sales of hydrate	31,077	th RON
✓ Revenues from sales of scrap iron and wastes	223	th RON
✓ Revenues from sales of utilities	534	th RON
✓ Other revenues	2,482	th RON

1.7 Competition

The competition on the alumina market is given by the sale price and quality of products. In order to get an as big as possible market share, each producer supports the marketing strategy with investments in technology and continuous modernization of the production process.
Under the circumstances of a more and more competitive global market, ALUM must continue the strategy for reducing the production cost by means of reducing consumptions (development of new ecological technologies), promoting the products using aggressive marketing and investing in human capital.

1.8 Shareholding structure and share capital

SHAREHOLDERS	Number of shares	Owned percentage (%)
ALRO SA SLATINA	81,595,860	99.40
Other shareholders – natural persons	481,177	0.59
Other shareholders – legal persons	9,166	0.01
TOTAL	**82,086,203**	**100**

On 31.12.2015, the share capital is of 488.412.908 RON and the number of issued shares 82.086.203.

2.1 Status of synthetic indicators defining company's activity as compared to the income and expenditure budget

SYNTHETIC INDICATORS	Actual 2014	Budget 2015	Actual 2015	Difference as compared to Budget	%	Difference as compared to 2014	%
	RON	RON	RON	RON		RON	
TURNOVER	**536,644,895**	**609,358,971**	**635,519,848**	**26,160,877**	**104**	**98,874,952**	**118**
TOTAL OPERATING REVENUES	**571,392,617**	**609,443,333**	**610,226,779**	**783,446**	**100**	**38,834,162**	**107**
TOTAL OPERATING EXPENSES	**542,075,427**	**587,440,062**	**622,973,690**	**35,533,628**	**106**	**80,898,263**	**115**
of which:- raw material and material expenses	301,347,885	333,060,087	350,752,330	17,692,242	105	49,404,445	116
- other expenses (inventory objects)	1,555,769	174,528	1,629,215	1,454,686	933	73,446	105
- energy, gas and water expenses	165,992,078	179,597,210	161,038,569	(18,558,640)	90	(4,953,508)	97
- staff expenses	30,530,454	32,946,165	32,777,926	(168,239)	99	2,247,472	107
- depreciation expenses	22,665,904	21,376,816	23,209,103	1,832,287	109	543,199	102
- third parties services	15,651,630	20,285,256	20,018,466	(266,790)	99	4,366,836	128
- merchandise expenses	1,266,934	-	1,816,734	1,816,734		549,801	143
- other expenses (penalties, disposal of fixed assets)	2,283,328	-	1,131,165	1,131,165		(1,152,163)	50
- value adjustments	781,446		27,402,762	27,402,762		26,621,316	3.507
Operating result	**29,317,190**	**22,003,271**	**(12,746,911)**	**(34,750,182)**	**(58)**	(42,064,101)	**(43)**
FINANCIAL REVENUES	55,711,688	954,485	83,062,164	82,107,679	8.702	27,350,476	149
FINANCIAL EXPENSES	34,915,047	1,585,989	62,952,437	61,366,448	3.969	28,037,390	180
Financial result	**20,796,640**	**(631,505)**	**20,109,727**	**20,741,232**	**(3.184)**	**(686,913)**	**97**
TOTAL REVENUES	627,104,304	610,397,818	693,288,943	82,891,125	114	66,184,639	111
TOTAL EXPENSES	576,990,475	589,026,052	685,926,127	96,900,075	116	108,935,652	119
GROSS PROFIT	**50,113,830**	**21,371,766**	**7,362,816**	**(14,008,950)**	**34**	**(42,751,014)**	**15**
PROFIT TAX	-	-	984,986	984,986		984,986	
NET PROFIT	**50,113,830**	**21,371,766**	**6,377,830**	**(14,993,936)**	**30**	**(43,736,000)**	**13**

➢ Although the quantities of alumina and hydrate sold in 2015 were lower than the budgeted ones by 10,819 to, the turnover increased due to higher selling prices in RON:

		Value:	
- turnover	+	26,161	th RON
The difference from forecasts was mainly determined by:			
- alumina sales	+	31,152	th RON
- hydrate sales	-	8,229	th RON
- revenues from scrap sales	+	223	th RON
- revenues from utilities sales	+	534	th RON
- other operating revenues	+	1,932	th RON

➢ Increases as compared to the budget for the operating expenses in amount of 35,534 th RON are mainly due to higher exchange rate and provisions. The negative influence has been reduced by the lower production volume (budget 428,357 to, actual 404,825 to of alumina):

		Value:	
- raw materials and materials expenses	+	19,147	th RON
- raw materials expenses	+	19,844	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	-	697	th RON
- energy and water expenses	-	4,356	th RON
- natural gas expenses	-	13,089	th RON
- goods expenses	+	1,817	th RON
- staff expenses	-	168	th RON
- value adjustments (provisions)	+	26,977	th RON
- depreciation expenses	+	1,832	th RON
- other operating expenses (sponsorships, taxes, social aids, work protection)	+	351	th RON

- other expenses (penalties, ceased assets, other operating expenses) + 1,131 th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc.) + 84 th RON
- adjustment value expenses for risks and expenses - 426 th RON

According to the impairment test performed as of December 31, 2015 and 2014 by an independent valuation company, there is no impairment needed for Alum's tangible and intangible assets.
According to the impairment test performed by CMF Consulting as of December 31, 2015 there is a potential loss from receivables from SMHL for which the Company recorded in 2015 a provision in amount of USD RON 22,890 thousand.

- As for the financial revenues, they were excedeed by 82,108 th RON, being due to:

	Value:
✓ revenues from exchange rate differences	+ 80,824 th RON
✓ revenues from interests	+ 1,284 th RON

- Financial expenses were exceded by 61,366 th RON and factorially, they were due to:

	Value:
✓ expenses with exchange rate differences	+ 61,521 th RON
✓ expenses with interests	- 155 th RON

Concluding, at the end of 2015 ALUM registered a profit of 6,378 th RON compared to the budeted profit of 21,372 th ron.

❖ Fiscally non-deductible expenses

The fiscally non-deductible expenses amount to 32.83 million RON of which the most important are the following:
- expenses with fiscally non-deductible value adjustments in the amount of 28.1 million RON out of which:
  - 23.1 million RON value adjustment for potential loss in receivables
  - 3.09 million RON value adjustment for for semi-finished goods and work in progress stocks
  - 1.7 million RON value adjustment for tangible assets depreciation
- depreciation expenses for fixed assets revalued in 2009 in amount of 0.61million RON
- depreciation expenses for fixed assets revalued in 2012 in amount of 0.71 million RON
- depreciaton expenses for spare parts treated as fixed assets 0.62 million RON
- depreciation for the value adjustment for the estimated expenses to close the red mud lake 1.21 million RON
- social expenses 0.23 million RON
- other fiscally non-deductible expenses (compensations, amortization of fixed assets written off, interest for the value adjustment for the estimated expenses to close the red mud lake, fines, penalties, resident, fuel) in the amount of 1.36 million RON

❖ Investments

ALUM had forecasted and approved for 2015 an investment program in amount of 2,345 th USD.

The status of 2015 investments achievements is as follows:

No.	Investment project	Budget (th. USD)	Actual (th. USD)	Difference (th. USD)
1	Plant endowments	1,372	1.222	(150)
2	Foundation consolidation for Precipitation tanks	273	273	0
3	Works for revamping the red mud lake	200	221	21
4	Forced cooling tower for White Filtration	250	250	0
5	High pressures descaling pump for Evaporation	250	283	33
TOTAL		**2.345**	**2,249**	**(96)**

❖ **Litigations status**

On 31.12.2015 ALUM is involved in some litigations as a result of its normal activity.

Alum opened a legal action against the debtor Prosidex Rom SRL Constanta, under which the Company was listed on the creditors table with the amount of RON 160,463.

On the basis of the legal consulting provided by the Company's lawyers, the management considers that those litigations won't have negative effects on the results or on the financial postion of the Company.

On December 31, 2015 the Company had in its balance the amount of 216,317 RON for uncertain clients or under litigation, amount for which value adjustment is registered.

2.2 Economic indicators chart

Indicator	**2014**	**2015**
1. Liquidity indicators		
Current liquidity indicator – index	1.56	1.61
Immediate liquidity indicator - index	0.14	0.11
2. Risk indicators		
Indebtness degree indicator - index	3.64	-
Interest coverage indicator – index	23.88	6.14
3. Activity indicators (management indicators)		
Inventory turnover – no. turnovers	2.07	2.13
Number of days of storage - days	176.02	171.07
Rate of debit turnover – clients - days	7.29	4.85
Rate of credit turnover – supplier – days	49.40	46.48
Rate of fixed assets turnover – no. turnovers	3.04	3.89
Rate of total assets turnover – no. turnovers	1.14	1.34
4. Profitability indicators		
Rentability of engaged capital – index	0.20	0.03
Gross margin from sales - %	5.46	(2.01)
5. Share result indicators		
Result per share – RON / share	0.61	0.08

Analyzing the economic – financial indicators, the following conclusions may be drawn:

✓ From the balance sheet elements rate of turnover:

- the inventory turnover decreased as compared to the previous year due to the increase of cost of sales which was higher than the increase of stocks;
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 5 days and pays its commercial debts at 46 days.
- regarding the fixed assets turnover, it increased due to increase of turnover and decrease of the fixed assets.
- the turnover of the total assets increased due to the increase of the turnover which was higher than the increase of total assets.

2.3 Profit and loss account

Considering all the above, we submit to the approval of the General Shareholders Meeting the following:
- profit and loss account
- balance sheet
- statement of changes in equity
- statement of cashflows
- notes to financial statements

2.4 Discharging from liabilities of the Board of Directors for 2015

For the period 01.01.2015 – 13.08.2015 based on the Decision of the General Shareholders Meeting no. 34/21.03.2013, the Board of Directors consisted of:

1. Dobra Gheorghe	-	Chairman
2. Machitski Pavel	-	Vice Chairman
3. Cilianu Marin	-	Member
4. Popa Ioan	-	Member
5. Duralia Mihaela	-	Member

For the period 14.08.2015 – 31.12.2015 based on the Decision of the General Shareholders Meeting no. 37/14.08.2015, the Board of Directors consisted of:

1. Dobra Gheorghe	-	Chairman
2. Barabanov Alexandr	-	Vice Chairman
3. Cilianu Marin	-	Member
4. Popa Ioan	-	Member
5. Duralia Mihaela	-	Member

We propose the discharge from liabilities of the Board of Directors of ALUM SA Tulcea for 2015.

CHAIRMAN OF THE BOARD OF DIRECTORS
PhD Eng Gheorghe Dobra