

**SPECIAL ADMINISTRATOR REPORT REGARDING THE BUSINESS OF OLTCHIM
S.A. IN 2016,
prepared in accordance with Annex 32 of NSC Regulation no. 1/2006**

Company	OLTCHIM S.A. Rm. Vâlcea <i>Company in judicial reorganisation</i>
Registered office	Rm. Vâlcea, Str. Uzinei nr.1
Telephone number	0250/701 200
Fax number	0250/735 030
Number and date of registration with the Trade Register	J 38/219/18.04.1991
VAT Number	RO 1475261
Regulated market where shares are traded	Bucharest Stock Exchange, symbol OLT
Subscribed and paid share capital	34,321,138.30 lei
The main characteristics of the securities issued by Oltchim SA	common registered and dematerialized shares
Number	343,211,383
Nominal value	0.10 lei/share

I. COMPANY BUSINESS REVIEW

1.1(a) Company's core business description:

OLTCHIM S.A. Ramnicu Valcea is one of the largest chemical companies in Romania, being a renowned name on the economic map of the country. Business Sector in which it operates is entered in the CAEN code - 201 - Manufacture of basic chemicals, fertilizers and nitrogen compounds; manufacture of plastics and synthetic rubber in primary forms. The main activity is the manufacture of other basic organic chemicals-CAEN code 2014.

In accordance with the Articles of Incorporation of the company the object of activity includes mainly: design and production of chlor-alkali, oxo alcohols, petrochemicals, other chemical products, including services and technical assistance and their sale domestically and for export.

In the chemical sector is an integrated company, which is based on primary raw materials: salt, water, electricity and continues with advanced processing to obtain finished products.

The basic production of the company is divided into two sites.

Petrochemical site Rm. Vâlcea is structured on the following production plants:

- Membrane Electrolysis - produces liquid caustic soda, hydrochloric acid and chlorine gas;
- Chlor-Alkali – produces soda block, soda flakes;
- Propylene Oxide – produces propylene oxide;

- Polyols – produces polyethers and propylene glycol;
- Special Polyols-produces polyethers;
- Plasticizers - produces oxo-alcohols;
- Construction Materials Division which produces PVC profiles RAMPLAST (operated in tenancy- tenant Dynamic Selling Group SRL).

Petrochemical site Bradu – Pitești is structured on two production plants (Olefins and Polymers) which during 2016 was mothballed due to lack of working capital.

Utilization rate of the production capacities in 2016 is of 30,88%, a low operation rate due to the plants that are not working being in mothballing stage (VCM, PVC, Dioctylphthalate, Phthalic anhydride).

The operation rate for functioning plants (Membrane Electrolysis, Propylene Oxide and Polyether Polyols, Oxo-alcohols) was in 2016 of 69,07%.

The following production lines continued to be shut-down in 2015:

- Phthalic anhydride – Dioctylphthalate since August 2012;
- Mercury electrolysis since May 2012;
- PVC since September 2011;
- VCM since November 2008;
- Petrochemical Division Bradu since November 2008.

(b) Date of the company establishment:

OLTCHIM SA Rm. Vâlcea was established as a joint stock company, by Government Decision no. 1213/ 20 November 1990, by full takeover of the patrimony of Chemical Works Rm. Valcea that was founded in 1966.

(c) Description of any merger or significant reorganization of the company, its subsidiaries or controlled companies during the financial exercise:

Since the opening of insolvency proceedings (30.01.2013), the company's business is governed by Law no.85/2006 on insolvency proceedings. The company is in the stage of judicial reorganization, given the Decision no 892/22.04.2015 in the insolvency file no. 887/90/2013, by which was confirmed the Reorganization Plan proposed by the consortium of judicial administrators. In the session court from 23 November 2016, the court confirmed extension of the duration of the execution of Oltchim SA Reorganization Plan with one more year, extension approved by the General Assembly of Creditors in August 22, 2016.

(d) Description acquisitions and / or divestitures of assets:

Not applicable.

(e) Description of main findings of the evaluation of company's activity:

1.1.1 Elements of general evaluation:

After entering into insolvency proceedings (31 January 2013), the company started an extensive restructuring process, with the following main directions:

- increase production activity of the company;
- regaining the external markets where Oltchim obtained over 73% from its turnover;
- reducing the expenses in order to increase the business efficiency .

In 2016 the company achieved the best economic & financial performance since the entry in insolvency and the best gross result from current operating activity from 2007 to date.

In 2016 the company recorded the following results:

th lei

Crt. No.	Indicators	Current activity	Asset revaluation and impairment	TOTAL YEAR 2016
1	Turnover	754,823		754,823
2	Total income	781,852	49,208	831,060
	- operation income	777,744	49,208	826,952
	- financial income	4,108		4,108
3	Total expenses	761,852	34,400	796,252
	- operating expenses	756,794	34,400	791,194
	- financial expenses	5,058		5,058
4	Gross result	20,000	14,808	34,808
	- operating result	20,950	14,808	35,758
	- financial result	(950)		(950)
5	EBITDA	75,326		75,326
6	Income tax	8,754		8,754
7	Net result	11,245	14,808	26,053

Total net result achieved by Oltchim SA in 2016 is +26.053 thousand lei, consisting of:

- +20.000 thousand lei gross profit from current activity of the company;
- +14.808 thousand lei from asset revaluation and impairment of assets;
- - 8.754 thousand lei income tax.

The results recorded in 2016 by Oltchim SA demonstrates that the measures envisaged by the Reorganization Plan approved by the creditors in order to increase the efficiency of business company, have been successfully implemented.

Regaining the sales markets, especially external markets, and revamping of the main plants, together with reducing redundant staff, all these contributed to these results.

The analysis of Oltchim SA financial indicators from current activity (without the influence of recorded profit resulted from Reorganization Plan approval in 2015 and without the influence of the asset revaluation in 2016) after the entry into insolvency proceedings is as follow:

th. lei

Crt. No.	Indicators	2016	2015	2014	2013
1	Turnover	754,823	742,392	627,531	497,955
2	Export (th. euro)	123,007	125,080	100,005	69,406
3	Total income	781,852	760,867	651,444	546,176
	- operation income	777,744	756,545	648,863	497,814
	- financial income	4,108	4,322	2,782	48,362
4	Total expenses	761,852	809,334	839,963	840,431
	- operating expenses	756,794	801,776	827,447	784,432
	- financial expenses	5,058	7,558	12,517	55,999
5	Gross result	20,000	(48,467)	(188,319)	(294,255)
	- operating result	20,950	(45,231)	(178,584)	(286,618)
	- financial result	(950)	(3,236)	(9,735)	(7,637)
6	EBITDA	75,326	40,544	(38,591)	(178,320)
7	Net result	11,245	(48,467)	(188,319)	(294,255)
8	Utilization rate of production capacity	30.88%	28.29%	24.26%	20.69%

- ✓ **Turnover increased by** 12.4 million lei (~ 2.8 million euro) compared to 2015 and by cu 256.8 million lei (~ 57.2 million euro) compared to 2013;
- ✓ **Value of export and intracommunity sales** achieved by the company in 2016 is 123 million euro. **Imports and intracommunity procurement**, in amount of 27 million euro, resulted in a positive external balance of 96 million euro.
- ✓ **Export shared in turnover** was of 73% in 2016, compared to 74% in 2015 and 62% in 2014;
- ✓ **Gross result from current activity** in 2016 was of +20 million lei, an increase with 68.5 million lei (~ 15.2 million euro) compared to 2015 and with 314.3 million lei (~70 million euro) compared to 2013.

Gross result of +20 million lei (+4.5 million euro) achieved in 2016 consist of:

 - +35.8 million lei (+8 million euro) total profit obtained from current activity of operating plants;
 - -15.8 million lei (-3.5 million euro) expenses with the preservation of non-operating plants from Bradu and Valcea sites, as follows:
 - preservation expenses for Bradu Petrochemical Division -11.6 million lei
 - preservation expenses for non-operating installations from Rm.Valcea -4.2 million lei
- ✓ **Net result from the current business** of the company in 2016 is +11.2 million lei representing an increase with 59.7 million lei compared to 2015 loss and an increase with 305.5 million lei compared to 2013 loss;
- ✓ **EBITDA** is +75,3 million lei, meaning an improvement in profitability compared to previous years.

1.1.2. Evaluation of the technical status of the company

Description of main products/services:

Inorganic products:

- caustic soda (liquid, block, flakes);
- synthesis hydrochloric acid;
- liquid chlorine;

Macromolecular products:

- polyether polyols for polyurethane foams;

Synthesis organic products:

- Propylene oxide
- Propylene glycol
- Oxo - alcohols

Summary of main products manufactured

Inorganic products:

Caustic soda is used in the oil industry, in the petrochemical industry, in the aluminum industry, the pulp and paper industry for the treatment of wood pulp, for the production of detergents (as raw material), to obtain soap, in the manufacture of dyes, phenol, phosphates. Caustic soda in all its forms, is found in the regeneration of rubber, in gas drying and dechlorination and in the manufacture of cellulose fibers by the process "rayon".

Caustic Soda Solid (block, flakes) is requested on the market due to the advantages shown for users: lower storage costs, easier and more accurate dosing, qualities that recommend the product for applications in the pharmaceutical industry, cosmetics, detergents, and other areas of fine synthesis.

Hydrochloric acid is used in organic and inorganic chemical industry in the synthesis of chlorinated hydrocarbons and inorganic chlorides, and also as neutralizing agent. It is also used in pharmaceuticals, cosmetics, plastics, rubber industry in chloroprene synthesis, in dyestuffs industry, textile industry, and the pulp and paper industry. It is used as reclaiming agent of ion exchange resins in water demineralization units and as pickling and degreasing agent in metallurgy and machinery manufacturing.

Liquid chlorine is used in the synthesis of hydrochloric acid, as an intermediate in the synthesis of organic chemicals, in rubber industry, in textile industry and pulp and paper industry as a bleaching agent, as neutralizing agent in water treatment and as an oxidizing agent in water purification.

Macromolecular products:

Polyether polyols are used in the synthesis of unsaturated epoxy polyurethane resins, elastomers, adhesives, defoamers, in the manufacture of lubricants and brake fluids. The most important application of them is the production of flexible or rigid polyurethane foams. Polyurethane foams are produced through the process of block or linear foaming.

They are used in furniture industry for upholstery, the automobile industry in various parts (dashboard, steering wheel), automotive upholstery. Also they are used for thermal insulation at low temperatures (refrigerators, cold rooms). Polyurethane foams are used in the manufacture of foam core for sandwich panels.

Synthesis organic products:

Propylene oxide is used in the manufacture of brake fluid, firefighting agents, synthetic lubricants in oil drilling, etc.

Propylene glycol is used primarily in paints and varnishes industry, as a solvent for the obtaining of printing ink and laundry detergents, as a plasticizer to improve the capacity of plastics processing, in cosmetic and pharmaceutical industries.

(a) the main markets, the share of main products in these markets in 2016 and distribution methods:

In 2016, production registered quantitative increases for all sold products compared to 2015, although the company continued to operate at about 30% of full capacity, part of the plants are still shut down. Turnover rose to 168 million euro. The increase in turnover was driven by quantitative growth in sales of main products manufactured.

After company entered insolvency proceedings the sales saw monthly increases, but nonetheless the products shares on the main markets were insignificant in 2016.

Over 73% of turnover comes from export and intra community market.

Sales of products is performed by *direct delivery* to end users (consumers) or by the method of *selective distribution* to trading companies specialized in the distribution of chemicals, which in turn sell to end users. Sale through second method provides logistics (warehouses, means of transportation, in accordance with the legislation in force governing the sale of chemicals, including hazardous chemicals), helps to costs diminishing by products sale on far away markets, advance payment and market research and products promotion (depending on market).

(b) the share of each product group in the company's turnover for the last three years:

%

Product Groups	2016	2015	2014
Petrochemicals – polyether polyols	64	66	70
Chlor-alkali	21	19	20
Commodities	3	3	4
Oxo-Alcohols	11	10	3
Construction Materials	0	0	1
Others	1	2	2

(c) new products considered for which a substantial amount of assets will be allocated in the next financial year and the development stage of these products

Not applicable.

1.1.3. Evaluation of material and technical supply (domestic sources, import sources)

As regards the procurement activity, 2016 was an year of maintaining the company's position in domestic and foreign markets. Oltchim reconnected with old partners and initiated new contacts, expanding more and more its coverage in terms of actual and potential sources for the procurement of goods and services required.

The procurement of raw materials, auxiliary materials and services was carried out based on Internal Procedural Rules on procurement contracts.

The overall uncertainty in financial markets was still felt in the attitude of suppliers, some of which continued in 2016 to be reluctant and maintain prepayment request. There are also partners of the company, closer to the current realities in terms of improving the financial position of Oltchim, who agreed deferred payment, whether or not secured by promissory notes, convinced about the stability on medium term of mutual commercial relationships.

Regarding the essential raw materials for the technological process, in 2016 have been concluded firm contracts for the entire volume of propylene required, creating thus a stable outlook for the company. The volume of propylene purchased increased from 76,940 to in 2015 to 86,900 to in 2016 and as mentioned above, according to contract provisions next year will reach 93,210 to.

With regard to ethylene oxide, an essential feedstock in the production of polyols, the volume purchased increased from 4,782 in 2015 to 6,003 to in 2016. This product is a feedstock of shortage nature and sources of supply are from outside of Romania (both from the EU and from third countries outside the EU). For next year, demand for ethylene oxide is fully covered by contracts with suppliers, the volume supplied rising to 6,780 to.

For the raw materials purchased for Electrolysis Plant (soda ash, sulphuric acid, brine) the sources remain the same, respectively domestic sources for soda ash and brine and EU sources for sulphuric acid.

The supplier of electricity and industrial steam of the company for 2016 remained The Power Station Govora SA, the two partners being in a relationship of technological captivity meaning that the industrial steam produced by the supplier cannot be supplied to other entities.

1.1.4 Evaluation of sale activity

a) *Description of sales evolution, sequentially on domestic and/or foreign market and the prospects of sales in the medium and long term;*

In 2016 the company produced and sold three product groups:

- **Polyether polyols** with a share of 64% in turnover;
- **Chlor-alkali products** with a share of 21% in turnover;
- **Oxo alcohols** with a share of 11% in turnover.

The products with the largest share in turnover were the polyols. The Company intends to focus its business on polyols and caustic soda. The shutdown until the end of the year of the mercury electrolysis from Europe will led to diminishing of the market availability. Hydrochloric acid and sodium hypochlorite are co-products obtained in the electrolysis process and are capitalized primarily on the domestic market, requiring special storage and transportation conditions.

The shutdown of Arpechim pyrolysis plant (2008) has negatively impacted PVC production, ethylene being the main feedstock for this product. The situation has culminated in 2012 with total shutdown of PVC production plant.

The main markets in 2016 were European Union (49%), Romania (27%), Middle East (13%) and Rest of Europe (8%).

The company has a wide and diverse range of quality products with multiple fields of application, products with high demand both in the domestic and foreign markets. For some products in the manufacturing portfolio, Olchim is the main or even sole provider domestically, being the company that supports with raw materials a number of business sectors in the country, namely: aluminum industry, manufacture of artificial and cellulosic fibers, power industry, pharmaceuticals and food industries, plastic processing industry, construction industry.

The evolution of sales by geographical area in 2016 compared to 2015 is given below:

Product/Geographical area	2016		2015	
	Quantity (to)	Value(EUR)	Quantity (to)	Value(EUR)
CAUSTIC SODA				
European Union (incl. Romania)	64%	63%	63%	63%
Rest of the World	36%	37%	37%	37%
POLYOLS				
European Union (incl. Romania)	84%	83%	84%	83%
Rest of the World	16%	17%	16%	17%
OXO-ALCOHOLS				
European Union (incl. Romania)	51%	50%	40%	40%
Rest of the World	49%	50%	60%	60%

b) Description of the competitive situation in the business of the company, the market share of the products or services of the company and the main competitors:

Caustic Soda:

Globally, the largest producers and hence competitors are:

Dow Chemical, Ineos Chlor, Solvay SA, Akzo Nobel, Bayer AG, Arkema, SolVin, Vinnolit, Ercros, BASF, PCC Rokita;

In Central and Eastern Europe, Oltchim is the largest producer of caustic soda, followed, in order of the production capacity by: Borsodchem, Anwil SA, Spolana.

Polyether- polyols:

Globally: Dow, Lanxess, Repsol, Shell, BASF, and in **Central and Eastern Europe** - PCC Rokita, Fortischem Slovacia;

Oltchim's main competitor in polyurethane market is PCC-Rokita, a company that is owned by one of Oltchim's shareholders-PCC SE, which holds the same position as exclusive producer of polyether polyols unlike the big manufacturers (Dow, Bayer, BASF, etc.) which offer the reaction product in the manufacture of polyurethanes, meaning the isocyanates, and have system houses that allow them downstream integration of production.

(c) Description of any significant dependence of the company to a single client or group of clients whose loss would have a negative impact on the company revenues:

There is no customer or group of customers acting concerted and that are considered to be significant for this report.

1.1.5. Evaluation on company's employees/personnel

(a) Employees number and education, and the extent of unionization of the workforce:

On 31 December 2016, the number of company's employees was **1,949**, lower by 13 than at the end of previous year.

Personnel structure featured by age, occupational qualification, seniority is as follows:

Qualification	Employees no.	(%)
university degree	434	22.3
post-secondary education	129	6.6
secondary education	1,383	70.9
elementary school	3	0.2
Age	Employees no.	(%)
< 18	0	0.0
20 - 30 years	56	2.9
31 - 40 years	381	19.5
41 - 50 years	1,186	60.8
over 50 years	326	16.8

Men, women share in total personnel		
Women	724	37.2
Men	1,225	62.8
Seniority	Employees no.	(%)
< 3 years	17	0.9
>=3, <5	6	0.3
>=5, <10	66	3.4
>=10,<15	176	9.0
>=15,<20	252	12.9
>=20	1,432	73.5
TESA and workers share in total personnel	Employees no.	(%)
TESA	582	29.8
Workers	1,367	70.2
Unionization of the workforce - 78%		

On 31 December 2016, age structure shows that majority (60.8%) is ranging between 41 and 50 years. In terms of seniority the largest share is held by staff over 20 years of service (73.5%).

The share of 70.9% for the personnel with secondary education (high school, vocational school) is consistent with the profile of activity - industrial production unit, where the number of direct productive personnel - workers is predominant.

(b) Description of the relationship between manager and employees and any conflicting elements that characterize these relations:

The relationship with the management of the five trade unions is based on dialogue whose aim is to harmonize the expectations of employees with possibilities of the company, compliance with the Collective Labour Agreement, consultation and negotiation in the Joint Committee. During 2016 there have been no protests of employees.

The company results obtained in 2016 led to maintaining stability in the relationship with employees. Thus, in 2016 they were paid with monthly remuneration rights (first and second fortnightly payment, meal tickets) and, in addition, wage arrears were paid in full.

1.1.6. Evaluation of core business impact on the environment

Summary description of the impact of core activities of the issuer on the environment and any existing or expected litigation regarding the violation of legislation on environmental protection:

Considering that Oltchim operates in two different locations, namely Chemical Complex Oltchim SA Rm. Valcea and Petrochemical Division Bradu (operational division), the competent environmental authorities have issued documents outlining environmental obligations incumbent on each site: integrate environmental authorizations, permits for emissions of greenhouse gases, environmental agreements and permits, water management permits, authorization to transport ethylene and propylene by pipeline etc.

OLTCHIM S.A. Rm. Valcea environmental policy is closely linked to the economic policy of the company and focuses on the following directions:

- high capitalization of primary resources of raw materials and energy with impacts on : minimization of wastes, wastewater, pollutants in water, air and decreased unit costs per tonne of product;
- continuous improvement of environmental issues, particularly the significant ones, based on programs on environmental management, environmental obligations (part of the Integrated Environmental Authorisation) having set goals, targets, deadlines and responsibilities;
- compliance with Romanian environmental legislation and alignment with EU directives.

In 2014 took place the certification audit of the Integrated Environmental Quality System conducted by TUV SUDDEUTSCHLAND for compliance with ISO 9001/2000 and ISO standards 14 001/2004, for which the company holds No. 12 100/104 8304 TMS Certificate valid until 09.09.2017.

Since on the site of the Petrochemical Division Bradu has not been carried out activity in 2016, there is no impact on the environment.

Petrochemical Division Bradu holds the necessary authorizations to restart plant operation, as follows:

- Integrated Environmental Authorization no. 4 / 14.08.2013 valid until 14.08.2023
- Greenhouse Gas Emissions Authorization (GES) no. 197/11.09.2013 valid until 2020
- Authorization No. 33/07.05.2013 regarding ethylene and propylene transport by pipeline from Petrochemical Division Bradu to Oltchim Ramnicu Valcea valid until 06.05.2023
- Water Management Authorization no. 178/27.07.2016 valid until 31.07.2019.

Business on the site of Chemical Complex Ramnicu Valcea was environmentally regulated through the Integrated Environmental Authorization no. 6 issued by the Regional Environmental Protection Agency Valcea, valid until 24.05. 2025.

Regulatory documents for running the business on the site of Chemical Complex Ramnicu Valcea:

Document	Date of issue	Validity term	Issuer
Integrated Environmental Authorisation	25.05.2015	24.05.2025	EPA Vâlcea
Water Management Authorization	07.12.2016	31.12.2019	National Administration "Romanian Waters"
Environmental Authorization for hazardous goods road transport and goods rail transport	28.04.2010	28.04.2020	EPA Vâlcea
Greenhouse Gas Emissions Authorization for the period 2013 - 2020	28.03.2013	2020	NEPA Bucharest
Environmental permit for recovery of recyclables	01.03.2012	28.03.2022	EPA Vâlcea

Environmental Authorisation for RAMPLAST unit	14.07.2011 Decision no. 126/ 18.03.2014 for the transfer of Ramplast Environmental Authorisation from Oltchim SA to Dynamic Selling Group SRL	13.07.2021	EPA Vâlcea
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There were updated the following documents:

- Plan of measures for monitoring and reporting the emissions of greenhouse gases for 2017;
- Report to improve the methodology for monitoring emissions of greenhouse gases;
- Reporting in Integrated Environmental System for: emissions inventory, soil and subsoil monitoring, statistics of wasted and oils, packaging, industrial emission, IPPC-EPTR;
- Statistics on environmental protection costs;
- Plan to prevent and combat accidental pollution of water;
- Notification of OLTCHIM business according to GD 804/2007 on the control of major accident hazards involving dangerous substances;
- Public information regarding hazardous substances existing on site;
- As a result of the address no. 1/2159 / IG / 09.10.2016 issued by NEPA requesting updating of the national inventory of economic operators who import, produce or use hazardous substances as such, in mixtures or in other products, there have been entered the data for the year 2015 in the database related to "SCP" application developed in SIM application.

Supervision of environmental factors

The Company has in place a system to monitor all environmental factors (water, air, soil, waste) through own laboratories and by specialized institutes and companies.

✓ *Environmental factor-water*

OLTCHIM S.A. monitors the flows collected and discharged continuously and the discharge indicators on random and daily average samples.

Analyzes were performed according to the surveillance schedule approved by company management and EPA Valcea - both on internal waste water streams and the two final discharges. Analyses were performed by Eco-Toxicology Laboratory of the Quality Control Laboratories Department, Laboratory of Biological Wastewater Treatment Plant, Laboratory and Research Centre of OLTCHIM and by INCD ECOIND Bucharest - Branch Ramnicu Valcea.

Groundwater quality monitoring is done through a network of observation wells.

Olt river water quality monitoring

In order to establish the impact of wastewaters on the quality of the emissary, INCD – ECOIND Bucharest Rm. Vâlcea branch is performing the monitoring of Olt River water upstream and downstream of the wastewater discharges from the industrial site. The quality of Olt River upstream and downstream of the wastewater discharges from the industrial site, is monitored in three separate sections (of which two downstream) by ECOIND Bucharest- Rm. Valcea Branch.

Olt River water quality downstream from the chemical site is influenced by the quality of residual effluent discharged from the chemical site (Mixing Chamber, Biological Wastewater Treatment Plant and clear liquid from Soda Works Govora pond), by machining regime of hydropower plants and the amount of rainfalls recorded. The analyzes carried out by ECOIND Bucharest in 2016 for the wells placed inside and in the area of organic waste pond, revealed that the groundwater is organically and inorganically contaminated. Inorganic contamination is caused by the neighborhood of the pond of inorganic slurry discharged by Soda Works Govora and the deposit of slurry coming from Propylene oxide and Electrolysis Plants.

✓ *Environmental factor - air*

It was performed monitoring of emissions of pollutants at stationary sources as well as of noxious immissions at fixed points in the area of the factories and in neighborhood, according to the analysis schedule of Eco-Toxicology Laboratory from the Quality Control Laboratories Department and authorized laboratories.

Measurements carried out at sources during 2016, show emissions compliance within the limits stated by the integrated environmental authorization.

CO2 emmissions

According to the National Allocation Plan of greenhouse gas emissions, in 2016 the company received, free of charge, a number of 181,959 greenhouse gases certificates of which a number 172,927 certificates for Rm. Vâlcea site and a number of 9,032 certificates for Petrochemical Division Bradu.

In 2016 Rm. Vâlcea site produced 88,026 tons CO₂ and Petrochemical Division Bradu produced 0 tons CO₂.

On 14.12.2016 were submitted: the application form for amending the quantities allocated free of charge for 2017 and on the form concerning the procedure of monitoring the activity levels and significant capacity changes with the data of 2016 in order to adjust the allotment for the 2017.

✓ *Environmental factor-soil*

Monitoring of soil quality was conducted according to analysis schedule prescribed through the Integrated Environmental Authorization, by Eco-Toxicology Laboratory of Quality Control Laboratories Department and the Laboratory of Research Center OLTCHIM.

Based on the findings, it results that on the site there are areas contaminated with mercury and HCH, reason for which the land of the site is suitable for industrial facilities and no longer can be used for agriculture. In the area of organic wastes pond the soil is highly organic and inorganic loaded and can not be used for agriculture.

Wastes

Waste management is performed in accordance with environmental legislation in force.

The wastes are collected selectively, stored in temporary storage sites and then are disposed/recovered by authorized economic operators.

The company incinerates its organic chlorinated wastes in the two facilities for gaseous and liquid organic-chlorinated residues using cutting-edge incineration technology.

As regards packaging placed on the market, in 2016 there were achieved the objectives set out in OUG 196/2005 concerning the Environmental Fund, with subsequent additions and amendments.

Management of Hazardous Substances

OLTCHIM S.A. has as object of activity the production of chemicals covered by GD no. 804/2007 on the control of major accident hazards involving dangerous substances.

Hazardous substances are either produced in the company or are received from outside and used as raw materials.

These products are handled or stored on company territory. Any malfunction that results in loss of product in the environment, can cause a major accident..

Major accident potential is given by:

- the existence of technologies and installations that produce and use hazardous substances and that at a time are subject to breakdowns;
- existence at one time of large stocks of hazardous goods;
- existence of a large number of persons on the territory of the company daily;
- the possibility of human error in operation.

Objectives of the policy for preventing major accidents are materialized in:

- concern for the people and the environment by taking all measures for safe operation of the plants;
- revamping of the manufacturing processes for increased operational safety;
- implementation of new technologies;
- inspection and control of process, equipment, etc.;
- continuous improvement of activity.

These objectives are contained in the company's policy to prevent major accidents but also in quality and environmental policy.

Costs incurred in 2016 for environmental protection amounted to 18,326 thousand lei.

The Company has no litigation about violations of environmental protection legislation.

Environmental obligations

Environmental investment that the company must undertake are the following:

Crt. No.	Investment objective	Details regarding the need to implement this investment	Estimated costs thousand euro			
			Taxes, permits/authorizations	Planning	Execution	Total
1	Closing of hazardous residues disposal pond - deadline 01.09.2022	The aim of this measure is to green the area and comply with GD 349/2005 amended by GD 210/2007 on waste disposal. By shutting down some plants and modernization of the others, the technological processes would not yield such waste category. Achieving this measure involves closing of hazardous wastes disposal pond.	58	60	5.882	6.000
2	Closing of existent unhazardous residues disposal pond - deadline 01.09.2021	The aim of this measure is to green the area and comply with GD 349/2005 amended by GD 210/2007 on waste disposal. This measure is achieved by greening the perimeter related to the old landfill for unhazardous wastes that was closed at the end of 2009 because of the loading at its maximum capacity; during the same period was commissioned the new landfill for unhazardous wastes.	15	50	735	800

1.1.7. Evaluation of Research and Development activity

Expenditures in the financial year and those expected for the next financial year for research and development:

In the financial year 2016 there were not concluded new contracts for technological research and development with research and design institutes in the field.

At the date of this report there are no contracts for technological research and development for 2017.

Expenditures made in 2016 by Research Center of OLTCHIM SA amounted to 990,397 lei, of which personnel costs: 822,632 lei material costs : 65,785 lei.

Research activity covers the following four main sections:

- Research to obtain new products/assortments:
 - Polyether PE 48-3 MB in DMC catalysis
 - Polyols from vegetable oils
 - Polyol duplicated of Voranol CP1412
 - Mannich polyol from vegetable oil

- Research for the development of polyether polyols production
- Research with the environmental protection
- Research for streamlining production processes

In 2016 no expenses were incurred for the implementation of EU regulation no. REACH 1907/2006 and for 2017 it is estimated an expenditure volume of 100,000 Euro.

1.1.8. Evaluation of company's activity concerning the risk management

Risk management is an element of the internal control system, by which are found the significant risks in the company, the ultimate goal being to maintain these risks to an acceptable level. Risk management is an ongoing and cyclic process based on continuous control and monitoring activities, which entails:

- setting the company targets in line with the hierarchical levels of it;
- identifying risks that may hinder the achievement of the objectives, observance of rules and regulations, confidence in financial information, assets protection, prevention and detection of fraud;
- definition of risk categories (external, operational, concerning the change), and of inherent risk, residual risk and risk appetite;
- the likelihood that the risk will materialize and size of its impact;
- monitoring and assessment of risks and the adequacy of internal controls.

Risk management is based on the analysis of risk factors that allow company management to know the risks that would be likely to affect goals.

It should be noted that some risks will always exist and will never be completely eliminated. All employees must understand the nature of risk and accept responsibility for the risks associated with their area of action / authority.

The company includes in the organizational structure its own internal audit department, which based on all approved quarterly and annual plans, conduct missions to identify and track potential risks of the the activity carried out by the company and to asses the internal control at the company level.

Risk Management Policy in the company is to adopt best practices to identify, assess and control risks efficiently, including those on fraud in order to ensure that they are eliminated or reduced to an acceptable level that does not affect the company operation or the quality of products provided.

Thus, the company secured a control environment by applying the following standards: ethics, integrity; powers, functions, tasks; competence, performance; delegation; organizational structure, etc. Documents where these standards are implemented, are among others the following: The Collective Labor Agreement, the Internal Regulation, Rules of organization and operation, Job Description and Quality&Environmental Manual, made known to the employees and reviewed regularly.

Risk management was implemented into the company by: establishing its general and specific objectives and its structures; establishing a performance monitoring and reporting system;

identifying and assessing the main risks of the specific activities in departments / structures; drawing up the Book of risks, etc.

Company's objectives regarding the risk management are:

- integration of risk management in the company strategy;
- maintain the threats/hazards the company faces within acceptable limits;
- make the proper decisions to use the opportunities;
- prevent loss and damage and reduce the cost of risk;
- to contribute to the overall improvement in performance.

Description of company's exposure to risks:

Market risk

In 2016, the company achieved a turnover of 168 million euros, up by 2% from 2015 and 20% higher than in 2014. Increased turnover was driven by a quantitative increase in sales of main products manufactured. Thus, the polyol - polyether quantitative sales increased by 18% compared to last year, sales of chlor-alkali products have increased by 17%, and sales of oxo-alcohols increased by 26%.

Oltchim has become regular supplier of chlor-alkali products and polyethers mainly for markets in Central and Eastern Europe. The company managed to regain the confidence of major clients, proving that it is able to deliver products consistently on terms and conditions requested by partners. Oltchim holds an important position especially in the neighborhood markets (Hungary, Poland, Countries of former Yugoslavia, Turkey).

Main threats are posed on the one hand by competition, namely manufacturing companies in the area (Borsodchem, Chimcomplex - for chlor-alkali, PCC Rokita, Fortischem Slovakia- for polyols, Sibur for oxo-alcohols) that create significant pressure on profitability and on the other hand the commissioning of new production capacities worldwide (Sadar-Saudi Arabia for polyols).

Capitalization of the company may allow achievement of competitive price levels by increasing production capacity and therefore benefits of economy of scale. Growth possibilities include primarily increase and diversification of production for polyether polyols plant, higher efficiency and a lower production cost for chlor-alkali plant and reallocation of a portion of the actual fixed costs by resuming the production of oxo-alcohols plant and the manufacture of a new product (DOTP) in plasticizers plant.

Oltchim offers a wide and diverse range of high quality products, with many applications and high demand, both on domestic and export market. Domestically, for some products in the manufacturing portfolio, Oltchim is the main or even sole provider, being the company that supports with raw materials a number of business sectors in the country, namely: manufacture of artificial and cellulosic fibers.

Oltchim is the sole producer in Romania of polyether polyols, oxo-alcohols. The company produces a wide range of polyether polyols, developed in its own research center, of a quality as the major producers. On the European market, demand for the types of polyether polyols produced in Oltchim is seeing an increasing growth. In the coming years is expected an annual average growth in demand of 2-2.5% in European Union countries and of 4,5-5% for the rest of Europe. Middle East and Africa are estimated to see an annual average growth of 5.5-6%.

Due to its geographical position, in the center of the market with the highest consumption growth in Europe, Oltchim has secured the market for all its products that are manufactured today:

- advantage of neighborhood sources of raw materials (salt, lime stone) and utilities (steam)
- advantage of sales on growing neighborhood markets
- advantage of acces to rail, road, sea transport

Another advantage is that there is no significant dependence of the company to a single client or group of clients whose loss would have a negative impact on the revenue of the company.

Currency risk

Official exchange rates were as follows: for the year ended on 31 December 2016 – 4.5411 lei/euro and 4.3033 lei/USD, and on 31 December 2015 – 4.5245 lei/euro and 4.1477 lei/USD.

Monetary assets and liabilities denominated in RON and in foreign currency are considered below:

	<u>31.12.2016</u>	<u>31.12.2015</u>
Assets (current assets, less inventories)		
Monetary assets in LEI	44,673,313	40,510,976
Monetary assets in foreign currency	<u>29,270,979</u>	<u>27,873,487</u>
	73,944,292	68,384,463
Liabilities (total liabilities, according to balance sheet)		
Monetary liabilities in LEI	939.246.903	923,827,407
Monetary liabilities in foreign currency	<u>441,574,895</u>	<u>440,288,059</u>
	1.380.821.798	1,364,115,466
Net monetary position in LEI	<u>(894.573.590)</u>	<u>(883,316,431)</u>
Net monetary position in foreign currency	<u>(412,303,916)</u>	<u>(412,414,572)</u>

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates on the market.

During 2016 the company has not entered into loan agreements with banking and financial institutions.

Credit risk

Credit risk is the risk that one of the parties to a financial instrument will fail to fulfill an obligation, which will cause the other side to record a financial loss.

Financial assets which subject the Company to potential concentrations of credit risk consist mainly of receivables from the main activity. These are shown at the net value by the provision for doubtful debts. Credit risk related to receivables is limited due to the large number of customers in the customer portfolio of the Company, financial instruments used (promissory notes, checks, etc.). Thus, the receivables as of 31,12,2016 were 62% covered by the policy concerning the insurance domestic and export trade credit, 22% were covered by promissory notes, letters of credit or

reverse factoring, 8% were claims for which are operated direct offsettings with company's feedstocks and utilities suppliers, and 1% were claims with payment on delivery.

Liquidity risk

Liquidity risk, also called funding risk is the risk that a company to have difficulties in accumulating funds to meet commitments associated with financial instruments. Liquidity risk may arise from the inability to quickly sell an asset at a value close to the fair one. Company policy on liquidity is to maintain sufficient assets so to be able to pay its obligations at due dates.

Assets and liabilities are analyzed depending on the period remaining to the contractual maturities, thus:

	<u>Less than 1 year</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing debts	242,635,075	1,138,186,723	1.380.821.798
- Trade payables	119,499,946	367,097,853	486,597,799
- Other current liabilities and loans	123,135,129	771,088,870	894.223.999
Interest bearing debts a	-	-	-
Cash and cash equivalents	27,579,221	-	27,579,221
Claims and other assets	46,365,071	-	46,365,071

At the date of confirmation of the Reorganization Plan by the syndic judge (April 2015), the credits were suspended, all debts registered on 31.12.2016 being interest free.

On 31 December, 2016 the current liabilities were greater than current assets, caused by debts accrued in the first part of insolvency until confirmation of the reorganization plan. In 2016 the gap was reduced by 56.3 million lei

1.1.9. Prospects on company's activity

(a) Presentation and analysis of all trends, items, events or uncertainty factors that affect or could affect the company's liquidity compared with the same period of previous year:

Oltchim S. A. launched a competitive process for the sale of company assets grouped into nine bundles. This process continues in 2017, according to the timetable set by the amendment of the reorganization plan. The amendment of the plan concerns only the method of sale of Oltchim SA (all other provisions of the plan remain in force), in the sense that the offering and sale of assets will be made on operational assets bundles and not by way of transfer of assets and current business on Oltchim SPV, as originally approved method does not observe, according to the European Union, the principle of economic discontinuity, which involve the risk of recovery of the alleged State aid from the purchaser (s).

(b) Presentation and analysis of the effects of capital expenditures, current or anticipated financial position of the company compared to the same period last year:

In 2016 SC OLTCHIM SA carried out major investment and repairs in order to provide safe and efficient operation of the production plants. Their value amounted to 14.2 million lei, achieved only by own sources:

- 9 million lei for rehabilitation of two electrolyzers and DCS upgrading at Membrane Electrolysis;
- 2 million lei balance payment for the acquisition of the hydrogen catalyst for oxo-alcohols plant;
- 1.1 million lei for overhauls at the tank cars in which the main raw materials are supplied and finished products are delivered;
- 1.1 million lei investment in other facilities at polyether polyols plants to fulfill the measures in environmental and water management permits;
- 1 million lei independent equipment.

In 2016 the company commissioned the investment Rehabilitation of electrolyzers at Membrane Electrolysis, in total amount of 3,587 thousand lei, and independent acquisitions of fixed assets in amount of 1,1017 thousand lei, as follows:

	thousand lei
Electrolyzers rehabilitation at Membrane Electrolysis	3,587
Acquisitions of independent equipment	1,017

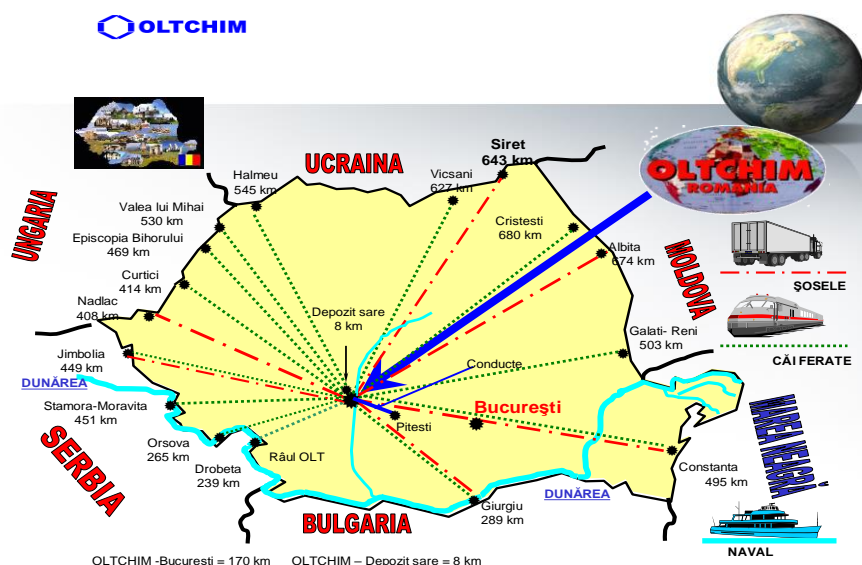
In 2017 investments are closely linked to the financial resources that the company will draw.

(c) Presentation and analysis of the events, transactions, economic changes that significantly affect revenues from core activities: see Chapter V "Financial Statements":

II. TANGIBLE ASSETS OF THE COMPANY

(2.1) Location and characteristics of the main production capacities owned by the company:

With the acquisition of the petrochemical assets of Arpechim, the process plants of the company have two locations: the site of the Chemical Complex in Ramnicu Valcea and the site in Bradu-Pitesti.



The premises of Oltchim SA site selection were the existence in the area of multiple natural resources: salt, limestone, coal, water source OLT.

As of 31.12.2016, at the two main sites, the company owns tangible assets with a net value, by category of fixed assets, as follows::

thousand lei

Name	Net value
Lands and buildings	368,445
Facilities	461,613
Other fixed assets	2,818
Investment in progress	39.359
TOTAL	872.235

Company assets (land, buildings, constructions, technological equipment, investments in progress, intangible assets) were revalued at 31 December 2016 by a specialized independent company - Romcontrol SA, member of ANEVAR.

(2.2) Description and analysis of the wear of the company property:

A percentage of 67% of the plants operating in the company are new and were commissioned in 2002-2012.

For the rest of the plants maintenance and overhauls are carried out regularly so to be provided safe operational conditions, given the specific particular hazard in chemical plants.

As regards physical condition and the continued operation of these plants, the wear set out in accordance with the technical manuals of equipment and machinery, is estimated at a level of about 30%.

Depreciation is calculated at cost, by linear method, over the estimated useful life of the assets as follows:

Buildings and special constructions	10-50
Technical plants and machinery	3-15
Furniture, appliances, office supplies, other	3-15

For acquisitions made in 2016, lifetimes are those set out by legal rules in force. Land is not depreciated as it is deemed to have an unlimited life.

(2.3) Potential issues related to ownership of company's tangible assets:

Not applicable.

III. THE MARKET OF SECURITIES ISSUED BY OLTCHIM S.A.

(3.1) Markets in Romania and other countries where the securities issued by the company are negotiated:

Information regarding the shares issued by the company		
Symbol		OLT
ISIN		ROOLTACACNOR2
Bloomberg BBGID		BBBG000BZZDZ4
Category		Standard
Total shares issued		343,211,383
Nominal value		0,10 RON
Number of shareholders on 31.12.2016		39,068
Shareholding structure (31.12.2016)	Shares number	%
Romanian State through Ministry of Economy	188,100,976	54,8062
PCC SE	111,005,766	32,3433
Natural persons	38,892,961	11,3321
Legal persons	5,211,680	1,5185

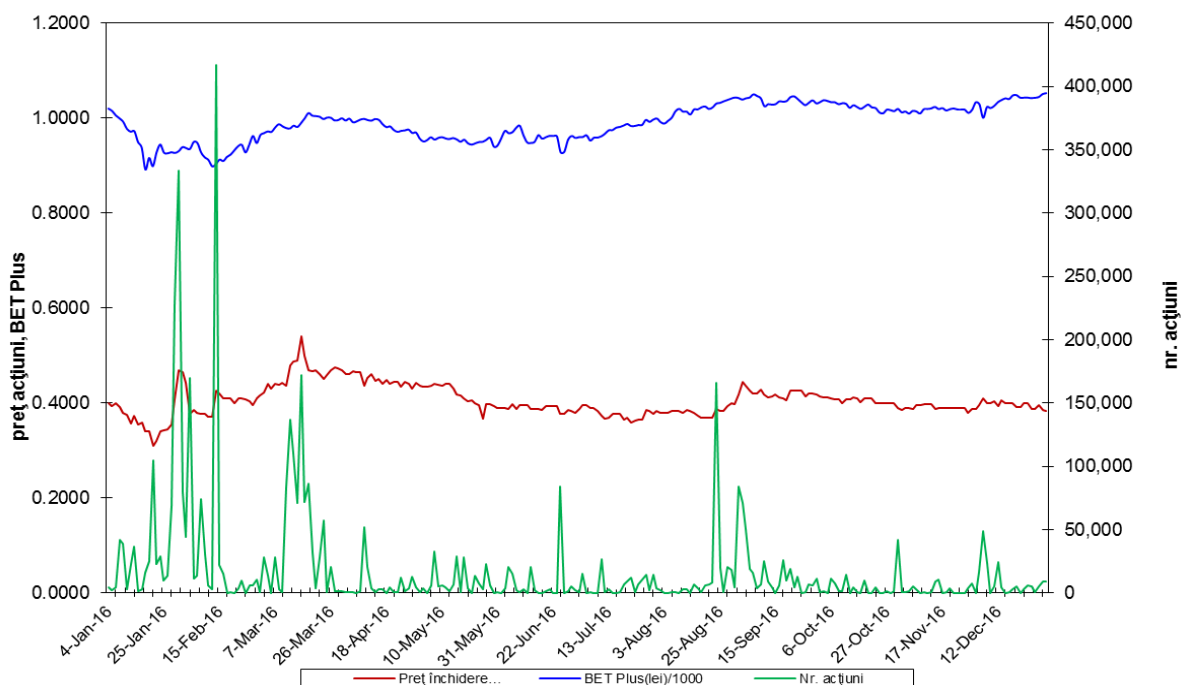
Category	Shares Number	Percentage
Statul Român prin MECRMA	188,100,976	54.81%
PCC SE	111,005,766	32.34%
Persoane fizice	38,892,961	11.33%
Persoane juridice	5,211,680	1.52%

Trading of shares issued by Oltchim S.A. is carried out on Bucharest Stock Exchange based on BSE Decision No. 21/26.11. 1996 regarding shares tier admission since 18.02.1997, stock symbol OLT.

Trading of company's shares during 01.01.2016-31.12.2016 is as follows:

Number of shares traded	4,488,879
Value of transactions -lei	1,863,985
Number of transactions	6,044
Maximum price (16.03)	0.5580
Minimum price (20.01, 21.01)	0.3000
Closing price on 30.12.2016	0.3830
Market capitalization (thousand lei)	131,450
Market capitalization (thousand euro)	28,947

Graphical evolution of the closing price, the number of shares traded compared to the evolution of the market benchmark stock index (BET Plus) is as follows:



(3.2) Description of the company's dividend policy Specification of dividends due / paid / accrued in the last three years and if applicable, the reasons for any reduction in the dividend over the last three years:

The Company has not paid dividends to its shareholders since it incurred losses during 2013-2014, and the profit of 2015 was assigned to partially cover the accounting losses from previous years.

(3.3) Description of any activities of the company to acquire its own shares:

The company does not have approved a plan to repurchase its own shares. The company has a number of 6,180 own shares with a nominal value of 0.1 lei each, representing 0.0018% of the share capital resulting from the adjustment of share capital during the mass privatization process.

(3.4) Where the company has subsidiaries, specify the number and the nominal value of the shares issued by the mother company held by the subsidiaries:

Not applicable.

(3.5) Where the company has issued bonds and / or other debt instruments, show how the the company pays its obligations to the holders of such securities:

Not applicable.

IV. STATEMENT OF CORPORATE GOVERNANCE

The company joined the Corporate Governance Code (CGC) issued by the Bucharest Stock Exchange, as of financial year 2010. Details of the company's compliance with the principles and recommendations laid down in CGC were presented in the Statement "Comply or Explain" annexed to the annual reports. These statements are available on the company website at the section dedicated to investor relations, the Corporate Governance Chapter.

In September 2015, the BSE replaced CGC with a new code, which can be found also on the Company's website dedicated to the investor relations chapter Corporate Governance – Reference documents. Most aspects of corporate governance under this Code are not applicable to a company in insolvency proceedings.

Oltchim SA does not comply with the provisions of Sections A. Responsibilities B. The system of risk management and internal control and C. The fair reward and motivation whereas it is subject to limits and restrictions prescribed by the insolvency law, including the judicial supervision of the proceedings exercised by the bankruptcy judge and the control of the management opportunity, exercised by creditors.

As regards compliance with Section D. Adding value through relationships with investors on its website at Investor Relations, those interested can find useful information about the company as follows:

- shares, share price, ownership structure
- financial communication calendar
- corporate governance: management of the company, the statement "Comply or Explain", reference documents, transactions with initiated people
- current reports
- financial information: quarterly, half yearly, yearly
- presentations
- the general meeting of shareholders
- contact investor relations

Company's compliance status at 31 December 2016, with each of the provisions of the Code and the reasons for non-compliance are presented in ANNEXES, section f).

COMPANY'S MANAGEMENT

(4.1.) The list of company's managers:

Until the opening of insolvency proceedings Oltchim SA was managed by a Management Board consisting of 5 members elected by the General Meeting of Shareholders, their mandate being 4 years. The mandate of the statutory managers ended upon the appointment of the special administrator which is empowered by the General Meeting of Shareholders to perform acts of management of Oltchim SA under the supervision of the judicial administrator.

On March 14, 2013 Extraordinary General Meeting of Shareholders has appointed as special administrator of Oltchim SA in insolvency Mr Stanescu Nicolae - Bogdan- Codrut.

According to Sentence no. 617 of 30 January 2013 given by the Court Valcea - Civil Division II in case no. 887/90/2013 was appointed provisional insolvency administrator the Consortium consisting in ROMINSOLV SPRL Bucharest and BDO BUSINESS RESTRUCTURING SPRL

Bucharest. By resolution of Court Valcea of 13.05.2013 this Consortium was confirmed as judicial administrator.

Currently direct operational management of Oltchim SA belongs to the special administrator who has responsibilities of general manager and to the deputy general manager.

In the field of internal control and risk management, Special Administrator responsibilities are performed in cooperation with the Internal auditor. The Internal auditor after conducting each audit, prepare an audit report. This meets international standards of internal audit both in terms of reporting, as well as making recommendations to company management. In fact, the main role of the internal audit is to give an independent and objective assurance to company's management that the system of internal controls that was implemented it covers the reasonable risks associated with different structures, activities, programs, projects, operations.

The Internal auditor is reporting to the Special Administrator about the missions carried out, and about the compliance with the approved Audit Plan.

The summary of internal audit missions conducted in 2016 refers to:

- Analysis of the way of transfer the feedstocks and materials in Petrochemical Division Oltchim;
- Analysis of the way of management of unused catalysts in Petrochemical Division;
- Verification of waste management in Oltchim S,A,;
- Analysis of the way of return of Oltchim's rail trucks forwarded to the clients;
- analysis of the way of contracting the maintenance works related to the Department Transportation Factory Raylways;
- Analysis of expenses incurred for car fleet of the company;
- Analysis of the compliance with legal and internal regulations on means of transportation in the Company;

Following the internal audit carried out in 2016 there were not found violations of internal rules and regulations.

a) CV of special administrator including its positions in other boards of directors of companies or non-profit institutions is presented on the company website www.oltchim.ro/ Investor Relations / Corporate Governance/Company's Management.

b) any agreement, understanding or family relationship between the manager in question and another person because that person was appointed administrator

Not applicable.

c) participation of existing managers at the company's capital, on 31.12.2016:

Not applicable.

d) list of persons affiliated to the company:

See ANNEXES, section e).

(4.2.) List of members of the executive management of the company

During the year the executive management was composed as follows:

Avram Dănuț Victor	Deputy General Manager
Tălpășanu Mihail	Production Manager
Spiru-Ciobescu Armand	Commercial Manager
Smeu Alin Ion	Economic manager
Munteanu Dana Maria	Human Resources Manager
Pîrvu Marius	Manager of Petrochemical Division Bradu

Short CV of each member of the current executive management is presented on the company website [www.oltchim.ro/ Investor Relations/Corporate governance/ Company's Management](http://www.oltchim.ro/Investor_Relations/Corporate_governance/Company's_Management).

a) the term for which the person is part of the executive management:

They are company employees for an unlimited duration.

b) any agreement, understanding or family relationship between that person and another person due to which that person has been appointed as member of the executive management:

We are not aware of any cases of agreements, arrangements or family connections between individuals in the executive management and other persons due to which they were appointed in executive management positions.

c) Participation to the company's share capital of the members of the executive management on 31.12.2016:

Name, forename	Number of shares owned	% shares in the share capital
Tălpășanu Mihail	8,342	0.0025
Smeu Ion-Alin	1,433	0.0004

(4.3.) For all persons shown in 4.1. and 4.2. specify possible litigations or administrative proceedings in which they were involved in the last five years, concerning their activity within the issuer and those concerning the ability of that person to fulfill its duties within the issuer.

Not applicable.

V. FINANCIAL STATEMENT

Preparation of financial statements was made in accordance with the provisions of Order 2844/12.12.2016 of the Public Finance Ministry for the approval of accounting regulations in accordance with International Financial Reporting Standards and with Order no.166/25.01.2017 on main aspects related to preparation and submission of annual financial statements.

The financial statements have been prepared under the going concern assumption.

The audit of financial statements of the Company prepared on 31.12.2016 was conducted by PKF FINCONTA SRL.

STATEMENT OF THE FINANCIAL POSITION

	31.12.2016	31.12.2015
		th lei
ASSETS		
Fixed assets		
Tangible fixed assets	872,235	708,701
Investment property	6,965	6,822
Intangible fixed assets	1,472	2,004
Financial assets	155	155
Total Fixed assets	880,827	717,681
Current assets		
Inventories	52,379	47,497
Trade receivables	39,048	29,348
Taxes receivableS	6,365	13,253
Other assets	952	4,339
Cash and cash equivalents	27,579	13,328
Total Current assets	126,323	107,766
TOTAL ASSETS	1,007,150	825,447
EQUITY AND LIABILITIES		
Equity		
Share capital	1,018,300	1,018,300
Reserves	394,528	228,594
Retained earnings	(1,786,500)	(1,785,562)
Total equity	(373,672)	(538,668)
Long term liabilities		
Borrowings	615,690	615,690
Deferred income	4,270	5,107
Deferred tax	60,751	34,202
Provisions	36,343	9,180
Other long term liabilities	21,316	21,316
Trade payables	367,098	368,740
Taxes and duties	32,719	29,512
Total long term liabilities	1,138,187	1,083,747

Current liabilities		
Trade liabilities	119,500	119,731
Taxes and duties	59,254	63,943
Other liabilities	63,881	96,694
Total current liabilities	242,635	280,368
Total liabilities	1,380,822	1,364,115
Total equity and liabilities	1,007,150	825,447

FIXED ASSETS

Analyzing fixed assets at the net remaining value, an increase from previous year by 163,146 thousand lei from 717,681 thousand lei to 880,827 thousand lei is noted, determined by:

Breakdown	th lei Year 2016
Acquisitions and costs with tangible and intangible fixed assets	12,137
Depreciation of fixed assets	(96,323)
Gain/loss from impairment of non-current assets	107,407
Increase - revaluation of fixed assets	252,492
Decrease - revaluation of fixed assets	(137,206)
Provisions for environmental investments	25,993
Expenditure on fixed assets written off	(1,354)

CURRENT ASSETS

Comparing the value of current assets at the end of 2016 with the value at the end of 2015, an increase of 18,557 thousand lei is noted, of which:

Breakdown	th lei 31.12. 2016
Increase in inventories	4,882
Increase in accounts receivables	9,700
Increase in cash and cash equivalents	14,251
Decrease in other receivables	(10,276)

Customers breakdown	th lei	
	31.12.2016	31.12.2016
Domestic customers	22,054	15,461
Foreign customers	17,958	14,282
Doubtful domestic customers	33,226	34,043
Doubtful foreign customers	25,610	25,490
TOTAL	98,848	89,276

Doubtful customers balance consists in the value of sales previous to 2013. There are no cases of doubtful customers following the sales of finished products during 2013 - 2016. The sale of Oltchim products with deferred payment is made only to customers with a good financial status with which the company had a long relationship, and secured either by payment instruments (checks, promissory notes, letters of credit, etc.), or covered by insurance policy of risk for risk of default.

The amount of 29,908 thousand lei of domestic and foreign customers balance at the end of 2016 is reflected in current liabilities of Oltchim, for which offsets are operated.

TOTAL LIABILITIES

Breakdown of total liabilities	th lei	
	31.12.2016	31.12.2015
TOTAL, of which:	1,380,822	1,364,115
Loans	374,383	374,383
Liability to AAAS	241,307	241,307
Accrued interest on loans	22,674	23,129
Suppliers	472,854	474,101
Advance payments from customers	13,744	14,370
Taxes and duties	91,973	93,455
Other liabilities	163,887	143,370

On 31.12.2016 Oltchim SA recorded total liabilities in amount to **1,381 million lei**, of which:

- ✓ 1,050 million lei liabilities recorded under the Reorganization Plan;
- ✓ 216 million lei net liabilities accrued after insolvency of which 134 million lei past due, arising from the first period of insolvency
- ✓ 35 million lei mutual receivables and liabilities and debts to the state budget that will be offset against VAT receivable;
- ✓ 26 million lei provision for environmental obligations from the Integrated Environmental Authorization, to be completed in the years 2021 and 2022;
- ✓ 54 million lei other debts, mainly deferred tax, which is not chargeable.

Breakdown of short term liabilities	th lei	
	31.12.2016	31.12.2015
TOTAL, of which:	242,635	280,368
Interests related to loans	22,674	23,129
Suppliers	116,262	115,866
Taxes and duties	59,254	63,944
Advance payments from customers	3,238	3,864
Employees - salaries payable	2,973	12,475
Severance payments related to laid off personnel	18,786	36,020
Salaries paid by CEA Valcea from the Guarantee Fund of salary claims	16,603	16,603
Transactions related to joint operations	1,468	7,589
Other creditors	1,377	878

	th lei	
Breakdown of long term liabilities	31.12.2016	31.12.2015
TOTAL , of which:	1,138,187	1,083,747
Loans	374,383	374,383
Liability to AAAS	241,307	241,307
Suppliers	356,592	358,235
Taxes and duties	32,719	29,512
Advance payments from customers	10,506	10,506
Employees - salaries payable	4,825	4,825
Deferred income	4,270	5,107
Deferred tax	60,751	34,202
Provisions for employee benefits	10,350	9,180
Provisions for environmental investments	25,993	-
Other creditors	16,491	16,491

Company's current obligations to the main suppliers of raw materials are settled either by direct payments from current earnings or by offsetting them against deliveries of finished products.

OLTCHIM SA pays the taxes related to salaries by offsetting them against negative VAT (VAT to be recovered recorded by the Company on 31.12.2016: 5,598,851 lei) that is performed only after the completion of the control of National Agency for Fiscal Administration (ANAF).

According to the Reorganization Plan, current debts resulted from continuing Oltchim SA activity will be paid, during the reorganization period, based on the documents they result from or, in case the company does not generate enough cash from current operational activity, they will be paid in 5 business days from receiving the sale price of the shares Oltchim SA holds in Oltchim SPV.

Long term debts are mainly those included in the Reorganization Plan, confirmed by the syndic judge and by the General Assembly of Creditors, and will be paid according to the provisions of the Plan.

Long term debts also include the profit tax calculated for the income generated by debt cancellation under the reorganization plan. According to the payment schedule in the reorganization plan, this will be paid within 5 business days from receiving the sale price of the shares Oltchim SA holds in Oltchim SPV.

EQUITY

According to financial statements at 31 December 2016, equity value is **-373,672 thousand lei**, composed of:

	th lei	
Breakdown	31.12.2016	31.12.2015
Share capital	34,321	34,321
Share capital adjustments	983,979	983,979
Revaluation reserves	379,695	213,762
Reserves	14,832	14,833
Loss from previous years	(1,812,554)	(4,079,692)
Current year loss	26,053	2,294,129

LOSS/PROFIT ACCOUNT

Breakdown	th lei	
	31.12.2016	31.12.2015
Net sales	754,823	747,944
Income from investments	8,686	8,632
Other gains or (losses)	4,425	2,385,469
Changes in inventories	4,698	(4,723)
Expenses with raw materials and consumables	(351,224)	(370,183)
Expenses with energy and water	(184,075)	(170,545)
Expenses with amortization of non-current assets	(96,324)	(103,973)
Gain/loss from impairment adjustments of non-current assets	107,407	18,198
Salary expenses	(98,224)	(118,840)
Finance costs	(179)	(2,502)
Income from subsidies	838	854
Other expenses	(116,043)	(60,549)
Profit / (Loss) before tax	34,808	2,329,782
Income tax	(8,754)	(35,653)
Net Profit / (Loss)	26,053	2,294,129
Other comprehensive income (reserves from revaluation)	165.934	-
Total comprehensive income	191.987	2,294,129
Profit / (Loss) per share	0,0759	6,6843
Number of shares	343,211,383	343,211,383

TURNOVER

The turnover in 2016 is **754,823 thousand lei**, equivalent to **168,049 thousand euro**.

The value of exports is **123,007 thousand euro**, i.e. 73% of the turnover.

Compared to the previous year, the turnover has the following structure:

Breakdown of turnover	th lei	
	31.12.2016	31.12.2015
Petrochemistry (polyether polyols)	479,362	491,813
Chlor-alkali	163,328	141,848
Oxo-alcohols	79,956	78,237
Commodities	21,597	22,551
Petrochemical Division Pitesti	12	141
Building Materials Division	4	3
Others, including sale of CO2 certificates	10,564	13,351
TOTAL	754,823	747,944

Core activities, petrochemicals and chlor-alkali, concentrated in 2016 about 85% of turnover, similarly to previous year.

It can be noted that the higher value of turnover in 2016 compared to 2015 was achieved almost exclusively from chlor-alkali, which have increased by 21,480 thousand lei compared to previous year and thus annulling the negative influence of the other categories of products and services, except for oxo products which registered a small increase.

Variation in revenues from the sale of finished products was driven by a mix of changes in average selling prices and in quantities sold. In order to determine the degree to which the average prices and volumes have influenced together the recorded revenues, we have identified the most significant products in terms of their contribution to total revenue earned, the analysis being shown in the table below:

	th lei	
	Caustic Soda solution 50% (Lye)	Polyols 48-3MB
2015	92,017	246,699
Volume change	15,485	35,748
Price change	-348	-38,589
2016	107,154	243,858

Even if the negative variation of liquid caustic soda 50% average selling price led to revenue decrease by 348 thousand lei, this was offset by the increase in the quantity sold by 15,485 thousand lei, total revenues increasing thus by 15,137 thousand lei.

Regarding polyether polyols, even if we have a positive influence due to higher volumes sold as compared to 2015, this was annulled by the negative variation of the selling price, according to international market quotes, thus leading to sales decrease by approximately 2,840 thousand lei (243,858 thousand lei in 2016 compared to 246,699 thousand lei in 2015).

TOTAL REVENUES

Total revenues include, in addition to total sales (turnover), the following:

	th lei	
Breakdown	31.12.2016	31.12.2015
Income from debt cancellation under the Reorganization Plan	-	2,370,932
Gain / (Loss) from impairment adjustments of non-current assets	107,407	18,198
Income from investments	8,686	8,632
Revenues from production in stock	4,698	(4,723)
Net income from impairment of current assets	3,752	6,382
(Making) / write-back of provisions	(337)	5,256
Other revenues	1,848	3,753

TOTAL EXPENSES

Total expenses in 2016 have the following structure:

Breakdown	th lei	
	31.12.2016	31.12.2015
Expenses/ (Income) from revaluation of tangible assets	50,652	-
Raw materials and consumables	351,224	370,184
Energy and water costs	184,075	170,545
Salaries (including taxes), of which:	98,224	118,840
- <i>personnel salaries, health insurance and social security</i>	98,224	108,226
- <i>severance payments related to laid off personnel, related taxes and fees</i>	0	10,614
Amortization	96,323	103,973
Other expenses with services provided by third parties	23,985	16,908
Transport and logistics	14,624	15,561
Repairings	7,090	7,662
Other taxes and duties	5,916	6,620
Expenses derived from claims	500	4,994
Bank interests and fees	179	2,501
Other expenses	13,276	8,805

CASH FLOW STATEMENT

	th lei	
	31.12.2016	31.12.2015
Cash flows from operating activities		
Annual net Profit/(Loss)	26,053	2,294,129
Amortization of fixed assets	96,323	103,973
Expenses related to destroyed fixed assets	1,356	-
Expenses / (Income) on impairment adjustments of current assets	(3,252)	(1,388)
Subsidies amortization	(838)	(854)
Interest expenses/ (Income)	(13)	2,105
Expenses / (Income) from revaluation of tangible and intangible fixed assets	50,652	-
Impairment / (Reversal of impairment) of tangible fixed assets	(107,407)	(18,198)
Provisioning/ (Reversal) of provisions	337	(5,256)
Income tax	8,754	35,653
Income from debt cancellation under the Reorganization Plan	-	(2,370,932)
Operating profit (loss) before changes in working capital	71,966	39,232
Inventory (increase)/decrease	(1,257)	2,488
Receivables (Increase) / Decrease	(195,231)	(280,952)
Debts Increase / (Decrease)	150,897	258,818
Working capital changes	(45,591)	(19,646)
Cash flows from operating activities	26,375	19,586
Interest paid	-	-
Cash flow from operation	26,375	19,586

	31.12.2016	31.12.2015
Cash flow used in investment		
Interest received	13	39
Purchase of tangible and intangible fixed assets	(12,137)	(11,177)
Dividends received	-	-
Cash flow used in investment	(12,124)	(11,138)
Cash flow generated from financing		
Change in short-term loans	-	-
Change in long-term loans	-	-
Lease payments	-	-
Cash flow from financing	-	-
Cash at the beginning of the year	13,328	(514,981)
Cancellation/ reclassification of overdrafts under the Reorganization Plan	-	519,861
Increase / (Decrease) in cash and cash equivalents	14,251	8,448
Cash at the end of period	27,579	13,328

Cash flows analysis reveals that the company's activities generated in 2016 a positive total cash flow in amount of 27,579 thousand lei.

Cash flow breakdown by activities reveals that operating activity (production) generated a positive cash flow both in 2016 (26,375 thousand lei) and 2015 (19,586 thousand lei).

Spending on investments decreased operating cash surplus, due to the fact that the company could not contract financing from banking institutions.

After entering insolvency, the funding sources used by the company were: supplier credit and advance payments from some of its customers. The company also managed to sell output quickly and thus to self-finance, the average sales days of inventory amounted to 10 days during 2016.

The only financing obtained after entering insolvency was in amount of 1.5 million euros, through a joint venture agreement concluded with RCS-RDS, a fully privately owned company, by which the general overhaul and restart of oxo-alcohol plant was financed.

Cash flows are monitored daily by the financial and commercial departments and projections of receipts and payments are updated daily in order to better manage liquidity and to ensure collection at maturity of all the receivables arisen after insolvency. They also perform permanent analysis concerning payments prioritization so as not to threaten company's operation.

Oltchim pays in full and at maturity the monthly current liabilities as well as part of the debts accrued during the first part of insolvency (severance payments, debts to the main suppliers: CET Govora and Olt Water Basin Administration).

EUROPEAN COMMISSION INVESTIGATION BY DG COMPETITION FOR POTENTIAL STATE AID TO OLTCHIM SA

Oltchim SA is subject to the file SA.36086 (2016/NN) (ex 2013/CP) – Romania - Potential aid to Oltchim SA

Following the research conducted by the European Commission, Oltchim is susceptible to state aid, being issued Communication no. C284 from August 5, 2016 by which the European Commission initiated the investigation procedure for three support measures taken by Romania in favor of Oltchim SA:

Measure no 1: the non-enforcement and further accumulation of Oltchim's debts towards AAAS since 2012. AAAS did not reinforce its claims towards Oltchim after the privatisation failed in September 2012. It did not ask for the immediate reimbursement of its claims by means of a liquidation of Oltchim but instead waited for the debt to equity conversion, even though Oltchim's privatisation processed failed again.

Measure no 2: the 2015 debt cancellation under the reorganisation plan by AAAS and various State-owned Enterprises ('SoEs'). In particular, AAAS agreed to cancel EUR 216 million of its claims in view of the future (uncertain) recovery of EUR 47 million. As regards SoEs, Electrica SA agreed to cancel EUR 112 million, CET Govora SA EUR 21.1 million, Salrom EUR 4.2 million and National Water Administration EUR 2.2 million.

Measure no 3: support to the operations of Oltchim in the form of continued supplies by public suppliers (CET Govora and Salrom). After the failed privatisation of September 2012, Oltchim's financial situation deteriorated, and its production was suspended. Oltchim reassumed its production on 24 October 2012 thanks to CET Govora and Salrom who, despite the deteriorating financial situation of Oltchim, continued supplies to Oltchim (i.e. by changing advance payments to end of term payments or accepting postponements of payments).

The investigation procedure is in progress.

SUBSEQUENT EVENTS

- In the Creditors' Meeting from 06.03.2017 was approved the amendment of the company's business Reorganization Plan, by all classes of creditors.

The amendment of the plan concerns only the sale method of Oltchim SA (all other provisions of the plan remain in force), meaning that the tender and the sale will be made on operational assets bundles and not through the transfer of assets and current business on Oltchim SPV, whereas initially approved method does not observe, in the opinion of the European Union, the principle of economic discontinuity, which involves the risk of recovering the alleged state aid from the buyer(s). The document regarding the change of the Reorganization Plan is available and can be consulted on the Company's website under the section Investors Relation / Current Reports (see current report 09.03.2017) or on the BSE website.

Exchange rate

On February 28, 2017, the exchange rate was 4.5160 lei / euro and 4.2610 lei / dollar. This represents an appreciation of the national currency by 0.5% against the euro and by 1% against the dollar, compared with December 31, 2016 (1 euro = 4.5411 lei, 1 US dollars = 4.3033 lei).

Collection and payment of claims and liabilities

Until February 28, 2017, the Company collected the amount of 2,701,289 euros, 56,046 US dollars and 19,164,435 lei, according to trade receivables outstanding at December 31, 2016 and paid trade payables in the amount of 232,987 euros and 52,851,958 lei according to existing bills outstanding at December 31, 2016.

Stănescu Bogdan
Special Administrator

Avram Victor
Deputy General Manager

Tălpășanu Mihail
Production Manager

Spiru Armand
Commercial Manager

Smeu Alin
Economic Manager

VI. ANNEXES TO THE SPECIAL ADMINISTRATOR REPORT

a) *Articles of Incorporation have not been amended / updated during 2016.*

b) *Major contracts concluded by the company for the reporting year:*

• **Contract agreements**

Procurement Contracts

On 31 December 2016, the company had contracts for raw materials, auxiliary materials and services worth 85,668,710 euro and 24,836,680 lei.

Sales Contracts

On 31 December 2016, the Company had contracted product sales in 2017 amounting to 132,979,060 euro, 2,354,900 dolari and 4,424,250 lei.

c) *Acts of resignation / dismissal, if there were such situations among administration members, executive management, censors*

Not applicable.

d) *Litigation*

At the date of the financial statements, the company had sued, through its Legal Department, bad customers for deliveries made before the entering in insolvency procedure, for failure to comply with contract terms, amounting to 31,415,579.74 lei representing the value for delivered and unpaid products and 8,344,153.21 lei representing delay penalties. Also, the company had to recover from litigation with foreign clients a total value of 1,118,942.98 USD and 1,786,315.69 euro representing the value for goods delivered.

For bad customers, the company recorded impairments at the date of the balance sheet in accordance with the policy adopted by the company (see Note no.19)

At the date of financial statements, the company is involved in pending litigation with former employees as a defendant, litigations for which can not be estimated potential payment obligations of the company as a result of unfavorable decisions of the Courts.

Oltchim had lawsuits with employees. The cases were suspended: in these cases, suspension arises from the moment that insolvency procedure has been opened.

When a case is suspended, the prescription period is also suspended, thus the causes can be judged after the expiration of the prescription period of three years, but subject to the legal status of the company after completion of the insolvency procedure.

At the table of liabilities were accepted amounts requested in Courts by the employees of the Petrochemical Division Bradu, so that these lawsuits of higher values remained without object.

e) list of companies to which Oltchim SA holds shares on 31.12.2016:

Name of the company where Oltchim holds shares	Share Capital -lei-	% of share capital held by Oltchim
Oltquino S.A. Rm. Vâlcea	2.034.860	46,64%
Sistemplast S.A. Rm. Vâlcea	2.347.805	94,4%
Oltchim GmbH Germany*	102.258 Euro	100%
Protectchim S.R.L. Rm. Vâlcea	300.000	30%
Euro Urethane S.R.L. Rm. Vâlcea	5.610.986	41,28%
Mentchim S.A. Rm. Vâlcea**	1.500.000	25%
Oltchim Foundation	200	100%

* is declared insolvent according to Sentence no.810IN122 / 130 of 19.02.2013 issued by the court in Frankfurt

** It is declared bankrupt

f) Stage of the Company compliance with the new provisions of the BSE Code of Corporate Governance at December 31, 2016

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.</p>		x	<p>Company is not complying with the majority of corporate governance provisions stipulated in sections A, B and C of the Code, the company being under the terms and procedural restrictions stipulated by the insolvency law, including the judicial supervision of the insolvency proceedings, exercised by the syndic judge and company management control of opportunity, exercised by the creditors.</p>
<p>A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflict of interest which have arisen or may arise, and should refrain from taking part of the discussion(including by not being present where this does not render the meeting non - quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.</p>		x	<p>Company is not complying with the majority of corporate governance provisions stipulated in sections A, B and C of the Code, the company being under the terms and procedural restrictions stipulated by the insolvency law, including the judicial supervision of the insolvency proceedings, exercised by the syndic judge and company management control of opportunity, exercised by the creditors.</p>
<p>A.3. The Board of Directors or the Supervisory Board should have at least five members.</p>		x	<p>Company is not complying with the majority of corporate governance provisions stipulated in sections A, B and C of the Code, the company being under the terms and procedural restrictions stipulated by the insolvency law, including the judicial supervision of the insolvency proceedings, exercised by the syndic judge and company management control of opportunity, exercised by the creditors.</p>
<p>A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of The Board of Directors or the Supervisory Board should be independent, in the case of Standard Tier companies. No less than two non executive members of The Board of Directors or the Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of The Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground of which he/she is considered independent in character and judgement in practice and according to the criteria A.4.1-A.4.9. stipulated in the Code.</p>		x	<p>Starting on the date of insolvency (30.01.2013) the company's activity is carried out according to the proceedings subject of Law no.85/2006 on the insolvency proceedings.</p> <p>Company's management is provided by the consortium of legal administrators made of ROMINSOLV SPRL București and BDO BUSINESS RESTRUCTURING SPRL București as decided by the syndic judge through Sentence no 617 of January 30, 2013 .</p>
<p>A.5. Board member's other relatively permanent professional commitments and engagements including executive and non-executive Board positions in the companies and non-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.</p>		x	<p>The mandate of the Board members ended since the appointment of the special</p>

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder who holds directly and indirectly, shares representing more than 5% of all voting rights. This obligations concerns any kind of relationships which may affect the position of the member on issues decided by the Board.</p>		x	<p>administrator (14.03.2013) who is entitled by the General Meeting of Shareholders to perform the management of OLTCHIM S.A. under the supervision of the Consortium of Legal Administrators. The Special administrator performs inclusive the General Manager responsibilities.</p>
<p>A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.</p>		x	
<p>A.8. The Corporate Governance Statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/ guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.</p>		x	
<p>A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors(in person and in absentia) and a report of the Board and committees on their activities.</p>		x	<p>The company is in the stage of judicial reorganization.</p>
<p>B.1. The Board should set up an audit committee, and at least one member should be an independent , non-executive. The majority of members, including the chairman should have proven an adequate qualification relevant to the function and responsibilities of the committee. At least one member of the audit comittee should have proven an adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the the audit committee should be independent.</p>		x	
<p>B.2. The audit committee should be chaired by an independent non-executiv member.</p>		x	
<p>B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.</p>		x	
<p>B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control report to the audit committee of the Board, management’s responsiveness and effectiveness in dealing with indentified internal</p>		x	

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
control failings or weaknesses and their submission of relevant reports to the Board.			
B.5. The audit committee should review conflict in interests in transactions of the company and its subsidiaries with related parties.		x	
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.		x	
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.		x	
B.8. Whenever the Code mentions reviews or analysis to be exercised by the de Audit Committee, these should be followed by cyclical (at least annual) or ad-hoc reports to be submitted to the Board afterwards.		x	
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by company with shareholders and their related parties.	x		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the company with which it has close relations, that is equal to or more than 5% of the net assets of the company(as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee and fairly disclosed to the shareholders and potential investors, to the extend that such transactions fall under the category of events subject to disclosure requirement.		x	
B.11. The internal audit should be carried out by a separate structural division(internal audit departmentu) within the company or by retaining an independent third-party entity.	x		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via audit committee. For administrative purpose and in the scope related to the obligation of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	x		The internal audit office reports functionally to the special administrator and for administrative purposes reports to the Deputy General Manager.
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy		x	Being in the insolvency the company has not a remuneration policy. The special administrator remuneration was set up

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
should be published on the corporate website in a timely fashion.			by the General Meeting of the Shareholders and it is not paid by the company and the judicial administrators retribution was set up by Decision of the General Meeting of Creditors.
<p>D.1. The company should have an Investor Relations function indicated, by person(s) responsible or an organizational unit, to the general public.</p> <p>In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p>		partially	<p>The business restructuring measures provided by the Reorganization Plan have included the optimization of personnel structures.</p> <p>Pursuant to the new organization chart the persons within the Investors/shareholders office have been integrated within Legal Department.</p> <p>The Investors Relation is been provided by the Consortium of Judicial Administrators.</p>
D.1.1. Principal corporate regulation: the articles of association, general shareholders' meetings procedures;	x		
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	x		
D.1.3. Current report and periodic report (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	x		
D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of the Board members; the rationale for the proposal of candidates for the election to the Board together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	x		
D.1.5. Information on corporate events, such as payment of dividends and other distribution to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information will be publish within a timeframe that enables investors to make		x	No corporate events.

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
investment decisions;			
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request.	x		
D.1.7. Corporate presentations (e.g., IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual and annual), auditor reports and annual reports.	x		The company organized in-person meetings with all investors which have an interest in taking over of Oltchim.
D.2. The company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of direction the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		x	Not applicable, given the legal provisions of Ordinance no.64/2001 regarding the profit distribution by purpose, respectively to cover losses from previous periods.
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual and quarterly reports. The forecast policy should be published on the corporate website.	x		Due to the fact that the company is in judicial reorganization the company operates until the end of proceedings based on the Reorganization Plan provisions. This plan presents in one of its chapters the reorganization outlook, in two basic scenario as well as the operation options for each of them for each of them, for a period of 36 month. We consider that this chapter can be considered as a forecast policy for the company. The Reorganization Plan is available on the company website within the Investors Relation Section/Ad-hoc reports-10.03.2015.
D.4. The rules of the general meetings of the shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of the shareholders.	x		

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	x		
D.6. The Board should present to the annual general meeting of shareholders a brief assesment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.		x	Not applicable in insolvency proceedings
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	x		
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sale, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	x		
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.		partially	It was considered that the information provided as well as current and periodic reports published allow the shareholders as well as the investors to make informed choices. The company has organized in-person meetings with all the investors interested in buying Oltchim.
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		x	During the insolvency the company considers mainly financial balancing and reducing expenditure measures.

OLTCHIM SA in judicial reorganization

**UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
ON DECEMBER 31, 2016**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION ACCORDING
TO THE PUBLIC FINANCE MINISTRY ORDER NO. 2844/2016**

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

OLTCHIM SA company in judicial reorganisation
Unconsolidated statement of financial position for the year ended at December 31, 2016

(All amounts are expressed in Lei, unless otherwise stated.)

	<u>Note</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ASSETS			
Fixed assets			
Tangible fixed assets	15	872.235.002	708.700.833
Investment property	15	6.695.370	6.821.731
Intangible fixed assets	16	1.472.029	2.004.464
Financial assets	17	154.419	154.419
Total fixed assets		<u>880.826.820</u>	<u>717.681.448</u>
Current assets			
Inventories	18	52.378.546	47.496.831
Trade receivables	19	39.048.349	29.348.189
Taxes receivables	20	6.364.883	13.253.083
Other assets	21	951.839	4.339.319
Cash and cash equivalents	22	27.579.221	13.328.457
Total current assets		<u>126.322.838</u>	<u>107.765.879</u>
TOTAL ASSETS		<u>1.007.149.658</u>	<u>825.447.327</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1.018.299.809	1.018.299.809
Reserves	23	394.528.299	228.594.771
Retained earnings	23	(1.786.500.248)	(1.785.562.719)
Total equity		<u>(373.672.140)</u>	<u>(538.668.139)</u>
Long term liabilities			
Borrowings	24	615.689.723	615.689.723
Deferred income	25	4.269.701	5.106.933
Deferred tax liabilities	26	60.751.255	34.201.890
Provisions	27	36.343.062	9.179.974
Other long term liabilities	27	21.316.447	21.316.447
Trade payables	28	367.097.853	368.740.276
Fees and taxes liabilities	29	32.718.682	29.512.311
Total long term liabilities		<u>1.138.186.723</u>	<u>1.083.747.554</u>

The accompanying notes are an integral part of these unconsolidated financial statements.

OLTCHIM SA company in judicial reorganisation
Unconsolidated statement of financial position for the year ended at December 31, 2016

(All amounts are expressed in Lei, unless otherwise stated.)

	<u>Note</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current liabilities			
Commercial liabilities	28	119.499.946	119.730.636
Fees and taxes liabilities	29	59.253.855	63.943.501
Other liabilities	30	63.881.274	96.693.775
Total current liabilities		<u>242.635.075</u>	<u>280.367.912</u>
Total liabilities		<u>1.380.821.798</u>	<u>1.364.115.466</u>
TOTAL EQUITY AND LIABILITIES		<u>1.007.149.658</u>	<u>825.447.327</u>

Unconsolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

OLTCHIM SA, company in judicial reorganisation**Unconsolidated statement of comprehensive income for the year ended on December 31, 2016**

(All amounts are expressed in Lei, unless otherwise stated.)

	Note	Year ended on December 31, 2016	Year ended on December 31, 2015
Net sales	5	754.822.697	747.944.264
Income from investments	6	8.685.838	8.631.714
Other gains or (losses)	7	4.425.490	2.385.469.737
Changes in inventories		4.697.996	(4.723.020)
Expenses with raw materials and consumables	8	(351.224.312)	(370.183.600)
Expenses with energy and water	8	(184.075.119)	(170.545.361)
Amortization expenses	9	(96.323.413)	(103.972.604)
Gain / (Loss) from impairment adjustments of non-current assets	9	107.407.226	18.197.781
Salary expenses	10	(98.224.142)	(118.839.822)
Finance costs	11	(179.279)	(2.501.608)
Incomes from subsidies		837.920	853.794
Other expenses	12	(116.043.064)	(60.548.985)
Profit / (Loss) before taxation		34.807.838	2.329.782.290
Income tax expense	13	(8.754.485)	(35.653.100)
Net Profit / (Loss)		26.053.353	2.294.129.190
Other comprehensive income (reserves from revaluation)		165.933.528	-
Total comprehensive income		191.986.881	2.294.129.190
Profit / (Loss) per share	14	0,0759	6,6843
Number of shares		343.211.383	343.211.383

Unconsolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

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Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

The accompanying notes are an integral part of these unconsolidated financial statements.

OLTCHIM SA, company in judicial reorganisation
Unconsolidated statement of cash flows for the year ended on December 31, 2016
(All amounts are expressed in Lei, unless otherwise stated.)

	December 31, 2016	December 31, 2015
Cash flows from operating activities:		
Annual net Profit / (Loss)	26.053.353	2.294.129.190
Adjustments for non-monetary assets:		
Amortization of fixed assets	96.323.413	103.972.604
Expenses related to destroyed fixed assets	1.356.007	-
Expenses / (Income) on impairment adjustments of current assets	(3.251.701)	(1.387.780)
Subsidies amortization	(837.920)	(853.794)
Interest expenses/ (Income)	(13.170)	2.105.294
Expenses / (Income) from revaluation of tangible and intangible fixed assets	50.651.852	-
Impairment / (Reversal of impairment) of tangible fixed assets	(107.407.226)	(18.197.781)
Provisioning / (Reversal) of provisions	337.116	(5.256.041)
Income tax	8.754.485	35.653.100
Income from debt cancellation under the Reorganization Plan	-	(2.370.932.079)
Operating profit (loss) before changes in working capital	71.966.209	39.232.713
Inventory (Increase) / Decrease	(1.257.442)	2.487.574
Receivables (Increase) / Decrease	(195.231.228)	(280.951.772)
Debts Increase / (Decrease)	150.897.388	258.817.965
Changes in working capital	(45.591.282)	(19.646.233)
Cash flow from operating activities	26.374.927	19.586.480
Interest paid	-	-
Cash flow from operation	26.374.927	19.586.480
Cash flow used for investments:		
Interest received	13.170	38.564
Purchase of tangible and intangible fixed assets	(12.137.333)	(11.176.761)
Dividends received	-	-
Cash flow used for investments	(12.124.163)	(11.138.197)
Cash flow generated from financing:		
Change in short-term loans	-	-
Change in long-term loans	-	-
Lease payments	-	-
Cash flow from financing	-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

OLTCHIM SA, company in judicial reorganisation
Unconsolidated statement of cash flows for the year ended on December 31, 2016
 (All amounts are expressed in Lei, unless otherwise stated.)

	December 31, 2016	December 31, 2015
Increase / (Decrease) in cash and cash equivalents	14.250.764	8.448.283
Movement in cash flow:		
Cash at beginning of year	13.328.457	(514.981.428)
Cancellation/Reclassification of the loans according to the Reorganization Plan*	-	519.861.602
Increase / (Decrease) in cash and cash equivalents	14.250.764	8.448.283
Cash at end of period	27.579.221	13.328.457

*The amount eliminated from the cash at beginning of 2015, following the termination of the loans agreements according to the Reorganization plan

Unconsolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
 Special Administrator

Avram Victor
 Deputy General Manager

Smeu Alin
 Economic Manager

OLTCHIM SA, company in judicial reorganisation
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended on December 31, 2016
 (All amounts are expressed in Lei, unless otherwise stated.)

	<u>Share capital</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2015	1.018.299.809	213.761.815	6.842.711	7.990.245	(4.083.638.663)	(2.836.744.083)
Result of the period	-	-	-	-	2.294.129.190	2.294.129.190
Adjustments for provisions regarding employees' benefits	-	-	-	-	1.091.767	1.091.767
Other elements of the result	-	-	-	-	2.854.987	2.854.987
Balance at December 31, 2015	1.018.299.809	213.761.815	6.842.711	7.990.245	(1.785.562.719)	(538.668.139)
Balance at January 1, 2016	1.018.299.809	213.761.815	6.842.711	7.990.245	(1.785.562.719)	(538.668.139)
Result of the period	-	-	-	-	26.053.353	26.053.353
Reserves from revaluation	-	165.938.450	-	-	-	165.938.450
Adjustments for provisions regarding employees' benefits	-	-	-	-	(833.025)	(833.025)
Deferred tax	-	-	-	-	(26.549.365)	(26.549.365)
Other elements of the result	-	(4.922)	-	-	391.508	386.586
Balance at December 31, 2016	1.018.299.809	379.695.343	6.842.711	7.990.245	(1.786.500.248)	(373.672.140)

Unconsolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
 Special Administrator

Avram Victor
 Deputy General Manager

Smeu Alin
 Economic Manager

The accompanying notes are an integral part of these unconsolidated financial statements.

OLTCHIM SA, company in judicial reorganisation
Notes on financial statements for the year ended on December 31, 2016

(All amounts are expressed in LEI, unless otherwise stated.)

1. GENERAL INFORMATION AND MAIN ACTIVITIES

Oltchim S.A. is a Romanian legal person having the legal form of open joint stock company and was established under Law 15/1990 by G.D. no.1213 / 20.11.1990.

Company headquarters is in Romania, in the county of Valcea, Ramnicu Valcea, Uzinei street no 1.

Main business of the company is the production of organic chemicals.

As of January 30, 2013 insolvency proceedings were initiated for Oltchim SA.

By sentence no. 892 / 04.22.2015 issued in insolvency file no. 887/90/2013, before the Court Valcea was confirmed the reorganization plan of the debtor Oltchim SA proposed by the Consortium of Judicial Administrators, ROMINSOLV SPRL and BDO BUSINESS RESTRUCTURING SPRL.

The sentence is final and irrevocable rejecting as unfounded the appeals brought by Electrica SA and by ANAF, this judgment being delivered by the Court of Appeal Pitesti on 24/09/2015. Oltchim SA is in judicial reorganization.

The company sold chemicals in 2016 both on the local market, about 27% of turnover and world markets, about 73% of turnover.

Integrated environmental quality management system (ISO 9001 and ISO 14001) of Oltchim was recertified in 2014 by TUV Management Service body, the certification is valid until 2017.

Ownership structure

Oltchim is listed on the Bucharest Stock Exchange, standard category, symbol OLT. The Company's shares were suspended from trading in the period between the date of commencing insolvency and until the confirmation of the reorganization plan proposed by the consortium of judicial administrators, respectively in the period 30.01.2013-29.09.2015. Trading resumed on 09.30.2015.

Romanian State represented by the Ministry of Economy, is the main shareholder. Nominal capital subscribed and paid both on December 31, 2016 and on December 31, 2015 is 34.321.383 lei divided into 343.211.383 shares, each with a nominal value of 0,10 lei. Each share entitles its holder to one vote.

Shareholder structure is as follows:

Shareholders	December 31, 2016		December 31, 2015	
	Number of shares	%	Number of shares	%
Romanian State, through Ministry of Economy	188.100.976	54,8062	188.100.976	54,8062
PCC SE	111.005.766	32,3433	111.005.766	32,3433
Individuals	38.892.961	11,3321	38.930.613	11,3430
Corporate	5.211.680	1,5185	5.174.028	1,5075
TOTAL	343.211.383	100	343.211.383	100

OLTCHIM SA, company in judicial reorganisation
Notes on financial statements for the year ended on December 31, 2016

(All amounts are expressed in LEI, unless otherwise stated.)

1. GENERAL INFORMATION AND MAIN ACTIVITIES (continuation)

Activities carried out by the Company

The field of activity includes primarily: production of petrochemicals, chlor-alkali, oxo-alcohols and other chemicals, including services and technical assistance and their domestic and export trade, in accordance with the Articles of Association of the company.

Average number of employees in year 2016 : 1.943 (average number of employees in year 2015: 2.178 employees).

The employment reduction in 2015 is due to the dismissal of 243 employees in November and December 2015.

Management Structure

According to Sentence no. 617 of 30 January 2013 given by the Court Valcea - Civil Division II in case no. 887/90/2013 was appointed insolvency administrator the Consortium consisting in ROMINSOLV SPRL Bucharest based in Bucharest, Splaiul Unirii nr.223, 3rd floor, district 3, total enrollment in 0122/2006 RFO Registry Forms of Organization, represented by Managing Partner Gheorghe Piperea and BDO BUSINESS RESTRUCTURING SPRL Bucharest based in Bucharest, Winners Str. no. 24, Victory Business Center building, 3rd floor, district 3, total enrollment in 0239/2006 RFO Registry Forms of Organization, represented by Managing Partner Nicolae Balan.

On March 14, 2013 Extraordinary General Meeting of Shareholders has appointed as special administrator of Oltchim SA in insolvency Mr Stanescu Nicolae - Bogdan- Codrut.

On December 31, 2016 the executive management was composed as follows:

Consortium consisting in:

- | | |
|---|--------------------------|
| • ROMINSOLV S.P.R.L.,
represented by Managing Partner Gheorghe Piperea
si BDO BUSINESS RESTRUCTURING S.P.R.L.,
represented by Managing Partner Nicolae Balan | Judiciary Administrators |
| • Stanescu Nicolae Bogdan Codrut | Special Administrator |
| • Avram Danut Victor | Deputy General Manager |
| • Talpasanu Mihail | Production Manager |
| • Spiru-Ciobescu Armand | Commercial Manager |
| • Smeu Alin Ion | Economic Director |
| • Munteanu Dana Maria | Human Resources Director |

2. PRIMARY ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the provisions of Public Finance Ministry Order No.2844/12.12.2016 for approval of accounting regulations in accordance with International Financial Reporting Standards – IFRS, applicable to companies whose securities are admitted to trading on a regulated market.

The financial statements were approved on March 28, 2017.

2.2 The first application of IFRS

Oltchim SA prepared the first financial statements under IFRS at December 31, 2012 as a result of the application of OMFP 1286/2012.

The company is required to prepare individual and consolidated annual financial statements in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"). Oltchim group, including Oltchim S.A. in judicial reorganization and its subsidiaries will prepare a set of consolidated financial statements in accordance with IFRS as adopted by the European Union for the financial year ended 31 December 2016 which will be published in accordance with applicable law.

The financial statements have been prepared on a going concern basis. The financial statements are prepared based on the statutory accounting records maintained in accordance with Romanian accounting principles, adjusted for transition to IFRS as adopted by the European Union.

Standards and interpretations issued by IASB, adopted by the EU that came into force in 2016

At the authorization date of these financial statements, the following standards and additions brought to existing standards and interpretations issued by IASB and adopted by the EU.

- **Additions to IFRS 11 "Joint Commitments"** - improving the method of accounting for interests in jointly controlled entities - endorsed by the EU on 25 November, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 1 "Presentation of Financial Statements"** - improving the method of presentation (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"** - clarifying acceptable methods of depreciation and amortization - endorsed by the EU on 2 December, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in Associates and Joint-ventures"** – dealing with the sale or contribution of assets between an investor and its associate/ joint venture (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" - Agriculture - bearer plants**, endorsed by the EU on 23 November, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 27 "Separate Financial Statements" - equity method** - endorsed by the EU on 18 December, 2015 (effective for annual periods beginning on or after 1 January 2016),

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.2 The first application of IFRS (continuation)

- **Additions to various standards "Improvements to IFRSs (cycle 2012-2014)",** following the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily in order to eliminate inconsistencies and clarify wording (effective for annual periods beginning on or after 1 February 2016),

Standards and interpretations issued by IASB but not yet adopted by the EU

Currently, IFRS adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, additions to existing standards and interpretations that have not been approved by the EU at the date of financial statements publication (the effective dates below are for the entire IFRS):

- **IFRS 9 "Financial Instruments" and subsequent additions** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from contracts with customers"** (effective for annual periods beginning on or after 1 January 2018),
- **Additions to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure on interests in other entities" and IAS 28 "Investments in associates and Joint Ventures"** - investment entities: Application of exception to consolidation (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 16 Leasing** (effective for annual periods beginning on or after January 1, 2019)
- **Additions to IAS 7 "Statement of Cash-Flows"** – presentation (effective for annual periods beginning on or after 1 January 2017),
- **Additions to IAS 12 "Income Taxes"** – recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after 1 January 2017),

The company states that the adoption of these standards, revisions and interpretations will not have a significant impact on the financial statements in the period of initial application.

Meanwhile, accounting of currency-hedging related to the portfolio of financial assets and financial liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the estimates of the Company, the application of accounting of currency-hedging for the portfolio of financial assets and financial liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements, if applied to the date of the balance sheet

OLTCHIM SA, company in judicial reorganisation
Notes on financial statements for the year ended on December 31, 2016

(All amounts are expressed in LEI, unless otherwise stated.)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.3 Business continuity

The financial statements have been prepared based on the ongoing concern principle which assumes that the Company will continue its activity in the foreseeable future, based on the reorganization plan that was confirmed by the insolvency judge through sentence no. 892 / 04.22.2015 issued in insolvency file no. 887/90/2013, Valcea Court. The approved reorganization plan stipulates partial payments of the Company's debts towards its creditors in accordance with an agreed schedule. In the Creditors' Meeting dated 22 August 2016, the request of the consortium of judicial administrators to extend the reorganization period by one year was approved, respectively the reorganization plan has to be implemented within 4 years from being confirmed by the syndic judge. The reorganization plan is based on assumptions and future cash-flow projections and depends on future events that may or may not occur. These financial statements do not include adjustments regarding an uncertainty over the continuity of the business activity.

2.4 Basis of measurement

On transition to IFRS (01/01/2011), the Company has chosen to present tangible assets at the value established from revaluation on 31 December 2010. Subsequently transition to IFRS, the Company chose to present tangible assets at revalued amounts. Any increase arising from revaluation of tangible assets is credited in equity accounts in the revaluation reserve, unless there was a decrease previously recognized as an expense for the same asset, in which case the increase is recognized as income to offset the expense recognized prior to that asset. A decrease in the carrying amount arising on revaluation is treated as an expense to the extent that the revaluation reserve amount is not recorded on the asset.

Depreciation on revalued tangible assets is recorded in the profit and loss account. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings representing surplus from revaluation reserves. Transfer of revaluation reserve is only possible if the asset is derecognized.

The last revaluation was performed by an independent appraiser, having as reference date for determining fair value December 31, 2016.

The financial statements are prepared on the historical cost modified to include equity adjustment under International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") until 31 December 2003. Since 1 January 2004, Romania's economy is no longer considered hyperinflationary. The company ceased applying IAS 29 as of this date.

2.5 Functional and presentation currency

These financial statements are presented in Lei. All financial information are presented in Lei, unless otherwise specified. In order to draw up these financial statements in accordance with Romanian legal requirements (OMPF 2844/2016), the functional currency of the Company is considered to be Lei.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.6 Use of estimates and professional judgment

The preparation of financial statements in conformity with IFRS implies that the management will use some estimates, judgments and assumptions that affect the application of accounting policies, and also the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience and other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments regarding the accounting values of assets and liabilities that cannot be obtained from other sources of information. Present results may differ from the values of the estimates.

Estimates and assumptions are periodically reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period in which the estimate is revised and the future periods, if the revision affects both the current period and also the future periods.

2.7 Foreign currency

Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency of the Company using the exchange rate on the day of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the rate of exchange at the balance sheet date. Exchange differences are recorded in the profit and loss statement. Non-monetary assets and liabilities that are presented based on historical cost in a foreign currency are translated using the exchange rate at the transaction date.

Exchange rates on December 31, 2016 and December 31, 2015 are as follows:

Currency	December 31, 2016	December 31, 2015
1 EUR	4,5411	4,5245
1 USD	4,3033	4,1477

2.8 Business Combinations

The Company has applied IFRS 3 "Business Combinations" for the accounting of the takeover of the assets related to the petrochemical activities from Bradu Petrochemical Division, business purchased from OMV Petrom SA in January 2010.

According to IFRS 3 "Business Combinations", the value of components purchased from Arpechim is recognized at their fair value. The difference between the fair value of the identifiable assets acquired, at the acquisition date, and of the liabilities assumed, and the fair value of the payment transferred, at the acquisition date, is recognized as income of the year.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.9 Tangible assets

a. Own assets

On transition to IFRS (01.01.2011), the Company has elected to present tangible assets at the value established from revaluation on 31 December 2010. Subsequently transition to IFRS, the Company elected to present tangible assets at revalued amounts. Any increase arising from revaluation of tangible assets is credited in equity accounts in the revaluation reserve, unless there was a decrease previously recognized as an expense for the same asset, in which case the increase is recognized as income to offset the expense recognized prior to that asset. A decrease in the net accounting value resulted from revaluation is treated as an expense to the extent that the revaluation reserve amount is not recorded on the asset. Depreciation on revalued tangible assets is recorded in the profit and loss statement. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings representing surplus from revaluation reserves. Transfer of revaluation reserve is only possible if the asset is derecognised.

Tangible assets are stated at their revalued amount, less the accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, the initial estimate, where appropriate, the costs of dismantling and removing the items and restoring the site, directly attributable to, and a share of indirect costs.

When an asset has major components with different operational life time, these components are recorded as separate asset items.

The fair value of tangible fixed assets was determined based on the principle of continuity. The Company's assets were revalued in 2016, the financial statements containing the assets as revalued at December 31, 2016.

An item of tangible assets has to be derecognised on disposal or scrapping, when no future economic benefits are expected any longer from its subsequent use.

b. Subsequent expenditure

The Company recognizes in the net book value of a tangible fixed asset the cost of a part replaced, if the recognition criteria are met: future economic benefits related to the asset are expected to be generated to the Company and the cost of the asset can be reliably measured. Repair or maintenance expenses of fixed assets incurred to restore or maintain the value of these assets are recognized in the profit and loss statement when incurred.

c. Depreciation

Depreciation is calculated at revalued amounts, by the straight-line method, over the estimated operational life-time of the assets, starting next month after commissioning, as follows:

	<u>Years</u>
Buildings and special constructions	10 - 50
Plants and machinery	3 - 15
Furniture, appliances, office supplies, other	3 - 15

Land and fixed assets in progress are not subject to depreciation.

Expenditure incurred to replace a component of an item of tangible assets that is accounted as a separate asset is capitalized in the fixed assets with the book value of the replaced component. Other subsequent expenditure is capitalized only when generate future economic benefits for the Company. All other expenses are incorporated in the profit and loss statement when incurred.

Repair and maintenance costs of tangible assets are incorporated when incurred. Improvements that significantly increase the life-time or the value of the fixed asset are capitalized.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.10 Intangible assets

Expenditure for acquiring patents, licenses, trademarks is linearly capitalized and depreciated over their operational lives, but not more than 10 years, except for the patents where the life-time may be of maximum 17 years.

After the transition to IFRS, the Company has chosen to present the tangible assets at revalued amounts. Any increase resulting from the revaluation of tangible assets is recorded directly in equity credit accounts, in the revaluation reserve, unless there was a previous decrease recognized as an expense related to the asset, in which case the increase is recognized as income to compensate the expense previously recognized for that asset. A decrease in the net book value resulted from revaluation is treated as an expense to the extent that in the revaluation reserve is not recorded an amount related to that asset. Depreciation related to revalued tangible assets is recorded in profit and loss account. The subsequent sale or retirement of a revalued property, the attributable surplus from revaluation in the revaluation reserve is directly transferred to retained earnings representing the surplus obtained from revaluation reserve. The transfer of reserve from revaluation is only possible in case of derecognition of asset.

Other intangible assets are recognized at the revalued amount less the accumulated depreciation and the accumulated adjustments of value. The intangible assets of the Company were revalued in 2016, the consolidated financial statements containing the current assessed value.

Intangible assets are stated at their revalued amount less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss account based on the linear method over the estimated lifetime of intangible assets. The estimated life-times are as follows:

- patents up to 17 years
- trademarks up to 10 years;
- other intangible assets up to 3 years.

The depreciable value of an asset shall be allocated on a systematic basis over its useful life. The amortization method used is linear. Depreciation of an asset ceases at the first time between the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised.

2.11 Customers and similar accounts

Customer accounts and similar accounts include issued and uncollected invoices until December 31, 2016 at the nominal value and related to the services provided during 2016. Customer accounts and similar accounts are recorded at the depreciated cost less impairment losses. The depreciated cost approximates the nominal value. Final losses may vary from current estimates.

2.12 Inventory

The book value of inventory is recognized as an expense in the period in which the corresponding revenue is recognized, when stocks are sold or used in the Company. The cost of inventories supplied is determined based on the "first in, first out" method.

The cost of finished goods and those under production comprise raw materials, direct labor, other direct and indirect costs relating to production (based on the normal production capacity), but excluding the cost of loans. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and costs of sale. Adjustments are recorded for slow moving stocks, physically and morally worn, if necessary.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.13 Cash

Cash includes cash, current accounts and bank deposits. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of cash flow statement.

2.14 Impairment

Net book value of the Company's assets is reviewed at each balance sheet date to determine whether there is impairment. If such a loss is probable, it is estimated the recoverable amount of the asset. An impairment loss is recognized when the net book value of the asset is higher than its recoverable amount. Impairment is recorded in the profit and loss account.

a. Calculation of recoverable amount

The recoverable amount of the financial asset (eg. receivables) on long term of the Company is calculated as the present value of future cash flows.

The recoverable amount of other assets is considered the highest value between the sales value and value in use. Estimating the value in use of an asset involves updating the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If an asset does not generate independently significant cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

b. Reversal of impairment losses

The impairment loss corresponding to a financial asset (eg receivables) is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognized.

For other assets, an impairment loss is reversed if there is the certainty that the impairment loss no longer exists, and there were changes in the estimate of recoverable amount.

An impairment loss may be reversed to the extent that the net book value of the asset does not exceed its recoverable amount, less the depreciation that would have been determined if the impairment loss had not been recognized.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.15 Share capital

The share capital comprises ordinary shares recorded at nominal value.

The Company recognizes the changes in the share capital as provided by law and only after their registration in the Trade Register.

The capital value was adjusted in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies".

2.16 Dividends

Dividends are recognized as a liability and there are deducted from equity capital in the period in which their distribution is approved if they are declared before or on the date of the balance sheet.

On 31.12.2016 the Company does not record dividends.

2.17 Suppliers and assimilated accounts

Trade payables and other liabilities include the value of invoices issued by suppliers of goods, works and services rendered and also the value of services rendered but not yet invoiced.

2.18 Interest bearing loans

Loans are recognized initially at fair value, net of transaction costs. Subsequent to initial recognition, loans are stated at amortized cost, any difference between cost and reimbursement value being recognized in the profit and loss account over the period of a loan based on the effective interest rate.

2.19 Financial instruments

Financial assets and financial liabilities include cash and cash equivalents, customers and other assimilated accounts, suppliers and other assimilated accounts, loans. Bank overdrafts that are part of cash management are included as a component of cash and cash equivalent items in the statement of cash flows. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies that are found in this Note.

Financial instruments are classified as liabilities or equity capital in accordance with the content of the contractual arrangement. Interest, gains and losses relating to a financial instrument classified as a liability are reported as expense or income as they arise. Payments to holders of financial instruments classified as equity capital are charged directly to equity capital. Financial instruments are offset when the Company has a legally enforceable right to offset and intends either to compensate on a net basis or to realize the asset and settle the liability simultaneously.

2.20 Leasing

Leases where the Company assumes all risks and rewards of ownership are classified as financial leases.

Fixed assets acquired through financial lease are presented as assets at fair value at the acquisition date. The debt to the leasing company is included as a liability on the balance sheet regarding leases contracts. Initial recognition of assets acquired through leasing is the minimum between the fair value and the present value of the minimum lease payments.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.20 Leasing (continuation)

The cost of borrowing is the difference between total expenditure arising from the lease contract and the fair value of the asset acquired. The cost of borrowing is recorded over the lease term so as to produce a constant expense for debt balance in respect of each accounting period. The amount of rent paid for operational leasing is recorded in the income statement linearly over the lease term.

During 2016 the company has not signed lease contracts.

2.21 Income tax expense

Income tax comprises a current part and a deferred part. Income tax is recognized in profit or loss account unless it relates to positions previously recognized directly in equity, in which case it is shown in equity.

Current tax is calculated using fiscal result for the period, using the tax rate in effect at the balance sheet date, adjusted with corrections of previous years.

Deferred tax is obtained by applying the balance sheet method on all temporary differences between the carrying amount and tax base of balance sheet items. The following temporary differences are not taken into account: tax non-deductible goodwill, the initial recognition of assets or liabilities that are not business combination and that affects neither the accounting profit nor taxable profit. Deferred tax is calculated using tax rates stipulated by applicable law in the period when the temporary difference will be realized.

Deferred tax is recognized only to the extent that it is likely to obtain future taxable profit, so tax losses carried forward and temporary differences to be used. Deferred tax is reduced to the extent that the related fiscal benefit is unlikely to be achieved

Information related to tax on profit are included in Note 13.

2.22 Employees benefits

In the performance of its business, the Company makes payments on behalf of its employees to the Romanian state, health and unemployment. These costs are recognized in the income statement together with the corresponding salary costs. All employees of the Company are part of the state pension system. The company does not operate any other pension scheme and consequently, does not assume any obligations in this respect..

Short-term salary obligations owed to employees are recorded in the profit and loss account in the period when the Company benefited from their services.

According to the Collective Labour Agreement, the Company rewards its employees who retire at age or on request with a compensation equal to three base salaries plus the seniority bonus at retirement date.

At 31 December, 2016 the Company recorded a provision for benefits granted to employees according to the actuarial report prepared by an external actuary expert in accordance with IAS 19.

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.22 Employees benefits (continuation)

In case of collective dismissals of employees for reasons not related to the employee, they receive severance payments as follows:

1. Seniority in Oltchim between 0 - 5 years a net amount equal to 3 average gross salaries existing in the Company at the date of dismissal;
2. Seniority in Oltchim between 5 - 15 years a net amount equal to 6 average gross salaries existing in the Company at the date of dismissal;
3. Seniority in Oltchim > 15 years a net amount equal to 12 average gross salaries existing in the Company at the date of dismissal.

2.23 Revenues

Revenue from the sale of goods is recognized at fair value received or of the receivable to be received. Revenue is recognized in the profit and loss account when risks and benefits related to the ownership of the goods concerned are transferred to the buyer and the administration of the goods terminates.

Revenue is recognized following the delivery of products and the agreement of the terms by the customer, if any, because this is the time when risks and rewards have been transferred to the customer. Sales are presented net of VAT and commercial discounts.

Other revenues of the Company are recognized on the following basis:

- Dividend income - when the right to receive dividends of the Company is recognized;
- Rental income - over the period of rent, linearly;
- Investment income - linearly, based on hired contracts

2.24 Financial income and expenses

Financial income represents the amount of interest received from the cash in bank accounts, dividend income, gains from the transfer of financial assets valid for sale, changes in fair value of financial assets, foreign exchange gains, which are all recorded in the profit and loss account. Dividends income is recognized on the date when the right to receive dividends of the Company is recognized.

Financial expenses are the sum of interest on loans contracted, foreign exchange losses and changes in fair value of financial assets and impairment losses of financial assets. All expenses related to loans contracted are based on the effective interest rate.

2.25 Cost of loans

The Company capitalizes loan costs that apply to assets that require a period of time to get ready for use or sale.

2.26 Government grants

Government grants received for the acquisition of fixed assets are included in long term liabilities as deferred income and are credited to the profit and loss account linearly over the period representing the estimated useful life of the asset.

2. PRIMARY ACCOUNTING POLICIES

2.27 Subsequent events

The attached financial statements reflect events subsequent to the end of the year that provide additional information about the position of the Company as at the balance sheet date or those that indicate a possible violation of a going concern (events that cause adjustments). Subsequent events that are not events that cause adjustments are disclosed in notes when they are considered significant.

2.28 Earning per share

In accordance with IAS 33, earnings per share are calculated by dividing profit or loss attributable to company's shareholders to the weighted average number of ordinary shares.

Weighted average shares outstanding during the year represents the number of shares at the beginning of the period, adjusted by the number of shares issued multiplied by the number of months in which the shares were in circulation during exercise.

2.29 Allowances for greenhouse gas emissions

Greenhouse gases emissions allowances that are received free of charge from the Romanian government are recognized at zero cost, in accordance with IAS 20 "Government Grants". Emissions of greenhouse gases creates the obligation to purchase emission allowances..

According to GD. 780/2006, for the implementation of European Directive no. 2003/2007 / EC on emissions of greenhouse gases, Romania has implemented a system of trading allowances of emissions of greenhouse gases..

An allowance of greenhouse gases emissions is a title that gives the right to the company to release the equivalent of one tone of carbon dioxide, in a fixed period. The purpose of the certificate is only to comply with GD. 780/2006 on the implementation of the system of trading allowances of greenhouse gases emissions.

For the new trading period 2013-2020, which is the third trading period, the European Union established the total number of allowances for greenhouse gas emissions allocated to each Member State and for each installation covered under EU emissions trading scheme.

In 2011 was drafted a validation report, verified by an accredited body, that provided the calculation of the preliminary annual amount of allowances allocated free of charge for the period 2013-2020, following which there were allocated a total of 296.107 certificates yearly for the whole period.

In october 2013, after the implementation of some factor of reduction of greenhouse gases emissions, the central public authority for environmental protection and climate change informed the operators about the fact that it revised the number of allowances allocated free of charge for the period 2013-2020, and this can vary from one year to another, as the allowances will be granted based on the annual changes in the levels of activity for which their calculation was done.

Up to 31 December each year from 2013-2020, Oltchim SA sends to the central public authority for environmental protection and climate change any relevant change of capacity, projected or effective, the level of activity and operation of the plant, according to the forms (Annex 3 + Annex 4) provided in the Order 89/2013, on relevant changes (increase / decreases in activity) in the Company, which could have an impact on the allocation of greenhouse gas emissions allowances.

For 2016 Oltchim SA received a total of 172,927 allowances, due to changes in activity levels for heat benchmark sub-installation and Petrochemical Department Bradu received 9,032 allowances.

2. PRIMARY ACCOUNTING POLICIES

2.29 Allowances for greenhouse gas emissions

Following the calculation of emissions and the verification report for 2016, there were issued a total of 88,026 tonnes of CO₂ (allowances) for the Oltchim Ramnicu Valcea and for Petrochemical Division Bradu were issued 0 tonnes CO₂ (allowances), a total of 88,026 certificates that are due to be handed over by 30 April, 2017.

2.30 Quotas

Contingent liabilities are not recognized in the financial statements. They are disclosed only if the option of an outflow of resources representing economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, but disclosed when an inflow of economic benefits is probable.

2.31 Comparative figures

The financial statements for the year ended on 31 December, 2016 show the comparability of financial statements for the year ended on 31 December, 2015.

3 FINDING THE FAIR VALUE

The accounting policies of the company require the finding of the fair value both for the financial and non-financial assets and for the liabilities. The fair value was found by the methods shown below. Additional information, where appropriate, on the assumptions in the finding of the fair value are disclosed in the notes specific for the related asset or liability.

Tangible assets

Assets that are subject to depreciation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is the difference between the carrying amount and the recoverable amount of the asset. Recoverable amount is the greater of the asset's fair value less costs to sell and value in use.

In order to assess impairment, assets are grouped at the lowest levels of detail for which there are identifiable independent cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

The fair value of inventories acquired is found based on the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and a reasonable profit margin based on the costs of sale and completion.

4. REPORTING ON OPERATING SEGMENTS

Presentation of turnover by types of markets:

	%	Year ended on December 31, 2016	%	Year ended on December 31, 2015
Internal market	27	202.211.604	26	192.117.545
Export	73	552.611.093	74	555.826.719
Total	100	754.822.697	100	747.944.264

Presentation of turnover by types of products:

	Year ended on December 31, 2016	Year ended on December 31, 2015
Petrochemistry (polyols - polyeters)	479.361.603	491.812.597
Chlorine	163.328.006	141.848.029
Oxo- Alcohols	79.956.434	78.237.573
Merchandise (mainly utilities resale)	21.596.737	22.551.304
Petrochemical Division Pitesti	12.153	141.226
Building materials	4.235	2.533
Others	10.563.529	13.351.002
Total	754.822.697	747.944.264

Presentation of turnover by geographical segments:

	Year ended on December 31, 2016	Year ended on December 31, 2015
Europe	636.741.208	638.322.518
Middle East (including Turkey)	102.728.256	96.110.297
Africa	8.910.034	4.123.034
Asia-Pacific	3.633.760	7.422.395
America	2.809.439	1.966.020
Total	754.822.697	747.944.264

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4. REPORTING ON OPERATING SEGMENTS (continuation)

Presentation of operating result by business segments:

	Year ended on December 31, 2016	Year ended on December 31, 2015
Chemistry (petrochemistry, chlorine)	36.384.041	(3.902.909)
Building materials	(8.487.431)	(10.980.142)
Oxo-Alcohols	(3.517.055)	(2.323.775)
Petrochemical Division Pitesti	(11.612.158)	(28.367.531)
Others	(1.261.011)	(1.666.973)
Total operating result	11.506.386	(47.241.331)
Incomes from debt cancellation according to the Reorganization Plan	-	2.370.932.079
Incomes / (Expenses) from fixed assets revaluation and impairment adjustments	14.808.063	-
Incomes from investments	8.672.668	8.593.150
Net cost of finance	(179.279)	(2.501.608)
Profit before taxation	34.807.838	2.329.782.290

Presentation of net asset value by business segments:

	Year ended on December 31, 2016	Year ended on December 31, 2015
Chemistry (petrochemistry, chlorine)	771.760.320	587.757.390
Building materials	24.640.575	18.559.905
Oxo-Alcohols	8.585.117	6.347.418
Petrochemical Division Pitesti	202.057.873	212.670.733
Others	105.774	111.881
Total	1.007.149.658	825.447.327

Presentation of liabilities by business segments:

	Year ended on December 31, 2016	Year ended on December 31, 2015
Chemistry (petrochemistry, chlorine)	1.368.232.690	1.344.658.352
Building materials	3.590.763	5.230.050
Oxo-Alcohols	0	6.140.380
Petrochemical Division Pitesti	8.979.972	8.052.268
Others	18.373	34.417
Total	1.380.821.798	1.364.115.466

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4. REPORTING ON OPERATING SEGMENTS (continuation)

Presentation of amortization by business segments:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Chemistry (petrochemistry, chlorine)	93.090.583	100.641.863
Building materials	3.073.216	3.174.160
Oxo-Alcohols	0	0
Petrochemical Division Pitesti	0	0
Others	159.614	156.581
Total	<u>96.323.413</u>	<u>103.972.604</u>

5. NET SALES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Revenues from the sale of finished products	715.042.185	707.494.127
Revenue from sale of merchandise	21.596.737	22.551.304
Others	18.183.775	17.898.833
Total	<u>754.822.697</u>	<u>747.944.264</u>

6. INVESTMENTS INCOMES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Incomes from rental of real estate investments	8.672.668	8.593.150
Interest income earned on cash deposits	13.170	38.564
Total	<u>8.685.838</u>	<u>8.631.714</u>

7. OTHER GAINS OR LOSSES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Rental incomes	1.847.184	1.716.186
Incomes from rendering services	918.052	912.785
Incomes from debts cancellation according to the Reorganization plan	-	2.370.932.079
Incomes from penalties and fines applied	24.165	425.988
Gain / (Loss) on exchange rate differences	114.686	(664.432)
Gain / (Loss) from adjustments for current asset depreciation	3.752.166	6.381.965
Gain / (Loss) from variance in provisions	(337.116)	5.256.041
Gain / (Loss) from discounts	(709.323)	(465.685)
Expenses with fixed assets destroyed	(1.356.007)	-
Other gains	171.683	974.810
Total	<u>4.425.490</u>	<u>2.385.469.737</u>

8. EXPENSES WITH RAW MATERIALS AND CONSUMABLES, ELECTRICITY AND WATER

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Consumed raw materials	307.775.744	334.499.062
Cost of merchandise sold	19.136.435	20.162.302
Expenses with electricity and water	184.075.119	170.545.361
Expenses with consumables	24.312.133	15.522.236
Total	<u>535.299.431</u>	<u>540.728.961</u>

9. EXPENSES / (REVENUES) WITH ASSETS DEPRECIATION AND AMORTIZATION

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Fixed assets amortization	95.545.001	103.145.628
Intangible assets amortization	778.412	826.976
Gain / (Loss) from adjustments for fixed assets depreciation	(107.407.226)	(18.197.781)
Total	<u>(11.083.813)</u>	<u>85.774.823</u>

10. SALARIES EXPENSES

The Company has no retirement obligations for those with leadership positions and Company's administrators, other than those stipulated in the Collective Labor Agreement. At December 31, 2016 there was no professional malpractice insurance for management of the Company.

During 2016 no advances were granted to those with leadership positions or administrators of the Company, except travel expenses. Payroll for the Company's management and directors are as follows:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Management salaries	1.429.014	1.448.095

Total expenditure on staff remuneration is set out below:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Gross wages and allowances	72.783.193	80.544.885
Expenses with social insurances of the employer	21.245.733	23.262.135
Meal tickets	4.195.216	4.418.342
Gross redundancy payments related to personnel laid off in 2015	-	8.439.824
Expenses with employer taxes and fees related to redundancy payments in 2015	-	2.174.636
Total	<u>98.224.142</u>	<u>118.839.822</u>

During November and December 2015 were dismissed 243 employees under the reorganization plan.

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11. NET COST OF FINANCE

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Net expenses with banking interest	-	2.143.858
Bank commissions and similar charges	179.279	357.750
Net cost of finance	179.279	2.501.608

12. OTHER EXPENSES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Expenses / (Income) from revaluation of tangible fixed assets	50.660.321	-
Expenses / (Income) from revaluation of intangible fixed assets	(8.469)	-
Expenses with transport and logistic	14.623.892	15.560.644
Other third party services	23.984.501	16.908.133
Protocol expenses	492.932	94.817
Maintenance and repairs expenses	7.090.048	7.661.590
Expenses with taxes and duties	5.916.107	6.619.864
Expenses from receivables	500.465	4.994.185
Expenses with insurance premiums	511.352	843.385
Postage and telecommunications	182.581	197.631
Travel expenses	208.183	254.914
Expenses with rent	104.274	375.082
Expenses on commissions and fees	52.500	4.401
Penalties and fines	5.134.040	1.520.275
Other expenses	6.590.337	5.514.063
Total	116.043.064	60.548.985

13. INCOME TAX

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Expense with tax on current profit	8.754.485	35.653.100
Expense with tax on deferred profit	-	-
Total	8.754.485	35.653.100

Under the Tax Code, income tax is calculated by applying the rate of 16% on taxable profit. The taxable profit is calculated as the difference between revenues from any source achieved in a fiscal year and the associated expenses, net of non-taxable income, plus non-deductible expenses.

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12. INCOME TAX (continuation)

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Gross result before tax	34.807.838	2.329.782.290
Income tax expense calculated at 16%	5.569.254	372.765.166
Effect of other income	103.789	-
Effect of other expenses	(41.021)	-
Effect of non-taxable income	(49.851.054)	(140.514.757)
Effect of non-deductible expenses	52.973.518	16.397.144
Effect of deferred tax	-	-
Effect of tax loss from previous years	-	(212.994.453)
Sponsorship related deductions	-	-
Total	8.754.485	35.653.100

14. PROFIT / (LOSS) PER SHARE

Profit / (Loss) per share is determined by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares issued. There are no dilutive potential shares at December 31, 2016.

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Net Profit / (Loss)	26.053.353	2.294.129.190
Average number of shares	343.211.383	343.211.383
Profit /(Loss) per share, (LEI per share)	0,0759	6,6843

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15. A) TANGIBLE ASSETS

GROSS VALUES	Land and buildings	Plants and machinery	Other installations, tools and furniture	Tangible assets in progress	Total
Balance as at January 1, 2015	466.824.024	679.369.136	6.621.209	40.065.239	1.192.879.608
Increases / Decreases	-	9.704.445	-	11.163.157	20.867.602
- from which: transfers to/ from other positions	-	3.226.142	-	-	3.226.142
Disposals	-	-	(3.226.142)	(6.478.303)	(9.704.445)
Advances	-	43.471	-	-	43.471
Balance as at December 31, 2015	466.824.024	689.117.052	3.395.067	44.750.093	1.204.086.236
Balance as at January 1, 2016	466.824.024	689.117.052	3.395.067	44.750.093	1.204.086.236
Increases / Decreases	98.104.582	151.489.321	615.135	43.293.364	293.502.401
- from which: transfers to/ from other positions	4.542.254	(3.904.941)	-	-	637.313
- from which: revaluation increases	93.561.638	150.753.298	615.135	6.176.641	251.106.712
Disposals	(164.096.488)	(312.745.217)	(1.138.524)	(4.998.693)	(482.978.922)
- from which: revaluation decreases	(97.494.428)	(39.072.500)	(87.240)	(395.230)	(137.049.398)
Advances	-	976.056	-	-	976.056
Balance as at December 31, 2016	400.832.117	528.837.211	2.871.678	83.044.764	1.015.585.771

OLTCHIM SA, company in judicial reorganisation
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15. A) TANGIBLE ASSETS (continuation)

	Land and buildings	Plants and machinery	Other installations, tools and furniture	Tangible assets in progress	Total
DEPRECIATION AND IMPAIRMENT LOSSES					
Balance as at January 1, 2015	140.950.450	261.883.515	3.234.485	4.497.618	410.566.068
Amortization in 2015	13.951.542	91.586.271	(2.520.698)	-	103.017.115
- from which: transfers to/from other positions	-	2.870.366	(2.870.366)	-	-
Cancellation of accumulated depreciation	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-
Losses (Reversal) from the value reduction	224.960	(29.246.053)	(3.655)	10.826.968	(18.197.780)
Balance as at December 31, 2015	155.126.952	324.223.733	710.132	15.324.586	495.385.403
Balance as at January 1, 2016	155.126.952	324.223.733	710.132	15.324.586	495.385.403
Amortization in 2016	16.784.815	78.312.462	349.320	-	95.446.597
Cancellation of accumulated depreciation	(65.033.853)	(273.457.709)	(1.051.284)	-	(339.542.846)
Accumulated depreciation of disposals	(261.368)	(165.838)	-	-	(427.207)
Losses / (Reversal) from the value reduction	(74.229.582)	(61.688.360)	45.945	28.360.818	(107.511.179)
Balance as at December 31, 2016	32.386.964	67.224.288	54.113	43.685.404	143.350.768

15. A) TANGIBLE ASSETS (continuation)

NET VALUES	Land and buildings	Plants and machinery	Other installations, tools and furniture	Tangible assets in progress	Total
Januarie 1 st , 2015	325.873.574	417.485.621	3.386.724	35.567.621	782.313.540
December 31, 2015	311.697.072	364.893.319	2.684.935	29.425.507	708.700.833
Januarie 1 st , 2016	311.697.072	364.893.319	2.684.935	29.425.507	708.700.833
December 31, 2016	368.445.152	461.612.925	2.817.566	39.359.360	872.235.002

15. A) TANGIBLE ASSETS (continuation)

Tangible assets are presented in the statement of financial position at cost or revalued amount, less amortization and adjustments for depreciation or impairment in accordance with IAS 16 "Intangible assets" and IAS 36 "Impairment of Assets".

Revaluation

On transition to IFRS (01.01.2011), the Company has elected to present tangible assets at the value established from revaluation on 31 December 2010, as deemed cost. Subsequently transition to IFRS, the Company elected to present tangible assets at revalued amounts. Any increase arising from revaluation of tangible assets is credited in equity accounts in the revaluation reserve, unless there was a decrease previously recognized as an expense for the same asset, in which case the increase is recognized as income to offset the expense recognized prior to that asset. A decrease in the net accounting value resulted from revaluation is treated as an expense to the extent that the revaluation reserve amount is not recorded on the asset. Depreciation on revalued tangible assets is recorded in the profit and loss statement. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings representing surplus from revaluation reserves. Transfer of revaluation reserve is only possible if the asset is derecognised.

When an tangible asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. At December 31, 2016, the cumulative canceled amortization was 339.542.846 lei.

In 2016 the Company decided to conduct revaluation of tangible assets, the revaluation was performed by an independent appraiser, namely Romcontrol SA - authorized ANEVAR.

Evaluation methods used

Estimated market value of tangible assets was performed by applying standard evaluation methods, respectively:

- ✓ *Market valuation approach.* Market Valuation by comparison method is based on the fact that market participants recognize a direct relationship between the asset being valued and the values of other similar competitive assets traded or offered recently.
- ✓ *Cost approach method.* The cost approach estimates value by determining the current replacement cost of the asset, of which is deducted the depreciation that lead to impairment of the asset after physical, functional or external depreciation.
- ✓ *Market comparison method.* It is based on the principle of substitution which states that a prudent buyer will not pay for an asset price higher than that of other similar or equivalent active under the same conditions. By this method, assets assessed value is determined based on prices obtained for similar assets in actual transactions that took place within a reasonable time, or based on recent or active trading offers on valuation date.
- ✓ *Net cost replacement method / net cost of reconstruction.* Net replacement cost is the actual cost to replace an asset with necessary modern equivalent, from which are deducted physics and all relevant forms of depreciation and optimization. Net cost of rebuilding is the estimated cost to build at current prices on the valuation date, a replica of the asset assessed using the same materials and techniques, the same standards and regulations for construction and incorporating all functional deficiencies of oversize etc. of the subject, minus physical depreciation and all relevant forms of depreciation and optimization.

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(All amounts are expressed in LEI, unless otherwise stated.)

15. A) TANGIBLE ASSETS (continuation)

Following the revaluation of fixed assets resulted:

- Value increase of 223.358.660 lei, from which 190.720.383 lei were recorded in revaluation reserve, the rest of 32.638.277 lei recorded as incomes.
- Value decrease of 131.367.087 lei, from which 36.280.196 lei decreased the revaluation reserve, the rest of 95.086.891 lei recorded as expenses.

At investments in progress were registered:

- Value increase of 6.176.641 lei, from which 179.922 lei were recorded in revaluation reserve, the rest of 5.996.719 lei recorded as incomes.
- Values decreases of 395.230 lei, entirely recorded as expenses.

At land were registered:

- Value increase of 21.571.411 lei, from which 11.010.286 lei were recorded in revaluation reserve, the rest of 10.561.125 lei recorded as incomes.
- Value decrease of 5.287.081 lei, from which 917.724 lei decreased the revaluation reserve, the rest of 4.369.357 lei recorded as expenses.

Revaluation reserve account (1052) of fixed assets is as follows:

- Balance at beginning of the year	210.132.611 lei
- increases registered during the year	201.910.591 lei
- decreases registered during the year	(37.202.843) lei
- Balance at the end of the year	374.840.359 lei

On 31.12.2016, the Company owns tangible assets in the gross amount of 1.015.585.771 lei, respectively in the net amount of 872.235.002 lei, a increase compared to 31.12.2015 in the net amount of 163.534.169 lei.

During 2016 have been put into operation tangible assets in amount of 4.603.463 lei.

Commissioning in 2016 consisted of the following:

- Electrolyzers rehabilitation to membrane electrolysis plant	3.586.720 lei
- Commissioning of independent equipment	1.016.743 lei

Depreciations

During 2016 the Company registered expenses with depreciation of tangible assets in amount of 95.446.597 lei.

For the tangible assets that are not used because of lack of raw materials to restart (Petrochemical Division Bradu, Monomer and PVC plants, phthalic anhydride and dioctylphthalate plants, mercury electrolysis) provision was established between the fair value and liquidation value as per revaluation report issued by the independent evaluator.

Ongoing investments in 2016 were in amount of 11.123.776 lei, the main investment objectives are as follows:

- Electrolyzers rehabilitation of the membrane electrolysis plant	9.038.255 lei
- Water treatment from Propenoxyde plant	739.360 lei
- Independent fixed asset acquisitions	1.016.744 lei
- Other investment objectives	329.417 lei

Following the provisions of IFRS (IAS 37), a non-current asset in progress was recognized as provision, considering the Company's environmental obligations under the Integrated Environmental Authorization, shown in detail in Note 33.

15. B) INVESTMENT PROPERTY

GROSS VALUES	Investment Property	Total
Balance as at January 1, 2016	7.078.757	7.078.757
Increases / Decreases	266.903	266.903
- from which: transfers to/ from other positions	(637.313)	(637.313)
- from which: revaluation increases	904.215	904.215
Disposals	(378.378)	(378.378)
- from which: revaluation decreases	(22.949)	(22.949)
Balance as at December 31, 2016	6.967.281	6.967.281
DEPRECIATION AND IMPAIRMENT LOSSES	Investment Property	Total
Balance as at January 1, 2016	257.026	257.026
Amortization in 2016	98.403	98.403
Cancellation of accumulated depreciation	(355.429)	(355.429)
Accumulated depreciation of outputs	-	-
Losses / (Reversal) from the value reduction	1.911	1.911
Balance as at December 31, 2016	1.911	1.911
NET VALUES	Investment Property	Total
January 1st, 2016	6.821.731	6.821.731
December 31, 2016	6.965.370	6.965.370

According to the contract signed by the Company, it has rented all the assets related to the Construction Materials Division (Ramplast). So, in accordance with IAS 40 "Investment Property", rented buildings were reclassified as *Investment Property*. The method chosen by the Company for evaluation after recognition of investment properties is based on the fair value model.

Description	December 31, 2016	December 31, 2015
Total value of real estate investments	6.967.281	7.078.757
Depreciation of real estate investments	1.911	257.026
The net book value	6.965.370	6.821.731
Income from investment property	8.672.668	8.593.150

15. B) INVESTMENT PROPERTY (continuation)

At December 31, 2016 was performed revaluation of investment properties, resulting in the following aspects:

- Value increase of 904.215 lei, from which 900.442 lei recorded in revaluation reserve, the rest of 3.773 lei were recorded as incomes.
- Value decrease of 22.949 lei, from which 14.211 lei decreased the revaluation reserve, the rest of 8.738 lei were recorded as expenses.

Revaluation reserve account (1052) of investment property is as follows:

- Balance at the beginning of the year	0 lei
- increase recorded at the end of the year	900.442 lei
- decrease recorded at the end of the year	(14.211) lei
- Balance at the end of the year	886.231 lei

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16. INTANGIBLE ASSETS

GROSS VALUES	Development expenses	Patents and licenses	Other assets	Total
Balance as at January 1, 2015	-	3.640.962	-	3.640.962
Increases	-	13.604	-	13.604
Decreases	-	(11.759)	-	(11.759)
Balance as at December 31, 2015	-	3.642.807	-	3.642.807
Balance as at January 1, 2016	-	3.642.807	-	3.642.807
Increases	7.827	455.390	18.520	481.737
- from which: revaluation increases	7.827	455.390	18.520	481.737
Decreases	-	(2.549.977)	-	(2.549.977)
- from which: revaluation decreases	-	(133.719)	-	(133.719)
Balance as at December 31, 2016	7.827	1.548.219	18.520	1.574.567
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance as at January 1, 2015	-	823.126	-	823.126
Amortization in 2015	-	826.976	-	826.976
Accumulated amortization of disposals	-	(11.759)	-	(11.759)
Balance as at December 31, 2015	-	1.638.343	-	1.638.343
Balance as at January 1, 2016	-	1.638.343	-	1.638.343
Amortization in 2016	-	778.412	-	778.412
Cancellation of cumulated amortization	-	(2.402.656)	(2.402.656)	(2.402.656)
Cumulated amortization of disposals	-	(13.604)	(13.604)	(13.604)
Pierderi / (Reversari) din reducerea de valoare	-	102.042	-	102.042
Balance as at December 31, 2016	-	102.538	-	102.538
NET VALUES				
Januarie 1 st , 2015	-	2.817.836	-	2.817.836
December 31, 2015	-	2.004.464	-	2.004.464
Januarie 1 st 2016	-	2.004.464	-	2.004.464
December 31, 2016	7.827	1.445.682	18.520	1.472.029

Intangible assets out of service during 2016 are in amount of 13.604 lei.

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16. INTANGIBLE ASSETS (continuation)

At December 31, 2016 was performed the revaluation of the intangible assets, resulting the following aspects:

Development expenses resulted in a value increase amounting to 7.827 lei, the entire amount is recorded in the income account.

Patents and licenses, there were increases in value of 455.390 lei, the entire amount is recorded in the revaluation reserve and reductions of 133.719 lei, which reduced the revaluation surplus.

Other intangible assets, there were value increases of 18.520 lei, from which 17.878 lei were recorded in the revaluation reserve, the remaining 642 lei registering the income account.

Revaluation reserve account (in 1051) related to intangible assets is as follows:

- Balance at the beginning of the year	3.629.203 lei
- increases recorded at the end of the year	473.268 lei
- decreases recorded at the end of the year	(133.719) lei
- Balance at the end of the year	3.968.753 lei

17. FINANCIAL ASSETS

Financial investments include shares held by the Company in other companies: Investment in affiliated entities (> 50% of the share capital) and investments in associates (<50% of share capital).

At 31.12.2016 the shares held by the Company are presented as follows:

Explanation	Capital value	Percentage from capital owned by Oltchim	Value of participation at 31.12.2016	Value of participation at 31.12.2015
TOTAL, from which:	-	-	154.419	154.419
- Participation in the share capital of SISTEMPLAST	2.347.805	94,40%	19.904	19.904
- Participation in the share capital of OLTQUINO	2.034.860	46,64%	-	-
- Participation in the share capital of EURO URETHANE	5.610.986	41,28%	26.012	26.012
- Participation in the share capital of PROTECTCHIM	300.000	30%	108.503	108.503

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18. INVENTORIES

In the statement of financial position at December 31, 2016, the inventories are presented at net realizable value by reducing the adjustments for depreciation, resulting the following values:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Finished products	21.860.629	17.238.873
Raw materials	9.834.115	8.771.065
Materials	9.177.493	6.916.021
Packaging	258.115	387.540
Production in progress	188.609	302.874
Semi-finished products	3.305.198	2.811.303
Merchandise	69.481	69.894
Inventory items	215.601	2.940.387
Advances paid for inventories	7.469.303	8.058.874
Total	<u>52.378.546</u>	<u>47.496.831</u>

Adjustments for impairment of inventories recorded in each category are as follows:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Impairment of finished products	157.418	738.209
Impairment of raw materials	4.351.394	6.167.924
Impairment of materials	43.210.605	43.527.953
Impairment of semi-finished products	2.851.019	2.865.664
Impairment of packaging	37.094	944.199
Impairment of inventory items	316.045	303.900
Total	<u>50.923.575</u>	<u>54.547.849</u>

Movements in adjustments for impairment recorded for the inventories are presented below:

	<u>Year ended on December 31, 2015</u>	<u>Year ended on 31 decembrie 2014</u>
Opening balance	<u>54.547.849</u>	<u>55.964.908</u>
New adjustments during the year	1.202.488	2.696.608
Reversals of adjustments on income	(4.826.761)	(4.113.667)
Closing balance	<u>50.923.575</u>	<u>54.547.849</u>

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19 TRADE RECEIVABLES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Domestic customers	55.280.517	49.503.983
Foreign customers	43.567.684	39.771.951
Impairment for domestic customers	(33.936.753)	(34.170.112)
Impairment for external customers	(25.863.099)	(25.757.633)
Total	<u>39.048.349</u>	<u>29.348.189</u>

Adjustments for impairment of receivables are disclosed as follows:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Opening balance	<u>59.927.745</u>	<u>64.851.824</u>
New adjustments during the year	1.870.283	1.448.787
Reversals of adjustments on income	(1.998.176)	(6.372.866)
Closing balance	<u>59.799.852</u>	<u>59.927.745</u>

For domestic customers the average collection of receivables was 33 days in 2016 (39 days in 2015).
For external customers the average collection of receivables was 10 days in 2016 (10 days in 2015).

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Customers balance - current	39.022.050	29.188.987
Customers balance - overdue	26.299	159.202
Total	<u>39.048.349</u>	<u>29.348.189</u>

Aged clients overdue balance is presented below:

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
<30 days	25.730	103.574
30 – 60 days	329	40.708
60 – 90 days	240	14.343
90 – 120 days	-	430
120 – 180 days	-	147
Total	<u>26.299</u>	<u>159.202</u>

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20. RECOVERABLE TAXES AND FEES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Recoverable VAT	5.598.851	10.265.939
Not due VAT	671.802	2.785.448
Other recoverable taxes	94.230	201.696
Total	<u>6.364.883</u>	<u>13.253.083</u>

Due to the fact that the Company achieved significant sales to European Union member countries and outside, it registered recoverable VAT as most purchases are made by the Company from the domestic market and bearing the deductible VAT. Recoverable VAT is offset by the company's debts to the state budget after completion of control held by the tax authorities.

Recoverable VAT registered during 2016 was in amount of 49.113.748 lei.

21. OTHER ASSETS

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Expenses recorded in advance	190.861	268.125
Advances paid for services	611.366	3.317.345
Other receivables	149.612	753.849
Total	<u>951.839</u>	<u>4.339.319</u>

22. CASH AND CASH EQUIVALENT

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Cash and bank accounts in local currency	15.927.930	6.175.516
Cash and bank accounts in foreign currency	11.418.064	6.913.270
Deposits (handlers material guarantees)	200.537	183.026
Cash register	29.119	47.988
Cash equivalents	3.571	8.657
Total	<u>27.579.221</u>	<u>13.328.457</u>

23. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS

Share Capital

Share capital comprises:

	<u>Number Of shares</u>	<u>Share Capital</u>
Statutory capital	343.211.383	34.321.138
Adjustments for inflation up to December 31, 2003		<u>983.978.671</u>
At December 31, 2016 – adjusted		<u>1.018.299.809</u>

By December 31, 2016 share capital represents government contribution in the form of net assets at the Company's formation on August 1, 1990, share capital made of four units taken since August 1, 1996, the value of the land transferred by the Government to the Company in 1998, 1999 and 2000, two capital increases representing contribution in kind (land of the State) by AAAS (Ministry of Economy) and cash contributions of shareholders.

Evolution of share capital from its foundation until December 31, 2016:

<u>Share capital value</u>	<u>Date</u>	<u>Increase method</u>
309.275	1990	Creation according HG 1213/1990
196.574	1991	Increase according HG 945/1990
3.757.192	1992	Increase according HG 26/1992
19.695.009	1994	Increase according HG 500/1994
(1.919.437)	1995	Corection of revaluation HG 500/1994
4.093.037	1995	Subunits fusion
499.455	1996	Land ownership
79.265	1997	Capital increase Babeni Avicola previously erroneously reduced
4.671.038	1997	Land ownership
768.228	1998	Subunits land evaluation
21.148	1998	Reception land evaluation
38.324	1999	Land ownership
149.756	2000	Land ownership
322.336.736	2003	Share capital increase due to conversion into shares of receivables held by AAAS/ AVAS in Oltchim SA
(322.336.736)	2007	Capital decrease due to court decision no.372/20.04.2007 and Pitesti Court of Appeal Decision 863/14.09.2007
1.943.522	2009	Share capital increase representing contribution in kind (land) of AAAS and cash contributions of shareholders
18.752	2011	Share capital increase representing contribution in kind (land) of Ministry of Economy and cash contributions of shareholders
34.321.138		

The company is listed on the Bucharest Stock Exchange.

All shares are ordinary shares, fully subscribed and paid. All shares carry equal voting rights and nominal value is 0,10 LEI per share.

In 2016 there were no significant changes in share capital or in terms of its structure.

23. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS (continuation)

Reserves	Year ended on December 31, 2016	Year ended on December 31, 2015
Legal reserves	6.842.711	6.842.711
Other reserves	7.990.245	7.990.245
Revaluation reserves	379.695.343	213.761.815
Total	394.528.299	228.594.771
Retained earning	Year ended on December 31, 2016	Year ended on December 31, 2015
Opening balance	(1.785.562.719)	(4.083.638.663)
Net profit / (Loss)	26.053.353	2.294.129.190
Ajustments of provisions for employees benefits	(833.025)	1.091.767
Deferred tax	(26.549.365)	-
Other elements of the result	391.508	2.854.987
Closing balance	(1.786.500.248)	(1.785.562.719)

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24. LOANS

On confirmation of the Reorganization plan by the syndic judge (on April 2015) the loan agreements were considered terminated.

The amounts from the accounting records are those established through the schedule of payments in Reorganization Plan, thus:

Bank	Currency	Loan value	Balance in loan's currency	Currency rate on the date of entry into insolvency	Balance lei	Transfer in other operating incomes, according to the Payments programme	Balance as at 31.12.2016
Long term banking loans							
BCR (Erste)	Euro	73.095.000,00	78.735.560	4,3853	345.279.435	162.365.289	182.914.146
Banca Transilvania	Euro	8.500.000,00	2.368.853	4,3853	159.957.116	32.223.538	127.733.578
	dolar	12.250.000,00	12.250.000	3,2668			
Bancpost	Lei	100.000.000,00	100.000.000	-	2.494.327	502.485	1.991.842
	Euro	2.500.000,00	568.793	4,3853			
CEC Bank	Euro	5.000.000,00	5.000.000	4,3853	56.321.014	11.345.930	44.975.083
	Lei	2.260.000,00	2.260.000	-			
Garantibank	Lei	34.789.650,00	32.134.514	-	1.866.269	-	1.866.269
	euro	700.000,00	315.298	4,3853			
ING Bank	Lei	13.395.000,00	13.614.731	-	13.614.731	13.468.471	146.260
Unicredit	euro	3.900.000,00	3.898.390	4,3853	17.095.609	3.443.929	13.651.680
Rabobank	euro	10.251.076,80	668.292	4,3828	2.928.989	2.928.989	-
Total long term banking loans					600.940.166	226.557.174	374.382.992
Other loans and assimilated debts							
AAAS	Lei				1.201.301.222	959.994.491	241.306.731
TOTAL					1.802.241.388	1.186.551.664	615.689.723

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25. DEFERRED INCOME

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
As at Januarie 1st, 2016	5.106.933	5.960.727
Registered during the year	-	-
Resume on profit and loss accounts	<u>(837.232)</u>	<u>(853.794)</u>
As at December 31, 2016	<u>4.269.701</u>	<u>5.106.933</u>

Revenues in 2016 represents the share of subsidies received in previous years, the most significant being the one in 2007 when there were received 8,908,844 Lei from the Environment Fund Administration for the "Incineration Residues" Plant. The company recorded revenues from this grant over 10 years, consistent to the related period of depreciation of fixed assets acquired.

26. DEFERRED TAX LIABILITIES

Deferred tax is recognized on temporary differences between the accounting value of assets and liabilities in the financial statements and the corresponding tax bases used in calculating taxable profit. In accordance with current fiscal provisions, the balance of revaluation reserves as at December 31, 2016 are taxed simultaneously with the deduction of fiscal depreciation and respectively at the stage of declining from administration the revalued assets.

At December 31, 2016 the Company has deferred tax liability in amount of 60.751.255 lei.

Deferred tax at December 31, 2016	<u>34.201.890</u>
Deferred tax increase - 2016	<u>26.549.365</u>
Total deferred tax at December 31, 2016	<u>60.751.255</u>

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27. PROVISIONS AND OTHER LONG TERM LIABILITIES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Provisions for employee benefits	10.350.115	9.179.974
Provisions for environmental investments	25.992.947	-
Wages accumulated before the insolvency	4.825.025	4.825.025
Other liabilities accumulated before the insolvency	16.491.422	16.491.422
Total	<u>57.659.509</u>	<u>30.496.421</u>

According to the Collective Labour Agreement, the Company rewards its employees who retire at age or on request with compensation equal to three base salaries plus the seniority bonus at retirement date.

La December 31, 2016 the Company recorded a provision for benefits granted to employees under the Collective Labour Agreement, based on the actuarial calculation performed by an independent external actuary according to the provisions of IAS 19.

Costs of benefits are categorized as follows:

- cost of service (including past service cost and current service cost);
- cost of interest;
- actuarial gains and losses.

Changes in net debt regarding defined benefit in the year ended on December 31, 2016 are presented in the table below:

	Expense included in profit and loss account			Payments from provisions	Actuarial (Gains) / losses included in other elements of comprehensive result	
	January 1st 2016	Cost of service	Cost of interest		Actuarial changes	December 31, 2016
Net liability regarding defined benefit	9.179.974	299.580	368.592	(331.056)	833.025	10.350.115

Following the provisions of IFRS (IAS 37), a provision was recognized as investment in progress, considering the Company's environmental obligations under the Integrated Environmental Authorization, shown in detail in Note 33. The provision represents the present value as of December 31, 2016.

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28. TRADE PAYABLES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Trade payables registered in Table of debts	367.097.853	368.740.276
Trade payables registered during insolvency	106.877.187	100.729.972
Estimates for accrued expenses (invoices not received)	9.384.614	15.136.342
Advances received in insolvency	3.238.144	3.864.323
Total	<u>486.597.799</u>	<u>488.470.912</u>

29. LIABILITIES ON TAXES AND FEES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Debts to State and Local Budgets registered in Table of debts	9.042.102	9.042.102
Income tax	32.431.065	20.470.209
Social contributions	32.890.863	46.623.817
Tax on wages	876.529	1.798.557
Other fiscal debts	16.731.978	15.521.126
Total	<u>91.972.537</u>	<u>93.455.812</u>

Oltchim pays taxes and fees related to salaries by offsetting negative VAT (VAT recovered by the Company registered at 31.12.2016: 5.598.851 lei), compensation which is performed only after completing the control of the National Agency for Fiscal Administration (ANAF).

30. OTHER LIABILITIES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Debts on wages	2.972.709	12.474.497
Compensatory salaries of the dismissed personnel	18.786.078	36.020.280
Payable interest	22.673.667	23.129.461
Settlements from investment operations	1.468.163	7.589.080
Other creditors	17.980.657	17.480.458
Total	<u>63.881.274</u>	<u>96.693.775</u>

At December 31, 2016 OLTCHIM registered total debts in the amount of 1.381 millions lei, from which:

- 1.050 million lei debt registered according to the reorganization plan;
- 216 million lei net debt accrued in insolvency, of which 134 millions lei overdue debts accrued in first part of insolvency;
- 35 million lei mutual debts and claims and liabilities to the state budget that will be compensated with VAT to be recovered;
- 26 million lei provisions for environmental investments under the Integrated Environmental Authorization, with time for completion 2021 and 2022;
- 54 million lei other liabilities, mainly deferred income tax, which is not chargeable.

31. TRANSACTIONS WITH RELATED PARTIES

The nature of transactions with related parties is detailed below. The company recorded transactions with related parties in the normal course of business in conditions of normal contract terms.

(i) Transactions with related parties

Sales

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Sistemplast SA	28.554	64.762
Oltquino SA	363	4.722
Protectchim SRL	369.054	571.354
Total	<u>397.971</u>	<u>640.838</u>

Purchases of goods and services

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Sistemplast SA	6.612.473	5.215.882
Oltquino SA	-	14.626
Protectchim SRL	3.797	90.288
Total	<u>6.616.270</u>	<u>5.320.796</u>

(ii) Balance with related parties

Trade receivables

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Sistemplast SA	1.261	1.428
Oltquino SA	31	252
Protectchim SRL	197.199	118.830
Total	<u>198.491</u>	<u>120.510</u>

Suppliers and other liabilities

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Sistemplast SA	636.041	735.422
Oltquino SA	-	-
Protectchim SRL	-	5.778
Total	<u>636.041</u>	<u>741.200</u>

32. SIGNIFICANT NON-CASH TRANSACTIONS

A part of current receivables and liabilities were settled by non-monetary transactions, compensating balances of receivables with balances of liabilities. These non-monetary transactions were excluded from the statement of cash flows.

33. COMMITMENTS AND CONTINGENCIES

(i) Contractual commitments

Purchases contracts

On December 31, 2016 the Company had purchasing contracts of raw materials, auxiliary materials and services in the amount of 85.668.710 euro and 24.836.680 lei.

Selling contracts

On December 31, 2016 the Company had concluded sales contracts of products for 2017 totaling 132.979.060 euro, 2.354.900 usd and 4.424.250 lei.

(ii) Contingencies

At the date of the financial statements, the Company, by its Legal Service, sued bad debt customers for deliveries performed before the entry into insolvency proceedings, for failure to comply with contractual terms, in total amount of 31.415.579,74 lei representing the products delivered and unpaid and 8.344.153,21 lei delay penalties. Also, from disputes with foreign clients the company had to recover a total amount of 1.118.942,98 usd and 1.786.315,69 euro representing the value of products sold.

For our bad debt clients, the Company recorded adjustments to the balance sheet date in accordance with the policy adopted by the company (a se vedea Nota 19).

At the time of the financial statements, the Company is involved in many litigation with former employees as a defendant, litigation pending in courts, for which cannot be estimated potential payment obligations of the Company that could result from unfavorable decisions of the courts.

Oltchim had lawsuits with employees. The cases were suspended. In these cases, suspension started when the insolvency proceedings were opened in Oltchim.

When the case is suspended, the limitation period is suspended and thus causes can be judged after the expiration of the period of limitation of three years, but depending on the legal status of the Company after completion of the insolvency proceedings.

In the Table of debts were accepted amounts requested in court by employees of the Petrochemical Division Bradu so that these lawsuits, of high values, remained without object.

Environment

Environmental regulations are in development in Romania, and the Company has not recorded any obligations at December 31, 2015 and 2014 for no anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans on the elements of the environment. The company registers and pays the environmental fund to the budget according to current regulations.

In accordance with the Law no.3/2001 for ratifying the Kyoto Protocol at the United Nations Convention on Climate Change, Romania is included in Annex I as industrialized country with an economy in transition and is committed to reducing greenhouse gas emissions in 2008 - 2012 by 8% compared to 1989. Pursuant to Directive 2003/87/EC of the European Parliament and the Council in order to improve and extend the EU system of trading the Certificates for greenhouse gas emissions, the European Union countries have pledged to reduce by 2020 emissions of greenhouse gasses by at least 20% compared to the 1990's levels.

In Romania this legislation is reflected by G.D 780/14.06.2006 and subsequent additions regarding the establishment of trading scheme of certificates for greenhouse gas emissions in an economically efficient way.

33. COMMITMENTS AND CONTINGENCIES (continuation)

(ii) Contingencies (continuation)

Environmental Obligations

Oltchim SA has the integrated environmental authorization no. 6/25.05.2015 valid until 24.05.2025.

Environment investments that the Company must achieve are the following:

No	Name of investment objective	Description	Estimated expenses -euro				TOTAL expenses executed in 2016
			for sundry taxes and authorizations	designing	execution	TOTAL	
0	1	2	3	4	5	6 = 3+4+5	7
I	MASURI AUTORIZATIE DE MEDIU						
1	Closing the storage pit for hazardous waste - deadline 01.09.2022	It aims at greening the area and comply with GD 349/2005 amended by GD 210/2007 regarding waste disposal; by closure of some installations and modernization of others, no waste will result from the processes in this category. Making this investment involves closing the storage pit for hazardous waste.	58.000	60.000	5.882.000	6.000.000	0
2	Closing the current non hazardous waste landfill - deadline 01.09.2021	It aims at greening the area and in compliance with GD 349/2005 amended by GD 210/2007 regarding waste disposal. This measure is accomplished by greening the perimeter of the old warehouse of non hazardous waste closed the end of 2009 due to loading to capacity. In the same period it was taken into operation the new non hazardous waste landfill.	15.000	50.000	735.000	800.000	10.600
	TOTAL					6.800.000	10.600

Estimating the amount of 6,000,000 euros for closing the storage pit for hazardous waste is based on a feasibility study from 2006 and update the amounts in respect of internally estimated expenses by similarity with other similar projects.

Estimating the amount of 800.000 euro for closing the current non hazardous waste landfill is based on a feasibility study from 2016.

Oltchim SA has the environmental authorization for water - management no.276/07.12.2016 valid until 31.12.2019.

33. COMMITMENTS AND CONTINGENCIES (continuation)

(iii) Taxes

On December 31, 2016, the Company has reserves recorded from fiscal facilities amounting 6.842.711 RON which, according to the tax legislation in force at that time, will become taxable on changing their destination. The impact will be 16% applied to the counter value of reserves used. The Company does not intend to use these reserves, so on the reporting date was not calculated or recorded deferred tax.

(iv) Onerous contracts

Onerous contracts are considered those contracts in which the costs of meeting the contractual obligations exceed the economic benefits accruing. These contracted costs include at least the net cost for contract implementation, which is the minimum of the cost of meeting the contractual obligations and any compensation or penalties arising from their failure. On December 31, 2016, the Company is not party to any onerous contract.

(v) Complaints about non-compliant products

On December 31, 2016 the Company has not recorded contingent liabilities related to complaints from customers associated with non-conforming products. The management believes as insignificant the risk of such possible claims. During 2016, the Company has not concluded insurance policies against such risks.

(vi) Insurance policies

On December 31, 2016, the Company has concluded compulsory insurance policies of civil liability for damage caused to third parties by accidents (RCA) and the policy ensuring domestic and export trade credits, the buildings and equipment are not insured.

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Notes on financial statements for the year ended on December 31, 2016

(All amounts are expressed in LEI, unless otherwise stated.)

34. FINANCIAL RISKS

Market risk

During 2016, along with the monthly increasing utilization of production capacities and thus increased turnover, the Company has resumed the business relation with an extensive portfolio of internal and external.

Whereas 73% of the turnover is realized on foreign markets, the company's activity is influenced by developments on foreign markets of chemical and petrochemical products.

Currency and inflation risk

Official exchange rates were as follows: for the year ended on December 31, 2016 – 4,5411 lei/euro and 4,3033 lei/usd, and for December 31, 2015 – 4,5245 lei/euro and 4,1477 lei/usd.

Monetary assets and liabilities denominated in Lei and in foreign currency are analyzed below:

	Year ended on December 31, 2016	Year ended on December 31, 2015
<i>Assets (current assets, less inventories)</i>		
Monetary assets in lei	44.673.313	40.510.976
Monetary assets in foreign currency	29.270.979	27.873.487
	73.944.292	68.384.463
<i>Liabilities (total liabilities as per balance sheet)</i>		
Monetary liabilities in lei	939.246.903	923.827.407
Monetary liabilities in foreign currency	441.574.895	440.288.059
34. RISCURI FINANCIARE (continuation)	1.380.821.798	1.364.115.466
Net monetary position in lei	(894.573.590)	(883.316.431)
Net monetary position in foreign currency	(412.303.916)	(412.414.572)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates on the market.

During 2016 the Company did not conclude loan agreements with financial institutions.

Credit risk

The credit risk represents the risk that one of the parties to a financial instrument fails to meet an obligation, which will cause the registration of a financial loss to the other party.

Financial assets which subject the Company to potentially concentrations of credit risk mainly include receivables from the main activity. These are shown at net value of provision for doubtful debts. Credit risk related to receivables is limited, due to the large number of clients of the Company's customer portfolio and to the financial instruments used (promissory notes, checks, etc.). Thus, the balance of receivables on December 31, 2016 was covered 62% by the insurance policy on domestic and export trade credit, 22% were covered by promissory notes, letters of credit or reverse factoring, 8% were claims for compensation which operates directly with suppliers of raw materials and utilities, and 1% were receivables with payment on delivery.

34. FINANCIAL RISKS (continuation)

Economic environment risk

The process of adjusting the values depending on risk that took place in international financial markets in 2008 and 2011 affected their performance, including financial and banking market in Romania, leading to heightened uncertainty about future economic developments.

The liquidity and credit crisis that began in mid-2008 led among other things to a lower level and difficult access to capital market funding, lower liquidity levels in the Romanian banking sector and higher interbank lending rates. Significant losses experienced on the international financial markets have affected the Company's ability to obtain new loans.

The creditors of the Company may also be affected by the lower liquidity situation which could affect the ability to honor their current liabilities. Deteriorating of operational conditions of creditors may affect also the managing of cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, the management has reflected revised estimates of future cash flows in its impairment.

Current concerns that the deteriorating financial conditions could contribute in a later stage to a decrease of the confidence prompted additional efforts coordinated by governments and central banks for adopting special measures aiming to counter the growing aversion to the risk and restore normal functioning of the market

The Company's management can not predict events that could have an effect on the Romanian banking sector and consequently what effect it may have on these financial statements.

Management can not reliably estimate the effects on the financial statements of the Company resulting from the deterioration of financial market liquidity, impairment of financial assets affected by illiquid market conditions and high volatility of currency and financial markets. The Company's management believes that they take all necessary measures to support the growth of the Company's business in the current market conditions by:

- preparing strategies for managing the liquidity crisis;
- constant monitoring of the liquidity;
- forecasting of the current liquidity;
- daily monitoring of cash flows and effects assessment on its creditors, of limited access to funding and the growth possibility of operations in Romania.

Liquidity risk

Liquidity risk, also called funding risk is the risk where a company has difficulties in accumulating funds to meet commitments associated with financial instruments. Liquidity risk may occur due to the inability to sell a financial asset quickly at an amount close to the fair one. Company policy on liquidity is to maintain sufficient assets so that it can pay their obligations at maturity dates. Assets and liabilities are analyzed based on the remaining period to the contractual maturity, thus:

	Less than 1 year	2-5 years	Total
Non-interest bearing debts	242.635.075	1.138.186.723	1.380.821.798
Commercial liabilities	119.499.946	367.097.853	486.597.799
Other current liabilities and loans	123.135.129	771.088.870	894.223.999
Interest bearing debts	-	-	-
Cash and cash equivalents	27.579.221	-	27.579.221
Receivables and other current assets	46.365.071	-	46.365.071

On confirmation of the Reorganization plan by the syndic judge (on April 2015) the loan agreements were considered terminated, all liabilities registered at December 31, 2016 are non-interest bearing.

The company daily monitors the cash flows and constantly updates the forecasts of receipts and payments to better manage the liquidity considering the financial difficulties the Company is experiencing.

34. FINANCIAL RISKS (continuation)

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in size. If a financial instrument with a variable rate, for example, such fluctuations will result in a change in the effective rate of the financial instrument interest, usually without changes in its fair value.

By nature of business the Company is not subject to a high risk of change in cash flows expected from both the fluctuation of financial instruments and the interest rate changes.

35. BUSINESS CONTINUITY

After entering the insolvency procedure (on January 30, 2013), the company entered into a comprehensive restructuring process which involved the following main areas:

- increase in production activity;
- regaining the foreign markets where OLTCHIM capitalize over 73% of turnover;
- drastic reduction in costs to streamline the company.

In 2016 the company achieved the best economic & financial performance since the entry in insolvency and the best gross result from current operating activity from 2007 to date.

The structure of results achieved in 2016:

-th. lei-

No.	Indicators	Current activity	Assets revaluation and impairment	TOTAL YEAR 2016
1	Turnover	754.823		754.823
2	Total income	781.852	49.208	831.060
	- operation income	777.744	49.208	826.952
	- financial income	4.108		4.108
3	Total expenses	761.852	34.400	796.252
	- operating expenses	756.794	34.400	791.194
	- financial expenses	5.058		5.058
4	Gross result	20.000	14.808	34.808
	- operating result	20.950	14.808	35.758
	- financial result	(950)		(950)
5	EBITDA	75.326		75.326
6	Income tax	8.754		8.754
7	Net result	11.245	14.808	26.053

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(All amounts are expressed in LEI, unless otherwise stated.)

35. BUSINESS CONTINUITY (continuation)

Total net result achieved by Oltchim SA in 2016 is +26.053.353 lei, consisting of:

- +19.999.775 lei gross profit from current activity of the company;
- +14.808.063 lei from asset revaluation and impairment of assets;
- - 8.754.485 lei income tax.

The results recorded in 2016 by Oltchim SA demonstrates that the measures envisaged by the Reorganization Plan approved by the creditors in order to increase the efficiency of business company, have been successfully implemented.

Regaining the sales markets, especially external markets, and revamping of the main plants, together with reducing redundant staff, all these contributed to these results.

The analysis of Oltchim SA financial indicators from current activity (without the influence of recorded profit resulted from Reorganization Plan approval in 2015 and without the influence of the asset revaluation in 2016) each year after the entry into insolvency proceedings is as follow:

No.	Indicators	-th. lei-			
		Achieved 2016	Achieved 2015	Achieved 2014	Achieved 2013
1	Turnover	754.823	742.392	627.531	497.955
2	Total income	781.852	760.867	651.644	546.176
	- operation income	777.744	756.545	648.863	497.814
	- financial income	4.108	4.322	2.782	48.362
3	Total expenses	761.852	809.334	839.963	840.431
	- operating expenses	756.794	801.776	827.447	784.432
	- financial expenses	5.058	7.558	12.517	55.999
4	Gross result	20.000	(48.467)	(188.319)	(294.255)
	- operating result	20.950	(45.231)	(178.584)	(286.618)
	- financial result	(950)	(3.236)	(9.735)	(7.637)
5	EBITDA	75.326	40.544	(38.591)	(178.320)

Compared with the current activity of previous years, in 2016 Oltchim SA has obtained the following results:

- **gross result from total activity 20 million lei (equivalent of 4,5 million euro)**, representing an improvement with 68,5 million lei (equivalent of 15,2 million euro) compared to 2015 and with 314,3 million lei (equivalent of 70 million euro) compared to 2013;
- an improvement of **EBITDA** with 34,8 million lei (equivalent of 7,7 million euro) compared to 2015 and with 253,7 million lei (equivalent of 56,5 million euro) compared to 2013;
- **turnover** increased with 12,4 million lei (equivalent of 2,8 million euro) compared to 2015 and increased with 256,8 million lei (equivalent of 57,2 million euro) compared to 2013.

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35. CONTINUITATEA ACTIVITATII (continuation)

Gross result of 20 million lei (4.5 million euro) achieved in 2016 consists of:

- ✓ +35.8 million lei (+8 million euro) total profit generated by operating installations;
- ✓ -15.8 million lei (-3.5 million euro) expenses with the preservation of non-operating plants from Bradu and Valcea sites, as follows:
 1. Preservation expenses for Directia Petrochimica Bradu Pitesti -11.6 million lei
 2. Preservation expenses for non-operating installations from Rm.Valcea -4.2 million lei

Export sales and to European Union were in 2016 in amount of 123 million euro. Imports and purchases from European Union were only 27 million euro, so that led to a positive external balance of the company of 96 million euros.

In 2016 Oltchim SA carried out major investment and repairs in order to provide safe and efficient operation of the production plants. Their value amounted to 14.2 million lei, achieved only by own sources:

- 9 million lei for rehabilitation of two electrolyzers and DCS upgrading at Membrane Electrolysis;
- 2 million lei balance payment for the acquisition of the hydrogen catalyst for oxo-alcohols plant;
- 1.1 million lei for overhauls at the tank cars in which the main raw materials are supplied and finished products are delivered;
- 1.1 million lei investment in other facilities at polyether polyols plants to fulfill the measures in environmental and water management permits;
- 1 million lei independent equipment.

The company results obtained in 2016 led to maintaining stability in the relationship with employees. Thus, in 2016 they were paid with monthly remuneration rights (first and second fortnightly payment, meal tickets) and, in addition, wage arrears were paid in full. Thus, the gap in wages payments that came before the insolvency was removed.

On 31 December 2016 the value of current liabilities is higher than current assets, driven by the debt accrued in the first part of the insolvency until confirmation of the reorganization plan. In 2016 the gap was reduced by 56,3 millions lei.

OLTCHIM pays in full and at maturity current monthly liabilities and also part of the debt accrued during the first part of insolvency (severance payments, debts to main suppliers CET Govora and Olt Water Basin Administration).

The reorganization plan mentions that the "accounts payables resulting from Oltchim's going concern will be paid during the judicial reorganization according to the related documents, or in the event that the company will not generate enough cash from current operational activities, their payment will be made in maximum 5 working days from the date of cashing by the debtor company of the price representing the value of the shares held by Oltchim SPV. Accounts payables include also the amounts due by Oltchim as severance payments for the personnel dismissed previous to the opening of insolvency proceedings".

Therefore, during the implementation of the reorganization plan (4 years starting with May 2015) the fact that current liabilities are higher than current assets is not representing a risk.

35. BUSINESS CONTINUITY (continuation)

For 2017 the company is considering a quantitative increase in production by the operation of the following plants:

- √ Operation of the membrane electrolysis to its maximum technological capacity, by rehabilitating the last electrolyser (seventh);
- √ Operation of oxo-alcohols plant, with 14% increase of quantities compared to 2016;
- √ Operation of the propylene oxide plant depending on the volume of chlorine produced internally and purchase of about 12,500 tons of chlorine;
- √ Operation of polyether polyols plants based on propylene oxide production.

The company has already signed contracts for entire 2017 for its main products (polyether polyols, chlor-alkali and oxo-alcohols) covering more than 75% of its estimated production, and as regards the main raw materials required in 2017 (propylene, ethylene oxide, Irgastab, amines, chlorine), the company has concluded contracts for the entire annual requirement.

Under these conditions, the company expects for 2017 a turnover of 177 million euros and in terms of increases in prices of raw materials (propylene, ethylene) as a result of rising oil prices on international markets, EBITDA of 9.7 million euros, thus 2.1 million euros over 7.6 million euros envisaged in the plan of reorganization.

The financial statements were prepared based on the principle of ongoing concern business.

36. REORGANIZATION PLAN

In order to achieve reorganization plan it was assumed that the Company will operate in two scenarios:

- Scenario A - is considering the restart and operation of the oxo-alcohols plant;;
- Scenario B - is considering, as a major goal in addition to scenario A, restart of phthalic anhydride – DOP by identifying sources of external funding.

In the first 20 months (May 2015 - December 2016) after confirmation of the reorganization plan, technological installations operate according to the scenario A and worked membrane electrolysis installations, Propylene - polyols and oxo – alcohols.

Measures under the reorganization plan were successfully implemented respectively:

- Refurbishment of electrolysis in the membrane electrolysis plant;
- repair of lime kiln
- Regain commodity markets, mainly foreign;
- Reducing surplus staff.

This is confirmed by the results recorded by the company after the confirmation of the reorganization plan (April 2015). Thus, between May 2015-December 2016 (first 20 months of the date of approval of the reorganization plan), the Company recorded better results compared to provisions in the plan. In terms of EBITDA, the achievements of the first 20 months of reorganization are 11.5 million euros better than provisions in the plan. Also total net debt accrued during insolvency are lower than provisions in the plan by 7.3 million euros (47.6 million euro realized compared to 54.8 million euros plan provisions).

37. EUROPEAN COMMISSION INVESTIGATION BY DG COMPETITION FOR POTENTIAL STATE AID TO OLTCHIM SA

Oltchim SA is subject to the file SA.36086 (2016/NN) (ex 2013/CP) – Romania - Potential aid to Oltchim SA

Following the research conducted by the European Commission, Oltchim is susceptible to state aid, being issued Communication no. C284 from August 5, 2016 by which the European Commission initiated the investigation procedure for three support measures taken by Romania in favor of Oltchim SA:

Measure no 1: the non-enforcement and further accumulation of Oltchim's debts towards AAAS since 2012. AAAS did not reinforce its claims towards Oltchim after the privatization failed in September 2012. It did not ask for the immediate reimbursement of its claims by means of a liquidation of Oltchim but instead waited for the debt to equity conversion, even though Oltchim's privatisation processed failed again.

Measure no 2: the 2015 debt cancellation under the reorganisation plan by AAAS and various State-owned Enterprises ('SoEs'). In particular, AAAS agreed to cancel EUR 216 million of its claims in view of the future (uncertain) recovery of EUR 47 million. As regards SoEs, Electrica SA agreed to cancel EUR 112 million, CET Govora SA EUR 21.1 million, Salrom EUR 4.2 million and National Water Administration EUR 2.2 million.

Measure no 3: support to the operations of Oltchim in the form of continued supplies by public suppliers (CET Govora and Salrom). After the failed privatization of September 2012, Oltchim's financial situation deteriorated, and its production was suspended. Oltchim reassumed its production on 24 October 2012 thanks to CET Govora and Salrom who, despite the deteriorating financial situation of Oltchim, continued supplies to Oltchim (i.e. by changing advance payments to end of term payments or accepting postponements of payments).

The investigation procedure is in progress.

38. SUBSEQUENT EVENTS

In the Creditors' Meeting from 06.03.2017 was approved the amendment of the company's business Reorganization Plan. This change to the plan of reorganization is necessary given the constraints resulting from the commencement of the investigation triggered by the European Commission, thus:

- The procedure for sale included in the initial restructuring plan contains elements compatible with economic continuity, which will determine the extent of state aid recovery from potential buyers;
- Assuming above mentioned, it is likely that potential investors to retreat, circumstance that makes it impossible to implement approved reorganization plan, with the obvious risk of opening bankruptcy proceedings against Oltchim SA.
- Therefore, to eliminate all risks mentioned above, both the sale and its outcome must be done observing the "economic discontinuity".

The amendment of the plan concerns the change of the sale method of Oltchim SA, in order to observe the principle of „economic discontinuity”.

As a general principle, the creation and sale of Oltchim SPV changes to sell asset packages.

Principles of the new ways of selling assets of Oltchim SA:

1. Oltchim SA assets will be offered for sale grouped into nine bundles.
2. The sales process will be conducted in a transparent and non-discriminatory way.
3. There is no obligation for transferring contracts (including employment contracts) or employees of Oltchim to the buyer.
4. Duties of Oltchim SA rests with its.
5. The price for assets must be paid no later than the closing date of the transaction of sale / purchase, but not later than the expiry date of the reorganization plan April 2019.

"Essential" assets property of Oltchim SA will be offered for sale in nine bundles, as follow:

1. Chlor-alkali bundle, producing caustic soda liquid and solid;
2. Oxo-alcohols bundle, producing oxo-alcohols (octanol, isobuthanol, n-buthanol);
3. Propylene oxide- polyols bundle, producing polyols- poliethers;
4. Site services bundle, providing services for the bundles 1,2 and 3 (utility networks, services of combustion residues, waste storage etc.), but also for third parties;
5. Freight railcars park that includes 1,010 pieces;
6. PVC Processing - Ramplast, producing PVC profiles for doors and windows;
7. VCM/PVC plants, in conservation;
8. Petrochemical plant Bradu Pitesti, in conservation;
9. Phthalic Anhydride, in conservation.

According to the provisions of the modified reorganization plan, until January 23, 2017 indicative tender offers from potential investors have been received. Binding offers should have been sent until March 31, 2017, but following the request from tenderers as well as due to the complexity of the process, on March 28, 2017 the tendering period for the sale of Oltchim asset bundles was extended until June 26, 2017. In these circumstances, the initial term May 1, 2017 for selecting the buyer(s) in the Creditors Meeting was extended accordingly.

38. SUBSEQUENT EVENTS (continuation)

Exchange rate

On February 28, 2017, the exchange rate was 4.5160 lei / euro and 4.2610 lei / dollar. This represents an appreciation of the national currency by 0.5% against the euro and by 1% against the dollar, compared with December 31, 2016 (1 euro = 4.5411 lei, 1 US dollars = 4.3033 lei).

Collection and payment of claims and liabilities

Until February 28, 2017, the Company collected the amount of 2,701,289 euros, 56,046 US dollars and 19,164,435 lei, according to trade receivables outstanding at December 31, 2016 and paid trade payables in the amount of 232,987 euros and 52,851,958 lei according to existing bills outstanding at December 31, 2016.

Exchange quotation

The closing price of a stock on 12/30/2016 Olt is 0.3830 lei and market capitalization registered in this date is 131,449,960 lei.

Unconsolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Oltechim SA – in judiciary reorganization

Qualified opinion

1. We have audited the accompanying standalone financial statements of SC Oltechim SA in judiciary reorganization ("the Company") which comprise standalone statement of financial position as at December 31, 2016, standalone statement of comprehensive result, standalone statement of changes in shareholders' equity and standalone cash flow statement for the year ended on December 31, 2016, and a summary of significant accounting policies and other explanatory notes. Accompanying financial statements refers to:

Negative equity:	.....	373.672.140	Lei
Net sales	.....	754.822.697	Lei
Net profit for the financial year:	.....	26.053.353	Lei

2. In our opinion, except for the effects of adjustments that might have been necessary due to matters mentioned in paragraph 3, standalone financial statements present fairly the financial position of the Company as at December 31, 2016, its financial performance, and cash flows for the financial year ended on that date, according to the Order of Minister of Public Finance no. 2844/2016 to approve accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Bases for Qualified Opinion

3. At December 31, 2016, the Company shows assets revaluation reserves amounting to 379.695.343 lei, of which 176.415.963 lei represent revaluation reserves recognized by the Company at December 31, 2013. As mentioned in the audit report for the fiscal year ended December 31, 2013, following the opening of insolvency proceedings, the Company proceeded to the revaluation of all assets owned by it, having as reference date for determining the fair value April 30, 2013. The results of revaluation according to the report mentioned above were recorded by the Company at December 31, 2013. We could not determine the impact of any adjustments on revaluation reserves and deferred tax related to what might have been necessary if revaluation would have had as reference date December 31, 2013.

4. We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are described in detail in section auditor's responsibilities in an audit of financial statements in our report. We are independent of the company, according to the Code of Ethics for Professional Accountants (the Code IESBA) issued by the Council for International Standards of Ethics for Accountants, as adopted and implemented in Romania by the Chamber of Auditors, in conjunction with the ethical requirements relevant to the audit financial statements from Romania and we met other ethical responsibilities according to these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matters

5. We draw attention to Note 38 "Events after the Reporting Period", which mentions that on March 6, 2017, Meeting of Creditors approved the amendment of the reorganization plan of the company activity, considering the investigation opened by the European Commission on a potential aid. Changing reorganization plan refers to a new method of sale of assets of the company in order to respect the principle of economic discontinuity, the new method of sale referring to the sale of packages of essential assets owned by the Company. On issue date of this report, the Company is in the process of legal and financial analysis of potential investors in order to submit binding bids. Our opinion is not modified in this respect.

6. We draw attention to Note 37 “European Commission investigation by DG Competition for potential state aid to Oltchim S.A.” stating that in 2016 the European Commission informed that the Company is susceptible to state aid, being subject to file SA.36086 (P/2013). The investigation procedure includes the following three measures: non-enforcement and further accumulation of the Company's debts towards AAAS, debt cancellation in 2015 by AAAS and various State-owned Enterprises under the reorganization plan, respectively support to the operations of Oltchim in the form of continued supplies by public suppliers. The investigation procedure is in progress. Our opinion has not changed in this respect.

Key Audit Matters

Key audit matters are those matters that, based on our professional judgment, were of most significance for the audit of the financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determined that the matters described below represent key audit matters that have to be communicated in our report.

7. Revenue recognition

- Risk. As the Company is in course of reorganization that involves certain financial performances to be achieved, we consider that there is a pressure on management to meet planned objectives. We considered that the recognition of the revenues arising from the sale of finished goods depends on the adequate assessment of the selling prices used and their recording in the period they refer to, due to the variety of commercial clauses in the agreements concluded with the customers. We considered revenue recognition to be significant for the audit, as it would determine recognition of not realized revenues and profits.
- Our answer. Our audit procedures for addressing the risk of significant misstatement related to revenue recognition, that was considered a significant risk, included: testing of internal controls on revenue completeness, correctness and recording in the correct accounting period. We have tested controls referring to: customer acceptance, order approval, selling prices approval, goods delivery to the customers, risk transfer on delivered goods, detailed analysis of revenue and its period of recognition, review of subsequent product returns.

We addressed also the risk that manual adjustments with escalating standard control procedures to misstate revenues, by auditing the manual adjustments related to revenues, in order to identify unusual transactions.

- Ascertainment. Based on the results obtained we couldn't identify any deficiencies of existing controls and therefore audit activity was not based on detailed tests and our conclusion was that the revenues recorded by the Company were not significantly misstated.

8. Going concern assessment

- Risk. Considering the Company's legal status, in our opinion there is the risk that the going concern principle not to be observed.
- Our answer. Our audit procedures consisted mainly in: evaluating Company's assumptions on continuing activity for at least 12 months from the balance-sheet date, reviewing the agreements concluded by the Company for the year 2017, the Company's ability to observe the reorganization plan as adopted by the creditors, the significant judgments by the management as part of their assessment on the Company's ability to continue as a going concern, assessment by the management of the significance of events or conditions related to the Company's ability to meet its obligations.
- Ascertainment. Based on the results obtained, we considered the Company's assumptions on going concern to be reasonable. However, considering that not all future events or conditions may be foreseen, our assessment does not represent a guarantee for the Company's activity as a going concern.

9. The recoverable amount of inoperable long-term assets

- Risk. The company owns production capacities underused or unused. As shown in note 15 "Tangible assets", given the lack of some raw materials and the financial difficulties faced by the company, this has

a number of assets on which there are indications that their net book value is greater than the recoverable amount.

- Our opinion. Our audit procedures included among others: review of the inventory operations conducted by the Company, review of the inoperable assets identified by the Company and review of the results of the revaluation of long term assets by an independent evaluator.
- Ascertainment. Based on the results of the procedures performed, we found that non-functional assets are stated at their recoverable amount, as it was determined by the independent evaluator.

Other aspects

10. We draw the attention to Note 2.2 of these unconsolidated financial statements which mentions that Oltchim SA – company in judicial reorganisation is the parent Company of the group Oltchim. The management of the Company is committed to issue Oltchim group's consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union within the legal deadline. Our opinion is not altered in this respect.

11. The financial statements of the Company as at December 31, 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and they were audited by another auditor who issued a qualified opinion on March 28, 2016 on the fair value of the long-term assets. At December 31, 2016 long-term assets are presented at fair value.

12. This report is made solely to the Company's shareholders as a body. Our audit was conducted in order to report to Company's shareholders those aspects that have to be reported in a financial audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its shareholders as a body, for our audit work, for this report.

Special administrator's report is presented from page 1 to 45 and is not part of the financial statements.

Report on compliance of the Administrator Report with the unconsolidated financial statements

13. The administrators are responsible for the preparation and presentation of the administrators` report in accordance with the requirements of the MFPO no. 2844/2016 regarding approval of the Accounting regulations compliant with International Financial Reporting Standards, points 20 and 34, which does not contain material misstatements, and for such internal control as management deems necessary to enable the preparation of the administrators` report that is free from material misstatement, whether due to fraud or error. Administrators` Report presented in Annex is not part of the financial statements. Our opinion on the financial statements does not cover the special administrator's report.

In connection with our audit of the financial statements, we have read the special administrator`s report attached to the financial statements and report as follows:

a) in the administrators` report we have not identified information that is not consistent, in all material respects, with the information presented in the accompanying financial statements;

b) the administrators` report identified above includes, in all material respects, the information required by Order of the Minister of Public Finance no. 2844/2016 approving the Accounting Regulations compliant with International Financial Reporting Standards, Chapter II, paragraph 18;

c) based on our knowledge and understanding about the company and its environment acquired during the audit of financial statements for the year ended December 31, 2016, we have not identified any information contained in the special administrator's report to be significantly inaccurate.

Responsibilities of the management and of those responsible for governance for the standalone financial statements

14. The Company's Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval

of accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, and for such internal control that the management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

15. When preparing the financial statements, the management is responsible for assessing the company's ability to continue its activity, presenting if necessary, aspects of business continuity and using the accounts on a going concern basis unless the management either intends to liquidate the Company or to stop operations or has no realistic option except of these.

16. The persons in charge with the governance are responsible for monitoring the financial reporting process of the Company.

Auditor's responsibilities in an audit of financial statements

17. Our goals are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as issuing an auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but does not constitute a guarantee that an audit conducted in accordance with IASs will always detect a material misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or in aggregate, will influence the economic decisions of users taken on the basis of these financial statements.

18. As part of an audit in accordance with IASs we exercise the professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess risks of material misstatement of the financial statements, caused either by fraud or error, plan and perform audit procedures in response to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Risk of not detecting a material misstatement due to fraud is higher than that of not detecting a material misstatement caused by error because fraud may involve collusion, forgery, deliberate omissions, false statements and avoidance of internal control;
- We understand the internal control relevant to the audit, in order to plan audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company;
- We assess the appropriateness of accounting policies used and the reasonableness of the accounting estimates and of the related presentations made by the management;
- We draw a conclusion on the appropriateness of the use by the management of the accounting on a going concern basis and find, based on audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the ability of company to continue business. If we conclude that there is a significant uncertainty, we must draw attention in the auditor's report over the presentations related to the financial statements or, if these presentations are inappropriate, to change our opinion. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or conditions may cause the Company not carry on business on a going concern basis.
- We evaluate the presentation, structure and general content of the financial statements, including disclosures, and the extent to which financial statements reflect transactions and events based in a manner that achieves fair presentation.
- We communicate those responsible for governance, among other issues, the planned scope and timing of the audit and the main findings of the audit, including any internal control weaknesses that we identified during the audit.
- We also provide those charged with governance a statement showing that we comply with ethical requirements relevant to the independence and that we communicated all relationships and other issues which might suppose, reasonably, that affect our independence and, where appropriate, the protective measures related.
- Among the issues communicated with those charged with governance we find which are the most important for the audit of the financial statements of the current period and which are therefore the key

audit issues. We describe these issues in the auditor's report, unless laws or regulations prohibit public presentation of their appearance or if, in extremely rare circumstances, we find an issue that should not be communicated in our report as reasonably envisaged that public interest benefits can be outweighed by the negative consequences of this communication.

PKF Finconta S.R.L.

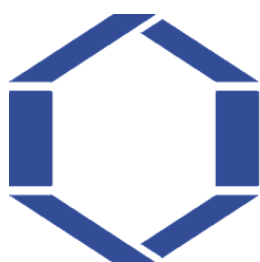
Registered at the Chamber of Financial Auditors of Romania under no. 32/27.07.2001

Florentina Susnea

Registered at the Chamber of Financial Auditors of Romania under no. 433/21.08.2000

Bucharest, Romania

28 March, 2017



OLTCHIM

In reorganizare judiciara

In judicial reorganisation

En redressement



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Nr. inregistrare Registrul Comertului: J/38/219/18.04.1991

Cod unic de inregistrare: RO 1475261

COMPANY'S BUSINESS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS RELATED TO 2016

The consolidated financial statements prepared by Oltchim SA Rm. Valcea for the financial year 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

OLTCHIM S.A. is a joint stock company resident in Romania. The company has its head office located on 1,Uzinei str.Ramnicu Valcea, zip code 240050. Affiliated companies included in the financial statements of 2016 have registered office in Romania.

The consolidated financial statements at and for the year ended December 31, 2016 relates to the Company and its subsidiary Sistemplast S.A. (94.4%). The consolidated financial statements comprise the main activity of Oltchim S.A., which is majoritary within the Group, its activity is presented in detail in the Report on the unconsolidated financial statements. This report contains only additional data due to consolidation of the Group financial statements.

Consolidated financial statements are prepared by summing up financial statements of the companies: Oltchim SA and Sistemplast SA, which constitute „Oltchim Group”, and at the associated companies it is considered only the profit calculated according to the share capital contribution.

I. OLTCHIM GROUP BUSINESS REVIEW

The core business of the Group includes mainly: production of chlor-alkali, petrochemicals, polyether polyols, oxo alcohols and other chemicals, including services and technical assistance and their sale on domestic and export market, in accordance with the Articles of Association of the company.

In the chemical field it is an integrated Group, that starts from primary raw materials: salt, water, electricity and goes on with advanced processing to the obtaining of finished products.

The Group's core production is structured in two sites:

- **Chemical site Rm. Vâlcea** is structured on the following production plants:
 - Membrane Electrolysis - produces liquid caustic soda, hydrochloric acid, sodium hypochlorite and chlorine gas;
 - Chlor-Alkali – produces caustic soda block, soda flakes;
 - Propylene Oxide – produces propylene oxide;
 - Polyols-produces polyethers and propylene glycol;
 - Special Polyols - produces polyethers;
 - Plasticizers - produces oxo-alcohols;
 - Construction Materials Division which produces PVC profiles RAMPLAST (operated in tenancy- tenant Dynamic Selling Group SRL).

On the Chemical site Rm. Valcea operates also the company SISTEMPLAST S.A. which provides mainly the works for mechanical and EIC maintenance for Oltchim S.A.

- **Petrochemical site Bradu** – Pitesti is structured on two production plants (Olefins și Polymers) which during 2016 was mothballed due to lack of working capital.

The main economic-financial indicators in the consolidated financial statements according to International Financial Reporting Standards (IFRS), achieved by OLTCHIM Group in 2016 compared to 2015, are:

- **Consolidated financial position - short form**

-th lei-

Indicator	Value at 31.12.2015	Value at 31.12.2016
ASSETS		
1. Long- term assets - total, of which:	717,602	880,779
Tangible fixed assets	708,733	872,340
Intangible fixed assets	2,007	1,474
Real estate investments	6,882	6,965
Investments in related entities	-	-
2. Current assets, total of which:	108,713	127,080
Inventories	47,816	52,540
Customers and similar accounts	29,696	39,510
Other assets	31,201	35,030
TOTAL ASSETS (1+2)	826,315	1,007,859

Indicator	Value at 31.12.2015	Value at 31.12.2016
CAPITALS AND LIABILITIES		
3. Total capitals, of which:	(538,795)	(374,008)
-Equity, of which:	(538,797)	(373,998)
Share capital	1,018,300	1,018,300
Reserves	229,834	395,768
Loss carried forward	(1,786,931)	(1,788,066)
- Minority interest	2	(10)
4. Long term liabilities, of which:	1,083,748	1,138,225
Loans	615,690	615,690
Commercial liabilities	368,740	367,098
Tax payables	29,512	32,719
Other long term liabilities	69,806	122,718
5. Current liabilities, of which:	281,362	243,642
Commercial liabilities	119,242	119,196
Tax payables	64,801	60,230
Other liabilities	97,319	64,216
TOTAL LIABILITIES AND CAPITALS (3+4+5)	826,315	1,007,859

Consolidated Profit and Loss Account - short form

=th lei=

Indicator	Value at 31.12.2015	Value at 31.12.2016
1. Income - total, of which	3,138,460	774,448
Net sales	747,944	754,864
2. Costs - total, of which:	809,880	739,631
Raw materials and materials costs	370,611	351,899
Water and power costs	170,545	184,075
Salary costs	124,338	104,313
Depreciation and amortization costs	103,991	96,355
Other costs	40,395	2,989
3. Profit /(loss) before tax (1-2)	2,328,619	34,817
4. Tax on profit	35,653	8,754
5. Net profit /(loss) of the year (3-4)	2,292,966	26,063

In 2015 the profit was scriptic, caused by debt cancellation under the provisions of Reorganization Plan.

A summary of net outcome recorded by OLTCHIM Group in the consolidated financial statements, amounting to 26.063 thousand lei, is as follows:

- net profit recorded by OLTCHIM S.A.	+26,053	th lei;
- net profit recorded by Sistemplast S.A.	+10	th lei;
- outcome share of associated companies	-	th lei.

On subsidiaries composing the consolidation, the companies have achieved the following results:

A. OLTCHIM S.A. Rm. Valcea

OLTCHIM S.A. was established as a joint stock company by G.D. no. 1213/20.11.1990 and registered at the Trade Register under no. J38/219/1991.

As mentioned in the Register of Shareholders shareholding structure is as follows:

Shareholders	31.12.2015		31.12.2016	
	No. of shares	%	No. of shares	%
Romanian state through the Ministry of Economy	188.100.976	54.8062	188,100,976	54.8062
PCC SE	111.005.766	32.3433	111,005,766	32.3433
Natural persons	38.930.613	11.3430	38,892,961	11.3321
Legal persons	5.174.028	1.5075	5,211,680	1.5185
TOTAL	343.211.383	100	343,211,383	100

All shares are common, were subscribed and fully paid both on 31 December 2015 and on 31 December 2016. All shares are ranked pari passu (have the same voting rights) and have a face value of 0.10 lei / share.

Oltchim is a company listed on the Bucharest Stock Exchange.

Oltchim S.A. is a company whose securities are traded on a regulated market, the Bucharest Stock Exchange, for which, according to Finance Ministry Order no. 1286/2012 for the approval of accounting regulations in accordance with international financial reporting standards applicable to companies whose securities are admitted to trading on a regulated market, holding shares of the share capital of other companies called subsidiaries or associates is required to prepare consolidated financial statements.

The main economic-financial indicators achieved in 2016 compared to 2015 are:

=th lei=

Indicator	Value at 31.12.2015	Value at 31.12.2016
1.Income- total, of which:	3,137,284	772,632
Net sales	747,944	754,823
2. Costs – total	807,502	737,825
3. Profit /(loss) before tax (1-2)	2,329,782	34,807
4. Tax on profit	35,653	8,754
5. Net profit /(loss) of the year (3-4)	2,294,129	26,053

The gross result achieved in 2016 in amount of 34.8 million lei consists in:

- +35.8 million lei total profit generated by operating plants;
- +14.8 million lei from assets revaluation;
- -15.8 million lei the mothballing costs with unoperational plants from Bradu and Valcea sites, as follows:
 1. Mothballing expenses for Bradu Petrochemical Division -11.6 million lei;
 2. Mothballing expenses for plants on Rm.Valcea site -4.2 million lei.

B. SISTEMPLAST S.A. RM. VALCEA

The company was founded in 12.02.1999. The company headquarters is in Ramnicu Valcea, 1.Uzinei Str. The core business consists in the production and sale of PVC and polyethylene articles: tubes, pipes, fittings and accessories.

The share capital amounts to 7,700,162 lei, with the following shareholding structure:

- OLTCHIM S.A.	94.40%
- Charity Holdings S.A.	5.20%
- Other shareholders	0.40%

The company supplemented its business with maintenance and repair works. This is the main activity carried out by the company in 2016.

The company collaborated with both Oltchim SA and other third companies.

The main economic-financial indicators achieved in 2016 compared to 2015 are:

=th lei=

Indicator	Value at 31.12.2015	Value at 31.12.2016
1. Income- total, of which:	5,436	7,355
Net sales	29	41
2. Costs – total	6,577	7,345
3. Profit /(loss) before tax (1-2)	(1,141)	10
4. Tax on profit	-	-
5. Net profit /(loss) of the year (3-4)	(1,141)	10

In 2016, due to increases in the volume of performed works, the revenue grew with 35%, and the activity of Sistemplast became profitable.

II. ASSOCIATED COMPANIES – DESCRIPTION

For associated companies, where Oltchim holds between 20% and 50% of the share capital, in preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union it is considered only the profit calculated according to the contribution to the share capital.

<i>Company</i>	<i>Shares owned (%)</i>	<i>Revaluated capital paid-up by OLTCHIM (lei)</i>
1. Euro Urethane SRL– Rm. Valcea	41.28%	26,012
2. Oltquino SA – Rm. Valcea	46.64%	-
3. Protectchim SRL – Rm.Valcea	30.00%	108,503

Euro Urethane SRL is a company where Oltchim SA owns 41.28% of the share capital, the remaining 58.72% being held by PCC SE.

The company headquarters is in Ramnicu Valcea, 1.Uzinei Str. The core business is the manufacture of toluene diisocyanate, services for cover protections of parts, equipment, transport means. Currently the company is on investment.

	<u>31 December 2016</u> <i>th lei</i>
Share capital:	5.611
Total assets	5.424
Total liabilities	15
Total income	140
Total expenses	353
Profit/(loss) in 2016:	(213)

Oltquino SA is a joint venture founded on December 19,1994 having as shareholders Oltchim SA with 46.64% of the shares, Inquinosa Spain with 52.99% of the shares and Spanish individuals with 0.37%.

The company headquarters is in Ramnicu Valcea, 1,Uzinei Str. The main activity is the production and sale of chemical products.

	<u>31 December 2016</u> <i>th lei</i>
Share capital:	2,035
Total assets	356
Total liabilities	48
Total income	33
Total expenses	35
Profit/(loss) in 2016:	(2)

In 2016 the Company had no activity.

Protectchim SRL is a company founded on February 27, 2003, having as shareholders Oltchim SA with 30% of the shares, the rest being owned by individuals.

The company headquarters is in Ramnicu Valcea, 1, Uzinei street. The company was founded by outsourcing "Proofing" and "Investment-Construction" divisions which in the past belonged to Oltchim SA Rm Valcea. The main object of activity is construction works, insulation and corrosion protection.

During 2014-2015 the investment in Protectchim it became uncertain, being reduced to 7.5% by the capital increase carried out by this company, without granting pre-emptive rights to Oltchim SA.

In December 2016 share participation of Oltchim S.A. in Protectchim returned to 30% pursuant to the Decision no. 11096 / 20.12.2016 issued by the Trade Registry of Valcea Court.

Protectchim entered into insolvency in March 8, 2017, according to Decision nr.353 / 08.03.2017 issued in file no. 2263 / 90 / 2016, opened on August 8, 2016 by the Valcea Court.

	<u>31 December 2016</u> <i>th lei</i>
Share capital:	300
Total assets	25,171
Total liabilities	24,272
Total income	8,493
Total expenses	15,408
Profit/(loss) in 2016:	(6,915)

Given the above we submit for review and approval of the General Meeting of Shareholders, the Company's Business Report concerning the consolidated annual financial statements concluded for 2016.

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

OLTCHIM SA in judicial reorganization AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS

AT AND FOR THE YEAR ENDED
ON DECEMBER 31, 2016

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION (IFRS)

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise atfel)

	<u>Note</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ASSETS			
Fixed assets			
Tangible fixed assets	15A	872,340	708,773
Investment property	15B	6,965	6,822
Intangible fixed assets	16	1,474	2,007
Investments in Associates	17	-	-
Total fixed assets		880,779	717,602
Current assets			
Inventories	18	52,540	47,816
Trade receivables	19	39,510	29,696
Taxes receivables	20	6,376	13,267
Other assets	21	1,035	4,410
Cash and cash equivalents	22	27,619	13,524
Total current assets		127,080	108,713
Total assets		1,007,859	826,315
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	23	1,018,300	1,018,300
Reserves	24	395,768	229,834
Retained and current loss	25	(1,788,066)	(1,786,931)
Total equity attributable to owners of the parent		(373,998)	(538,797)
Non-controlling interests		(10)	2
Total equity		(374,008)	(538,795)
Long term liabilities			
Borrowings	26	615,690	615,690
Lease debts on long-term		38	-
Incomes in advance	27	4,270	5,107
Deferred tax liabilities	28	60,751	34,202
Provisions for employees' benefits and litigations	29	36,343	9,180
Other long term liabilities	29	21,316	21,317
Trade payables	30	367,098	368,740
Fees and taxes liabilities	31	32,719	29,512
Total long term liabilities		1,138,225	1,083,748

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise atfel)

	<u>Note</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current liabilities			
Trade payables	30	119,196	119,242
Fees and taxes liabilities	31	60,230	64,801
Current portion of lease contracts		8	14
Other liabilities	32	64,208	97,305
Total current liabilities		243,642	281,362
Total liabilities		1,381,867	1,365,110
Total equity and liabilities		1,007,859	826,315

Consolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

	Note	Year ended on December 31, 2016	Year ended on December 31, 2015
Net sales	5	754,864	747,944
Investments incomes	6	8,686	8,632
Other gains or losses	7	6,252	2,386,633
Stock variations		4,646	(4,710)
Expenses with raw materials and materials	8	(351,899)	(370,611)
Expenses with energy and water	8	(184,075)	(170,545)
Expenses with assets' amortization	9	(96,355)	(103,991)
Gain / (Loss) from impairment adjustments of non-current assets	9	107,407	18,198
Salary expenses	10	(104,313)	(124,338)
Net cost of finance	11	(202)	(2,522)
Incomes from subsidies		838	854
The result of associated companies put in equivalence	17	-	(22)
Other expenses	12	(111,032)	(56,903)
Profit / (Loss) before taxation		34,817	2,328,619
Income tax	13	(8,754)	(35,653)
Net profit /(Loss) of the year		26,063	2,292,966
Profit/(loss) attributable to:			
Parent-company owners		26,063	2,293,030
Minority interest		-	(64)
Profit/(Loss) per share, basic	14	0,076015	6,684754
<u>Number of share, in millions</u>		343	343

Consolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM SA, in judicial reorganisation
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

	December 31, 2016	December 31, 2015
Profit/(Loss) of the year	26,063	2,292,966
Net movement in 2016 of revaluation reserve (gross).	169,938	-
<i>Other elements of comprehensive income</i>	169,938	-
Total comprehensive income for the year	196,001	2,292,966
Total comprehensive income attributable to:		
Parent-company owners	196,001	2,293,030
Minority interest	-	(64)

Consolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF THE CASH FLOW
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

	Year ended on December 31, 2016	Year ended on December 31, 2015
Cash flows from operating activities:		
Net profit / (Loss) of the year	26,063	2,292,966
Adjustments for non-cash items		
Depreciation of assets expenses	96,355	103,990
Loss on the disposal of intangible assets	1,356	-
Expenses / (Income) from depreciation adjustments on current assets	(3,252)	(1,388)
Depreciation of subsidies	(838)	(854)
Interest expenses / (incomes)	(13)	2,105
Impairment / (Reversal of impairment) of tangible fixed assets	(107,407)	(18,198)
Provisioning / (reversal) of provisions	337	(5,256)
Income tax	8,754	35,653
Expenses / (Income) from revaluation of tangible and intangible fixed assets	50,652	-
Income from debt cancellation under the Reorganization Plan	-	(2,370,932)
Associates (Profit)/Loss	-	22
	72,007	38,108
Inventory (Increase) / Decrease	(1,262)	2,362
Receivables (Increase) / Decrease	(195,355)	(280,531)
Debts Increase / (Decrease)	150,859	259,842
	(45,758)	(18,327)
Changes in working capital		
	26,249	19,781
Cash flow from operating activities		
Interest paid	-	-
	26,249	19,781
Cash flow from operation		
Cash flow used for investments:		
Interest received	13	39
Purchase of tangible and intangible fixed assets	(12,137)	(11,210)
	(12,124)	(11,171)
Cash flow used for investments		

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF THE CASH FLOW
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

	Year ended on December 31, 2016	Year ended on December 31, 2015
Cash flow generated from financing:		
Change in short-term loans	-	-
Change in long-term loans	-	-
Lease payments	(30)	(30)
Cash flow from financing	(30)	(30)
Increase / (Decrease) in cash and cash equivalents	14,095	8,580
Cash at beginning of year	13,524	(514,918)
Cancellation/Reclassification of the loans according to the Reorganization Plan*	-	519,862
Cash at end of period	27,619	13,524

* The amount eliminated from the cash at beginning of 2015, following the termination of the loans agreements according to the Reorganization plan. The balance of cash and cash equivalents, without overdrafts, at December 31, 2015 was 4,944 mii lei.

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Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

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OLTCHIM S.A. in judicial reorganisation
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

	<u>Share Capital</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Un- controllable interests</u>	<u>Total equity</u>
Balance at January 1, 2015	1,018,300	213,762	6,851	9,221	(4,083,908)	(2,835,774)	66	(2,835,708)
Comprehensive income of the year								
Net result of the year	-	-	-	-	2,293,030	2,293,030	(64)	2,292,966
Other elements of comprehensive income								
Adjustments for provisions regarding employees' benefits	-	-	-	-	1,092	1,092	-	1,092
Other elements	-	-	-	-	2,855	2,855	-	2,855
Total other elements of comprehensive income	-	-	-	-	3,947	3,947	-	3,947
Total comprehensive income of the period	-	-	-	-	2,296,977	2,296,977	(64)	2,296,913
Balance at December 31, 2015	1,018,300	213,762	6,851	9,221	(1,786,931)	(538,797)	2	(538,795)
Balance at January 1, 2016	1,018,300	213,762	6,851	9,221	(1,786,931)	(538,797)	2	(538,795)
Total comprehensive income of the period								
Net result of the year	-	-	-	-	26,063	26,063	-	26,063
Other elements of comprehensive income								
Reserves from revaluation	-	165,939	-	-	-	165,939	-	165,939
Adjustments for provisions regarding employees' benefits	-	-	-	-	(833)	(833)	-	(833)
Deferred tax	-	-	-	-	(26,549)	(26,549)	-	(26,549)
Other elements	-	(5)	-	-	184	179	(12)	167
Total Other elements of comprehensive income	-	165,934	-	-	(27,198)	138,736	(12)	138,724
Total comprehensive income	-	165,934	-	-	(1,135)	164,799	(12)	164,787
Balance at December 31, 2016	1,018,300	379,696	6,851	9,221	(1,788,066)	(373,998)	(10)	(374,008)

Note: The amount of (833) thousand represents the difference between the provision for employee benefits recorded at 31.12.2016 and the provision recorded at 31.12.2015, difference was reversed in retained earnings.

Consolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

1. GENERAL INFORMATION AND MAIN ACTIVITIES

Oltchim S.A. ("Oltchim" the parent company of the Group) is a joint stock company domiciled in Romania. Oltchim has its head office located in Ramnicu Valcea, Uzinei Str. No. 1, postal code 240050. The affiliated companies included in these consolidated financial statements are registered in Romania.

As of January 30, 2013 Oltchim S.A is in insolvency proceedings.

The consolidated financial statements at and for the year ended on December 31, 2016 relates to Oltchim SA and its subsidiary, Sistemplast (94.4%), (together defined as "the Group") and to the Group's shares in associated companies: Oltquino (46.64 %), Eurourethane (41.28%).

Main activity of the Group is the manufacturing of chemicals.

By sentence no. 892 / 04.22.2015 issued in insolvency file no. 887/90/2013, before the Court Valcea was confirmed the reorganization plan of the debtor Oltchim SA proposed by the Consortium of Judicial Administrators, ROMINSOLV SPRL and BDO BUSINESS RESTRUCTURING SPRL. The sentence is final and irrevocable rejecting as unfounded the appeals brought by Electrica SA and by ANAF, this judgment being delivered by the Court of Appeal Pitesti on 24/09/2015.

The Group sells chemicals both on the local market (approx. 27% of turnover in 2016 and 26% in 2015), as well as on the international market (approx. 73% of turnover in 2016 and 74% in 2015). The most significant exports are made to EU countries and Middle East.

The Group owns Certificate for Environmental Protection and Quality (ISO 14001 and ISO 9001) received from TUV Management Service GmbH, which are valid until 2017.

Ownership structure

Oltchim is a company listed on the Bucharest Stock Exchange. When Oltchim SA entered in insolvency, its shares were suspended from trading in the period between the onset of insolvency and confirmation of the reorganization plan proposed by the consortium of judicial administrators, respectively in the period 30.01.2013-29.09.2015.

Romanian State, represented by the Ministry of Economy is the main shareholder. The nominal capital subscribed and paid on December 31, 2016 and also on December 31, 2015 is 34.321 mii LEI divided into 343.211.383 shares each with a nominal value of 0,10 LEI. Each share entitles its holder to one vote.

Shareholding structure is as follows:

	31.12.2016		31.12.2015	
	Number of shares	%	Number of shares	%
Shareholders				
Romanian State, through the Ministry of Economy	188,100,976	54.8062	188,100,976	54.8062
PCC SE	111,005,766	32.3433	111,005,766	32.3433
Individuals	38,892,961	11.3321	38,930,613	11.3430
Legal entities	5,211,680	1.5185	5,174,028	1.5075
TOTAL	343,211,383	100	343,211,383	100

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

1. GENERAL INFORMATION AND MAIN ACTIVITIES

Activities carried out by the Group

The field of activity of the Group includes primarily: production of petrochemicals, chlor-alkali, oxo-alcohols and other chemicals, including services and technical assistance and their domestic and export trade.

Average number of employees was 2,109 as of December 31, 2016 (as of December 31, 2015: 2.345 employees).

The employment reduction in 2016 is due to the dismissal of 243 employees in November and December 2015.

Management structure

By sentence no. 617 of 30 January 2013 given by the Court Valcea - Division II civil in case no. 887/90/2013 was appointed as judicial administrator a consortium formed by ROMINSOLV SPRL Bucharest, headquartered in Bucharest, Splaiul Unirii no.223, 3rd floor, District 3, registration number in the Official Record of Insolvency Practitioners RFO 0122/2006, represented by Coordinating Partner, Gheorghe Piperea, and BDO BUSINESS RESTRUCTURING S.P.R.L., headquartered in Bucharest, 24 Invingatorilor Street, Victory Business Center Building, 3rd floor, District 3, registration number in the Official Record of Insolvency Practitioners RFO 0239/2006, represented by Coordinating Partner, Niculae Balan.

In the Extraordinary General Meeting of Shareholders on March 14, 2013, the shareholders appointed Mr. Stanescu Nicolae - Bogdan- Codrut as special administrator of Oltchim SA, in the insolvency procedure.

On December 31, 2016, the management of the Group is ensured by:

Consortium composed of:

ROMINSOLV S.P.R.L., represented by Coordinating Partner, Gheorghe Piperea, and BDO BUSINESS RESTRUCTURING S.P.R.L.

represented by Coordinating Partner, Niculae Balan

Stanescu Nicolae Bogdan Codrut

Avram Victor

Talpasanu Mihail

Spiru-Ciobescu Laurentiu-Armand

Smeu Alin-Ion

Munteanu Dana Maria

Parvu Marius

Judicial Administrators

Special Administrator

Deputy General Manager

Production Manager

Commercial Manager

Economic Manager

Human Resources Manager

Bradru Petrochemical Division Manager

2. PRIMARY ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the provisions of Public Finance Ministry Order No.2844/12.12.2016 for approval of accounting regulations in accordance with International Financial Reporting Standards – IFRS, applicable to companies whose securities are admitted to trading on a regulated market.

The financial statements were approved on March 28, 2017.

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.2 Changes in accounting policies and information provided

(a) Standards and interpretations effective in the current period

Oltchim is required to prepare individual and consolidated annual financial statements in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS").

The financial statements have been prepared on a going concern basis. The financial statements are prepared based on the statutory accounting records maintained in accordance with Romanian accounting principles, adjusted for transition to IFRS as adopted by the European Union.

Standards and interpretations issued by IASB, endorsed by the EU that came into force in 2016

The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in effect at the date of authorization of these financial statements:

- **Additions to IFRS 11 "Joint Commitments"** - improving the method of accounting for interests in jointly controlled entities - endorsed by the EU on 25 November, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 1 "Presentation of Financial Statements"** - improving the method of presentation (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"** - clarifying acceptable methods of depreciation and amortization - endorsed by the EU on 2 December, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in Associates and Joint-ventures"** – dealing with the sale or contribution of assets between an investor and its associate/ joint venture (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" - Agriculture - bearer plants**, endorsed by the EU on 23 November, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 27 "Separate Financial Statements" - equity method** - endorsed by the EU on 18 December, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to various standards "Improvements to IFRSs (cycle 2012-2014)"**, following the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily in order to eliminate inconsistencies and clarify wording (effective for annual periods beginning on or after 1 February 2016),

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.2. Changes in accounting policies and information provided

(b) Standards and interpretations issued by IASB but not yet adopted by the EU

Currently, IFRS adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, additions to existing standards and interpretations that have not been approved by the EU at the date of financial statements publication (the effective dates below are for the entire IFRS):

- **IFRS 9 "Financial Instruments" and subsequent additions** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from contracts with customers"** (effective for annual periods beginning on or after 1 January 2018),
- **Additions to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure on interests in other entities" and IAS 28 "Investments in associates and Joint Ventures"** - investment entities: Application of exception to consolidation (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 16 Leasing** (effective for annual periods beginning on or after January 1, 2019)
- **Additions to IAS 7 "Statement of Cash-Flows"** – presentation (effective for annual periods beginning on or after 1 January 2017),
- **Additions to IAS 12 "Income Taxes"** – recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after 1 January 2017),

The company states that the adoption of these standards, revisions and interpretations will not have a significant impact on the company's financial statements in the period of initial application.

Meanwhile, accounting of currency-hedging related to the portfolio of financial assets and financial liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the estimates of the Company, the application of accounting of currency-hedging for the portfolio of financial assets and financial liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements, if applied to the date of the balance sheet

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.3 Business continuity

The financial statements have been prepared based on the ongoing concern principle which assumes that the Group will continue its activity in the foreseeable future, based on the reorganization plan that was confirmed by the insolvency judge through sentence no. 892/ 22.04.2015 issued in insolvency file no. 887/90/2013, Valcea Court. The approved reorganization plan stipulates partial payments of the Oltchim S.A. debts towards its creditors in accordance with an agreed schedule over 3 years. The reorganization plan is based on assumptions and future cash-flow projections and depends on future events that may or may not occur. These financial statements do not include adjustments regarding an uncertainty over the continuity of the Group's activity.

2.4 Basis of measurement

The Group has chosen to present tangible assets at revaluated values. Any increase arising from revaluation of tangible assets is credited in equity accounts in the revaluation reserve, unless there was a decrease previously recognized as an expense for the same asset, in which case the increase is recognized as income to offset the expense recognized prior to that asset. A decrease in the carrying amount arising on revaluation is treated as an expense to the extent that the revaluation reserve amount is not recorded on the asset.

Depreciation on revalued tangible assets is recorded in the profit and loss account. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings representing surplus from revaluation reserves. Transfer of revaluation reserve is only possible if the asset is derecognized.

The last revaluation was performed by an independent appraiser, having as reference date for determining fair value December 31, 2016.

The consolidated financial statements are prepared on the historical cost and modified to include equity adjustment under International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") until 31 December 2003. Since 1 January 2004, Romania's economy is no longer considered hyperinflationary. The Group ceased applying IAS 29 as of this date.

2.5 Functional and presentation currency

These consolidated financial statements are presented in LEI, which is also the functional currency of the Group. All financial information are presented in LEI, rounded to the nearest thousand, unless otherwise stated.

2.6 Use of estimates and professional judgment

The preparation of financial statements in conformity with IFRS implies that the management will use some estimates, judgments and assumptions that affect the application of accounting policies, and also the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions associated with these estimates are based on historical experience and on other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments regarding the accounting values of assets and liabilities that cannot be obtained from other sources of information. Present results may differ from the values of the estimates.

Estimates and assumptions are periodically reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period in which the estimate is revised and the future periods, if the revision affects both the current period and the future periods.

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.7 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The control means the authority to govern the financial and operating policies of an entity, in order to obtain benefits from its activity. In establishing control, the number of exercisable voting rights is taken into account. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control begins until the date on which it ceases.

(ii) Associated companies and jointly controlled related parties (accounting of investments in related parties)

Associates are those related parties in which the Group has significant influence, but does not hold control on the financial and operating policies. The related parties under joint control (joint ventures) are those on which activities the Group has joint control, established by a contractual arrangement that requires unanimous agreement regarding strategic operational and financial decisions. Associated companies and related parties under joint control are accounted by using the equity method. The consolidated financial statements include the proportion held by the Group in the revenues and expenses of the related party, after the necessary adjustments to align their accounting policies to those of the Group, from the date when significant influence or joint control begins until it ends. When the proportion owned by the Group in the loss registered by the related party exceeds the investment value, the net value of the investment (including long-term investments) is reduced to zero and the recognition of further losses is discontinued, unless the Group has an obligation or has made payments on behalf of the related party.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated from the consolidated financial statements. The revenues unachieved with the related parties are eliminated with the investments in them, with the share held by the Group in the related party. Unrealized losses are eliminated in the same way as the unrealized gains, but only to the extent in which there is no evidence of impairment.

2.8 Foreign currency

Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency of the Group using the exchange rate on the day of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the rate of exchange at the balance sheet date. Exchange differences are recorded in the profit and loss statement. Non-monetary assets and liabilities that are presented based on historical cost in a foreign currency are translated using the exchange rate at the transaction date.

Exchange rates on December 31, 2016 and December 31, 2015 are as follows:

Currency	December 31, 2016	December 31, 2015
1 EURO	4,4908 lei	4,5245 lei
1 USD	4,0592 lei	4,1477 lei

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.9 Business Combinations

The Group has applied IFRS 3 "Business Combinations" in 2010 and 2011 for accounting the takeover of assets related to petrochemical activity and logistics of Arpechim.

According to IFRS 3 "Business Combinations", the value of components purchased from Arpechim is recognized at fair value. The difference between the fair value of the identifiable assets acquired at the acquisition date and of the liabilities assumed, and the fair value of the payment transferred, at the acquisition date, is recognized as income of the year.

2.10 Segment reporting

An operational segment is a component of the Group involved in activities out of which it may earn revenues and incur expenses, including revenues and expenses related to transactions with any of the other components of the Group. Operating results of an operational segment are regularly reviewed by the CEO to make decisions about resources to be allocated to the segment and to assess its performance and for which separate financial information is available.

The results of the segments that are reported to the management include elements directly attributable to a segment, as well as elements that can be allocated on a reasonable basis. Unallocated elements comprise mainly corporate assets (primarily the Company's head office), head office expenditure, and the debts and claims regarding the income tax.

Segment capital expenditure is the total cost incurred during the period of acquisition of tangible and intangible assets, other than goodwill.

2.11 Tangible assets

a. Own assets

The Group has chosen to present tangible assets at revaluated values. Any increase arising from revaluation of tangible assets is credited in equity accounts in the revaluation reserve, unless there was a decrease previously recognized as an expense for the same asset, in which case the increase is recognized as income to offset the expense recognized prior to that asset. A decrease in the carrying amount arising on revaluation is treated as an expense to the extent that the revaluation reserve amount is not recorded on the asset. Depreciation on revalued tangible assets is recorded in the profit and loss account. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings representing surplus from revaluation reserves. Transfer of revaluation reserve is only possible if the asset is derecognized.

Tangible assets are stated at their revalued amount, less the accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site, directly attributable, and the share of indirect costs.

When an asset has major components with different operational lifetimes, these components are recorded as separate asset items.

The fair value of tangible fixed assets was determined based on the principle of continuity. The Group's assets were revalued as of December 31, 2016, the consolidated financial statements containing the revalued assets.

A tangible asset item has to be eliminated from record on disposal or scrapping, when no future economic benefits are expected any longer from its subsequent use.

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.11 Tangible assets

b. Subsequent expenditure

The Group recognizes in the net book value of a tangible fixed asset the cost of a part replaced, if the recognition criteria are met: future economic benefits related to the asset are expected to be generated to the Group and the cost of the asset can be reliably measured. Repair or maintenance expenses of fixed assets incurred to restore or maintain the value of these assets are recognized in the profit and loss statement when incurred.

c. Depreciation

Depreciation is calculated at revalued amounts, by the straight-line method, over the estimated operational lifetime of the assets, starting next month after commissioning, as follows:

	<u>Years</u>
Buildings and special constructions	10 - 50
Plants and machinery	3 - 15
Furniture, appliances, office supplies, other	3 - 15

Expenditure incurred to replace a component of a tangible asset item that is accounted as a separate asset is capitalized in the fixed assets with the book value of the replaced component. Other subsequent expenditure is capitalized only when it generates future economic benefits for the Group. All other expenses are incorporated in the profit and loss statement when incurred.

Repair and maintenance costs of tangible assets are recorded when incurred. Improvements that significantly increase the lifetime or the value of the fixed asset are capitalized.

2.12 Intangible assets

Expenditure for acquiring patents, licenses, trademarks is capitalized and amortized on a linear basis over their operational lives, but not more than 10 years, except for the patents where the lifetime may be of maximum 17 years.

After the transition to IFRS, the Group has chosen to present the intangible assets at revalued amounts. Any increase resulting from the revaluation of intangible assets is recorded directly in equity credit accounts, in the revaluation reserve, unless there was a previous decrease recognized as an expense related to the asset, in which case the increase is recognized as income to compensate the expense previously recognized for that asset.

A decrease in the net book value resulted from revaluation is treated as an expense to the extent that an amount related to that asset is not recorded in the revaluation reserve. Amortization related to revalued intangible assets is recorded in profit and loss account. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is directly transferred to retained earnings representing the surplus obtained from revaluation reserve. The transfer of revaluation reserve is only possible if the asset is derecognized.

Other intangible assets are recognized at their revalued amount less the accumulated amortization and the accumulated adjustments of value.

The intangible assets of the Group were revalued at December 31, 2016, the consolidated financial statements containing the revalued values.

Intangible assets are stated at their revalued amount less accumulated amortization and impairment losses.

The accompanying notes are an integral part of these consolidated financial statements.

OLTCHIM S.A. in judicial reorganisation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.12 Intangible assets

Amortization is recognized in profit or loss account based on the linear method over the estimated lifetime of intangible assets. The estimated lifetimes are as follows:

- Patents up to 17 years;
- Trademarks up to 10 years;
- Other intangible assets up to 3 years.

The amortizable value of an asset shall be allocated on a systematic basis over its useful life. The amortization method used is linear. Amortization of an asset ceases at the first time between the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized.

2.13 Customers and similar accounts

Customer accounts and similar accounts include issued and uncollected invoices until December 31, 2016 at the nominal value and related to the services rendered during 2016. Customer accounts and similar accounts are recorded at the depreciated cost less impairment losses. The depreciated cost approximates the nominal value. Final losses may vary from current estimates.

2.14 Inventory

The book value of inventory is recognized as an expense in the period in which the corresponding revenue is recognized, when stocks are sold or used in the Group. The cost of inventories supplied is determined based on the "first in, first out" method.

The cost of finished goods and of those in progress comprises raw materials, direct labor, other direct and indirect costs relating to production (based on the normal production capacity), but excluding the cost of loans. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and costs of sale. Adjustments are recorded for slow moving, physically and morally worn stocks, if necessary.

2.15 Cash

Cash includes cash, current accounts and bank deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of cash flow statement.

2.16 Impairment

Net book value of the Group's assets is reviewed at each balance sheet date to determine whether there is impairment. If such a loss is probable, the recoverable amount of the asset is estimated. An impairment loss is recognized when the net book value of the asset is higher than its recoverable amount. Impairment loss is recorded in the profit and loss account.

a. Calculation of recoverable amount

The recoverable amount of the financial asset (e.g. receivables) on long term of the Group is calculated as the present value of future cash flows.

The accompanying notes are an integral part of these consolidated financial statements.

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2. PRIMARY ACCOUNTING POLICIES

2.16 Impairment

a. Calculation of recoverable amount

The recoverable amount of other assets is considered the highest value between the sales value and value in use. Estimating the value in use of an asset involves updating the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If an asset does not generate independently significant cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

b. Reversal of impairment losses

The impairment loss corresponding to a financial asset (e.g. receivables) is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognized.

For other assets, an impairment loss is reversed if there is the certainty that the impairment loss no longer exists, and there were changes in the estimate of recoverable amount.

An impairment loss may be reversed to the extent that the net book value of the asset does not exceed its recoverable amount, less the depreciation that would have been determined if the impairment loss had not been recognized.

2.17 Share capital

The share capital comprises ordinary shares recorded at nominal value.

The Group recognizes the changes in the share capital as provided by law in force and only after their registration with the Trade Register Office.

The share capital value was adjusted in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies".

2.18 Dividends

Dividends are recognized as a liability and deducted from equity in the period during which their distribution is approved if they are declared before or on the balance sheet date.

On 31.12.2016 the Group has not reported dividends.

2.19 Suppliers and assimilated accounts

Trade payables and other liabilities, measured at amortized cost, include the value of invoices issued by suppliers of goods, works and services rendered and also the value of services rendered but not yet invoiced.

2.20 Interest bearing loans

Loans are recognized initially at fair value, net of transaction costs. Subsequent to initial recognition, loans are stated at amortized cost, any difference between cost and reimbursement value being recognized in the profit and loss account over the period of a loan based on the effective interest rate.

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2. PRIMARY ACCOUNTING POLICIES

2.21 Financial instruments

Financial assets and financial liabilities include cash and cash equivalents, customers and other assimilated accounts, suppliers and other assimilated accounts, loans. Bank overdrafts that are part of cash management are included as a component of cash and cash equivalent items in the statement of cash flows. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies that are found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the content of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income as they arise. Payments to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends either to compensate on a net basis or to realize the asset and settle the liability simultaneously.

2.22 Leasing

Leases where the Group assumes all risks and rewards of ownership are classified as finance leases.

Fixed assets acquired through finance lease are presented as assets at fair value at the acquisition date. The debt to the leasing company is included as a liability on the balance sheet leases. Initial recognition of assets acquired through leasing is the minimum between the fair value and the present value of the minimum lease payments.

The cost of borrowing is the difference between total expenditure arising from the lease and the fair value of the asset acquired. The cost of borrowing is recorded over the lease term so as to produce a constant value of the debt balance related for each accounting period.

The rent to pay for operational leasing is recorded in the profit and loss statement on a linear basis over the lease term.

2.23 Income tax expense

Income tax comprises a current part and a part postponed. Income tax is recognized in profit or loss unless it relates to the position previously recognized directly in equity, in which case it is shown in equity.

Current tax is calculated using tax income for the period, using the tax rate in effect at the balance sheet date, adjusted for corrections of prior years.

Deferred tax is obtained by applying the balance sheet method on all temporary differences between the accounting value and tax base of balance sheet items. The following temporary differences are not taken into consideration: not tax-deductible goodwill, the initial recognition of assets or liabilities that are not a business combination and that affects neither the accounting profit nor the taxable profit. Deferred tax is calculated based on tax rates enacted by legislation to apply in the period when the temporary difference will be realized.

Deferred tax asset is recognized only to the extent that it is probable to obtain future taxable profit, so that tax losses carried forward and temporary differences can be utilized. Deferred tax asset is reduced to the extent that the related tax benefit is unlikely to be achieved.

Information on income tax calculation is included in note 13.

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2. PRIMARY ACCOUNTING POLICIES

2.24 Affiliates

Companies are considered affiliates if one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party.

2.25 Employees benefits

Throughout its business, the Group makes payments on behalf of its employees to the Romanian State, health and unemployment. These costs are recognized in profit and loss account together with associated labor costs. All Group employees are part of the state pension system. The Group is not engaged in any other pension system and therefore, does not assume any obligation in this respect.

Short-term salary obligations owed to employees are recorded in the profit and loss account in the period when the Group benefited from their services.

According to the Collective Labor Agreement, the Group rewards its employees who retire at age or on request with a compensation equal to three base salaries plus the seniority bonus at retirement date.

At December 31, 2016 the Group recorded a provision for benefits granted to employees under the Collective Labor Agreement, based on the actuarial calculation performed by an external actuarial expert according to the provisions of IAS 19.

In case of collective dismissals of employees for reasons not related to the employee, they receive severance pay as follows:

1. seniority Oltchim between 0 - 5 years a net amount equal to 3 average gross salaries existing in the Company at the date of dismissal;
2. seniority Oltchim between 5 - 15 years a net amount equal to 6 average gross salaries existing in the Company at the date of dismissal;
3. seniority Oltchim > 15 years a net amount equal to 12 average gross salaries existing in the Company at the date of dismissal.

2.26 Revenues

Revenues from sale of goods are recognized at the fair value received or to be received, net of returns, volume discounts and commercial discounts. Revenue is recognized in profit and loss account when the risks and benefits of ownership on those assets are transferred to the buyer, the recoverable amount is probable, the associated costs and returns of goods can be estimated reasonably and the ownership on property ceases.

Transfer of risks and benefits depends on the individual terms of the contract.

Revenue is recognized after delivery of products and customer acceptance of terms, if any, as this is given when the risks and benefits have been transferred to the customer. Sales are presented net of VAT and commercial discounts.

Other revenues of the Group are recognized on the following basis:

- Dividend income - when the Group's right to receive dividends is recognized;
- Rental income - over the period of rent, on a linear basis;
- Investment income – on a linear basis, based on contracts concluded.

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2. PRIMARY ACCOUNTING POLICIES

2.27 Financial income and expenses

Financial income represents the amount of interest received from the cash in bank accounts, dividend income, gains from the transfer of financial assets valid for sale, changes in fair value of financial assets, foreign exchange gains, which are all recorded in the profit and loss account.

Dividends income is recognized on the date when the Group's right to receive dividends is recognized.

Financial expenses are the sum of interest on loans contracted, foreign exchange losses and changes in fair value of financial assets and impairment losses of financial assets. All expenses related to loans contracted are based on the effective interest rate.

2.28 Cost of loans

The Group capitalizes loan costs that apply to assets that require a period of time to get ready for use or sale.

2.29 Government grants

Government grants received for the acquisition of fixed assets are included in long term liabilities as deferred income and are credited to the profit and loss account on a linear basis over the period representing the estimated useful life of the asset.

2.30 Subsequent events

The accompanying financial statements reflect events after the end of the year that provide additional information about the position of the Group as at balance sheet date or those that indicate a possible violation of the going concern principle (events that lead to adjustments). Subsequent events that are not adjusting events are disclosed in notes when considered significant.

2.31 Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing profit or loss attributable to Group's shareholders to the weighted average number of ordinary shares.

Weighted average of outstanding shares during the year represents the number of shares at the beginning of the period, adjusted by the number of shares issued and multiplied by the number of months in which the shares were in circulation during exercise.

Dilution is a reduction in earnings per share or an increase of loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued when certain specified conditions are met. The object of diluted earnings per share is consistent with that of basic earnings per share i.e. to assess the interest of each ordinary share in the performance of an entity.

2.32 Greenhouse gas emission allowances

Greenhouse gas emission allowances that are received free of charge from the Romanian government are recognized at zero cost, in accordance with IAS 20 "Government grants". Greenhouse gas emissions create the obligation to buy emission certificates.

In accordance with Government Decision no. 780/2006 for implementation of the European Directive no. 2003/2007/EC on greenhouse gas emissions, Romania has implemented a trading scheme for greenhouse gas emission allowances.

The accompanying notes are an integral part of these consolidated financial statements.

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2. PRIMARY ACCOUNTING POLICIES

2.32 Greenhouse gas emission allowances

A greenhouse gas emission allowance is a title that conveys to the Company the right to issue the equivalent of one ton of carbon dioxide, in a certain period of time. The purpose of the allowance is only to comply with GD no. 780/2006 on the implementation of the trading scheme for greenhouse gas emission allowances.

For the new 2013-2020 trading period, which is the third trading period, the European Union established the total number of greenhouse gas emission allowances allocated to each Member State and for each installation that falls under the trading scheme for greenhouse gas emission allowances.

In 2011 the Validation Report was drafted, verified by an accredited institution that provided the calculation of preliminary annual number of free allowances allocated for the period 2013-2020, as a result of which a total of 296,107 allowances per year for the whole period were allocated.

In October 2013, after the application of some factors that reduced carbon dioxide emissions, the central public authority for environmental protection and climate change informed operators that the number of free allowances allocated for the period 2013-2020 was revised, and that it might vary from one year to another, as allowances would be awarded according to changes in annual activity levels, for which the calculation was made.

Up to 31 December of each year for the period 2013-2020, Oltchim S.A. reports to the central public authority for environmental protection and climate change any relevant change of capacity, projected or actual, activity level and operation of the facility, according to forms (Appendix 3 + Appendix 4) set forth in Order 89/2013, on the relevant changes (increases/ decreases of activity) in the Group, which could have an impact on the allocation of greenhouse gas emission allowances.

For 2016, Oltchim S.A. received a total of 172,927 allowances, due to changes in activity levels of heat benchmark sub-installation and Bradu Petrochemical Division received 9,032 certificates.

Following the calculation of emissions and the verification report, for 2016 a total of 88,026 tons of CO₂ (allowances) were issued for SC OLTCHIM S.A. Ramnicu Valcea, and for the Bradu Petrochemical Division zero tons CO₂ (allowances) were issued, in total 88,026 allowances that should be handed over until April 30, 2017.

2.33 Quotas

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed only if the possibility of an outflow of resources representing economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, but disclosed when an inflow of economic benefits is probable.

2.34 Comparative figures

The consolidated financial statements for the year ended on December 31, 2016 are comparable with the consolidated financial statements for the year ended on 31 December 2015.

When necessary, comparative figures have been reclassified to conform to the changes in the presentation of the consolidated financial statements of the current year.

The accompanying notes are an integral part of these consolidated financial statements.

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3. DETERMINATION OF FAIR VALUE

Group's accounting policies require the determination of fair value for both financial and non-financial assets and liabilities. The fair value was determined by the methods listed below. Additional information, where appropriate, on the assumptions made in determining fair values are presented in the specific notes for that asset or liability.

- **Tangible assets**

Assets that are subject to depreciation are reviewed for the impairment losses whenever events or changes in circumstances indicate that the book value cannot be recovered. The impairment loss is the difference between the book value and the recoverable amount of the asset. Recoverable amount is the greater of the asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest level where separate identifiable cash flows (cash generating units) can be identified. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

- **Inventories**

The fair value of inventories acquired is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and a reasonable profit margin based on the costs of sale and completion.

4. REPORTING ON OPERATING SEGMENTS

Geographical segments

The Group's sales activity is mainly divided into two geographical areas - the European Union and Turkey. The Group's assets and production activities are located in Romania, therefore no information is given on the location of assets.

	Year ended on December 31, 2016	Year ended on December 31, 2015
(%)	(%)	(%)
Internal market	27 202,211	26 192,117
Export	73 552,653	74 555,827
	100 754,864	100 747,944
	Year ended on December 31, 2016	Year ended on December 31, 2015
Europe	636,782	638,323
Middle East (including Turkey)	102,728	96,110
Asia	3,634	4,123
Africa	8,910	7,422
America	2,810	1,966
Total	754,864	747,944

The accompanying notes are an integral part of these consolidated financial statements.

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4. REPORTING BY OPERATING SEGMENT (continuation)

Turnover by product type:

	Year ended 31 December, 2016	Year ended 31 December, 2015
Petrochemicals (polyether-polyols)	479,362	491,813
Chlor-alkali	163,328	141,848
Oxo-alcohols	79,956	78,238
Goods (mainly resale of utilities)	21,597	22,551
Petrochemical Division Bradu	12	141
Construction materials	4	3
Others, including the sale of CO2 allowances	10,605	13,350
Total	754,864	747,944

Operating profit/loss by business segment:

	Year ended 31 December, 2016	Year ended 31 December, 2015
Chemicals (petrochemicals, chlor-alkali)	36,384	(3,941)
Construction materials	(8,488)	(10,980)
Oxo-alcohols	(3,517)	(2,324)
Petrochemical Division Bradu	(11,612)	(28,368)
Others	(1,228)	(2,788)
Total operational profit/loss	11,539	(48,401)
Income from debt cancellation under the reorganization plan	-	2,370,932
Income / (Expenses) from asset revaluation and adjustments for impairment	14,808	-
Investment income	8,673	8,593
Net cost of financing	(203)	(2,483)
Profit/loss of associated companies put in equivalence	-	(22)
Profit/loss before tax	34,817	2,328,619

Presentation of assets by business segments:

	Year ended 31 December, 2016	Year ended 31 December, 2015
Chemicals (petrochemicals, chlor-alkali)	771,605	587,603
Construction materials	24,641	18,560
Oxo-alcohols	8,585	6,347
Petrochemical Division Bradu	202,058	212,671
	970	1,134
Total	1,007,859	826,315

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4. REPORTING BY OPERATIONAL SEGMENTS (continuation)

Liabilities by business segments:

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Chemicals (petrochemicals, chlor-alkali)	1,368,233	1,344,658
Construction materials	3,591	5,230
Oxo-alcohols	-	6,140
Petrochemical Division Bradu	8,980	8,052
Chemicals (petrochemicals, chlor-alkali)	1,063	1,030
Total	<u>1,381,867</u>	<u>1,365,110</u>

Depreciation by business segments:

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Chemicals (petrochemicals, chlor-alkali)	93,091	100,642
Construction materials	3,073	3,174
Oxo-alcohols	-	-
Petrochemical Division Bradu	-	-
Chemicals (petrochemicals, chlor-alkali)	191	175
Total	<u>96,355</u>	<u>103,991</u>

5 NET SALES

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Income from sale of finished products	715,042	707,494
Income from sale of goods	21,597	55,551
Others	18,225	17,899
Total	<u>754,864</u>	<u>747,944</u>

6. INVESTMENT INCOME

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Income from rental of real estate investments	8,673	8,593
Interest income earned on cash deposits	13	39
Total	<u>8,686</u>	<u>8,632</u>

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7. OTHER GAINS OR LOSSES

	Year ended 31 December, 2016	Year ended 31 December, 2015
Rental income	1,847	1,716
Income from service rendering	2,711	2,697
Income from debt cancellation under Reorganization plan	-	2,370,932
Income from penalties levied	24	426
Gain/loss from foreign exchange	115	(664)
Gain/loss from current assets impairment adjustments	3,752	6,382
Gain/loss from variation in provisions	(321)	4,617
Gain/loss from discounts	(709)	(466)
Expenses with damaged fixed assets	(1,356)	-
Other gains	189	993
Total	6,252	2,386,633

8. EXPENDITURES WITH FEEDSTOCKS AND CONSUMABLES, POWER AND WATER

	Year ended 31 December, 2016	Year ended 31 December, 2015
Consumed feedstock	307,776	334,499
Cost of goods sold	19,136	20,162
Expenditures with power and water	184,075	170,545
Expenditures with consumables	24,987	15,950
Total	535,974	541,156

9. EXPENDITURES/(INCOME) WITH ASSETS DEPRECIATION AND AMORTIZATION

	Year ended 31 December, 2016	Year ended 31 December, 2015
Amortization of fixed assets	95,576	103,164
Amortization of intangible assets	778	827
Gain / (Loss) from adjustments for impairment	(107,406)	(18,198)
Total	(11,052)	85,793

10. SALARY EXPENDITURES

The Group has no contract obligations related to the retirement of the Group's executives and administrators, other than those provided in the collective Labour Agreement. At 31 December, 2016 there was no professional malpractice insurance for the Group's management.

In 2016 no advance payments were granted to the Group's executives and administrators, with the exception of travel expenses. The salary fund for the Group's management is as:

	Year ended 31 December, 2016	Year ended 31 December, 2015
Management salaries	1,584	1,604

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10. SALARY EXPENDITURES (continuation)

Total expenditures with personnel remuneration are shown below:

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Gross salaries and allowances	77,438	84,769
Employer social insurances	22,339	24,226
Meal tickets	4,536	4,728
Gross severance payments related redundant personnel in 2015	-	8,440
Expenses for fees and taxes related to severance payments in 2015	-	2,175
Total	<u>104,313</u>	<u>124,338</u>

In November and December 2015 were dismissed 243 employees under the reorganization plan.

11. NET COST OF THE FINANCING

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Net cost with bank interest	1	2,144
Bank commissions and similar charges	201	378
Total	<u>202</u>	<u>2,522</u>

12. OTHER EXPENDITURES

	<u>Year ended 31 December, 2016</u>	<u>Year ended 31 December, 2015</u>
Expenses / (Income) from revaluation of tangible assets	50,660	-
Expenses / (Income) from revaluation of intangible assets	(8)	-
Expenditure on transport and logistics	14,632	15,564
Other expenditures on services provided by third parties	24,136	17,111
Protocol expenses	499	103
Expenses for repairs	1,552	3,403
Expenses for taxes and charges	5,953	6,659
Net loss / (net profit) of receivables	500	4,994
Expenditure on insurance	518	847
Post and telecommunications expenses	183	198
Travel expenses	214	292
Expenditure on rents	117	400
Expenses on commissions and fees	53	8
Expenditure on fines and penalties	5,134	1,520
Other expenses	6,889	5,804
Total	<u>111,032</u>	<u>56,903</u>

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13. TAX ON PROFIT

	Year ended 31 December, 2016	Year ended 31 December, 2015
Expense with tax on current profit	(8,754)	(35,653)
Expense with tax on deferred profit	-	-
Total	(8,754)	(35,653)

Under the Tax Code, tax is calculated by applying the rate of 16% on taxable profit. The taxable profit is calculated as the difference between income from any source and the expenses incurred in order to achieve revenue in a fiscal year, net of non-taxable income plus the deductible expenses.

	Year ended 31 December, 2016	Year ended 31 December, 2015
Gross result before tax	34,817	2,328,619
Income tax expense calculated at 16%	5,569	372,765
The effect of amounts like incomes	103	-
The effect of amounts like expenditures	(41)	-
The effect of non-taxable income	(49,851)	(140,515)
The effect of non-deductible expenses	52,974	16,397
The effect of deferred tax	-	-
The effect of fiscal loss from previous years	-	(212,994)
Deductions related to sponsorship	-	-
Total	8,754	35,653

14. PROFIT/ (LOSS) PER SHARE

Profit/(loss) per share is calculated by dividing the net income attributable to the ordinary shareholders to the weighted average number of ordinary shares issued. There are no potential diluted shares at 31 December, 2016.

Profit/(Loss) per share, basic, attributable to the parent-company

	Year ended 31 December, 2016	Year ended 31 December, 2015
Net profit/(loss) attributable to parent company	26,063	2,293,030
Average number of shares (million shares)	343	343
Profit/(Loss) per share, basic (Lei per share)	0.076015	6.684754

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15. A) TANGIBLE FIXED ASSETS

Gross values	Land and buildings	Plants and machinery	Other plants, equipment and furniture	Tangible fixed assets in progress	Total
Balance at 1 January, 2015	466,824	679,409	6,625	40,065	1,192,922
Transfer of assets in progress	-	6,478	-	(6,478)	-
Increases/Decreases	-	3,297	(3,217)	11,230	11,310
Disposals	-	-	-	(67)	(67)
advances	-	57	-	-	57
Balance at 31 December, 2015	466,824	689,241	3,408	44,750	1,204,223
Balance at 1 January, 2016	466,824	689,241	3,408	44,750	1,204,223
Transfer of assets in progress	-	4,603	-	-	4,603
Increases/Decreases	98,104	146,951	615	43,294	288,964
- of which increases from revaluation	93,561	150,753	615	6,177	251,106
Disposals	(99,062)	(39,288)	(87)	(4,999)	(143,436)
- of which decreases from revaluation	(97,494)	(39,073)	(87)	(395)	(137,049)
Cancellation of accumulated depreciation	(65,034)	(273,458)	(1,051)	-	(339,543)
Advances	-	976	-	-	976
Balance at 31 December, 2016	400,832	529,025	2,885	83,045	1,015,787
Depreciation and provision					
Balance at 1 January, 2015	140,950	261,929	3,235	4,497	410,611
Depreciation in 2015	13,952	91,602	(2,519)	-	103,035
Losses (Reversal) from the value reduction	225	(29,245)	(4)	10,827	(18,197)
Balance at 31 December, 2015	155,127	324,287	712	15,324	495,450
Balance at 1 January, 2016	155,127	324,287	712	15,324	495,450
Depreciation in 2016	16,785	78,341	353	-	95,479
Cancellation of accumulated depreciation	(65,034)	(273,458)	(1,051)	-	(339,543)
Depreciation related to disposals	(262)	(166)	-	-	(428)
Losses (Reversal) from the value reduction	(74,229)	(61,689)	(46)	28,361	(107,511)
Balance at 31 December, 2016	32,387	67,315	60	43,685	143,447

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15. A) TANGIBLE FIXED ASSETS (continuation)

Net value	Land and buildings	Plants and machinery	Other plants, equipment and furniture	Tangible fixed assets in progress	Total
1 January, 2015	325,874	417,480	3,390	35,568	782,312
31 December, 2015	311,697	364,954	2,696	29,426	708,773
1 January, 2016	311,697	364,954	2,696	29,426	708,773
31 December, 2016	368,445	461,710	2,825	39,360	872,340

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15. A) TANGIBLE FIXED ASSETS (continuation)

Tangible fixed assets are presented in the statement of financial position at cost or revalued amount, less amortizations and adjustments for impairment or value losses in accordance with IAS 16 "tangible fixed assets" and IAS 36 "Impairment of Assets"

Revaluation

The Group chose to present the tangible fixed assets at revalued values. Any increase resulted from the revaluation of tangible fixed assets it is directly registered in the credit of equity, in revaluation reserve, unless there was a decrease previously recognized as an expense for the same asset, in which case the increase is recognized as income to offset the expense recognized prior to that asset. A decrease in the carrying amount arising on revaluation is treated as an expense to the extent that in the revaluation reserve is not recorded an amount related to that asset. Amortization related to the revalued tangible fixed assets is recorded in the profit/loss account. The subsequent sale or retirement of a revalued property, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings representing surplus from revaluation reserves. Transfer of revaluation reserve is possible only in case of the asset derecognition.

When an item of fixed tangible asset is revalued, any accumulated depreciation at the date of revaluation is eliminated from the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. At 31 December, 2016, the value of the cancelled accumulated depreciation was 339,543 thousand lei.

In 2016 the company decided to conduct revaluation of fixed tangible assets, the revaluation was performed by an independent appraiser, the company Romcontrol SA - authorized by National Association of Certified Appraisers in Romania.

Appraisal methods

Estimation of the market value of tangible fixed assets was performed by applying standard evaluation methods, namely:

✓ *Market approach method.* Estimation of the market value by comparison method is based on the fact that the market players recognize a direct relationship between the asset being valued and the value of other similar and competitive assets recently traded or offered.

✓ *Cost approach method.* The cost approach estimates the value by calculating current replacement cost of the asset, of which are deducted the impairment items that drive to loss of value of the asset after physical depreciation, functional or external

✓ *Market comparison method* which is based on the principle of substitution which states that a prudent buyer will not pay for an asset, a price higher than that of other similar or equivalent asset under the same conditions. By this method, assets assessed value is calculated based on prices obtained for similar assets in actual transactions that took place within a reasonable time, or based on recent trading offers or assets at the date of appraisal

✓ *The method of net replacement cost/ net cost of reconstruction.* Net replacement cost is „current cost necessary to replace an asset with the modern equivalent asset minus physical depreciation and all relevant forms of depreciation and optimization. The reconstruction net cost is the estimated cost to rebuild, at the current prices at the date of appraisal, an identical replication of the appraised asset, by using the same materials and techniques, the same standards and norms for construction and incorporating all functional deficiencies of oversizing etc., of the asset subject minus physical depreciation and all relevant forms of depreciation and optimization.

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15. A) TANGIBLE FIXED ASSETS (continuation)

Following the revaluation of fixed assets, resulted:

- Increased value of fixed assets by 223,358 thousand lei, of which 190,720 thousand lei were registered in the revaluation reserve, the remaining of 32,638 thousand lei being registered in the income account.
- Diminished value by 131,367 thousand lei, of which 36,280 thousand lei diminished the revaluation reserve, the remaining of 95,087 thousand lei being registered in the expenditures account.

For investment in progress were registered::

- Increased values by 6,177 thousand lei, of which 180 thousand lei were registered in the revaluation reserve, the remaining of 5,997 thousand lei being registered in the income account.
- Diminished value by 395 thousand lei, the entire amount affecting the expenditures account.

For land were registered:

- Increased values by 21,571 thousand lei, of which 11,010 thousand lei were registered in the revaluation reserve, the remaining of 10,561 thousand lei being registered in the income account.
- Diminished value by 5,287 thousand lei, of which 918 thousand lei the revaluation reserve, the remaining of 4,369 thousand lei being registered in the expenditures account.

The account of revaluation reserve (1052) related to tangible fixed assets, looks as follows:

- balance at the beginning of the period	210,133
- increases registered during the year	201,911
- decreases registered during the year	(37,203)
- balance at the end of the year	374,840

On 31.12.2016, the Group owns tangible fixed assets in the gross amount of 1,015,787 thousand lei and in net amount of 872,340 thousand lei, with an increase in the net amount of 163,567 thousand lei compared to 31.12.2015.

In 2016 were commissioned tangible assets in amount of 4,603 thousand lei.

Commissioning in 2016 consisted of the following:e:

- Rehabilitation of electrolyzers at Membrane Electrolysis	3,586
- Commissioning of independent equipment	1,017

Impairments

In 2016 the Group recorded a depreciation cost of tangible assets amounting to 95,478 thousand lei.

At the non-operational assets because of lack of feedstocks to restart (Petrochemical Division Bradu, monomer, PVC, phthalic anhydride, DOP plants, Mercury electrolysis) was set up a provision between the fair value and the winding value according to the revaluation report delivered by the independent appraiser.

Investment in progress in 2016 amounted to 11,124 thousand lei, by main investment objectives the situation being as follows:

- Rehabilitation of electrolyzers at Membrane Electrolysis	9,038
- Treatment of waste waters at Propylene oxide plant	739
- Acquisitions of independent fixed assets	1,017
- Other investment objectives	330

In addition, following the provisions of IFRS, a provision was recognized in amount of 25,993 mii LEI for the environmental investments under the Integrated Environmental Authorization, with finalization date in 2021 and 2022, detailed in Note 35.

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15. B) REAL ESTATE INVESTMENT

Gross values	<u>Real estate investment</u>
Balance at 1 January, 2015	7,079
Balance at 31 December, 2015	7,079
Balance at 1 January, 2016	7,079
Increases/Decreases	903
- Of which increases for revaluation	904
Disposals	(660)
- Of which diminishes from revaluation	(23)
Cancellation of accumulated depreciation	(355)
Balance at 31 December, 2016	6,967
Depreciation and provision	<u>Real estate investment</u>
Balance at 1 January, 2015	129
Depreciation in 2015	128
Balance at 31 December, 2015	257
Balance at 1 January, 2016	257
Depreciation in 2016	98
Cancellation of accumulated depreciation	(355)
Losses (Reversal) from the value reduction	2
Balance at 31 December, 2016	2
Net values	<u>Real estate investment</u>
Balance at 1 January, 2015	6,950
Balance at 31 December, 2015	6,822
Balance at 1 January, 2016	6,822
Balance at 31 December, 2016	6,965

According to the contract concluded by the Group, it has leased all assets related to Construction Materials Division (Ramplast) so, in accordance with IAS 40 " Real Estate Investment " rented buildings were reclassified as *real estate investment*. The method chosen by the Group for evaluation after recognition of real estate investment was the fair value model.

The last revaluation of the group's assets was performed at 31 December, 2016 by a specialized company, ROMCONTROL S.A .

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15. B) REAL ESTATE INVESTMENT (continuation)

Description	31 December 2016	31 December 2015
Total value of real estate investment	6,967	7,079
Depreciation and loss in value of real estate investments	2	257
Net accounting value	6,965	6,822
Income from real estate investment	8,673	8,593

At 31 December, 2016 was performed revaluation of real estate investments, resulting in the following aspects:

- Increased value by 904 thousand lei, of which 900 thousand lei were registered in revaluation reserve, the remaining of 4 thousand lei were registered in the income account.
- Diminished value by 23 thousand lei, of which 14 thousand lei diminished the revaluation reserve, the remaining 9 thousand lei were registered in the expenditures account.

The account of revaluation reserves (1052) related to real estate investment, looks as follows:

- balance at the beginning of the period	-
- increases registered at the end of the year	900
- decreases registered at the end of the year	(14)
- balance at the end of the year	886

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16. INTANGIBLE FIXED ASSETS

	Development expenses	Patents and license s	Other fixed asset s	Total
Cost				
Balance at 1 January 2015	-	3,641	2	3,643
Increases	-	14	-	14
Disposals	-	(12)	-	(12)
Balance at 31 December 2015	-	3,643	2	3,645
Balance at 1 January 2016	-	3,643	2	3,645
Increases	8	455	18	481
- <i>Of which increases from revaluation</i>	8	455	18	481
Disposals	-	(147)	-	(147)
- <i>Of which decreases from revaluation</i>	-	(134)	-	(134)
Cancellation of accumulated depreciation	-	(2,403)		(2,403)
Balance at 31 December 2016	8	1,548	20	1,576
Impairment and loss in value				
Balance at 1 January 2015	-	823	-	823
Depreciation in the period	-	827	-	827
Reductions	-	(12)	-	(12)
Balance at 31 December 2015	-	1,638	-	1,638
Balance at 1 January 2016	-	1,638	-	1,638
Depreciation in the period	-	778	-	778
Cancellation of accumulated depreciation	-	(2,403)	-	(2,403)
Depreciation related to disposals	-	(13)	-	(13)
Losses (Reversal) from the value reduction	-	102	-	102
Balance at 31 December 2016	-	102	-	102
Net value				
1 January 2015	-	2,818	2	2,820
31 December 2015	-	2,005	2	2,007
1 January 2016	-	2,005	2	2,007
31 December 2016	-	1,446	20	1,474

At 31 December, 2016 was performed revaluation of intangible fixed assets, resulting in the following aspects:

Development expenses resulted in an increased value by 8 thousand lei, the entire amount is recorded in the income account.

Patents and licenses, there were increases in value, in e amount of 455 thousand lei, the entire amount being recorded in the revaluation reserve, and decreases in value amounting to 134 thousand lei which reduced the revaluation surplus.

At other intangible fixed assets resulted increased values by 18 thousand lei, which were recorded in the revaluation reserve.

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16. INTANGIBLE FIXED ASSETS (continuation)

The account of revaluation reserves (1051) related to intangible fixed assets looks as follows:

- initial balance	3,629 thousand lei;
- decreases	-133 thousand lei;
- increases	473 thousand lei;
- balance at the end of the year	3,969 thousand lei.

17. ACCOUNTING OF INVESTMENT IN JOINT COMPANIES

Financial investments include the stakes owned by the Group in other trade companies, namely investments in joint entities (20% < ownership < 50% of the share capital).

Share participation is as follows:

Explanations	Date of establishment	Share owned by OLTCHIM in share capital	Net participation value at 31.12.2015 -LEI -	Net participation value at 31.12.2016 -LEI -
TOTAL, of which:	-	-	-	-
- Participation in the share capital of OLTQUINO	19,12,1994	46.64%	-	-
- Participation in the share capital of EURO URETHANE	07,07,2004	41.28%	-	-
- Participation in the share capital of PROTECTCHIM*)	27,02,2003	30.00%	-	-

*) company in insolvency since 08.03.2017, under Decision nr.353 / 03.08.2017 delivered in file nr.2263 / 90/2016, opened on 08.01.2016 the Court of Valcea. During 2014-2015 investment in Protectchim became uncertain, being reduced to 7.5% by the capital increase carried out by this company, without granting the right of preference to Oltchim SA.

In the month of December 2016 Oltchim's stake in Protectchim returned to 30% pursuant to the provisions of Resolution nr.11.096 / 20.12.2016 issued by the Trade Registry near the Court of Valcea.

Group loss in associates for the year 2016 was 0 thousand lei because the proportion held by the group in the loss registered registered by the entity exceeds the investment, the net value of the investment is reduced to zero and recognition of further losses is discontinued

	<u>2016</u>	<u>2015</u>
1 January	-	22
Share of profit/(loss)	-	(22)
31 December	-	-

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17. ACCOUNTING OF INVESTMENT IN JOINT COMPANIES (continuation)

Related financial information of joint companies, adjusted for the Group's percentage of ownership are presented below:

	<u>Share of ownership</u>	<u>Current assets</u>	<u>Fixed assets</u>	<u>Total assets</u>	<u>Current liabilities</u>	<u>Long term liabilities</u>	<u>Total liabilities</u>	<u>revenues</u>	<u>expenses</u>	<u>Profit/(loss)</u>
2016										
Oltquino	46.64%	32	324	356	48	-	48	33	35	(2)
Eurourethane	41.28%	1,202	4,222	5,424	15	-	15	140	353	(213)
Protectchim	30.00%	21,762	3,409	25,171	24,272	-	24,272	8,493	15,408	(6,915)
Total		22,996	7,955	30,951	24,335	-	24,335	8,666	15,796	(7,130)
2015										
Oltquino	46.64%	57	324	281	71	-	71	428	4,339	(3,911)
Eurourethane	41.28%	3,194	2,446	5,640	19	-	19	3,050	56,233	(53,183)
Total		3,251	2,770	5,921	90	-	90	3,478	60,572	(57,094)

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18. INVENTORIES

In the Statement of Financial Position at 31 December 2016, the inventories are presented at the net achievable value, by diminishing with the adjustment for impairment, and obtaining the following values:

	Year ended 31 December 2016	Year ended 31 December 2015
Finished products	21,861	17,239
Feedstock	9,834	8,771
Materials	9,300	7,030
Packaging	258	388
Products in progress	228	394
Semi-finished products	3,305	2,811
Commodities	69	70
Inventory	216	3,054
Advances for purchases of stocks	7,469	8,059
Total	52,540	47,816

Adjustments for impairment registered for each category of stocks are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Adjustments for impairment of finished products	157	738
Adjustments for impairment of feedstocks	4,351	6,168
Adjustments for impairment of materials	43,374	43,528
Adjustments for impairment of semi-finished products	2,851	2,866
Adjustments for impairment of packaging	37	944
Adjustments for impairment of inventory	316	304
Total	51,086	54,548

Movements in adjustments for impairment recorded for the inventories are presented below:

	Year ended 31 December 2016	Year ended 31 December 2015
Initial balance	54,548	55,965
Adjustments during the period	1,365	2,697
Adjustments reversed on incomes	(4,827)	(4,114)
Final balance	51,086	54,548

19. TRADE RECEIVABLES

	Year ended 31 December 2016	Year ended 31 December 2015
Domestic customers	55,742	50,490
Foreign customers	43,568	39,772
Adjustments for impairment of domestic customers receivables	(33,937)	(34,808)
Adjustments for impairment of foreign customers receivables	(25,863)	(25,758)
Total	39,510	29,696

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19. TRADE RECEIVABLES (continuation)

Adjustments regarding the account receivables are shown below, as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Initial balance	60,566	64,852
Adjustment entered during the year	1,232	1,449
Reversals of adjustments to income	(1,998)	(5,735)
Final Balance	59,800	60,566

For domestic customers average collection term of the receivables was 33 days in 2016 (39 days in 2015).
For foreign customers average collection term of the receivables was 10 days in 2016 (10 days in 2015).

20. TAXES TO BE RECOVERED

	Year ended 31 December 2016	Year ended 31 December 2015
VAT to be recovered	5,599	10,266
VAT not due	675	2,787
Other fees and taxes to be recovered	102	214
Total	6,376	13,267

As a result of the significant sales achieved to member states of the European Union and outside it, the Group registered VAT to be recovered as most of the purchases are from the domestic market and VAT deductible. VAT to be recovered is offset with Group liabilities to the State budget after the completion of the control conducted by tax authorities.

21. OTHER ASSETS

	Year ended 31 December 2016	Year ended 31 December 2015
Advance payments	191	268
Advance paid for services	613	3,317
Other claims	271	825
Total	1,035	4,410

22. CASH AND CASH EQUIVALENT

	Year ended 31 December 2016	Year ended 31 December 2015
Bank accounts in local currency	15,949	6,353
Bank accounts in foreign currency	11,418	6,913
Deposits (handlers collaterals)	216	198
Cash deposit	31	49
Cash equivalents	5	11
Total	27,619	13,524

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23. SHARE CAPITAL

Share capital comprises:

	<u>Number of shares</u>	<u>Share Capital</u>
Statutory capital	34,321	34,321
Adjustments for inflation up to December 31, 2003		<u>983,979</u>
At December 31, 2016 - adjusted		<u>1,018,300</u>

The share capital at December 31, 2016 comprises the government contribution in net assets to the establishment of the Company on August 1, 1990, the share capital of the four units taken over by the Company on August 1, 1996, the value of the land transferred by the Government to the Company in 1998, 1999 and 2000, and capital increases representing contribution in kind of the State (land) through AAAS (respectively Ministry of Economy) and also cash contributions of the shareholders.

Oltchim S.A. is listed on the Bucharest Stock Exchange.

All shares are ordinary shares, fully subscribed and paid. All shares carry equal voting rights and nominal value is 0.10 Lei per share.

In 2016 there were no changes in share capital or in terms of its structure.

24. RESERVES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Legal reserves	6,851	6,851
Other reserves	9,221	9,221
Revaluation reserves	<u>379,696</u>	<u>213,762</u>
Total	<u>395,768</u>	<u>229,834</u>

25. RETAINED EARNINGS

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Balance at the beginning of the year	<u>(1,786,931)</u>	<u>(4,083,908)</u>
Net profit / loss	26,063	2,293,030
Adjustments for employees benefits	(833)	1,092
Deferred tax	(26,549)	-
Other elements of the result	<u>184</u>	<u>2,855</u>
Balance at the end of the year	<u>(1,788,066)</u>	<u>(1,786,931)</u>

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26. LOANS

On confirmation of the Reorganization plan by the syndic judge (on April 2015) the loan agreements were considered terminated. The amounts from the accounting records are those established through the schedule of payments in Reorganization Plan, thus:

Bank	Currency	Loan Value	Balance in loan's currency	Currency rate on the date of entry into insolvency	Balance in lei	Transfer in other operating incomes, according to the Payments programme	Balance at December 31, 2016
Long term banking loans							
BCR (Erste)	euro	73,095,000.00	78,735,560	4.3853	345,279,435	162,365,289	182,914,146
Banca Transilvania	euro	8,500,000.00	2,368,853	4.3853	159,957,116	32,223,538	127,733,578
	dolar	12,250,000.00	12,250,000	3.2668			
	lei	100,000,000.00	100,000,000	-			
Bancpost	euro	2,500,000.00	568,793	4.3853	2,494,327	502,485	1,991,842
CEC Bank	euro	5,000,000.00	5,000,000	4.3853	56,321,014	11,345,930	44,975,083
	lei	2,260,000.00	2,260,000	-			
	lei	34,789,650.00	32,134,514	-			
			1,866,269	-	1,866,269	-	1,866,269
Garantibank	euro	700,000.00	315,298	4.3853	1,382,676	278,542	1,104,134
ING Bank	lei	13,395,000.00	13,614,731	-	13,614,731	13,468,471	146,260
Unicredit	euro	3,900,000.00	3,898,390	4.3853	17,095,609	3,443,929	13,651,680
Rabobank	euro	10,251,076.80	668,292	4.3828	2,928,989	2,928,989	-
Total Long term banking loans					600,940.166	226,557,174	374,382,992
Other loans and assimilated debts							
AAAS	lei				1,201,301,222	959,994,491	241,306,731
TOTAL					1,802,241,388	1,186,551,664	615,689,723

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27. INCOME IN ADVANCE

	2016	2015
At January 1	5,107	5,961
Registered during the year	-	-
Resume on profit and loss accounts	(837)	(854)
At December 31	4,270	5,107

Revenues in 2016 represents the quota of subsidies received in previous years, the most significant being the one in 2007 when there were received 8,908,844 Lei from the Environment Fund Administration for the "Incineration Residues" Plant.

The Group recorded this grant in revenues for a period of 10 years, in order to be consistent with the period of depreciation for the acquired fixed assets.

28. DEFERRED TAX LIABILITIES

Deferred tax is recognized on temporary differences between the accounting value of assets and liabilities in the financial statements and the corresponding tax bases used in calculating taxable profit. In accordance with current fiscal provisions, the balance of revaluation reserves as at December 31, 2016 are taxed simultaneously with the deduction of fiscal depreciation and at the time of declining from management accounting the revalued assets.

On December 31, 2016 net debt on deferred taxes relating to temporary differences is as follows:

Deferred tax at December 31, 2015	34,202
Deferred tax – 2016	26,549
Total deferred tax at December 31, 2016	60,751

29. PROVISION AND OTHER LONG-TERM LIABILITIES

	Year ended on December 31, 2016	Year ended on December 31, 2015
Provisions for employee benefits	10,350	9,180
Provisions for environment investments	25,993	-
Wages accumulated before the insolvency	4,825	4,825
Advance payments from customers accumulated before the insolvency	16,491	16,492
Total	57,659	30,497

According to the Collective Labour Agreement, the Group rewards its employees who retire at age or on request with compensation equal to three base salaries plus the seniority bonus at retirement date.

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29. PROVISION AND OTHER LONG-TERM LIABILITIES (continuation)

At December 31, 2016 the Group recorded a provision for benefits granted to employees under the Collective Labour Agreement, based on the actuarial calculation performed by an independent external actuary according to the provisions of IAS 19.

Costs of benefits provided are as follows:

- cost of service (including past service cost and current service cost);
- interest cost;
- actuarial gains and losses.

Changes in net debt related to defined benefit in the year ended on December 31, 2016 are presented in the table below:

	Cost included in the profit/loss account		Payments from provisions	Actuarial (gains) / losses included in other contributions to total revenues	
	January 1, 2016	Cost of service	Interest cost	Actuarial changes	December 31, 2016
Net debt related to defined benefit	9,180	300	369	(331)	10,350

According to IFRS, a provision was created in the amount of 25.993 thousand LEI for environmental investments mentioned in the Integrated Environmental Authorization, to be finished in the years 2021 and 2022 presented in detail in Note 35.

30. COMMERCIAL LIABILITIES

	Year ended on December 31, 2016	Year ended on December 31, 2015
Commercial liabilities registered in Table of debts	367,098	368,741
Commercial liabilities registered in insolvency	106,548	100,241
Estimates for accrued expenses (invoices not received)	9,410	15,136
Advances received in insolvency	3,238	3,864
Total	486,294	487,982

31. TAXES AND FEES LIABILITIES

	Year ended on December 31, 2016	Year ended on December 31, 2015
Debts to State and Local Budgets registered in Table of debts	9,042	9,042
Profit tax	32,431	20,470
Social contributions	33,357	47,029
Income tax	1,040	1,945
Other fiscal debts	17,079	15,827
Total	92,949	94,313

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31. TAXES AND FEES LIABILITIES (continuation)

OLTCHIM pays taxes and fees related to salaries by offsetting negative VAT (VAT recovered by the Company registered at 31.12.2016: 5.599 th. lei). For companies in insolvency the compensation is performed only after completing the control of the National Agency for Fiscal Administration (ANAF).

32. OTHER LIABILITIES

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Debts on wages	3,300	13,086
Compensatory salaries of the dismissed personnel	18,786	36,020
Payable interest	22,674	23,129
Settlements from investment operations	1,468	7,589
Other creditors	17,980	17,481
Total	<u>64,208</u>	<u>97,305</u>

At December 31, 2016 the Group registered total debts in the amount of 1,381 million lei, of which:

- 1,050 million lei debt registered according to the reorganization plan;
- 217 million lei net debt accrued in insolvency, of which 134 mil. lei are overdue;
- 35 million lei mutual debts and claims and liabilities to the state budget that will be compensated with VAT to be recovered;
- 26 million lei provision for environmental investments mentioned in the Integrated Environmental Authorization, to be finished in the years 2021 and 2022;
- 54 million lei other liabilities, mainly deferred profit tax, debt which is not exigible.

33. TRANSACTIONS WITH RELATED PARTIES

The nature of transactions with related parties, with which the Group has significant transactions or balances, is detailed below. The Group participated in transactions with related parties in the normal course of business in conditions of normal contract terms.

(i) Transactions with related parties

Sales

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Oltquino	-	5
Protectchim	369	571
Total	<u>369</u>	<u>576</u>

Purchases of goods and services

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Oltquino	-	15
Protectchim	4	90
Total	<u>4</u>	<u>105</u>

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33. TRANSACTIONS WITH RELATED PARTIES (continuation)

(ii) Balances with related parties

Customer receivables

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Oltquino	-	-
Protectchim	197	119
Total	197	119

(ii) Balances with related parties (continuation)

Suppliers and other liabilities

	<u>Year ended on December 31, 2016</u>	<u>Year ended on December 31, 2015</u>
Oltquino	-	-
Protectchim	-	6
Total	-	6

34. SIGNIFICANT NON-CASH TRANSACTIONS

A part of current receivables and liabilities were settled by non-monetary transactions. The transactions mainly consist of sales products in exchange for raw materials and services or compensating balances arising from mutual agreements concluded with customers and suppliers within the same operational cycle. These non-monetary transactions were excluded from the statement of cash flows.

35. COMMITMENTS AND CONTINGENCIES

(i) Contractual commitments

Acquisition contracts

On December 31, 2016, the Group had acquisition contracts of raw materials, auxiliary materials and services in the amount of 85,668,710 euro and 24,836,680 lei.

Sales contracts

On December 31, 2016, the Group had concluded products sales contracts for 2017 in amount of 132,979,060 euro, 2,354,900 usd and 4,424,250 lei.

(ii) Contingencies

At the date of the financial statements, the Group, by its Legal Service, sued bad debt customers for deliveries performed before the entry into insolvency proceedings, for failure to comply with contractual terms in amount of 31,415,579.74 lei representing the products delivered and unpaid and 8,344,153.21 lei delay penalties. Also, from disputes with foreign clients the company had to recover a total amount of 1,118,942.98 usd and 1,786,315.69 euro representing the value of products sold.

For the bad debt clients, the Group recorded adjustments to the balance sheet date in accordance with the policy adopted by the Group (see Note 19).

At the time of the financial statements, the Group is involved in many litigation with former employees as a defendant, litigation pending in courts, for which cannot be estimated potential payment obligations of the Group that could result from unfavorable decisions of the courts.

The Group had lawsuits with employees. The cases were suspended: in these cases, suspension started when Oltchim entered in the insolvency proceedings.

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35. COMMITMENTS AND CONTINGENCIES (continuation)

(ii) Contingencies (continuation)

When the case is suspended, the limitation period is suspended and thus causes can be judged after the expiration of the period of limitation of three years, but depending on the legal status of the Group after completion of the insolvency proceedings.

In the Table of debts were accepted amounts requested in court by employees of the Petrochemical Division Bradu so that these lawsuits, of high values, remained without object.

Environment

Environmental regulations are in development in Romania, and the Group has not recorded any obligations at December 31, 2016 and 2015 for no anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans on the elements of the environment. The company registers and pays the environmental fund to the budget according to current regulations.

In accordance with the Law no.3/2001 for ratifying the Kyoto Protocol at the United Nations Convention on Climate Change, Romania is included in Annex I as industrialized country with an economy in transition and is committed to reducing greenhouse gas emissions in 2008 - 2012 by 8% compared to 1989. Pursuant to Directive 2003/87/EC of the European Parliament and the Council in order to improve and extend the EU system of trading the Certificates for greenhouse gas emissions, the European Union countries have pledged to reduce by 2020 emissions of greenhouse gasses by at least 20% compared to the 1990's levels.

In Romania this legislation is reflected by G.D 780/14.06.2006 regarding the establishment of trading scheme of certificates for greenhouse gas emissions in an economically efficient way.

Environmental Obligations

SC OLTCHIM SA has the integrated environmental authorization no.6/ 25.05.2015 valid until 24.05.2025.

Environment investments that the Group must achieve are the following:

Crt. no.	Name of investment objective	Detailing the need for these investments	Estimated expenses-euro				TOTAL expenses in 2016
			For taxes, permits, authorizations	planning	execution	TOTAL	
0	1	2	3	4	5	6 = 3+4+5	7
I	MEASURES FOR ENVIRONMENTAL AUTHORIZATION						
1	Closing the storage pit for hazardous waste - deadline 01.09.2022	It aims at greening the area and comply with GD 349/2005 amended by GD 210/2007 regarding waste disposal; by closure of some installations and modernization of others, no waste will result from the processes in this category. Making this investment involves closing the storage pit for hazardous waste.	58,000	60,000	5,882,000	6,000,000	0
2	Closing the current non-hazardous waste landfill - deadline 01.09.2021	It aims at greening the area and in compliance with GD 349/2005 amended by GD 210/2007 regarding waste disposal. This measure is accomplished by greening the perimeter of the old warehouse of non-hazardous waste closed the end of 2009 due to loading to capacity. In the same period it was commissioned the new non-hazardous waste landfill.	15,000	50,000	735,000	800,000	10,600
	TOTAL					6,800,000	10,600

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35. COMMITMENTS AND CONTINGENCIES (continuation)

(ii) Contingencies (continuation)

The estimation of the amount of 6,000,000 euros for closing the storage pit of hazardous waste was made based on a feasibility study from 2006 but with the updating of the amounts in accordance with internal estimated expenses by similarity with other projects.

The estimation of the amount of 800,000 euros for closing current non hazardous waste landfill was made based on a feasibility study from 2016.

The Group owns the Water Management Permit no. 276 / December 7, 2016 valid until December 31, 2019.

(iii) Taxes

On December 31, 2016, the Group has reserves recorded from fiscal facilities amounting 6,843 th. lei which, according to the tax legislation in force at that time, will become taxable on changing their destination. The impact will be 16% applied to the counter value of reserves used. The Company does not intend to use these reserves, so on the reporting date was not calculated or recorded deferred tax.

(iv) Onerous contracts

Onerous contracts are considered those contracts in which the costs of fulfilling the contractual obligations exceed the derived economic benefits. These incurred costs include at least the net cost for carry out of the contract, which is the minimum between the cost of fulfilling the contractual obligations and any compensation or penalties arising from their failure. On December 31, 2016, the Group is not a party of any onerous contract.

(v) Complaints about non-compliant products

On December 31, 2016 the Group has not recorded contingent liabilities related to complaints from customers associated with non-conforming products. The management believes as insignificant the risk of such possible claims. During 2016, the Group has not concluded insurance policies against such risks.

(vi) Insurance policies

On December 31, 2016, the Group has concluded compulsory insurance policies of civil liability for damage caused to third parties by accidents (RCA) and the policy ensuring export trade credits, the buildings and installations are not insured.

36. FINANCIAL RISKS

(i) Market risk

During 2016, along with the monthly increase of the utilization rate of production capacities and implicitly the increase of the turnover, the Group has resumed the business relation with an extensive portfolio of internal and external clients.

Whereas 73% of the Group turnover is realized on foreign markets, its activity is influenced by developments on foreign markets of chemical and petrochemical products.

(ii) Currency and inflation risk

Official exchange rates were as follows: for the year ended on December 31, 2016 – 4.5411 lei/euro and 4.3033 lei/usd, and for the year ended at December 31, 2015 – 4.5245 lei/euro and 4.1477 lei/usd.

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36. FINANCIAL RISKS (continuation)

(ii) Currency and inflation risk (continuation)

Monetary assets and liabilities denominated in thousand Lei and in foreign currency are analysed below:

	December 31 2016	December 31 2015
Assets (current assets, less inventories)		
Monetary assets in lei	45,269	41,140
Monetary assets in foreign currency	29,271	27,873
	74,540	69,013
Liabilities (total liabilities as per balance sheet)		
Monetary liabilities in lei	940,292	924,822
Monetary liabilities in foreign currency	441,575	440,288
	1,381,867	1,365,110
Net monetary position in lei	(895,023)	(883,682)
Net monetary position in foreign currency	(412,304)	(412,415)

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates on the market.

During 2016 the Group did not conclude loan agreements with financial institutions.

(iv) Credit risk

The credit risk represents the risk that one of the parties to a financial instrument fails to meet an obligation, which will cause the registration of a financial loss to the other party.

Financial assets which subject the Group to potentially concentrations of credit risk mainly include receivables from the main activity. These are shown at net value by the provision for doubtful debts. Credit risk related to receivables is limited, due to the large number of clients of the Group's customer portfolio and to the financial instruments used (promissory notes, checks, etc.).

Thus, the balance of receivables on December 31, 2016 was covered 62% by the insurance policy on domestic and export trade credit, 22% were claims for compensation which operates directly with suppliers of raw materials and utilities of the Group, 8% was covered by promissory notes, letters of credit or reverse factoring, and 1% were receivables with payment on delivery.

(v) Economic environment risk

The process of adjusting the values depending on risk that took place in international financial markets in 2008 and 2011 affected their performance, including financial and banking market in Romania, leading to heightened uncertainty about future economic developments.

The liquidity and credit crisis that began in mid-2008 led among other things to a lower level and difficult access to capital market funding, lower liquidity levels in the Romanian banking sector and higher interbank lending rates. Significant losses experienced on the international financial markets have affected the Group's ability to obtain new loans.

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36. FINANCIAL RISKS (continuation)

(v) Economic environment risk (continuation)

The creditors of the Group may also be affected by the lower liquidity situation which could affect the ability to honor their current liabilities. Deteriorating of operational conditions of creditors may affect also the managing of cash flow forecasts and assessment of the impairment of financial and non-financial assets.

To the extent that information is available, the management has reflected revised estimates of future cash flows in its impairment.

Current concerns that the deteriorating financial conditions could contribute in a later stage to a decrease of the confidence prompted additional efforts coordinated by governments and central banks for adopting special measures aiming to counter the growing aversion to the risk and restore normal functioning of the market.

The Group's management cannot predict events that could have an effect on the Romanian banking sector and consequently what effect it may have on these consolidated financial statements.

Management cannot reliably estimate the effects on the financial statements of the Group resulting from the deterioration of financial market liquidity, impairment of financial assets affected by illiquid market conditions and high volatility of currency and financial markets. The Group's management believes that they take all necessary measures to support the growth of the Group's business in the current market conditions by:

- preparing strategies for managing the liquidity crisis;
- constant monitoring of the liquidity;
- forecasting of the current liquidity;
- daily monitoring of cash flows and effects assessment on its creditors, of limited access to funding and the growth possibility of operations in Romania.

(vi) Liquidity risk

Liquidity risk, also called funding risk is the risk where a company has difficulties in accumulating funds to meet commitments associated with financial instruments. Liquidity risk may occur due to the inability to sell a financial asset quickly at an amount close to the fair one. Group's policy on liquidity is to maintain sufficient assets so that it can pay their obligations at maturity dates. Assets and liabilities are analysed based on the remaining period to the contractual maturity.

	Less than 1 year	2-5 years	Total
Non-interest bearing debts	243,634	1,138,187	1,381,821
- Commercial liabilities	119,196	367,098	486,294
- Other current liabilities	124,438	771,089	895,527
Interest bearing debts	8	38	48
- Financial Leasing	8	38	46
Cash and cash equivalents	27,619	-	27,619
Receivables and other assets	46,921	-	46,921

The Group daily monitors the cash flows and constantly updates the forecasts of receipts and payments to better manage the liquidity considering the financial difficulties is experiencing.

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36. FINANCIAL RISKS (continuation)

(vii) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in size. If a financial instrument with a variable rate, for example, such fluctuations will result in a change in the effective rate of the financial instrument interest, usually without changes in its fair value.

By nature of business the Group is not subject to a high risk of change in cash flows expected from both the fluctuation of financial instruments and the interest rate changes.

37. BUSINESS CONTINUITY

After entering the insolvency procedure, the Group entered into a comprehensive restructuring process which involved the following main areas:

1. increase in production activity;
2. regaining the foreign markets where OLTCHIM capitalize over 73% of turnover;
3. drastic reduction in costs to streamline the activity.

In 2016 the Group achieved the best economic & financial performance since the entry in insolvency and the best value of EBITDA from 2007 to date:

Crt. No.	Indicators	Current activity	Assets revaluation and adjustments for depreciation	TOTAL YEAR
1	Turnover	756,657	-	756,657
2	Total revenues	783,653	49,208	823,861
	- operating revenues	779,545	49,208	828,753
	- financial revenues	4,108	-	4,108
3	Total expenses	763,643	34,400	798,043
	-operating expenses	758,583	34,400	792,983
	-financial expenses	5,060	-	5,060
4	Gross result	20,010	14,808	34,818
	- operating result, from which :	20,962	14,808	35,770
	- depreciation expenses	(54,407)	65,460	11,053
	-financial result	(952)	-	(952)
5	EBITDA (operating result - depreciation)	75,369	(50,652)	24,717
6	Profit tax	8,754	-	8,754
7	Net Result	11,255	14,808	26,063

-th. lei-

Total net result of the Group obtained in 2016 is +26,063 th. LEI, consisting of:

- +20,010 thousand LEI gross profit from the current activity of the Group;
- +14,808 thousand LEI influence of assets revaluation and adjustments for depreciation;
- - 8,754 thousand LEI tax profit.

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37. BUSINESS CONTINUITY (continuation)

The results recorded in 2016 by the Group demonstrates that the measures envisaged by the Reorganization Plan approved by the creditors in order to increase the efficiency of business company, have been successfully implemented.

Regaining the sales markets, especially external markets, and revamping of the main plants, together with reducing redundant staff, all these contributed to these results.

The analysis of financial indicators of the Group from current activity (without the influence of recorded profit resulted from Reorganization Plan approval in 2015 and without the influence of the asset revaluation in 2016) after the entry into insolvency proceedings is as follow:

Crt. No.	Indicators	Achieved year 2016	Achieved year 2015	Achieved year 2014	Achieved year 2013
1	Turnover	756,657	742,392	627,531	497,955
2	Total revenues	783,653	745,804	654,079	546,183
	- operating revenues	779,545	741,482	651,297	497,821
	- financial revenues	4,108	4,322	2,782	48,362
3	Total expenses	763,643	795,434	841,773	841,258
	-operating expenses	758,583	787,876	829,020	784,718
	-financial expenses	5,060	7,558	12,753	56,540
4	Gross result	20,010	(49,630)	(187,694)	(295,075)
	- operating result, from which :	20,962	(46,394)	(177,722)	(286,897)
	- depreciation expenses	(54,407)	(85,793)	(139,998)	(108,306)
	-financial result	(952)	(3,236)	(9,972)	(8,178)
5	EBITDA (operating result - depreciation)	75,369	39,399	(37,724)	(178,591)
	Utilization rate of production capacity	30.88%	28.29%	24.26%	20.69%

Compared with the activity from previous years, in 2016 the Group achieved the following results:

- **gross profit from total activity is 20 million lei (~ 4.5 million euro)**, an increase with 69.6 million lei (~15.5 million euro) compared to 2015 and with 315.1 million lei (~ 70.2 million euro) compared to 2013;
- an improvement of **EBITDA** financial indicator with 36 million lei (~ 8 million euro) compared to 2015 and with 254 million lei (~ 56.6 million euro) compared to 2013;
- **turnover increased by** 14.3 million lei (~ 3.2 million euro) compared to 2015 and by 258.7 million lei (~ 57.6 million euro) compared to 2013.

Gross result of 20 million lei (4.5 million euro) achieved in 2016 consist of:

- ✓ +35.8 million lei (+8 million euro) total profit obtained from current activity of operating plants;
- ✓ -15.8 million lei (-3.5 million euro) mothballing expenses for non-operating plants from Bradu and Vâlcea sites, from which:
 1. Mothballing expenses for Bradu Petrochemical Division -11.6 million lei
 2. Mothballing expenses for Rm.Valcea site -4.2 million lei

Value of export and intracommunity sales achieved by the company in 2016 is 123 million euro. Imports and intracommunity procurement, in amount of 27 million euro, resulted in a positive external balance of the Group of 96 million euro.

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37. BUSINESS CONTINUITY (continuation)

In 2016 SC OLTCHIM SA carried out major investment and repairs in order to provide safe and efficient operation of the production plants. Their value amounted to 14.2 million lei, achieved only by own sources:

- 9 million lei for rehabilitation of two electrolyzers and DCS upgrading at Membrane Electrolysis;
- 2 million lei balance payment for the acquisition of the hydrogen catalyst for oxo-alcohols plant;
- 1.1 million lei for overhauls at the tank cars in which the main raw materials are supplied and finished products are delivered;
- 1.1 million lei investment in other facilities at polyether polyols plants to fulfill the measures in environmental and water management permits;
- 1 million lei independent equipment.

The company results obtained in 2016 led to maintaining stability in the relationship with employees. Thus, in 2016 they were paid with monthly remuneration rights (first and second fortnightly payment, meal tickets) and, in addition, wage arrears – representing the wages for two full months - were paid in full. Thus was removed the wages payment gap that came before Oltchim entered in insolvency procedure.

On 31 December, 2016 the current liabilities were greater than current assets, caused by debts accrued in the first part of insolvency until confirmation of the reorganization plan. In 2016 the gap was reduced by 56.3 million lei.

Oltchim pays in full and at maturity the monthly current liabilities as well as part of the debts accrued during the first part of insolvency (severance payments, debts to the main suppliers: CET Govora and Olt Water Basin Administration).

The reorganization plan mentions that the "accounts payables resulting from Oltchim's going concern will be paid during the judicial reorganization according to the related documents, or in the event that Oltchim will not generate enough cash from current operational activities, their payment will be made in maximum 5 working days from the date of cashing by the debtor company of the price representing the value of the shares held by Oltchim SPV. Accounts payables include also the amounts due by Oltchim as severance payments for the personnel dismissed previous to the opening of insolvency proceedings".

Therefore, during the implementation of the reorganization plan (4 years starting with May 2015) the fact that current liabilities are higher than current assets is not representing a risk.

For 2017 the Group is considering a quantitative increase in production by the operation of the following plants:

- ✓ Operation of the membrane electrolysis to its maximum technological capacity, by rehabilitating the remaining electrolyser;
- ✓ Operation of oxo-alcohols plant with an increase in production with 14% compared to quantity produced in 2016;
- ✓ Operation of the propylene oxide plant depending on the volume of chlorine produced captively and acquisition of about 12,500 tons of chlorine;
- ✓ Operation of polyether polyols plants based on propylene oxide production.

The Group has already signed contracts for entire 2017 for its main products (polyether polyols, chlor-alkali and oxo-alcohols) covering more than 75% of its estimated production, and regarding the main raw materials required in 2017 (propylene, ethylene oxide, Irgastab, amines, chlorine), the Group has concluded contracts for the entire annual requirement.

Under these circumstances, the Group forecasts for 2017 for a turnover of 177 million euro and in terms of increases in raw materials prices (propylene, ethylene oxide) as a result of oil prices rising on international markets, a financial indicator EBITDA of 9.7 million euro, with 2.1 million euro more than the estimation of 7.6 million euro provided by the reorganization plan.

The financial statements were prepared based on the principle of ongoing concern business.

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38. THE REORGANIZATION PLAN

The reorganization plan started from the premise that the Group will operate according to its object of activity, in two scenarios:

- Scenario A – considers the restart and operation of Oxo-alcohols plant;
- Scenario B - considers the restart and operation of PA-DOP plant as a major objective in addition to Scenario A, by identifying sources of external funding.

Regarding the functioning of technological installations, in the first 20 months (May 2015 - December 2016) after confirmation of the reorganization plan, they worked under Scenario A, respectively membrane electrolysis, propylene oxide - polyols and oxo – alcohols plants.

The measures referred to in the reorganization plan were successfully implemented:

- Retechnologization of electrolyzers from the membrane electrolysis plant;
- Repair of lime kiln;
- Regaining the commodity markets, mainly foreign;
- Reducing the personnel in excess.

This is confirmed also by the results registered by the Group after the confirmation of the reorganization plan (in April 2015). Thus, between May 2015 – December 2016 (first 20 months from the approval of the reorganization plan) the Group recorded better results compared with the provisions in the plan. In terms of EBITDA, the achievements of the first 20 months of judicial reorganization are with 11.5 million euro better compared to provisions in the plan. Also, net total debt accumulated in insolvency by Oltchim are smaller than the provisions in the plan by 7.3 million euro (47.6 million euro achieved versus 54.8 million euro estimated in the plan).

39. INVESTIGATION OF THE EUROPEAN COMMISSION - DG COMPETITION FOR A POTENTIAL STATE AID TO OLTCHIM SA

Oltchim SA is the subject of the file SA.36086 (2013/P) – Romania – Potential state aid to Oltchim.

Following the research conducted by the European Commission, Oltchim is susceptible to receiving state aid. Through Communication no. C284 from August 5, 2016 the Commission is initiating the procedure on three support measures taken by Romania in favour of Oltchim:

Measure no 1: the non-enforcement and further accumulation of Oltchim's debts towards AAAS since 2012. AAAS did not reinforce its claims towards Oltchim after the privatisation failed in September 2012. It did not ask for the immediate reimbursement of its claims by means of a liquidation of Oltchim but instead waited for the debt to equity conversion, even though Oltchim's privatisation processed failed again.

Measure no 2: the 2015 debt cancellation under the reorganisation plan by AAAS and various State-owned Enterprises ('SoEs'). In particular, AAAS agreed to cancel EUR 216 million of its claims in view of the future (uncertain) recovery of EUR 47 million. As regards SoEs, Electrica SA agreed to cancel EUR 112 million, CET Govora SA EUR 21,1 million, Salrom EUR 4,2 million and National Water Administration EUR 2,2 million.

Measure no 3: support to the operations of Oltchim in the form of continued supplies by public suppliers (CET Govora and Salrom). After the failed privatisation of September 2012, Oltchim's financial situation deteriorated, and its production was suspended. Oltchim reassumed its production on 24 October 2012 thanks to CET Govora and Salrom who, despite the deteriorating financial situation of Oltchim, continued supplies to Oltchim (i.e. by changing advance payments to end of term payments or accepting postponements of payments).

Investigation procedure is currently in progress.

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40. SUBSEQUENT EVENTS

The amendment of the Reorganization Plan

On March 6, 2017 Oltchim`s Creditors Meeting approved the amendment of the reorganization plan for Oltchim SA activity. This change to the reorganization plan is necessary given the constraints resulting from the initiating of the European Commission investigation as follows:

- The procedure for sale included in the initial reorganization plan contains elements compatible with existing economic continuity, which will determine the extent of state aid recovery from potential buyers;
- In the above scenario, the potential investors are most likely to back off, and in this case it would be impossible to implement the approved reorganization plan, with the obvious risk of opening bankruptcy proceedings against Oltchim SA.
- Therefore, to eliminate all risks mentioned above, both the sale procedure and its outcome must be done observing the "economic discontinuity" principle.

Changing reorganization plan refers to a new method of selling Oltchim patrimony in order to respect the principle of "economic discontinuity". Specifically, the establishment and the sale of Oltchim SPV is replaced with the sale of Oltchim on assets bundles.

The principles of the new way of selling the assets of Oltchim SA:

1. Oltchim SA assets will be offered for sale grouped into nine bundles.
2. The sale process will be conducted in a transparent and non-discriminatory way.
3. There is no obligation for transferring Oltchim`s contracts (including employment contracts) or employees to the buyer.
4. The duties of Oltchim SA remain its obligation.
5. The price for the assets must be paid no later than the closing date of the sale-purchase transaction, but not later than the expiry date of the reorganization plan, respectively April 2019.

The "key" assets - property of Oltchim SA will be offered for sale in nine bundles, as follow:

1. Chlor-alkali bundle, producing caustic soda liquid and solid;
2. Oxo-alcohols bundle, producing oxo-alcohols (octanol, iso-butanol, n-butanol);
3. Propylene oxide - polyols bundle, producing polyether polyols;
4. Site services bundle, providing services for 1, 2 and 3 bundles (utility networks, services of residues incineration, waste storage etc.), but also for third parties;
5. Railway wagons park that includes 1,010 wagons;
6. PVC Processing - Ramplast, producing PVC profiles for doors and windows;
7. VCM/PVC plants, in conservation;
8. Petrochemical Division Bradu Pitesti, in conservation;
9. Phthalic Anhydride, in conservation.

In accordance with the changes in the reorganization plan, until January 23, 2017 indicative offers have been received from prospective investors. Until March 31, 2017 the investors had to submit binding offers, but upon the request received from participants in the process, and because of the complexity of the process, on March 28, 2017 the deadline was postponed on June 26, 2017 for submission of binding offers for the sale of the assets bundles of Oltchim. In these conditions, the date of 01.05.2017 set for the selection of the buyer (s) in the Assembly of creditors was also postponed.

Opening the Insolvency procedure for PROTECTCHIM S.R.L.

On March 8, 2017 Valcea Court approved opening the insolvency proceedings against the Protectchim Rm Valcea, a company where Oltchim S.A. has 30% of the share capital.

Exchange rate

On February 28, 2017, the exchange rate was 4.5160 lei / euro and 4.2610 lei / dollar. This represents an appreciation of the national currency by 0.5% against the euro and by 1% against the dollar, compared with December 31, 2016 (1 euro = 4.5411 lei, 1 US dollars = 4.3033 lei).

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40. SUBSEQUENT EVENTS (continuation)

Collection and payment of claims and liabilities

Until February 28, 2017, the Company collected the amount of 2,701,289 euros, and 19,164,435 lei, according to trade receivables outstanding at December 31, 2016 and paid trade payables in the amount of 232,987 euros and 52,851,958 lei according to existing bills outstanding at December 31, 2016.

Exchange quotation

On December 31, 2016 the closing price of a share OLT was 0.3830 lei and market capitalization registered at this date is 131,449,960 lei.

Consolidated financial statements presented were approved by the management on March 28, 2017 and signed on its behalf by:

Stanescu Nicolae Bogdan Codrut
Special Administrator

Avram Victor
Deputy General Manager

Smeu Alin
Economic Manager

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Oltchim SA – in judiciary reorganization

Qualified opinion

1. We have audited the accompanying consolidated financial statements of SC Oltchim SA in judiciary reorganization ("the Company") and its subsidiaries ("the Group") which comprise consolidated statement of financial position as at December 31, 2016, consolidated statement of comprehensive result, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year ended on December 31, 2016, and a summary of significant accounting policies and other explanatory notes. Accompanying financial statements refers to:

Negative equity:	.....	373,998	th. Lei
Net sales	.....	754,864	th. Lei
Net profit for the financial year:	.....	26,063	th. Lei

2. In our opinion, except for the effects of adjustments that might have been necessary due to matters mentioned in paragraph 3, consolidated financial statements present fairly the financial position of the Company as at December 31, 2016, its financial performance, and its cash flows for the financial year ended on that date, in accordance with International Financial Reporting Standards.

Bases for Qualified Opinion

3. At December 31, 2016, the Group shows assets revaluation reserves amounting to 379,696 th. lei, of which 176,416 th. lei represent revaluation reserves recognized by the Company at December 31, 2013. As mentioned in the audit report for the fiscal year ended December 31, 2013, following the opening of insolvency proceedings, the Company proceeded to the revaluation of all assets owned by it, having as reference date for determining the fair value April 30, 2013. The results of revaluation according to the report mentioned above were recorded by the Company at December 31, 2013. We could not determine the impact of any adjustments on revaluation reserves and related deferred tax that might have been necessary if revaluation would have had as reference date December 31, 2013.

4. We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are described in detail in section auditor's responsibilities in an audit of financial statements in our report. We are independent of the Group, according to the Code of Ethics for Professional Accountants (the Code IESBA) issued by the Council for International Standards of Ethics for Accountants, as adopted and implemented in Romania by the Chamber of Auditors, in conjunction with the ethical requirements relevant to the audit financial statements from Romania and we met other ethical responsibilities according to these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matters

5. We draw attention to Note 40 "Events after the Reporting Period", which mentions that on March 6, 2017, Meeting of Creditors approved the amendment of the reorganization plan of the company activity, considering the investigation opened by the European Commission on a potential aid. Changing reorganization plan refers to a new method of sale of assets of the company in order to respect the principle of economic discontinuity, the new method of sale referring to the sale of bundles of essential assets owned by the Company. On issue date of this report, the Company is in the process of legal and financial analysis conducted by the potential investors in order to submit binding bids. Our opinion is not modified in this respect.

6. We draw attention to Note 39 “*European Commission investigation by DG Competition for potential state aid to Oltchim S.A.*” stating that in 2016 the European Commission informed that the Company is susceptible to state aid, being subject to file SA.36086 (P/2013). The investigation procedure includes the following three measures: non-enforcement and further accumulation of the Company's debts towards AAAS, debt cancellation in 2015 by AAAS and various State-owned Enterprises under the reorganization plan, respectively support to the operations of Oltchim in the form of continued supplies by public suppliers. The investigation procedure is in progress. Our opinion has not changed in this respect.

Key Audit Matters

Key audit matters are those matters that, based on our professional judgment, were of most significance for the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determined that the matters described below represent key audit matters that have to be communicated in our report.

7. Revenue recognition

- Risk. As the Company is in course of reorganization that involves certain financial performances to be achieved, we consider that there is a pressure on management to meet planned objectives. We considered that the recognition of the revenues arising from the sale of finished goods depends on the adequate assessment of the selling prices used and their recording in the period they refer to, due to the variety of commercial clauses in the agreements concluded with the customers. We considered revenue recognition to be significant for the audit, as it would determine recognition of not realized revenues and profits.
- Our answer. Our audit procedures for addressing the risk of significant misstatement related to revenue recognition, that was considered a significant risk, included: testing of internal controls on revenue completeness, correctness and recording in the correct accounting period. We have tested controls referring to: customer acceptance, order approval, selling prices approval, goods delivery to the customers, risk transfer on delivered goods, detailed analysis of revenue and its period of recognition, review of subsequent product returns.
We addressed also the risk that manual adjustments with escalating standard control procedures to misstate revenues, by auditing the manual adjustments related to revenues, in order to identify unusual transactions.
- Ascertainment. Based on the results obtained we couldn't identify any deficiencies of existing controls and therefore audit activity was not based on detailed tests and our conclusion was that the revenues recorded by the Company were not significantly misstated.

8. Going concern assessment

- Risk. Considering the Company's legal status, in our opinion there is the risk that the going concern principle not to be observed.
- Our answer. Our audit procedures consisted mainly in: evaluating Company's assumptions on continuing activity for at least 12 months from the balance-sheet date, reviewing the agreements concluded by the Company for the year 2017, the Company's ability to observe the reorganization plan as adopted by the creditors, the significant judgments by the management as part of their assessment on the Company's ability to continue as a going concern, assessment by the management of the significance of events or conditions related to the Company's ability to meet its obligations.

- Ascertainment. Based on the results obtained, we considered the Company's assumptions on going concern to be reasonable. However, considering that not all future events or conditions may be foreseen, our assessment does not represent a guarantee for the Company's activity as a going concern.
9. *The recoverable amount of inoperable long-term assets*
- Risk. The company owns production capacities underused or unused. As shown in note 15 "Tangible assets", given the lack of some raw materials and the financial difficulties faced by the company, this has a number of assets on which there are indications that their net book value is greater than the recoverable amount.
 - Our opinion. Our audit procedures included among others: review of the inventory operations conducted by the Company, review of the inoperable assets identified by the Company and review of the results of the revaluation of long term assets by an independent evaluator.
 - Ascertainment. Based on the results of the procedures performed, we found that non-functional assets are stated at their recoverable amount, as it was determined by the independent evaluator.

Other aspects

10. The financial statements of the Group as at December 31, 2015 have been prepared in accordance with International Financial Reporting Standards, and they were audited by another auditor who issued a qualified opinion on March 28, 2016 on the fair value of the long-term assets. At December 31, 2016 long-term assets are presented at fair value.

11. This report is made solely to the Group's shareholders as a body. Our audit was conducted in order to report to Company's shareholders those aspects that have to be reported in a financial audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its shareholders as a body, for our audit work, for this report.

Responsibilities of the management and of those responsible for governance for the consolidated financial statements

12. The Company's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control that the management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. When preparing the financial statements, the management is responsible for assessing the Group's ability to continue its activity, presenting if necessary, aspects of business continuity and using the accounts on a going concern basis unless the management either intends to liquidate the Group or to stop operations or has no realistic option except of these.

14. The persons in charge with the governance are responsible for monitoring the financial reporting process of the Group.

Auditor's responsibilities in an audit of financial statements

15. Our goals are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as issuing an auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but does not constitute a guarantee that an audit conducted in accordance with IASs will always detect a material misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or in aggregate, will influence the economic decisions of users taken on the basis of these financial statements.

16. As part of an audit in accordance with IASs we exercise the professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess risks of material misstatement of the financial statements, caused either by fraud or error, plan and perform audit procedures in response to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Risk of not detecting a material misstatement due to fraud is higher than that of not detecting a material misstatement caused by error because fraud may involve collusion, forgery, deliberate omissions, false statements and avoidance of internal control;
- We understand the internal control relevant to the audit, in order to plan audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company;
- We assess the appropriateness of accounting policies used and the reasonableness of the accounting estimates and of the related presentations made by the management;
- We draw a conclusion on the appropriateness of the use by the management of the accounting on a going concern basis and find, based on audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the ability of company to continue business. If we conclude that there is a significant uncertainty, we must draw attention in the auditor's report over the presentations related to the financial statements or, if these presentations are inappropriate, to change our opinion. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or conditions may cause the Company not carry on business on a going concern basis.
- We evaluate the presentation, structure and general content of the financial statements, including disclosures, and the extent to which financial statements reflect transactions and events based in a manner that achieves fair presentation.
- Our responsibilities as auditor of the Group are:
 - i. To obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group, in order to express an opinion on the financial statements of the Group;
 - ii. To be responsible for the coordination, supervision and execution of the audit of the Group; and
 - iii. We are the only ones responsible for the opinions expressed.
- We communicate those responsible for governance, among other issues, the planned scope and timing of the audit and the main findings of the audit, including any internal control weaknesses that we identified during the audit.
- We also provide those charged with governance a statement showing that we comply with ethical requirements relevant to the independence and that we communicated all relationships and other issues which might suppose, reasonably, that affect our independence and, where appropriate, the protective measures related.
- Among the issues communicated with those charged with governance we find which are the most important for the audit of the financial statements of the current period and which are therefore the key audit issues. We describe these issues in the auditor's report, unless laws or regulations prohibit public presentation of their appearance or if, in extremely rare circumstances, we find an issue that should not be communicated in our report as reasonably envisaged that public interest benefits can be outweighed by the negative consequences of this communication.

PKF Finconta S.R.L.

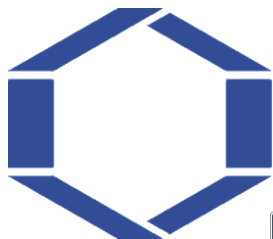
Registered at the Chamber of Financial Auditors of Romania under no. 32/27.07.2001

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Registered at the Chamber of Financial Auditors of Romania under no. 433/21.08.2000

Bucharest, Romania

28 March, 2017



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Cod unic de înregistrare: RO 1475261

In reorganizare judiciara

In judicial reorganisation

En redressement

STATEMENT OF THE RESPONSIBLE PERSONS WITHIN COMPANY

The undersigned:

Bogdan Stănescu, Special Administrator

Victor Avram, Deputy General Director

Alin Smeu, Economic Director

We make this commitment to the best of our knowledge that:

→The separate financial statements of Oltchim S.A., *societate în reorganizare judiciară, in judicial reorganisation, en redressement*, prepared in accordance with International Financial Reporting Standards(IFRS), in compliance with the Minister of Public Finance Order no.2844/12.12.2016, as well as the consolidate financial statements prepared in accordance with International Financial Reporting Standards(IFRS), concluded on December 31, 2016, show a true and fair view of the assets, liabilities, financial position, profit and loss account of Oltchim S.A. Rm. Vâlcea and of the companies included in the consolidation process of the financial statements;

→The Special Administrator Report on company's activity in the year 2016, prepared in accordance with provisions of Annex no.32 of NSC Regulation no.1/2006, regarding separate financial statements and company's business Report in the year 2016, regarding the consolidate financial statements contain an accurate analysis of the development and performances of Oltchim S.A. and of the companies included in the consolidation process of the financial statements, as well as a description of the main risks and uncertainties specific to the activity carried out.

Bogdan Stănescu,

Special Administrator

Victor Avram,

Deputy General Director

Alin Smeu,

Economic Director