vimetco alum

Board of Directors

Proposal for approval to conclude some sale-purchase agreements of calcined alumina with Alro S.A.

Extraordinary General Shareholders Meeting from December 19, 2016

General presentation

Alum S.A. (“Company”) intends to negotiate and conclude with Alro S.A one or more sale-purchase agreements of calcined alumina, thereby contributing to the supply of alumina calcined in the next years at a competitive price.

Calcined alumina is a chemical compound, obtained by refining the bauxite ore by Bayer method. Alum S.A. is today the only operational refinery from Romania and one of the few refineries operating in Central and Eastern Europe and Alro SA is one the fewest operational aluminum electrolyzes in this area.

Alro SA is, for few decades, the main client of Alum SA for calcined alumina. The current relationships are based on long term agreements and on market prices with mutual benefit .

To select the client for alumina are taken into consideration, also, according with market practices, important factors such as:

- acceptance by the client of supplied alumina specifications;
- Proximity to refinery;

General presentation

- Complexity of the logistical arrangements;
- Logistic total costs;
- Commercial flexibility of the contractual partner considering also the external fluctuations of the aluminum and alumina market;
- Eventual possibilities of operational coordination between supplier and buyer

After analyzing the above criteria and taking into consideration the Company's investments or improvement of the operational efficiency and compliance with quality and environmental requirements, starting with 2005, including vertical integration of the bauxite mine from Sierra Leone, it results that Alro S.A. is one of natural partners for Alum SA as regards the buying of calcined alumina.

General Mandate (I)

The Board of Directors of Alum S.A. proposes to the company's shareholders the conclusion of some agreements for alumina calcined with Alro S.A. (the transaction following to be divided in one or more agreements, in order to satisfy the financing needs of both companies), in the following conditions:

- Term of the agreements: maximum 7 years
- Annual contractual quantity of alumina: up to MT 420,000
  (by aggregating all annual quantities from the agreements to be closed)
- Estimated annual value of the agreements: about USD147 millions
  (considering the actual market value determined on the basis of alumina indices published by Metal Buletin, CRU andi Platts):
- Alumina quality: according to the technical specifications accepted by Alro S.A.
- Without mutual guarantees

General Mandate (II)

Additional conditions: the usual conditions for such type of agreements, such as:

- **Price established depending on the market level and observing the fiscal legislation in force**
- **Quality conditions, way of solving quality complaints;**
- **Invoincing and payment;**
- **Delivery conditions, delivery schedules;**
- **Force Majeure;**
- **Jurisdiction.**

General Mandate (III)

According to the Company's Article of Incorporation, the approval of the agreements with a value more than 50% of the Company's assets is the competence of the General Meeting of the Company's Shareholders.

Taking into consideration the yearly estimated value at this moment, the total value of this transaction is more than the threshold stipulated by the Article of Incorporation, according with the last approved financial statements and, therefore, the approval of the shareholders is necessary for the conclusion of this transaction.

Proposed Decision

The Board of Directors of Alum SA proposes to the Company's shareholders to approve the conclusion of the above mentioned agreements and to empower the Board of Directors of the Company to negotiate, approve the final forms and to conclude the alumina agreements within the above mentioned conditions and any other documents related to the above mentioned transactions, as well as to nominee the persons empowered to sign, for and on behalf of the Company, the agreements and any other necessary documents.