

S.C. CHIMCOMPLEX S.A. BORZESTI

**MANAGEMENT REPORT OF THE BOARD OF DIRECTORS
FOR THE FINANCIAL YEAR 2018**

Company name: S.C. CHIMCOMPLEX S.A. BORZESTI

Registered office : Onesti, Industriilor street no. 3, Bacau county

Telephone: 0234/302100

Fax: 0234/302102

VAT number: RO 960322

Trade Register Number: J04/493/1991

LEI Code : 549300FCIHJZOG56WD36

The market on which the shares are traded: Bucharest Stock Exchange - ATS AeRO

Business object: Manufacture of other basic inorganic chemicals

Subscribed and paid share capital according to the Trade Register: 296,504,060.58 lei

The main characteristics of the securities issued by the company: the share capital is divided into 235,320,683 shares with a nominal value of 1.26 RON / share

I. COMPANY BUSINESS REVIEW

- Description of the core business of the company

The core business of the company, according to CAEN codification is 2013 – manufacture of other basic inorganic chemicals.

The activity that holds the biggest share in the company's income is the production of basic inorganic chemicals.

On 7 December, 2018, Chimcomplex SA Borzesti acquired from Oltchim SA the assets (intellectual property rights, land, constructions, movable assets, investments in progress) related to the plants for chlor-alkali, propylene oxide, polyether polyols, oxo-alcohols, monomer, PVC I , utilities, wagon yard, located on Ramnicu Valcea industrial site. The transaction value was 589,328,986 lei, excluding VAT. For the business from Ramnicu Valcea, the Ramnicu Valcea branch was founded, without legal personality.

The main products manufactured by S.C. CHIMCOMPLEX S.A. are:

1. **Chlor-alkali products:** caustic soda solution 50%, caustic soda flakes, technical sodium hypochlorite, synthesis hydrochloric acid, liquid chlorine, liquid chlorine packed in cylinders;
2. **Inorganic chlorides:** calcium chloride solution, technical calcium chloride, lime chloride, ferric chloride;
3. **Alkylamines:** isopropylamine, methylamines;
4. **Other products:** demineralised water, reconcentrated sulfuric acid, ammonia water; chlorocholine chloride
to these being added as of December 8, 2018:
5. **Macromolecular products:** polyether polyols for polyurethane foams
6. **Organic synthesis products:** propylene oxide, propylene glycol, oxo-alcohols

a) Company's date of establishment:

The company CHIMCOMPLEX was founded in 1990, based on the Government Decision no. 1200 dtd. 12.11.1990, by division from Petrochemical Complex Borzesti and taking over the entire patrimony of Chemical Complex Borzesti.

On 15 March, 1991, it was organized as a trade company with full state capital and registered with the Trade Registry Office under no.J04/493/1991.

The company was privatized in 2003 by signing the sale-purchase agreement on 9 June, S.C. A2 IMPEX SRL Ploiesti taking from APAPS (AAAS) a total of 63,240,247 shares, at a nominal value of 2.5 lei (RON), representing 94.7465% of the share capital of the company at that date.

On 31.12.2018, the share capital of Chimcomplex SA Borzesti is 296,504,060.58 lei, divided into 235,320,683 shares with nominal value of 1.26 RON / share, according to the records of the Trade Register of the Court Bacau.

b) Description of acquisitions, upgradings and/or divestitures from the patrimony:

The most important acquisition in 2018 is that regarding the acquisition of assets (intellectual property rights, land, construction, movable assets, investments in progress) from Oltchim SA in December 2018 related to the plants for chlor-alkali, propylene oxide, polyether polyols, oxo-alcohols, monomer, PVC I, utilities, wagon yard.

The assets taken over from OLTCHIM entered the Chimcomplex patrimony at the acquisition value, plus the other expenses related to the transaction, the total amount being of **645,477,083 lei**, of which:

o Intellectual property rights	223,997 lei
o Land	27,970,940 lei
o Special constructions	69,444,749 lei
o Buildings	67,897,036 lei
o Process equipment	355,397,366 lei
o Measuring and control devices and units	39,563,570 lei
o Means of transport	46,193,745 lei
o Furniture, office equipment, protective equipment	1.538.805 lei
o Investments in progress	37,246,875 lei

During 2018, at Borzesti were made entries of assets through acquisitions and modernizations, commissioning of the investments in progress at buildings, constructions, plants, equipment, measuring and control devices, means of transport and office equipment, such:

- special buildings and constructions:	391,669 lei, of which :
- special buildings, constructions	178,641 lei
- sewerage	108,804 lei

- plants, equipment, measuring and control devices, transport means: 3,221,456 lei, of which:

- telephone exchange	126,954 lei
- relay and substation test system	70,535 lei
- electropumps	56,805 lei
- crane	634,263 lei
- turbocompressors	146,787 lei
- electrolyzer	906.199 lei

- measuring and control equipment	193,673 lei
- railway engine	462,172 lei
- furniture, office equipment:	87,995 lei

Regarding the divestures of assets from the patrimony, during 2018 there were divestures amounting to 6,615,426 lei, of which :

- by wagons selling 6,078,408 lei

1.1.1 Items of general assesment

Considering that the assets of Ramnicu Valcea were purchased at the end of 2018, conditions in which the Ramnicu Valcea Branch carried out activity for Chimcomplex SA in 2018 only 3 weeks (8 December - 31 December 2018), the data and information will be presented in this report per total Chimcomplex SA, only the synthetic data being presented for the activity of the Ramnicu Valcea Branch, which are inconclusive for an annual activity.

Main indicators achieved in 2018:	-lei-
Total turnover, of which:	294,300,863
sold production	285,927,969
of which, export	139,830,152
Operating income	343,745,186
Total operating expenses, of which:	291,518,088
raw materials and materials,	96,136,798
of which natural gas	35,011,161
utilities (power, water, gas)	59,434,804
personnel	64,216,133
transport	12,422,694
amortizations	15,316,452
third party services	25,883,622
Operating result	52,227,098
Total financial income, of which:	4,254,572
exchange rate differences	3,807,520
Total financial expenses, of which:	17,515,396
interests	9,617,025
exchange rate differences	7,898,371
Gross result	38,966,274
Net result	32,686,389

Market share held by the company:

Borzesti: Compared to the production capacities of chlor-alkali in Europe, which currently are 11,225 thousand tons / year, the production capacities of Chimcomplex SA Borzești are below 1%, the market share held in the South Eastern Europe region being significantly higher.

On the domestic market, the company holds significant market shares for the products of the manufacturing range: chlor-alkali 65-70%, inorganic chlorides 80%, alkylamines 90%.

Valcea Branch: The short time of operation during 2018 does not allow to establish a market share for the products manufactured.

1.1.2. Evaluation of the technical status of the company

Description of main products/services

Borzesti:

Chlor-alkali products: caustic soda flakes and solution, liquid chlorine, hydrochloric acid, sodium hypochlorite;

Inorganic chlorides: ferric chloride, calcium chloride, lime chloride;

Alkylamines: methylamines, isopropylamine;

Other products: chlorocholine chloride

Summary of main products manufactured:

Chlor-alkali products

Caustic soda solution is used in the chemical industry for the manufacture of soaps, detergents, pesticides, fertilizers, bleaching agents and for the regeneration of ion exchangers, in the petrochemical industry for the refining of petroleum products, in the wood industry, in the textile industry for the production of pulp, viscose, in the sugar industry, in the oils industry for their purification of free fatty acids, in the aluminum industry.

Caustic soda flakes has similar applications as caustic soda solution, but has the advantage of lower cost of storage, handling and transportation.

Liquid chlorine is used in the chemical industry for organic and inorganic synthesis, chlorine-rubber production, plastics, dye synthesis, pesticides, pharmaceutical industry, bleaching of paper, chlorination of water.

Hydrochloric acid is used in the chemical industry for the manufacture of inorganic salts, fertilizers, resins and dyes, in the pharmaceutical industry, in the metallurgical industry for pickling and degreasing, for the reclaiming of ion exchange resins in water demineralization plants.

Sodium hypochlorite is used as a brightening agent for textiles, detergents, pulp and paper, in organic oxidation processes, oil refining, water disinfection and sterilization of sanitary facilities.

Inorganic chlorides

Ferric chloride is used as a flocculant for the treatment of drinking and industrial water, for the treatment of metallic surfaces, in the electronics industry in the manufacture of integrated circuits, chemical polishing and galvanoplasting of stainless steels, as a pigment for the decoration of ceramic objects.

Calcium chloride is used as a thawing agent for road maintenance during winter, as an anti-dust agent on unpaved roads, in the extractive industry (dusting control in mining, admixture to drilling muds), for transporting and storing ores during winter, as a drying agent in the cold technique, as an additive in the food industry.

Lime chloride is used in public hygiene as a deodorizing and disinfecting agent, in the pulp and paper industry as a bleach, in the textile industry.

Alkylamines

Monomethylamine is used in organic synthesis to obtain insecticides, solvents, medicines, anionic detergents, emulsifiers, dyes, polymers and polymerization catalysts, vulcanization accelerators, photographic substances.

Dimethylamine is used in organic synthesis to obtain emulsifiers, corrosion inhibitors, insect fungicides, solvents, medicines, ion exchangers, chemical fibers, polymers and polymerization catalysts, vulcanizing accelerators and photographic substances.

Trimethylamine is used in organic synthesis to obtain quaternary ammonium salts, choline hydrochloride, emulsifiers, insect fungicides, solvents, medicines, ion exchangers, dyes, detergents, photographic substances.

Isopropylamine is used as a corrosion inhibitor, in the manufacture of dyestuffs, in the manufacture of pharmaceuticals and pesticides.

Chlorocholine chloride – plants growth stimulator

Valcea ranch:

Besides the chlor-alkali products: caustic soda flakes and solution, liquid chlorine, hydrochloric acid, sodium hypochlorite, within the branch there are also obtained:

Macromolecular products:

Polyether polyols are used in the synthesis of unsaturated epoxy polyurethane resins, elastomers, adhesives, antifoams, in the manufacture of lubricants and brake fluids. Their most important application is the manufacture of flexible or rigid polyurethane foams. Polyurethane foams are obtained by block or linear foaming process.

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

Organic synthesis products

Propylene oxide is used in the manufacture of polyether polyols for polyurethanes, propylene glycol, glycol ethers, specialty chemicals, brake fluid, fire extinguishing agents, synthetic oil lubricants etc.

Propylene glycol is mainly used in the production of antifreeze agent, polyether polyols, antifoams; the paint, lacquer industry, as a solvent for the production of printing dyes and laundry detergents, as a plasticizer for improving the processing capacity of plastics, in the cosmetic and pharmaceutical industries.

Oxo – alcohols: - *octanol* is used in the manufacture of plasticizers; manufacture of synthetic lubricants; manufacture of surfactants and antifoam agents; as a solvent for animal fats, vegetable and mineral oils; wetting and dispersing agent for textiles;

Isobutanol and normal butanol are used in: solvents in the nitrocellulose and alkyd resins lacquer industry; solvent for the manufacture of artificial skin; extraction agent for oils, medicines, perfumes; raw material for the production of hormones, vitamins; solvent for oven dried, urea and phenolic resin based varnishes.

- a) **the main markets, the share of the main products in these markets and the distribution methods**

Borzesti:

The main markets were: Romania 47%, European Union 35%, Middle East 6%, other regions 12%.

Customers of the domestic market operate in the following branches of the national economy: energy, chemistry and petrochemistry, aluminum metallurgy, food industry, iron and steel industry, extractive industry, road maintenance, water treatment etc.

The structure of the domestic market in 2018 is shown below:

Field	% in total domestic sales 2018
Distribution	35
Metallurgy	38
Chemicals	8
Road maintenance	8
Water treatment	7
Energy	2
Food	1
Other	1
Total	100

Products are sold directly to end-users, or through companies specialized in the distribution of chemicals.

The sale of products through distributors provides the assumption of the risk of default of the final consumer, the financing of production through advance payments, logistic conditions (authorized means of transport for dangerous goods, warehouses), lower sales costs on more distant geographic markets, redistribution of products in small quantities to small consumers, market prospecting and product promotion.

Valcea Branch sales between 08 and 31 December 2018 were only to domestic customers.

b) Evolution of the share of the income resulted from the main activities performed, in the total turnover achieved on locations:

Income from the sale of products Borzesti	2016	2017	2018
Chlor-alkali	73	77	82.5
Inorganig chlorides	12	11	11
Organic solvents	6	5	0
Alkylamines	8	6	6
Other products	1	1	0.5

(%)

Income from the sale of products Rm Valcea	Period 08-31.12.2018
Chlor-alkali	34
Polyether polyols	39
Oxo-alcohols	22
Other products	5

The value of the commodity output made in 2018, broken down by production units, is as follows:

LOCATION	2018	
	VCO (thousand lei)	%
Borzesti	263,144	81%
Soda M	185,889	57%
Chlorine	39,860	12%
Organics	18,886	6%
Inorganic chlorides	18,509	6%
Rm. Valcea Branch 8 – 31.12.2018	63,620	19%
TOTAL	326,764	100%

At Borzesti:

Year 2018 is distinguished by the significant increased value of the commodity output compared to 2017.

12 months 2017 = 235,927.6 thousand lei
12 months 2018 = 263,144.1 thousand lei
balance = 27, 216.5 thousand lei (12 %)

- The chlorochlorine chloride plant has been commissioned

Production in 2018 compared to 2017 increased by:

- - caustic soda flakes: 197%
- - mono isopropylamine: 41%
- - metilamine: 7%
- - lime chloride: 14%
- - hydrochloric acid: 5%
- - ferric chloride: 4%

The value of the commodity output at Ramnicu Valcea Branch related to the period 08-31 December 2018 was 63,619,948 lei.

Utilization rate of the production capacities in 2018 was :

At Borzesti utilization rate of the production capacities was 69 %.

At Rm. Valcea Branch the utilization rate of the production capacities during 8 – 31 December 2018 was 69 %, the branch having reduced operating rates because of the holiday season on the external markets, where the deliveries are reduced during this period.

1.1.3. Evaluation of the procurement activity

Main suppliers of Chimcomplex Borzesti are:

PRODUCT	FURNIZORI
Salt solution	Salt mibe Tg. Ocna, Salt mine Rm Valcea - through Oltchim SA;
Soda ash	Ascom Bucuresti
Ammonia	Azomures Tg-Mures through Dafcochim Tg -Mures

Industrial lime	Carmeuse Brasov
Lime stone	Mezei Trans SRL Rupea
Liquid nitrogen	Linde Gaz
Sodium metabisulfite	Ando Dej
Propylene	Rompetrol Rafinare; Bulrom –through Oltchim SA; HIP Pancevo – through Oltchim SA
Natural gases	SNGN Romgaz Medias ; E-ON Energie Romania
Electric power	CET Govora SA ; E-ON Energie Romania

The relationships with the suppliers are of a traditional nature and they are proceeding within an integrated quality - environmental management system - ISO 9001: 2015, ISO 14001: 2015.

1.1.4. Evaluation of sales activity

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

In 2018, the turnover of the company increased by 21% from 242.5 million lei in 2017 to 294.3 million lei.

Borzesti:

The basic products of the company are chlor-alkali: caustic soda, chlorine, hydrochloric acid, sodium hypochlorite.

The other product groups support the operation of the electrolysis plant by direct or indirect consumption of chlorine and hydrogen.

On the domestic market, sales of finished products worth 123.6 million lei increased by about 30% compared to 2017. Domestic sales accounted for 47% of total sales of finished products in 2018, the highest share having – chlor-alkali products and inorganic chlorides.

On the external market, product deliveries increased by 0.4% compared to 2017, reaching 139.8 million lei. Sales in the foreign market accounted for around 53% of total product sales in 2018. In total external sales, chlor-alkali and alkylamines account for the highest share.

The increase in Chimcomplex SA Borzesti sales was generated both by the increase in volumes of chemicals sold and by the increase in the price of caustic soda on the foreign market in the first half of 2018.

The structure of sales (in terms of value) on markets in 2018 was the following:

Product group	Domestic market	External market
Chlor-alkali	45%	55%
Inorganic chlorides	72%	28%

Alkylamines	32%	68%
Organic solvents	36%	64%
Other products	96%	4%
Total	41%	59%

The evolution of sales at Borzesti on markets in 2018 compared to 2017 is shown in the following table:

Product group	2016		2017		2018	
	Quantitative position	Value position	Quantitative position	Value position	Quantitative position	Value position
Chlor-alkali						
Domestic market	44%	43%	45%	38%	46%	45%
External market	56%	57%	55%	62%	54%	55%
Inorganic chlorides						
Domestic market	77%	64%	73%	69%	76%	72%
External market	23%	36%	27%	31%	24%	28%
Alkylamines						
Domestic market	21%	26%	29%	35%	34%	32%
External market	79%	74%	71%	65%	66%	68%
Organic solvents						
Domestic market	16%	10%	15%	12%	26%	36%
External market	84%	90%	85%	88%	74%	64%
Other products						
Domestic market	98%	97%	96%	87%	97%	96%
External market	2%	3%	4%	13%	3%	4%

Valcea Branch – sales were only on the domestic market, there are no data to be compared to the previous year.

Chimcomplex Rm Valcea Branch sales during 08 – 31 December 2018 by products is as follows:

Product	Quantity (to)	Value (lei)	Value (USD)	Value (Euro)
CAUSTIC SODA SOLUTION TYPE 50% (lye)	3,861	7,413,082	1,813,909	1,593,183
SYNTHESIS HYDROCHLORIC ACID	465	116,085	28,405	24,949
SODIUM HYPOCHLORITE	628	301,009	73,654	64,691
I-BUTANOL	35	128,637	31,476	27,646
N-BUTANOL	60	263,062	64,369	56,536

OCTANOL	1,081	4,774,540	1,168,283	1,026,121
POLYOLS	1,212	8,235,029	2,015,031	1,769,832
PROPYLENEGLYCOL	152	895,642	219,155	192,487
Other	0	1,114,299	272,658	239,479
Total	0	23,241,384	5,686,939	4,994,924

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.

Chimcomplex has a low market share in total foreign markets. However, market shares are significant in regional markets. Competition on the regional market consists in producers in Central and Eastern Europe: Borsodchem Hungary, Anwil Poland, Spolana Czech Republic, Karpatneftehim Ukraine, PCC Rokita.

Goods from the chlor-alkali group produced at Chimcomplex are delivered mostly in Romania and in the Mediterranean through distribution companies, which acquire products from manufacturers worldwide and distribute them to end customers.

For the other product groups, inorganic chlorides and alkylamines, Chimcomplex has to face particularly the European producers, although there is an increasing number of Chinese imports on the export market targeted by Chimcomplex.

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 are no clients or groups of clients whose loss would have a significant negative impact on the company revenues.

The company's clients fall into two categories:

- strategical
- clients with reduced negotiation power and low share in total sales, for which Chimcomplex is the best supply solution.

Strategic customers with a significant share of total sales (5-25%) are in a small number, and between these companies and Chimcomplex there is a partnership and cooperation in terms of reciprocity.

Valcea Branch – operation within Chimcomplex for only 3 weeks has not collected the data for the description of points b) and c) above.

1.1.5. Evaluation of issues related to company's employees/personnel

The organizational structure of Chimcomplex - Borzesti site is hierarchically functional, having compartments properly sized with the volume and complexity of the activities, grouped on the basis of the functions criteria of the company. The activities are structured around the following fields of activity: General Management, Economic, Commercial, Production, Investments - Business.

The activities of each function are carried out within the four departments through the specialized departments. In order to achieve the objectives of the organization, the company has specialized personnel for all fields of activity.

Chimcomplex employees benefit from a professional and development work environment, fair work relationships, objective performance appraisal, personal safety and security. Employees also benefit from social protection measures, bonuses, etc. laid down in the Collective Labour Agreement.

Chimcomplex supports the training of future specialists, providing traineeships and internships for pupils and students, thus contributing to the continuation of the chemical industry tradition through educational institutions and creating premises for future generations of employees.

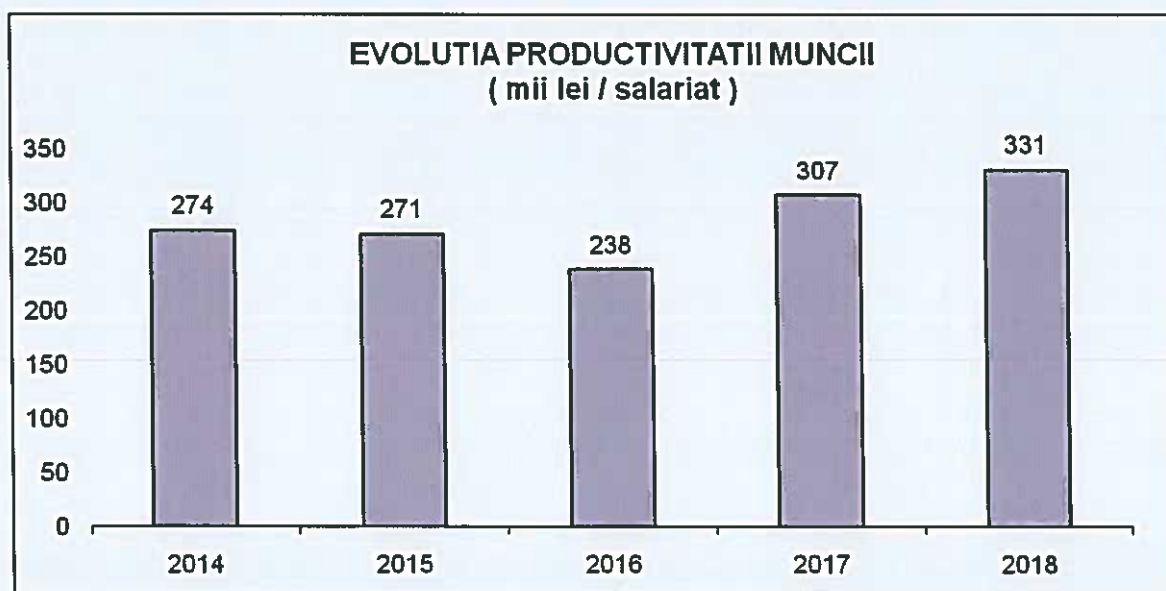
Compared to 31.12.2017, the number of employees increased from 789 to 818, for all categories of personnel, both in the production departments and in the functional departments, as a result of the commissioning of new investments, the restarting of some factories, the increase in domestic / external deliveries.

Personnel structure by categories, is as follows:

Total Personnel	818 of which:
Skilled workers	573
Foremen	44
Total TESA, of which	201
-management	43
-executive	158, of which:
	110 with high education
	48 with secondary education

Evolution of the personnel number during the last 5 years:

Category	2014	2015	2016	2017	2018
Directly productive	395	410	410	419	429
Indirectly productive	92	100	109	109	124
Service	55	58	58	63	64
TESA	164	181	189	198	201
TOTAL	706	749	766	789	818



In 2018, Chimcomplex organized a series of changes to adjust the departments and personnel number to the business requirements such as:

- the establishment of the Anticorrosion Protection Workshop as a result of taking over the anticorrosive protection activity and the personnel from the service company PROTECTCHIM

- in the Organic Unit merged the Acetylene - Tetrachloroethane - TCE Plants as a result of long term plants shut-down and the Plant of Chlorocoline - NMP was established as a result of the commissioning of the new investment.
- following the commissioning of the investment Chlorination Chamber 3 within the Lime chloride plant, the personnel chart of the Lime chloride plant was supplemented with 12 jobs of chemical operator;
- the personnel chart of Evaporation-Soda Flakes plant was supplemented by 16 jobs the personnel chart of the Evaporation Plant - Soda Flakes was supplemented with 16 packer machinist jobs, and for Evaporation was supplemented with 1 pump man job;
- the personnel chart of HCl manufacturing was supplemented with 1 job of chemical operator at the Absorption stage and at HCl-NaOCl Loading platform the personnel chart was supplemented with 1 job of packer;
- starting with 13.12.2018, following the decision of the Board of Directors no. 1 / 13.12.2018, in the organizational structure of Chimcomplex - Borzesti Platform, the following changes occurred:
 - > Marketing – Sales office was redefined in Chlor-alkali Sales Office.
 - > The Strategy, Investments and European Funds Division has been broken up: The Design Office has been subordinated to the Executive Director; The CRIR Office. Business Development and Investments Preparation and Commissioning Office. Access to Structural Funds merged into the Investment Development Office under the Executive Director.

Chimcomplex SA –Ramnicu Valcea Branch:

As of de 31.12.2018, operate: 7 departments within the General Direction, 6 departments within the Commercial Direction, 5 departments within the Economic Direction, 4 departments within the Safety in Operation Direction, 3 departments within Technical & Research Direction, 6 departments within the Maintenance Direction and 6 departments within the Production Direction.

Personnel Structure on 31.12.2018 within Chimcomplex SA –Ramnicu Valcea Branch:

Total Personnel	1247 of which:
Workers	901
Foremen	40
Total TESA, of which	306
- management	86
- executive	260, of which:
	220 with high education
	40 with secondary educationii

Consolidated structure is as follows:

CHIMCOMPLEX employees	Total of which:	Borzesti	Ramnicu Valcea	
Total number, of which:	2,065	818	1,247	
- skilled workers	1,472	573	899	
- unskilled workers	2	0	2	
- foremen	84	44	40	
- TESA	507	201	306	
Salaries expensies	61,136	53,994	7,142	thousand lei
Social insurance expenses	3,080	2,365	715	thousand lei

Following the acquisition of assets from SC Oltchim and the establishment of the Ramnicu Valcea Branch, starting with 13.12.2018, the organizational structure of the company changed significantly.

The management of Chimcomplex is provided by:

- CEO / General Manager - dr. ec. Stefan Vuza
- Deputy CEO/ Deputy General Manager. - dr. eng. Virgiliu Bancila
- Executive Manager Borzesti - eng. Dumitru Coman
- Executive Manager Ramnicu Valcea - eng. Victor Avram
- CCO/Commercial Manager - eng. Daniel Prisacariu
- Economic Manager Borzesti site - ec. Anisoara Alexa
- Economic Manager Ramnicu Valcea Branch - ec. Alin Smeu
- Deputy Commercial Manager - Ramnicu Valcea Branch (Oxo-alcohols) - eng. Armand Spiru – Ciobescu
- Deputy Commercial Manager - Ramnicu Valcea Branch (Polyether polyols) - ec. Dan Moldovan
- Deputy Commercial Manager - Borzesti site (Chlor-alkali) - eng. Camelia Misoaga
- Maintenance Manager Ramnicu Valcea Branch - eng. Dorin Neacsulescu
- Production Manager Ramnicu Valcea Branch - eng. Andrei Laurentiu
- Production Manager Borzesti site - eng. Mihai Dumitru

In S.C. CHIMCOMPLEX S.A. Borzesti there are two trade unions: Chimistul with a number of 633 employees and Ecotehning with a number of 132 employees. Chimistul Trade Union is representative.

Within the Rm. Valcea Branch, three trade unions operate: Chimistul Oltchim Rm. Valcea, Speranta Oltchim and Unirea.

1.1.6. Evaluation of core business impact on the environment

From the point of view of environmental protection, S.C.Chimcomplex S.A.Borzesti operates on the basis of the following authorizations issued by the regulatory authorities:

Integrated Environmental Authorisation no.1/10.01.2013, updated on 12.06.2018, issued by the Environmental Protection Agency Bacau, valid until 10.01.2023, subject to the provisions regarding the activity carried out and the environmental quality monitoring requirements.

Water Management Permit no. 1 / 07.01.2013, revised no. 81 / 19.04.2018, issued by Romanian Waters National Authority - Water Directorate of Siret Bacau, valid until 06.01.2023, provided that the provisions regarding the activity carried out and the requirements for monitoring the quality of the environment are met.

Greenhouse Gas Emissions Authorization (EGES) no.128/05.03.2013, updated on 01.09.2015, issued by the Ministry of Environment, Water and Forests, with a **Plan for Monitoring and Reporting Greenhouse Gas Emissions/ 2018**, approved by the National Environmental Protection Agency - Climate Change Department, with the obligation to update annually in August.

The compliance with the requirements of the Integrated Environmental Authorization No.1 / 2013, updated on 12.06.2018, is regularly reported to the control and regulatory authorities (Bacau Environmental Protection Agency, Bacau National Environmental Guard and Romania Waters National Administration - Basin Administration of Water Siret Bacau) and is checked at least once a year, the result of the checks being recorded in an inspection report.

During 2018, 23 site visits were carried out by representatives of GNM - Bacau County Commissariat and 2 verifications carried out by representatives of Romanian Waters National Administration - ABA Siret Bacau: in order to verify the compliance of Chimcomplex with the provisions of the Integrated Environmental Authorization no.1 / 2013 - updated on 28.08.2015, respectively 12.06.2018, of the Water Management Permit No. 1/2013 - revised with no. 110 / 30.04.2015, the legislation in force regarding the storage of the waste, the biocides regime, the site visit for verifying the documentation submitted for the review or issuance of regulatory acts (authorizations, agreements). No such nonconformities have been identified as a result of these checks.

The latest compliance check carried out by the representatives of GNM - Bacau County Commissariat took place on 20.11.2018 and the results of the audit confirmed that Chimcomplex complies with the provisions of the Integrated Environmental Authorization and the reporting obligations to the competent authorities.

Measurement and monitoring activity in the field of the environment included: monitoring the quality indicators imposed on the environmental factors of water, groundwater and air; waste monitoring; monitoring priority hazardous substances when evacuating in the Trotus River, into domestic and

underground water; inspections to monitor environmental issues in the plants and the acceptance of maintenance and investment works to monitor compliance with permit requirements and legal requirements; the calculation of the amounts due to the Environmental Fund for emissions into the atmosphere, the quantities of packaging placed on the market with Chimcomplex products and for dangerous substances for the environment introduced on the national market, the study of the technical documentation subject to the environmental authorization for the realization of the investments, with the view to the verification and completion with the provisions of the environmental legislation that must be observed when carrying out the works.

During 2018, the Environmental Management System documentation activity was carried on according to the requirements of ISO 14001: 2015 and recertification was carried out as a Quality-Environmental-HACCP Integrated Management System. There have been trainings with Chimcomplex personnel regarding their application, but also regarding the observance of the legal environmental provisions to avoid situations of non-compliance and the fines.

Our company also has an interest in environmental issues that can occur to its customers due to the products manufactured by Chimcomplex. In order to limit the environmental impact of our products, Chimcomplex provides customers with information regarding the products and environmental protection measures when using labels, quality norms, application instructions, safety data sheets, training and technical support when buying products.

SC Chimcomplex aims to improve communication with environmental stakeholders, the local community, control and regulatory authorities, collaborators, etc., carrying out actions for the exchange of ideas, thematic debates etc. (direct meetings). In this respect, modernization works and investments with possible environmental impacts were carried out in accordance with the legislation in force, but also with informing the public and interested parties to highlight the interest and effort of S.C. Chimcomplex to comply with and enforce the legal provisions and to continually improve environmental performance.

Within Rm. Valcea Branch the documentation was submitted in order to transfer the following authorizations from Oltchim S.A to Chimcomplex S.A. - Ramnicu Valcea Branch:

- the partial transfer of the Integrated Environmental Authorization No.6 / 25.02.2015;
- transfer of Authorization no. 38 / 01.03.2012 regarding the recovery of recyclable materials code CAEN 3832 ;
- transfer of Authorization no. 47 / 28.04.2010 on the carriage of dangerous goods by code CAEN 4941- Rev.2/6024-Rev.1 and freight transport by rail code CAEN 4920- Rev.2 ;
- transfer of the Water Management Permit no.276 / 07.12.2016.

The documents underlying the obtaining of the Greenhouse Gas Authorization have been prepared. Environmental monitoring has been carried out: water, air, soil, waste monitoring.

The Subscription of the use of the water resources or the hydro-energetic potential Nr.10 / 2018 with the running period 08.12- 31.12.2019 was concluded between the Romanian Waters national Administration-ABA Olt and Chimcomplex SA Borzesti on which basis the water management specific contributions were calculated.

The contract concluded between Oltchim S.A. and Geocycle on the transport and disposal of cake waste from polyether filtration was transferred (assigned).

Notifications were delivered regarding the need to conclude new contracts for wastewater discharged into the Chimcomplex SA - Rm. Valcea Branch network by the companies on the chemical platform.

1.1.7. Evaluation of Research and Development activity

The research activity at Borzesti is carried out with the specialized personnel of the company, the main achievements of 2018 being the following:

1. Industrial testing and the completion of the technology for the production of Chlorocoline chloride 720 g/l (chlormequat, CCC) - a plant growth regulator used extensively in agriculture / horticulture / horticulture starting from laboratory technology;
2. Documentation on the use of 1,2-dichloropropane. Ammonolysis of DCP with ammonia (amine in our case) to obtain propylenediamine;

3. Getting new products with the sodium silicate solution as the raw material. Documentation on obtaining of derivatives, namely: magnesium silicate; calcium silicate; zeolites; precipitated silica;
4. Testing and improvement of corrosion resistance of an antiscaling compound for thermal transfer equipment / hydrochloric acid-based equipment - tests for making a modified formulation of the product Hydrochloride Carbamide with increased dosage of hydrochloric acid (Forte Hydrochloride Carbamide);
5. Increased quality of the finished product Ferric chloride by reducing the content of insoluble substances, improving the filtration / settling process.

The research activity at Rm.Valcea, is carried out with the personnel of the Research Center within the branch, the achievements being the following:

1. The development of the polyether purification technology for rigid foams with phosphoric acid and sodium acid pyrophosphate, in order to reduce the salt content according to the customers' requests.
2. Polyols from vegetable oils existing in Romania - preliminary documentation and experiments - aiming at the use of renewable raw materials.

1.1.8. Risk factors

The management of the company constantly seeks to reduce the potential adverse effects associated with risk factors on the financial performance of the company by defining the risk profile - the general presentation of all the potential risks affecting the company. The risk profile by combining, classifying, ordering, establishing interdependencies, analyzing causes / effects, severity and frequency as well as defining ways to mitigate the impact of all identified risks, is a key source of information in establishing the company's business strategy.

In order to effectively and efficiently run the processes in the company in order to obtain products and services in accordance with the regulatory requirements in the field, with the legal requirements and the requirements of the client, it is necessary to identify the processes, their succession and their interaction and implicitly the risks generated by them.

By implementing the requirements of the new ISO 9001: 2015 and ISO 14001: 2015 standards, we have identified and assessed both the risks generated by the processes identified at the company level and those associated with the environmental aspects generated by the activities, products and services carried out and we have documented the management of these risks.

The management is bound to constantly monitor the risk register along with the program of measures to minimize them. Thus, at least once a year, process managers will systematically analyze the risks associated with the conduct of their activities and will develop appropriate plans to limit the possible consequences of these risks.

By nature of the activities performed, the Company is exposed to risks that include, but are not limited to, the risks presented below:

Capital risk management - the management's objectives are to protect the entity's ability to continue to provide benefits to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company uses loans that are usually guaranteed by its assets. If the company can not generate adequate cash flows to cover its debts, it may suffer a partial or total loss of capital. A relatively small movement in the value of assets or incomes may result in a disproportionate, unfavorable or favorable movement in the value of the company's economic indicators.

Capital risk management is done using the **debt ratio indicator**, which shows the extent to which equity provides the financing of the activity, indicating to what extent its medium and long-term commitments are guaranteed by equity. It is calculated as the ratio between medium and long term debt and total capital.

Credit risk - represents the risk of financial loss to the company if one of the parties to a financial instrument contract fails to meet its contractual obligations. The exposure of the Company to credit risk is mainly influenced by the individual characteristics of each client so that a large customer base reduces credit risk.

Liquidity risk - Prudent liquidity management involves maintaining sufficient cash and credit lines available through continuous monitoring of the estimated and real cash flow and by correlating the maturing dates of financial assets and liabilities. Considering the nature of its activity, the company aims to be flexible in terms of funding options, by maintaining credit lines available to fund operating activities as well as investment. Liquidity risk management is done using the **current liquidity** indicator that shows the extent to which the current debts of current assets (current assets) can be covered.

Market risk The macroeconomic environment in general and the chemicals market, in particular, continue to be affected by the economic crisis, with negative consequences for the company potential of development. The market risks to which the company is subject include: **currency risk** in commercial and financial transactions and the **price risk**.

Interest rate risk. The company may be subject to a risk that future cash flows will fluctuate due to fluctuations in market rates for interest rates on loans and cash held.

Economic risk. Any economic downturn generally affects negatively the value of a company, so that the return on investment in a productive company depends to a large extent on the economic conditions on the domestic and international market, the volume of orders received and the value of the contracts as well as changes in the prices of raw materials and finished products.

Impact of government laws and regulations. The company must comply with laws and regulations on taxation, planning, laws and regulations that by their application can have an effect of increasing expenditures and lowering incomes or rate of profitability:

Taxation - The Romanian tax system is constantly changing and trying to consolidate and harmonize with European legislation. In this respect, there are still different interpretations of tax legislation. In some cases, the tax authorities may treat different aspects of taxation, including transfer pricing, in a different way, and calculate additional taxes and charges and interest and related penalties.

Litigations – The company is subject to several legal actions in the normal course of business. Management believes that they will have no significant negative impact on the Company's financial performance and financial position.

Environmental - Environmental regulations are in a development phase in Romania, and Chimcomplex did not record debts as of 31 December 2018 for any expected costs, including legal and consultancy fees , designing and implementing remediation plans in respect of environment.

Economic, political and social conditions in Romania or other countries

Company performance may be particularly affected by changes in legal, regulatory, and tax rules, as well as by general financial conditions at national and global level.

- changes in political, economic and social conditions in Romania and / or other countries in Central and Eastern Europe;
- changes in government policies or changes to laws and regulations or the interpretation of laws and regulations;
- change of the foreign exchange regulations;
- measures that can be implemented to control inflation and interest rates;
- changes in tax percentages or methods.

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.

In December 2018, Chimcomplex SA Borzesti acquired five asset bundles, out of the nine bundles offered in the bidding process, belonging to Oltchim SA.

This transaction marked the end of a very long process of selling the viable assets of Oltchim, which was insolvent since early 2013.

The sale of the assets took place in accordance with the reorganization plan drawn up by the company's judicial administrators.

The transaction value was 127 million EUR, excluding VAT, and Chimcomplex funding was provided by VTB Europe and Credit Suisse.

The bundles of assets purchased by Chimcomplex include the following plants:

- Chlor-alkali;
- Oxo-alcohols;
- Polyether polyols,
- Services;
- Wagons;
- VCM/PVC1.

Assets include land, buildings, investments in progress, intellectual property rights and other movable assets, mainly representing machinery, equipment, technologies and any other similar goods required for the production process.

Chimcomplex SA Borzesti announces the launch of an investment plan for the chemical sites in Borzesti and Rm. Valcea to provide turnover growth to over 1 billion EUR in the following five years.

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.

Borzesti:

During 2018, the company made investment expenses worthing approx. 130 million EUR, and the main objectives involved are presented below:

- Acquisition of Oltchim assets;
- Plants for the production of calcium chloride granules;
- Plant for the synthesis of sodium silicate;
- Rehabilitation of sewers;
- Environmental protection works : robox blower at basins 21/2,3 at treatment house 019;
- Works related to the maintenance / repair of the logistics infrastructure: capital overhaul of the railway engines, railway tanks rubber covering, manufacturing of monoblock axles for the wagons;
- Rehabilitation of facilities/buildings and consolidation of pipelines bridge;
- Endowment / replacement with/of electrical equipment, instrumentation, dynamic equipment,

etc.;

In 2019, investment objectives in progress will be carried on and new projects will be initiated. The total value of the investments planned for 2019 of 9,680 thousand euro, aiming at the construction / arrangement of new plants, capacity extensions, product range diversification, environmental protection and product safety, technological rehabilitation and endowment / replacement of machinery and equipment of assets, purchasing of assets.

Through the Investment Program proposed for 2019, CHIMCOMPLEX aims to continue the investment objectives in progress of the 2018 program and the proposed new investments derived from the Strategic Program 2016-2020, among which we can list:

- plant for the production of solid calcium chloride;
- plant for the synthesis of sodium silicate;

- increase in capacity at calcium chloride solution plant;
- rehabilitation-restructuring of the hydrochloric acid at Hydrochloric acid Plant III;
- extension of ferric chloride production capacity;
- extension of sodium hypochlorite production capacity;
- extension of production capacity of lime chloride -chamber C20/4;
- continuation the works at Plastic Saleduct;
- rehabilitation of Fire Fighting water network;
- continuation of modernization at Electrolysis (membrane replacements, procurement of pumps, ion exchanging columns, H2 filter, etc.)
- procurement of equipment for. continuation of modernization of Methylamine and Isopropylamine (pumps, control valves, ball valves, flowmeters, H2 compressor, etc.);
- continuation of the rehabilitation works / systematization / endowments / replacements to infrastructure elements, installations and equipment (pipelines bridges, sewers, dynamic machines, reservoirs, pipelines, electrical and automation equipment, etc.);
- further work regarding product safety and compliance with prescriptions / norms / regulations (reclotting of the raylway wagons axles, railway tanks rubber covering, etc.);

The 2019 investment program also includes the documentation / analysis / studies // research / testing for new investment projects in the strategic development program (eg new silicates, new amines, ferric sulphate , etc.).

One of the medium and long-term development opportunities of the company is the acquisition of assets that allow the production of new or complementary products. The most important action to be taken by Chimcomplex on this line is the acquisition of Somes Dej assets as strategic direction of the business to revive pulp and paper manufacturing.

Ramnicu Valcea Branch:

The Investment Program of Ramnicu-Valcea Branch of CHIMCOMPLEX SA Borzesti for 2019 is in the amount of 19,446 thousand euro and includes the following investments:

1. Electrolysis 1:

The work is timely given the increase in the market demand for lye, with the requirement to reduce the cost of lye production by increasing the energy efficiency of electrolyzers, with the emergence of new generation electrolyzers with low energy consumption (2,035 KWh / t). Lower the electricity consumption by about 14% by introducing new generation electrolyzers, which will lead to savings by lowering electricity consumption.

In the course of 2019 a budget of 1 million euro is proposed to be used for:

- Feasibility study for choosing the optimal electrolyzer replacement option and setting the costs, duration and schedule for carry out the investment.

In functie de concluziile studiului de Fezabilitate se are in vedere contractarea:

- Basic and detailed engineering and development of technical specifications for new equipment - partial payment;
- Advance payment for the purchase of the equipment for the replacement of the Generation 2 electrolyzers with higher generation electrolyzers

2. Propylene oxide 1+2:

In order to strengthen the existing capacity it is necessary to operate the saponification phase with all 6 reactors and to make a spare line which allows the reactors 1 to 6 to be washed in order to clean the saponifier. Continuous operation at the current production capacity of the Propylene oxide plant ensures to achieve optimal costs and maximum economic and technological efficiency.

The following works are also envisaged, designed to ensure the maximum capacity of the propylene oxide plant (PO) through:

- installing additional heat exchangers for optimal heat recovery of waste water and for heating the system water to the hydrochlorination phase and the water used as lime extinguishing agent,
- upgrading the distributed control system (DCS),
- consolidation the resistance structure of the Waste Water Treatment Plant – PO plant,
- works to better measure utility consumption,
- works to provide a reliable feed with lime milk and integrated heat exchange,
- a more reliable plant by providing new equipment to replace the initial obsolete one (new reactor for hydrochlorination R-1-101/6, new condensers Ex-1-201/4 si Ex-1-201/6).

The value for the expenses related 2019 for this objective 1,5 million euro

3. Polyols:

The work is timely given the increasing market demand for grafted and rigid polyols, together with the need to reduce the cost of manufacturing them in existing plants.

During the year 2019, expenditure of 2.6 million euro is foreseen for:

- Feasibility study to select the optimal option to increase the manufacturing capacity of special polyols;

Depending on the conclusions of the feasibility study, contracting is envisaged:

- the design needed to finalize the detailed engineering and preparation of technical specifications for the new automation equipment - partial payments;
- advance payment for the acquisition of equipment (reactors, automation equipment and DCS) required to increase the production capacity of special polyols;
- the beginning of the construction and assembly works necessary in the new location for the production of the special polyols.

It is also envisaged to strengthen the current capacity to produce graft polyols through enhancing the reliability of the filtration system , starter polyether storage / dosing system for diols and triols in DMC catalysis, modernization of current polyether tank loading platform which implies acquisition and installation of: 4 articulated arms, 3 weight metering loops (3 coriolis counters + 3 automatic valves ON / OFF), execution of a new platform provided with roof for loading the road tanks with PP-452 graft polyether , in order to protect from weathering during the loading operation, finalizing the modernization of the Finished Product Warehouse Control Panel, which involves the systematization of the existing AMA equipment and the connection of the newly installed and future equipment (meters for the automotive ramps, pump pressure regulation) by upgrading the DCS (the work is started but not completed) , drawing up the project documentation (based on the existing project documentation / technical books) with ISCIR authorization and execution of a new neutralization autoclave, max. capacity 20 m³, working capacity 16 tons, made of stainless steel, equipped with heating jacket, for replacing the current very used autoclave from the Neutralization phase of the Polyethers plant, current position RC-306, etc.

4. Sphere for propylene storage: an investment of 1.5 million euro needed to make more reliable the operation of propylene oxide / polyols and oxo-alcohols plants by increasing the propylene storage capacity, raw material purchased from the propylene producers in Romania and abroad (as petrochemistry from Pitesti connected through the pipeline transfer of propylene to Rm.VI, does not operate). For 2019, the consolidation of the concrete structure, welding works, gamma controls, LP, PM, US, heat treatment, electro-engineering works and pipe connections, as well as the approval with a certification body.

5. Ethylene oxide storage: the work is necessary to ensure the operation of polyols / polyethers plants by increasing the storage capacity of ethylene oxide (EO), the raw material purchased from EO producers from abroad at very high distances (as Petrochemistry from Pitesti, which has EO plant and storage, is not in operation).

In 2019 expenses of 2,5 million euro are foreseen for the following works:

Manufacture of new ethylene oxide vessels
Transport of new ethylene oxide vessels
Equipment acquisition (pumps, heat exchangers, electrical equipment, automation equipment)
Construction and installation works (concrete works, sewerage, settled and drinking water, fire fighting water piping installation, electro-AMA equipment assembly, piping and equipment installation, access roads, metal structure, insulation)
ISCIR fees, permits, agreements, site supervisors, unforeseen expenses

6. DOTP plant: an investment of 1.5 million euro needed to ensure a continuous flow of production without failures due to syncope in the sale of the finished product octanol, the elimination of unplanned stops due to the lack of storage space of the manufactured and unsold octanol, when the international market is not favorable for octanol sale.

The work is also required to eliminate the maintenance costs associated with the DOP plant and the use of this plant and of the qualified operating personnel by converting the DOP plant to DOTP, obtaining an environmental friendly plasticizer required by the polymers and rubber industry.

In 2019 the following works are required:

Completion of detailed engineering
Acquisition of ATP transport and dosing system
Acquisition of pumps for reaction mass recirculation
Drawing up documentation for Ex zoning and INSEMEX authorization
C+M works and acquisition of related materials
Filter
Unforeseen expenses

7. New gas pipeline / Cogeneration plant: for 2019 costs of 1 million euro are foreseen for the realization of: feasibility study, the design and assembly of the pipeline for connection to the national methane gas network, the contracting of the basic and detailed engineering for the new Cogeneration plant, the payment of an advance for partial contracting (12-13 months) necessary to carry out the construction and assembly works of the new Cogeneration plant.

8. Utilities network:

In 2019 1.5 million euro are foreseen and the following works are envisaged:

- Systematization of the steam main pipeline 13 ata Joint T-T6;
- Systematization of the steam main pipeline 13 ata Joint P- Joint Zero - Joint X;
- Performance of steam pipeline 30 ata Joint N-Joint P;
- Systematization of settled water main line Joint Ao-Soda Block –Flakes;
- Replacement of main pipeline of drinking water line A and B , DN 600 in the area Govora river;
- Systematization of main pipeline of recirculated water GAR II -Soda Block- Flakes;
- Replacement of main pipelines of recirculated waGAR III Joint I- feed joint propyleneoxidized;
- Rehabilitation of sewerage networks M24-M25 - 12 ml - DN 1200; CC49-CC50 - 24 ml - DN 600 M654-M655 - 12 ml - DN 1000;

- Replacement of polyethylene pipeline (PE 80 SDR 13,6Dn 500 x 36,8mm/ Pn 6) waste water pumping line Propylene oxide to Biological Treatment Plant;
- Upgrade DCS demineralized water Arionex plant;
- Modernization of Water catching station Bistrita;
- Systematization of the steam main pipeline 13 at Joint T-T6, Joint P- Joint Zero - Joint X, Joint P;
- Intermediate heat exchanger replacement between sola and pp-glycol SC2 (VAP 800S evaporator) from the Cold unit by compression -15°C Utilities with a with a multitube heat exchanger with heat transfer capacity of 1 Gcal/h, etc.;
- Raw water pre-treatment facility study for the Arionex plant, etc;

9. Mercury decontamination: Expenditure in the year 2019 is estimated at 1 million eur for feasibility study and necessary works according to the feasibility study.

10. Waste warehouses closure: In 2019, expenses of 1 million euro are foreseen for works required by current environmental regulations which are referred to:

- Closure of non-dangerous waste warehouses:
 - o Obtain construction authorization;
 - o Site management and emplacement of warehouse body;
 - o Final warehouse coverage (partial performance).
- Closure of dangerous waste warehouses:
 - o Obtain construction authorization;
 - o Site management and emplacement of warehouse body;
 - o Completion of sealing screen;
 - o Access roads to the non-dangerous warehouses;
 - o Closure and greening warehouse (partial performance).

Environmental investment for water: Budgeted expenses 2019=1,8 mil. euro

-Propylene oxide water: for 2019 the following works are foreseen:

- Study for dehydration solution of PO/Pilot wastewater slam;
- Modification of decanter body/refurbishment D 101/1,2;
- Extension of chemical agents' household;
- Purchase of slam dehydration installation equipment (partial)
- **Refurbishment of Biological Station:** for the year 2019, the following works are foreseen:
 - Establishment of existent and newly performed construction refurbishment.
- **Refurbishment of Final Control Station:** for the year 2019, the following works are foreseen:
 - Establishment of feasibility study.

12. Other environmental investments: Reduction of powder emissions by a new chalk plant: for the year of 2019, 1.5 million euro of expenses are foreseen and the following works are considered:

- Feasibility study;
- Purchase and establishment of basic engineering and detailing with technical specs for the long cycle manufacture equipment purchase
- Downpayment of partial equipment purchase.

13. Refurbishment, systematisations, valuing existent facilities, in amounts of 100.000 euro For the year 2019, the following works are considered: Refurbishment of installs, buildings, propylene oxide, polyol, organic syntheses, electrolysis, etc. duct trestles.

14. Endowments, replacement of machineries and equipment, in amounts of 900.000 euro For the year 2019, the following works are considered:

- Other investments: endowments, replacement of chlorine-sodium equipment;
- Other investments: endowments, replacement of propylene oxide, polyol, organic syntheses equipment;

- Other investments: endowments, replacement of OXO equipment.

2. COMPANY TANGIBLE ASSETS

According to the period in which they were built, installations/facilities may be grouped as follows:

- 1st generation facilities, commissioned till 1970
- 2nd generation facilities, commissioned in 1970-1980
- 3rd generation facilities, commissioned after 1980

After 1990, the aim was on the technological process refurbishment and the replacement of energy-saving technologies, with the objective of reducing the manufacturing costs and improving the quality of the products.

In order to increase performance and meet market requirements, refurbishment and retrofitting of the installations was carried out.

The most important example is the retrofitting of the Membrane Electrolysis Plant by adopting the modern ion exchange membrane process, making the Soda M (Liquid Caustic Soda, Demineralised Water, Caustic Flakes Soda, PA Hydrochloric Acid) as DCS-monitored plants. The initial investment, the UHDE license, was commissioned in 1996, being retrofitted/refurbished, with the last investment being that of replacing it with the latest generation electrolyzers.

Romania's accession to the European Union has influenced the chemicals market and has led to the ban of pesticides use and respectively, the cessation of herbicide, fungicide, insecticide synthesis.

As of 2007, a comprehensive program of retrofitting and upgrading the existing production facilities and auxiliaries has been started, as well as the establishment of new chemical and energy production capacities aimed to ensure the chlorine consumption implementing cost-effective products and significant potential increase in the level of technological and energy integration, reducing the external environment influences, especially in the energy resources plan, lowering the environmental impact and complying with the current legislative requirements, compliance with applicable norms/prescriptions/regulations.

The largest investment was made in December 2018 when Chimcomplex SA Borzesti acquired five asset packages from the nine packages quoted in the auction process belonging to Oltchim SA.

The transaction value was of 127 million EUR, without VAT, and the financing provided to Chimcomplex was provided by Credit Suisse and VTB Europe.

Assets include land, buildings, investments under construction, intellectual property rights and other tangible assets representing mainly machinery, equipment, technologies and any other similar goods required for the production process.

The area surface owned on 31.12.2018:

Total: 3.783.491 sqm with a recorded value in the patrimony of 81.149.615 lei, emplaced as follows:

No.	Emplacement/positioning	Area (sqm)	Accounting value (lei)
1	Onesti, str Industriilor nr. 3	1.710.253	49.159.059
2	Sat Cazaci com. Tarcau, jud Neamt	41.679	1.411.787
3	Cluj	2.012	144.916
4	Somes Dej, Dealul Tirului, jud.Cluj	13.740	786.453
5	Pitesti, str. Caminelor, nr. 7, jud Arges	1.222	1.576.539
6	Bucuresti, bdul Ficusului, nr.44A, sector 1	39	99.921
7	Rm.Valcea	2.014.546	27.970.940

The land from Onesti municipality is registered at the price of 8 euro/sqm according to the assessment made in March 2007 and the lands from Tarcau, Cluj, Dej, Pitesti, Bucharest and Valcea Branch are registered at the acquisition prices.

The company owns in the patrimony buildings worth 209,838,647 lei, technical installations and transportation means in amounts of 680,173,653 lei, furniture, appliances, office equipment in amounts of 2,761,526 lei, biological assets worth 53,514 lei (inventory values) and investments in amounts of 41,985,327 lei.

3. SECURITIES MARKET ISSUED BY THE COMPANY

The level of the social capital of a company as well as of the capital, expresses the size and stability of the company, being one of the conditions for the registration of an adequate financial autonomy.

According to confirmation of company details no. 101690/14.02.2019, on 31.12.2018, the subscribed and paid up social capital is 296,504,060.58 lei, divided into 235,320,683 nominative shares, at the value of 1.26 lei/share.

As of 21.07.2015, the shares of SC CHIMCOMPLEX SA BORZESTI (CHOB) are traded on the securities market, within the Alternative Trading System managed by the Bucharest Stock Exchange, ATS Securities Listed Securities Division, Capital Securities Sector, Shares Class.

The increase of the social capital in 2018 was made by the completion on 27.03.2018 of the increase of the social capital disposed by E.G.M.S. Chimcomplex SA Borzesti from 08.05.2017, a process that took place in two stages. As a result of the subscription of the shareholders, the social capital of the company increased from 170,107,590.24 to 228,080,046.60 lei, the subscribed amount until 31.12.2017 was 22,680,078.12 lei, and during 01.01.2018 - 27.03.2018 the subscribed amount was 42,522,377.94 lei.

On 23.07.2018, the Extraordinary General Meeting of Shareholders of Chimcomplex SA Borzesti decided to increase the social capital by the amount of 68,424,013.98 lei through the issuance of 54,304,733 new shares with a nominal value of 1.26 lei/share, as well as the setting of 0 (zero) lei value for the compensating the fraction of shares resulting from the application of the algorithm and rounding the results to the nearest inferior whole number, according to current legal provisions.

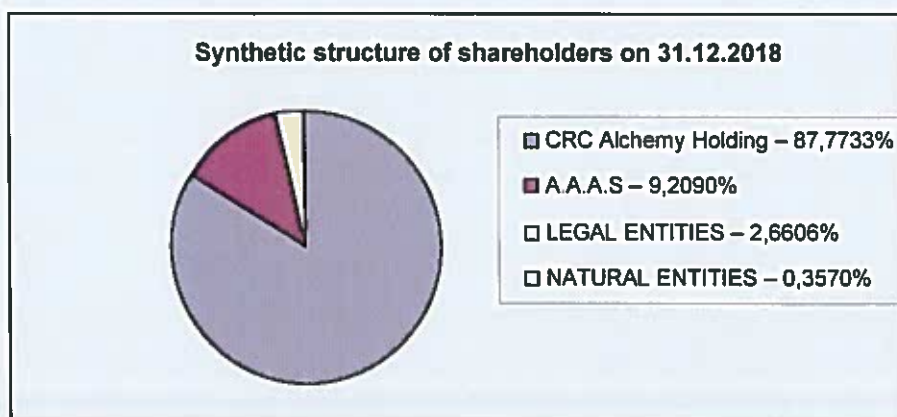
The increase of the social capital was made by incorporating a sum of 68,424,013.98 lei from the reserves of the company, thus issuing 54,304,733 shares, with a nominal value of 1.26 lei/share, to the benefit of the shareholders registered in the Shareholders' Registry held by Depozitarul Central on October 30th, 2018, as established by the GMS.

Therefore, during 2018, the social capital increased with the amount of 110.946.391,92 lei.

On 31.12.2018, according to the recordings from Depozitarul Central, the major shareholder of the company is C.R.C. Alchemy Holding B.V. which holds a number of 206.548.832 shares, worth 260.251.528,32 lei, representing 87,7733% of social capital, and the Romanian State by The Authority of State Asset Administration (A.A.A.S.) holding a number of 21.670.779 shares, worth 27.305.181,54 lei and representing 9,2090% of social capital.

The synthetic structure of company shareholders on 31.12.2018 is the following:

Shareholders	No. of shares	Value lei	% of social capital
CRC Alchemy Holding B.V.	206.548.832	260.251.528,32	87,7733%
A.A.A.S	21.670.779	27.305.181,54	9,2090%
LEGAL ENTITIES	6.261.032	7.888.900,32	2,6606%
NATURAL ENTITIES	840.040	1.058.450,40	0,3570%
TOTAL	235.320.683	296.504.060,58	100%



The situation of participation held at other companies on 31.12.2018:

Participation titles at companies from the group	Balance at 31.12.2018 lei	Percentage held
A4 IMPEX ONESTI	4,733,030	99.999%
AISA INVEST SRL CLUJ NAPOCA	20,000	19.51%
UZUC PLOIESTI	1,680,000	0.5656 %
A5 INVEST SRL ONESTI	6,100,000	100%
A6 IMPEX SA DEJ	33,092,340	32.56%
Total	45,625,270	

Other taxable titles	Balance at 31.12.2018 lei
Association of Phytosanitary Products Producers	1000
Total	1000

4. COMPANY MANAGEMENT

From January 1st, 2018 to December 31st, 2018, the management and coordination of the activity at SC Chimcomplex SA Borzesti was provided by a Board of Directors, consisting of:

For the period 01.01.2018 -14.06.2018

- Eng. PhD VIRGILIU BANCILA, as chairman of the Board of Directors;
- Ec. ANISOARA ALEXA, member of the Board of Directors;
- Ec. LUCIAN COVRIG, member of the Board of Directors;

For the period 14.06.2018-31.07.2018 – According to the decision no.1 OGMS of 14.06.2018

- Eng. PhD VIRGILIU BANCILA, Chairman Administrator of the Board of Directors;
- Ec. ANISOARA ALEXA, Administrator
- Ec. LUCIAN COVRIG, Administrator
- Ec. PhD atty. STEFAN VUZA, Temporary Administrator
- Eng. COJOC IULIAN LIVIU, Temporary Administrator

For the period 01.08.2018-31.12.2018 – According to the decision no.1 OGMS of 14.06.2018

- Ec. PhD atty. STEFAN VUZA, as chairman of the Board of Directors;
- Eng. PhD VIRGILIU BANCILA, member of the Board of Directors;
- Ec. ILINCA VON DERENTHALL GEB.BERZA, member of the Board of Directors;

- Ec. STURZA ION, member of the Board of Directors;
- Eng. COJOC IULIAN LIVIU, member of the Board of Directors;

The company executive management in 2018 was ensured by a team composed of the following:

POSITION	NAME SURNAME	Seniority
1.General Manager	Coman Dumitru	10 years
2.Economic Manager	Alexa Anisoara	10 years
3.Trades Manager	Prisacariu Daniel	10 years
4.Production Manager	Dumitru Mihai	7 years

As per asset takeover from SC Oltchim and the establishment of the Ramnicu Valcea Branch, starting with 13.12.2018, the company managerial structure has been significantly altered.

Company management Chimcomplex is ensured by:

- CEO/General Manager - Ec. PhD Stefan Vuza
- Deputy CEO/ Deputy General Manager – Eng. PhD Virgiliu Bancila
- CEO Borzesti – Eng. Dumitru Coman
- CCO/Trades Manager – Eng. Daniel Prisacariu
- Economic Manager Borzesti Platform – Ec. Anisoara Alexa
- Production Manager Borzesti Platform – Eng. Mihai Dumitru
- Deputy Trades Manager – Borzesti Platform (Chlorine-Sodium) – Eng. Camelia Miso GMS
- CEO Ramnicu Valcea – Eng. Victor Avram
- Economic Manager Ramnicu Valcea Branch – Ec. Alin Smeu
- Deputy Trades Manager - Ramnicu Valcea Branch (Oxo-alcohols) – Eng. Armand Spiru – Ciobescu
- Deputy Trades Manager - Ramnicu Valcea Branch (Polyols - Polyethers) – Ec. Dan Moldovan
- Maintenance Manager Ramnicu Valcea Branch – Eng. Dorin Neculescu
- Production Manager Ramnicu Valcea Branch – Eng. Andrei Laurentiu

No member of the administrative, management or supervisory bodies has been convicted of any fraud committed in the last five years.

5. FINANCIAL AND ACCOUNTING SITUATION

At the establishment of the financial statements, the legal provisions in the following regulatory documents have been considered:

- Order no. 10 of 01.2019 on the main aspects regarding the establishment and submission of the annual financial statements and of the annual accounting reports of companies to the territorial units of the Ministry of Public Finance as well as for the **modification and completion of certain accounting regulations**
- Accounting Law no. 82/1991, republished with further completions and amendments;
- Order of the Ministry of Public Finance no.1802 of 2014, for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements, with further completions, in force since 01.01.2015.
- Order of the Ministry of Public Finance no. 1.286/2012 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.
- Order no. 2.861 of 2009 for the approval of the regulations regarding the management and performance of assets inventory such as assets, debts and equity;
- Order no. 1826/2003 of the Ministry of Public Finance for the approval of the guidelines related to certain measures on the accounting management and leadership;
- Law no.297 of 2004 on the capital market, with further completions and amendments;
- Law no. 31/1990 on companies republished, with further completions and amendments;
- Law no. 227/2005 on the Tax Code, with further completions and amendments, effective from 01.01.2016.

- Other specific regulatory documents, such as those related to the implementation of the National Electronic System, with further completions and amendments, etc.

MANAGERIAL ACCOUNTING

Information provided by managerial accounting, based upon the effect/effort report analysis, at each product level, give the possibility to form both the overview and detailed image of rendered activities, allowing managers to take decisions to adjust dysfunctionalities, remove deficiencies and render activities.

The economic result analysis achieved towards the ones foreseen is carried out by calculating, following, analysing and reporting deviation of effective costs on calculation items towards the previously calculated level.

Expense underlining by their economic nature: material and workforce expenses as well as their underlining by the distribution/participation to a new product establishment in: direct and indirect expenses, provides the company managers with the possibility to know thoroughly their contents and apply the necessary control and adjustment measures.

The data source for the financial and economic analysis is constituted by synthesis accounting documents: Balance, Profit and Loss Account and Balance Appendixes.

THE INFORMATION is an essential resource for managers because it influences directly at decision making, also considering the general performances of the manager. The main designation of the information at exploitation level are as follows:

- *control* aimed towards the past;
- *coordination* aimed towards the current activity and which imposes efficiency improvement;

For 2018, an important objective was the implementation of **Business Intelligence Project** – activity monitoring application.

Business Intelligence refers to the informatic identification, extraction and analyse systems of the available data from a company, systems of which purpose is to provide real support in business decision making.

The Business Intelligence informatic systems were considered until recently as instruments designed for managers – solutions providing a company manager with the necessary information to improve general performance. A BI operational system keeps this property and supports daily activities by specific functionalities: information updated in real time, secured access to data from any location, easily analysed and carried out by any user without specialised support etc. This change answers the crossing towards a new managerial culture, that of a clear objective management, measurable, assumed by the company and employees at each level. For this model to work, the employee must be able to make informed decisions to achieve his or her goal. Business BI intervenes in these companies, providing access to relevant information at every level and decision-making speed.

This concept translates into the availability of information in real time and from any location, access to the system for multiple categories of users and increased relevance.

Classical BI systems are mainly based on information obtained over longer intervals. This type of information is very important to see trends, issues, business areas that require improvement, and other important factors.

An operational BI also involves detecting trends, problems, and other factors as soon as they occur, allowing employees to resolve them immediately and not a few days when they can grow and may have a severely unfavourable impact on the company. Implementing such a system involves an organizational culture in which the employee's role is no longer just executable, he becomes a decision-maker.

1. Interactive data view

Analysing the data generated by a company's activities is a demanding activity that involves considerable time and human resources, especially if the volume of information is high. However, visual representations simplify things by allowing users at any level of the company to better understand the data they need to meet their goals. An operational BI system helps non-technical users with very fast and intuitive data processing and visualization methods, enabling people at every level of the company to ask questions and get answers in just a few seconds. With just a few simple steps you can get interactive dashboards easy to understand by anyone.

2. Data access

Latest BI systems can process and analyse a huge amount of data from a range of sources, bringing consolidated information about articles, partners, cashflow, profit, discounts, fixed assets, stocks, etc. at a click away. No matter the volume of data, they can be represented and analysed through an unlimited number of views. Once viewed, trends or problems can be more easily noticed, and decisions are made much easier when information is presented clearly. Data analysis in a BI system is not limited to a few static charts over longer time intervals. These can be studied in detail, moving from an overview to a specific detail, making it very easy.

3. Exploring, understanding and discovering new information

When information is presented from the right perspective, new conclusions and answers can be achieved. An operational BI is simple, visual and easy to understand, giving people the freedom to answer questions as they appear. Viewing mode can be changed by just one click, depending on the needs of each user. The BI system can deliver interactive views in just a few seconds even when working with very large volumes of information. It allows users at different levels of the company to switch from data tables to interactive data views with just one click. They will then be able to explore, visualize and share information without specialized support.

4. Information notification

Making interactive views can take only a few minutes. These can be "assembled" into an interactive dashboard for an overall view that can be shared with other people. Depending on the BI system or the platform on which it is developed, dashboards can be shared with anyone via the Internet. They can interact directly with the dashboard: they can filter, sort and rearrange the information. Dashboards can also be shared by other methods: site embedding, blogging, can be used in presentations or exported in a static format, such as PDF.

INTERNAL/EXTERNAL AUDIT AND CONTROL

Regarding the internal control at SC CHIMCOMPLEX SA in 2018: it was carried out on the basis of an approved plan by the Board of Directors, but it also had specific actions at the request of the management. Control activities are an integral part of the management process through which the entity pursues the objectives.

Internal audit missions aim towards ensuring the following:

- compliance with the legislation in force,
- applying the decisions taken by the management of the company,
- good functioning of the entity's internal activity,
- the reliability of financial information,
- the effectiveness of the entity's operations,
- efficient use of resources,
- preventing and controlling the risks of unmet fixed targets, etc.

The purpose of internal control is aimed at ensuring the coherence of objectives, identifying key success factors and communicating to the company's executives, in real time, performance and outlook information.

Under the accounting rules, the following may be considered:

- existence of an accounting policy handbook;
- existence of a procedure for the application of this handbook;
- existence of controls to ensure compliance with the handbook;
- knowledge of the evolution of accounting and tax legislation;
- performance of specific controls on sensitive points;
- identification and proper treatment of anomalies;
- software flexibility according to entity's needs;
- compliance with accounting rules;
- ensuring the accuracy and completeness of the accounting records;
- observing the qualitative characteristics of the information contained in the financial statements so as to meet the needs of the users;

In 2018 the external financial audit activity was carried out by G5 Consulting SRL, Authorization no. 223/02.07.2002, registered at the Chamber of Financial Auditors of Romania, Trade Reg. No. J12/943/2002, VAT No.: RO 14650690, located in Loc. Dej, str. Alecu Russo nr. 24/2 jud Cluj.

PRINCIPLES, ACCOUNTING POLICIES AND METHODS within Chimcomplex SA Borzesti Handbook of Accounting Policies and Procedures and which formed the basis of the Financial Synthesis Situations at the close of the financial year 2018, were:

- The financial year begins on January 1st and ends on December 31st.
- The financial statements for the year ended on 31 December 2018 were established in accordance with the following principles:
 - continuity of activity - SC CHIMCOMPLEX SA Borzesti will normally continue its operation, in a foreseeable future without going into the impossibility to continue the activity considering the agreement (contracts) portfolio for 2018;
 - accounting registration and presentation of the patrimonial items and the results, based on the justifying and legal documents drawn up, according to the legislation in force, thus ensuring the comparability in time of the information;
 - the permanence of methods - the application of the same rules, methods, rules on the assessment, registration and presentation of the patrimonial items in the accounting, ensuring the comparability of the accounting information in time.
 - prudence – consideration of value adjustments due to impairment of assets, as well as of all foreseeable liabilities and potential losses that arose during the financial year ended or during an exercise.
 - accrual accounting - the effects of transactions and other events are recognized when transactions and events occur and are recorded in the financial statements and reported in the financial statements of the period.
 - separate assessment of assets and liabilities - in order to determine the total value corresponding to a balance sheet position, the value of each individual asset or liability item was determined separately.
 - intangibility - the opening balance for the 2018 exercise corresponds to the closure balance of the previous exercise (2017).
 - non-offsetting - the values of the assets that are active were not offset by the values of the items that represent liabilities, i.e. the revenues with the expenses, except for the compensations between allowed assets and liabilities.
 - the economic prevalence over the legal - the information presented in the financial statements reflects the economic reality of the events and transactions, and not only the legal form.
 - the assessment at acquisition or production cost, according to which the elements presented in the financial statements are usually assessed on the basis of the cost of acquisition or the cost of production.
 - the materiality threshold - any element that has a significant value is presented separately in the financial statements.

Accounting treatments:

- a) at the date of entry into the property the assets are assessed and recorded in the accounting at the entry value, also called accounting value;
- b) the assessment of the patrimonial items during the inventory was made at market value, taking into account their usefulness and their state;
- c) At the end of the exercise, property items shall be assessed and reflected in the balance sheet at the value of the input to the patrimony, respectively the accounting value agreed with the results of the inventory; Currency rates denominated in foreign currency were used for the closing rate of 31.12.2018 at the official rate communicated to B.N.R. of 4.6639 lei/euro and 4.0736 lei/USD, published on the website of the Ministry of Public Finance. The exchange differences were recorded on revenue and expenditure respectively.
- d) Goods are assessed and deducted at the date of exit from the patrimony or when released for consumption.

Intangible assets - Intangible assets recorded in the accounts consist of licenses, software programs recorded at cost

Tangible Assets - Tangible assets consist of land, buildings, constructions, technological installations, machinery, measuring and control devices, means of transport, computer equipment, furniture, office equipment, recorded at own acquisition cost or reassessed or increased value of their value that have been aimed at increasing productivity by improving the parameters of the functioning machines

or creating conditions corresponding to the working environment. Tangible fixed assets were recorded at cost.

Depreciation is calculated using the straight-lined method according to Law 15/1994 with further amendments and taking into account the normal duration of the fixed assets functioning according to the Decision no. 2139/2004 for the approval of the Catalogue on the classification and the normal operating durations of the fixed assets.

Expenses with the repair or maintenance of fixed assets made to restore or maintain the value of such assets are recognized in the income statement at the date they are performed.

Financial Assets - Financial assets consist of equity securities of other companies and guarantees to suppliers.

For the cash flow situation, cash and cash equivalents include cash, bank, value and other amounts.

The company's inventories are made up of: raw materials, consumables, inventory items, undergoing production, end products and merchandise. Purchased inventories are recorded at acquisition cost, and products at production cost. Inventory cost is determined by the "first-in, first-out" method (FIFO) and "weighted average cost" (WAC).

A. BALANCE ELEMENTS

As a reflection of the state of the company's assets, the balance sheet at the end of the financial exercise describes the assets and liabilities of the company at that time. Assets consist of property owned by the Company and receivables. The liability consists of equity and debt.

thousands of lei				
Element name	31.12.2015	31.12.2016	31.12.2017	31.12.2018
TOTAL ASSET, from which:	293,236	282,598	411,090	1,196,040
FIXED ASSETS	243,176	232,616	364,479	899,186
CIRCULATING ASSETS	49,719	49,695	46,275	281,496
- stocks	25,972	26,200	23,686	79,302
- receivables	21,942	22,060	21,183	149,884
- cash and bank accounts	1,805	1,435	1,406	52,310
EXPENSES IN ADVANCE	341	287	335	15,358
TOTAL LIABILITY, from which:	293,236	282,598	411,090	1,196,040
DEBTS-TOTAL, from which:	77,203	61,098	143,495	826,351
- credits/loans	47,995	41,340	60,751	723,834
- trading debts	26,120	16,597	65,651	81,267
- inner-group debts	428	370	10,734	4,897
- staff and social insurance	2,108	2,265	2,704	9,625
- tax debts related to state budget and special funds	412	495	2,869	5,641
- other debts	141	31	786	1,086
PROVISIONS	0	0	766	832
REVENUES/INCOMES IN ADVANCE	29,082	26,350	23,751	45,074
EQUITIES	186,951	195,151	243,078	323,783

a) Evolution of fixed assets compared to the period 31.12.2017-31.12.2018:

		lei		
FIXED ASSETS		31.12.2017	31.12.2018	2018/2017
I.	INTANGIBLE ASSETS	238,157	1,060,574	445%
II.	TANGIBLE ASSETS	207,241,948	848,422,081	409%
III.	FINANCIAL ASSETS	156,999,105	49,702,967	32%
FIXED ASSETS - TOTAL		364,479,210	899,185,622	247%

From the comparative situation of fixed assets in 2018 as compared to 2017, the total value has risen by approximately 150%, but in their structure, the changes are: 300% increase in tangible assets and intangible assets 345% as a result of the acquisition of Olchim's assets and of diminishing the financial ones due to the collection of the proper performance guarantee in favour of Olchim.

Tangible assets - on groups are presented as follows:

lei

TANGIBLE ASSETS	31.12.2017	31.12.2018	%
Lands	53,178,675	81,149,615	153%
Buildings	41,451,187	176,286,160	425%
Technical plants and machineries, equipment	109,608,030	540,953,572	494%
Furniture, office tech, protective equipment	477,539	1,998,496	418%
Biological assets	30,054	26,715	89%
Undergoing downpayments and tangible assets	2,496,463	48,007,523	1923%
TOTAL:	207,241,948	848,422,081	409%

In 2018, the tangible assets recorded the following changes in net worth as of 2017 as a result of the increase in the value of the assets due to the acquisition of Olchim's assets:

lei

Account	Name	Net value increase in 2018
211	Lands	27,970,940
212	Buildings	134,834,973
2131	Technical equipment	346,245,020
2132	Measurement machineries and installations	38,737,275
2133	Transportation means	46,363,247
214	Furniture, office items, other assets	1,520,957
217	Biological assets	-3,339
231; 409	Undergoing downpayments and tangible assets	45,511,060
	TOTAL	641,180,133

During 2018 there were increases through acquisitions, refurbishments, buildings, constructions, equipment, machineries, measuring and control devices and asset downpayments.

Financial assets

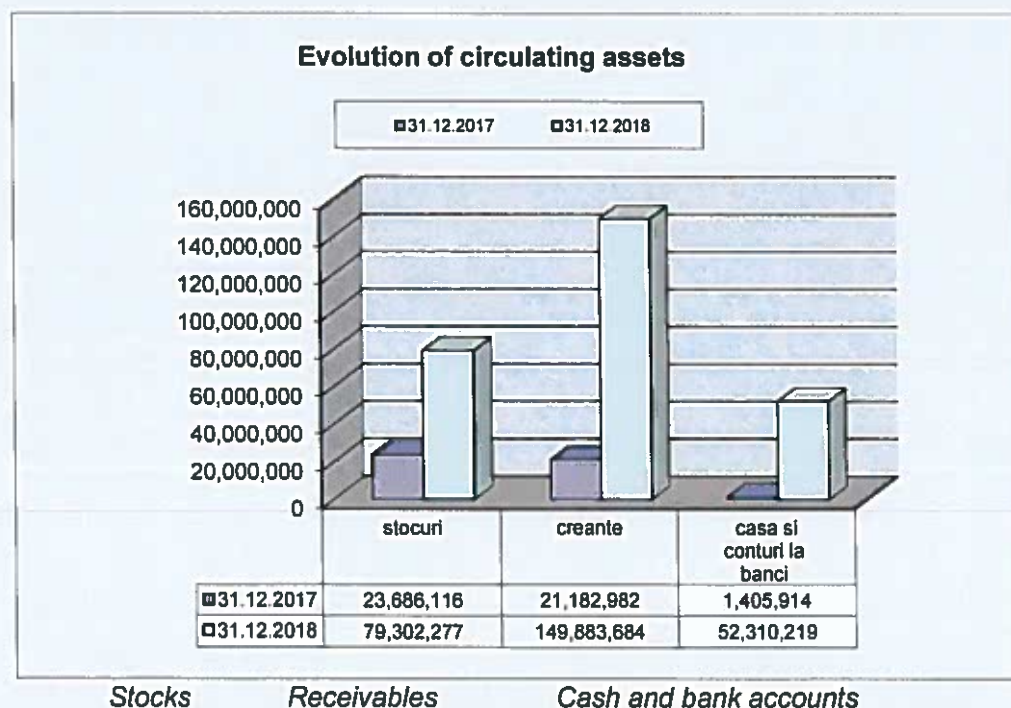
The decrease in financial assets, from ROL 156,999 thousand lei to ROL 49,703 thousand lei, was largely due to the unblocking/issuance of bank guarantee letters, created for the purchase of assets from SC Oltchim SA.

b) Evolution of circulating assets:

	lei				
Circulating assets	31.12.2015	31.12.2016	31.12.2017	31.12.2018	2018/2017
stocks	25,971,995	26,200,275	23,686,116	79,302,277	335%
receivables	21,942,067	22,060,400	21,182,982	149,883,684	708%
Cash and bank accounts	1,804,954	1,434,526	1,405,914	52,310,219	3721%
Total circulating assets	49,719,016	49,695,201	46,275,012	281,496,180	608%

All circulating assets recorded increase towards 31.12.2017, this was due to asset acquisition transaction from December 2018.

The evolution of circulating assets of 2018 compared to 2017 is as follows:

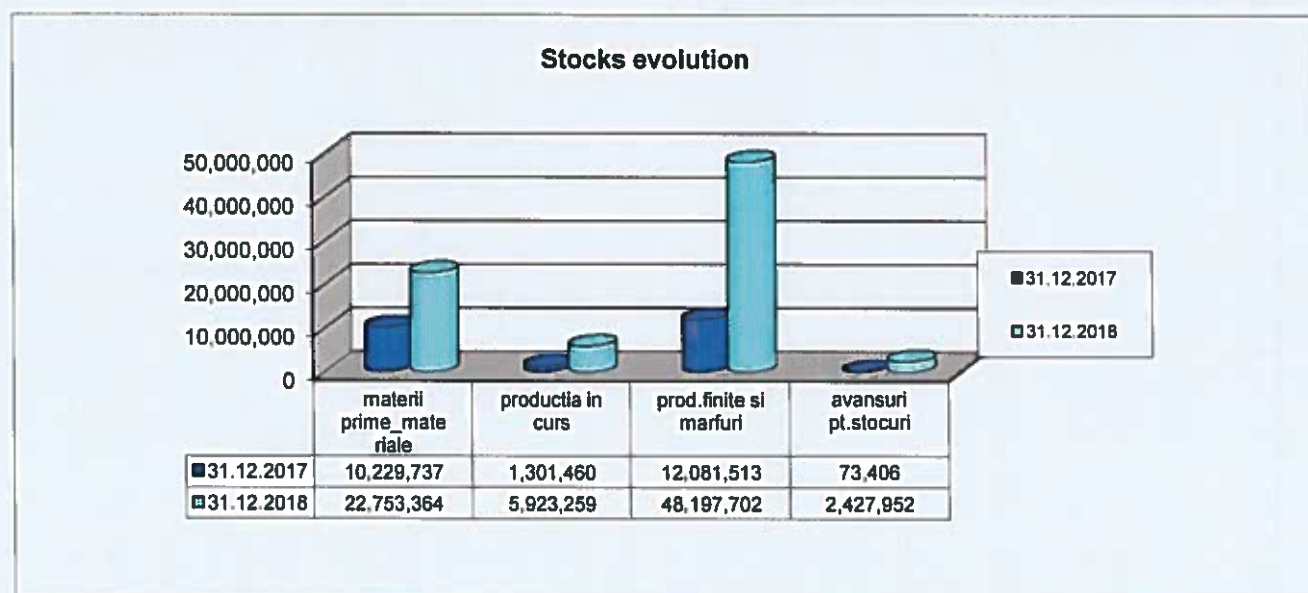


The value of stocks, respectively the increase at 31.12.2018 with 55.616 thousand RON towards 31.12.2017 detailed on elements is presented as follows:

lei

Stocks	31.12.2017	31.12.2018	2018/2017
Raw materials and materials	10,229,737	22,753,364	222%
Undergoing production	1,301,460	5,923,259	455%
End products and merchandise	12,081,513	48,197,702	399%
Downpayments for stocks	73,406	2,427,952	3308%
Total	23,686,116	79,302,277	335%

In chart, the situation is presented as follows:



Structure of stocks in 2018 compared to 2017 presented as follows:

lei

Stocks - structure	31.12.2017	31.12.2018
Raw materials	2,591,764	13,078,586
Consumables	6,650,158	6,261,504
Inventory items	147,901	160,723
Packaging	445,271	480,236
Undergoing semi-products and products	1,301,460	5,923,259
Merchandise	586,077	422,404
End products – total	10,277,864	44,551,173
End products at Borzesti, from which:		11,273,953
- Organic products	3,302,219	4,396,785
- Chlorine-Sodium products	3,810,410	2,035,095
- Inorganic chlorine products	3,130,241	4,807,078
End products at Rm.Valcea:		33,277,220
- Organic products		29,309,154
- Chlorine-Sodium products		3,968,066
Other products	1,509,615	5,996,440

Downpayments for stocks	176,006	2,427,952
Total	23,686,116	79,302,277

From the abovementioned analysis, increases in all stock categories are observed, less the consumables.

At receivables, increases are recorded on the following structure:

lei			
Receivables	31.12.2017	31.12.2018	2018/2017
Commercial receivables	15,919,225	27,453,873	172%
Amounts to be cashed from affiliated companies	3,588,098	23,056,932	643%
Other receivables	1,675,659	99,372,879	5930%
Total	21,182,982	149,883,684	708%

Situation of receivables to be cashed from member companies from the SCR Group is as follows:

lei							
Company name	Total	Customers Affiliated entities	Miscellaneous debtors Affiliated entities	Granted loans Affiliated entities	Interests to be cashed from affiliated entities	Advances granted to affiliated entities	Uncertain customers
Uzuc SA Ploiesti	1,204,493					1,204,493	
A6 Impex	570,538					570,538	
Caromet Caransebes	1,119,691			948,780	35,672	135,239	
Eurohouse Com	95,872				11,861	84,011	
Iasitex	1,423				1,423		
Novatextile Bumbac	174,450		1,000			173,450	
C.R.C. Impex Chemicals	19,038,680	19,038,680					
SCR SA	0						
Sinterom SA	1,984	1,984					
Somes Dej	1,151,022	8,400			5,855	1,033,837	102,930
Vitoria Serv Iasi	41,400		41,400				
Total	23,399,554	19,049,064	42,400	948,780	54,811	3,201,569	102,930

The evolution of commercial receivables and other receivables, on types/fields of activities and sectors, at the end of 2018 towards 2017, is as follows:

lei			
RECEIVABLES	2017	2018	2018-2017
COMMERCIAL RECEIVABLES, Total	15,919,225	27,453,873	11,534,648
<i>Internal customers, from which:</i>	<i>9,182,455</i>	<i>12,039,929</i>	<i>2,857,474</i>
User: metal industry	621,236	2,108,072	1,486,836
User – food industry	109,796	0	-109,796
User – energy industry	352,766	107,369	-245,397
User – public service providers	3,987,366	3,131,617	-855,749
User – petrol and chemical industry	1,058,046	3,374,538	2,316,492
User – chemical industry	662,085	0	-662,085

External customers – total, from which:	5,412,097	4,206,471	-1,205,626
User – distribution and trade - Hungary	40,574	188,363	147,789
User - distribution and trade Poland	151,133	0	-151,133
User - distribution and trade Moldavian R.	3,651,580	3,485,435	-166,145
User - distribution and trade Slovenia	593,125	217,842	-375,283
User - distribution and trade Netherlands	0	79,443	79,443
User - distribution and trade Bulgaria	310,673	116,071	-194,602
Uncertain customers – total, from which:	1,301,355	1,207,561	-93,794
User - distribution and trade Rm. Valcea	12,936	12,936	0
User - distribution and trade - Bacau	0	0	0
User - distribution and trade Bucuresti	116,934	24,524	-92,410
User - distribution and trade - Moinesti	723,288	723,288	0
User - agriculture Braila	225,480	225,480	0
User - distribution and trade Calarasi	10,109	10,109	0
Advances service providers	215,380	8,393,427	8,178,047
Other commercial receivables - warranties	1,258,782	2,814,046	1,555,264
Provisions for commercial receivables depreciation	-1,450,844	-1,207,561	243,283
OTHER RECEIVABLES	1,675,659	99,372,879	97,697,220
- VAT return	0	96,455,420	96,455,420
- Undue VAT	1,598,579	2,345,150	746,571
- Miscellaneous debtors	51,353	64,352	12,999
- other receivables	25,727	507,957	482,230

Commercial receivables in 2018 recorded an increase of about 70%, as resulted from the above table.

Commercial receivables are covered, mainly, with cashing effects (CECs, Orders) with cash terms according to contractual clauses.

The money availability within the accounts of the company at the beginning, respectively the end of the financial exercise 2018, is presented as follows:

lei

Cash and bank accounts	31.12.2017	31.12.2018
Bank accounts	675,512	51,816,622
CECs to be cashed	718,342	481,983
Cash	4,652	671
Other cash availability	7,408	10,943
TOTAL	1,405,914	52,310,219

Of the available in the accounts we mention in particular: 23,568 thousand RON - Warehouse closure Rm.Valcea, as well as 17,300 thousand RON from unlocking guarantee letter established for Oltchim asset purchase.

c) Debt evolution:

Analysing the debt situation as at 31.12.2018, the total debt level increased as of 31.12.2017, the situation is presented as follows:

lei

DEBTS	31.12.2017	31.12.2018	2018/2017
TOTAL, from which:	143,495,004	826,350,719	576%
- credits/loans	60,750,993	723,834,379	1191%
- commercial debts	65,651,101	81,267,474	124%
- inner group debts	10,733,947	4,896,603	46%
- staff and social insurances	2,704,014	9,625,001	356%
- Tax debts related to state budget and special funds	2,868,888	5,641,274	197%
- other debts	786,061	1,085,988	138%

Commercial debts compared are detailed as follows:

lei			
DEBTS from which:	2017	2018	2018-2017
COMMERCIAL DEBTS TOTAL	65,651,101	81,267,474	15,616,373
Internal providers – total, from which:	23,958,860	42,505,208	18,546,348
Electrical energy	8,835,467	14,825,136	5,989,669
Salt solution	2,128,770	1,716,064	-412,706
Methane gas	6,281,362	6,877,431	596,069
Port rendering	112,458	61,901	-50,557
Merchandise transportation	599,199	1,377,522	778,323
Chalk stones	402,374	498,511	96,137
Methanol	412,558	2,499,875	2,087,317
External providers – total, from which:	2,283,159	1,267,226	-1,015,933
Tank truck	136,205	51,333	-84,872
Carbide	0	0	0
Consultancy services	253,300	794,672	541,372
Acetone	83,419	0	-83,419
Spares	822,760	6,418	-816,342
Packaging	66,831	85,792	18,961
Maintenance services	571,038	56,699	-514,339
Fixation providers – total, from which:	863,894	269,043	-594,851
Material providers for investments	224,551	94,397	-130,154
Construction works providers	39,735	0	-39,735
Protection, rubbering work providers	224,701	0	-224,701
Mechanics	4,582	0	-4,582
Biocide authorized providers	0	60,048	60,048
Unreceived invoice providers – total, from which:	9,545,937	13,145,624	3,599,687
Electrical energy	5,717,035	2,281,087	-3,435,948
Consultancy services	0	214,142	214,142
Consultancy services	0	182,598	182,598
Methane gas	3,429,715	7,305,558	3,875,843
Advances cashed in order account	28,999,251	24,080,373	-4,918,878

Amounts owed to companies from the group:

Company	Total LEI	Providers Affiliated entities	Fixed providers Affiliated entities	Advances received from affiliated entities
C.R.C.Impex	833	833		
A2 Impex SRL Ploiesti	0			
A4 Impex Onesti	10,856	10,856		
A 5 Invest	631,938	631,938		
A6 Impex SRL Dej	2,773,109			2,773,109
AISA Invest Cluj	278,368	278,368		
Caromet Caransebes	0			
Contactoare Buzau	0			
Iasitex SA Iasi	25,192	25,192		
Inav SA Bucuresti	13,202	13,202		
Servicii Comerciale Romane	1,116,487	1,116,487		
Eurohouse Com	0			
Uzuc SA	43,487		43,487	
Somes Dej	3,131	3,131		
Total	4,896,603	2,080,007	43,487	2,773,109

At the chapter amounts owed to company's employees, social insurances, tax debts and other debts, the situation is the following:

	lei
Total staff and social insurances	9,625,001
- Staff – owed salaries	3,649,224
- Staff – material help	63,575
- Withdrawal from owed salaries to thirds	42,325
- Other debts related with the staff	45,658
- Social insurances	5,492,574
- Unemployment help	331,645
- Other debts and social receivables	0
Total tax debts related to state budget and special funds	5,641,274
- income tax	4,024,544
- salary tax	999,347
- VAT	0
- other taxes and charges and related payments	142,244
- Special funds	48,806
- Other debts towards the state budget	426,333
Total other debts	1,085,988
- floating assets	30,800
- payment dividends	754,177

- diverse creditors

301,011

Of staff debts, 3.649 thousand lei represents the salaries afferent to December 2018 paid in January 2018 and the debts towards the state institutions are current, with the due date on January 25th, 2019.

Amounts owed to credit institutions and other loans:

The credit situation and other loans in balance at 31.12.2018 of SC CHIMCOMPLEX SA Borzesti is the following:

<u>Credit/loan type bank</u>	<u>currency</u>	<u>Year 2017</u>	<u>year 2018</u>
RAIFFEISEN BANK:			
- credit line	lei	5,000,000	0
- credit investments SODA M	euro	0	0
- credit investments COGENERARE II	lei	3,130,172	0
- credit investments Saleduct	lei	2,479,390	0
- credit investments 2015	lei	2,725,078	0
PIRAEUS BANK:			
- credit line	lei	18,500,000	0
BANC POST:			
- credit line	lei	7,000,000	0
TRICON Energy			
- loan	usd	5,820,750	5,820,750
VTB Bank (Europe) -TL	euro		94,000,000
VTB Bank (Europe) - revolving	euro		15,000,000
Credit Suisse International -TL	euro		40,000,000

In December 2018, all credits towards the Romanian banks have been reimbursed and contracted from VTB (Europe) and Credit Suisse Internationale to purchase Oltchim assets.

In 2018,

Constituted provisions are as follows:

"Other provisions" for salary rights afferent to 2018 = 832.154 lei.

Provisions for impairment of customer receivables = 744 lei,

Provisions for impairment of debtors' receivables = 3.849 lei,

And the yearly provisions are as follows:

Provisions for impairment of customer receivables = 124.536 lei.

"Other provisions" for salary rights afferent to 2018 = 765.679 lei,

Adjustments for the depreciation of goods = 1.016 lei.

At REVENUES IN ADVANCE from the balance, at 31.12.2018 in total amount of 45.074.270 lei amount of 23.568.956 lei (5,14 million euro) represents the waste warehouse closure fund Rm. Valcea and 21.341.739 lei subventions for investments, amounts to be resumed at afferent revenues/incomes. From which by EU structural funds:

- Project financed by POS CCE, financing agreement no.7.EE/06.01.2012: „Imbunatatirea eficientei energetice la electroliza cu membrana la Chimcomplex Borzesti”, balance 5.907.775 lei,

- b) Project financed by POS CCE, financing agreement no.29EE/22.04.2013: "Instalatie de Cogenerare II", balance 14.777.777 lei.

B. PROFIT AND LOSS ACCOUNT

The profit and loss account express the income and expense flows recorded by the company in the financial year 2018 and their profitability at the year-end.

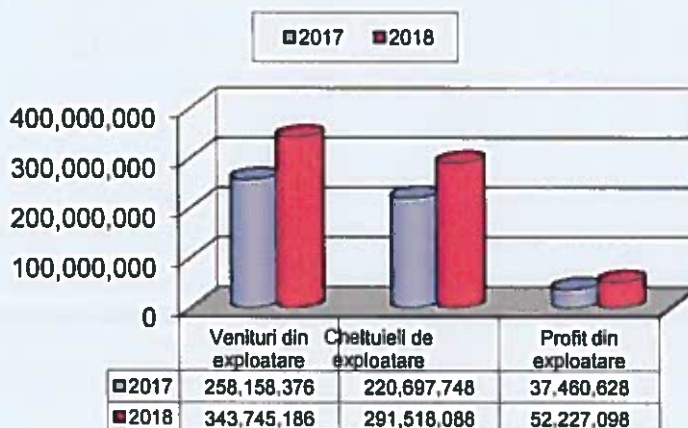
The profit and loss account summarize the economic results of the operating activity and the financial activity.

The situation of the main indicators reflecting the results of 2018 compared to the previous years is presented below:

INDICATORS					lei
	2015	2016	2017	2018	2018/2017
Sold production	192,553,261	180,222,398	239,953,755	285,927,969	119%
Net turnover	193,836,735	184,130,073	242,476,720	294,300,863	121%
OPERATING INCOME - TOTAL	203,766,251	186,688,560	258,158,376	343,745,186	133%
OPERATING EXPENSES - TOTAL	186,381,625	175,792,750	220,697,748	291,518,088	132%
OPERATING PROFIT	17,384,626	10,895,810	37,460,628	52,227,098	139%
FINANCIAL INCOME - TOTAL	2,136,697	1,992,175	3,295,685	4,254,572	129%
FINANCIAL EXPENSES - TOTAL	6,568,096	3,710,617	4,683,820	17,515,396	374%
FINANCIAL LOSS	4,431,399	1,718,442	1,388,135	13,260,824	955%
TOTAL INCOMES	205,902,948	188,680,735	261,454,061	347,999,758	133%
TOTAL EXPENSES	192,949,721	179,503,367	225,381,568	309,033,484	137%
GROSS PROFIT	12,953,227	9,177,368	36,072,493	38,966,274	108%
INCOME TAX	0	977,341	4,819,123	6,279,885	130%
NET RESULT: PROFIT	12,953,227	8,200,027	31,253,370	32,686,389	105%

In 2018, compared with 2017, turnover grew by 21%. Given that in 2018 the operating income level is 33% higher than in 2017 and the operating expenses have increased by 32% compared to the previous year, there is an operating profit of 52,227 thousand lei compared to 37,461 thousand lei achieved in 2017 - 39% increase.

Evolution of operating result 2018

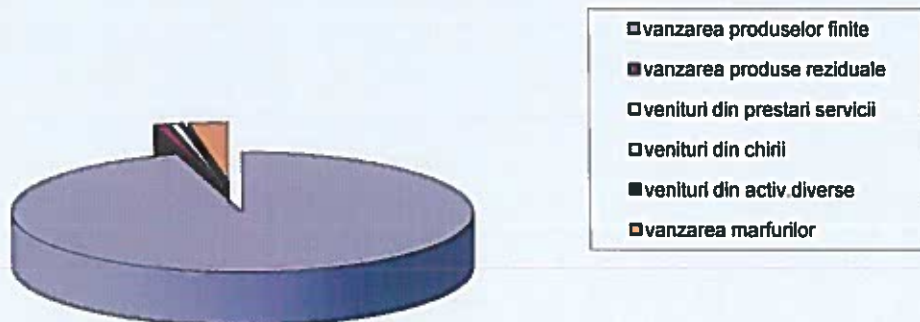


a) Operating activity

1. operating incomes achieved in 2018 were of 343.745 thousand lei, with the following structure:
- turnover 294.301 thousand lei

Turnover structure	2018	CA percentage
TOTAL TURNOVER, from which:	294,300,863	100%
Selling of end products	286,110,875	97.22%
Income from services rendered	1,956,846	0.66%
Merchandise selling	8,372,894	2.85%

Turnover structure 2018



End product sales

Residual product sales

Service rendering incomes

Rent incomes

Diverse activities incomes

Merchandise sales

- **Other incomes** in amounts of 49.444 thousand lei, din care: 1.137 thousand lei - income from the production of fixed assets, 2,292 thousand lei - part of the subsidies for investments transferred to income,

from the sale of assets and other capital operations, 10,505 thousand lei, the stock change 35,384 thousand lei (increase of stocks) and other income.

2. Operating expenses structure achieved in 2018 is as follows:

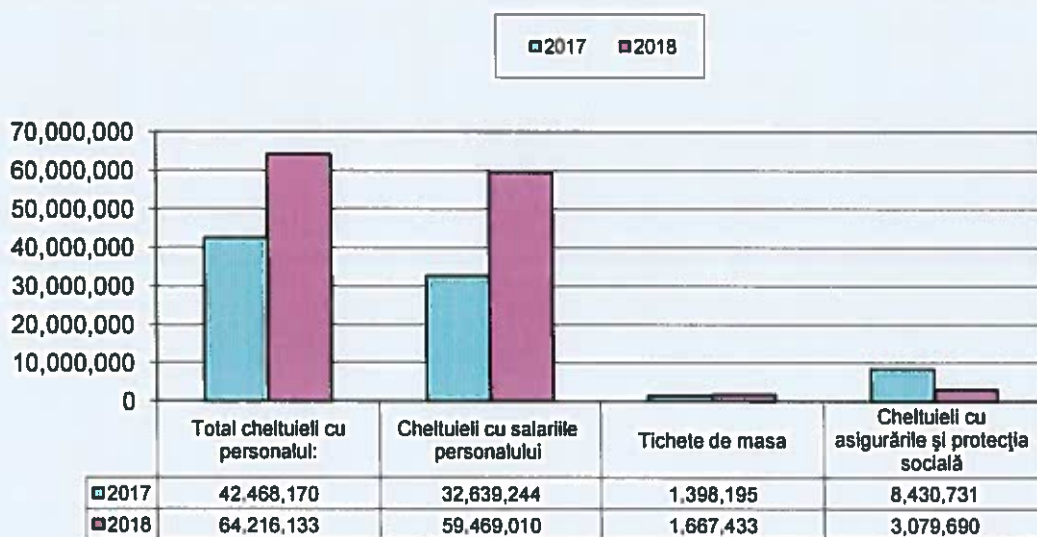
1. Raw materials, materials and energy expenses

	2017	2018	2018/2017	lei % in operating expenses
Total from which:	117,178,737	165,524,876	141%	56.78%
Raw materials expenses	27,715,808	54,429,210	196%	18.67%
Consumables expenses	41,108,344	41,455,515	101%	14.22%
- from which, natural gas Borzesti	29,395,264	32,521,861	111%	11.16%
Expenses on other materials	481,055	721,377	150%	0.25%
Expenses on packaging	1,590,783	1,830,719	115%	0.63%
Expenses with merchandises	2,020,943	7,653,251	379%	2.63%
Expenses on energy and water:	44,261,804	59,434,804	134%	20.39%
- electrical energy	42,944,597	50,542,065	118%	17.34%
- thermal energy		3,908,055		1.34%
- natural gas Rm.V		2,489,300		0.85%

2. Staff expenses - in 2018 increased with 50% towards 2017 due to hiring beginning as of 08.12.2018 with number of 1.247 employees for Rm. Valcea branch.

	2017	2018	2018/2017	% in operating expenses
Total staff expenses:	42,468,170	64,216,133	151%	22.03%
Staff salary expenses	32,639,244	59,469,010	182%	20.40%
Meal tickets	1,398,195	1,667,433	119%	0.57%
Social insurance and protection expenses	8,430,731	3,079,690	37%	1.06%

Evolutia of salary expenses 2018 vs 2017



2. Structure of other operating expenses, is as follows:

	2017	2018	2018/2017	lei % in operating expenses
Expenses on amortization of fixed assets	16,468,831	15,316,452	93%	5.25%
Maintenance and repair expenses	5,919,844	5,702,438	96%	1.96%
Rental expenses	1,018,039	5,515,189	542%	1.89%
Insurance expenses	254,448	881,447	346%	0.30%
Expenses with studies and research	229,938	59,514	0%	0.02%
Expenses on staff training	218,290	37,323	0%	0.01%
Expenses with fees	1,763,718	550,306	31%	0.19%
Protocol expenses	390,779	509,174	130%	0.17%
Expenses with transportation of goods and people	11,879,610	12,422,694	105%	4.26%
Travel expenses	360,592	466,811	129%	0.16%
Postage, telephone, internet	143,225	134,600	94%	0.05%
Service Fees. banking	581,451	2,309,010	397%	0.79%
Other expenses on services performed by third parties	15,612,442	9,717,810	62%	3.33%
Expenses with other taxes and fees	1,367,152	2,210,863	162%	0.76%
Losses from receivables and various debtors	141,591	94,570	67%	0.03%
Other operating expenses	3,507,060	5,588,242	159%	1.92%

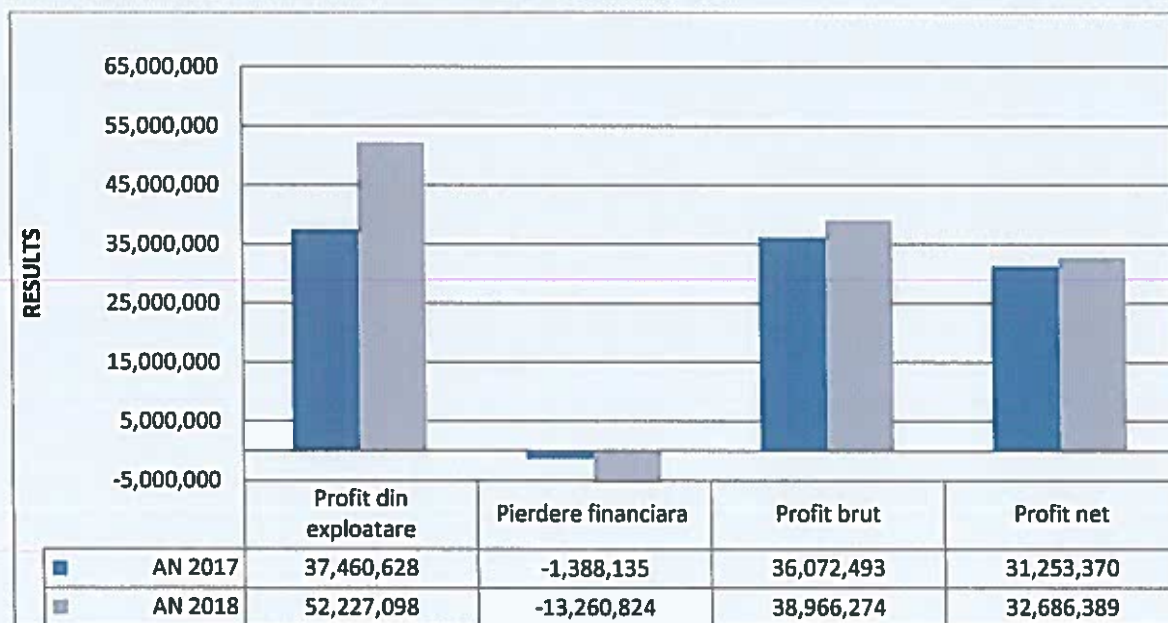
b) Financial activity

Continuous tracking of financial result in order to reduce the cost of financing as a level of interest and commissions, the use of financial instruments on the market is a priority objective for Chimcomplex.

INDICATORS	lei	
	2017	2018
FINANCIAL INCOMES	3,295,685	4,254,572
FINANCIAL EXPENSES	4,683,820	17,515,396
FINANCIAL RESULT	-1,388,135	-13,260,824

Structure of comparative profit in 2018 towards 2017 is presented as follows:

RESULTS	lei	
	2017	2018
Operating profit	37,460,628	52,227,098
Financial loss	1,388,135	13,260,824
Gross profit	36,072,493	38,966,274
Net profit	31,253,370	32,686,389



In 2018 a net profit of 32.686 thousand lei was obtained, compared to 32.862 thousand lei forecasted in the Income and Expense Budget of 2018, and compared to 31.253 thousand lei net profit achieved in 2017.

c). Cashflow

lei

Element name		2018
+	Net profit (+) or loss (-)	32,686,389
+	Amortisation and provisions	15,316,452
-	Stocks variation (+/-)	55,616,161
-	Receivables variation (+/-)	128,700,702
+	Provider variation (+/-)	14,697,907
+	Creditor customer variation (+/-)	-4,918,878
+	Other debts variation (+/-)	10,921,103
+	= Cashflow from operating activity (A)	115,613,890
+	Amounts from selling and valuing assets and fixed means	10,505,188
-	Investments in tangible assets, total, from which:	652,137,704
	- Purchase of fixed means + other expense investments	651,000,550
	- Performed on its own	1,137,154
-	Financial investments	107,296,138
+	= Cashflow from investment activity (B)	534,336,378
+	Variation of amounts owed to credit institutions	662,155,583
+	Contribution to company capital	42,522,378
+	Capital premiums	844,028
-	Dividend payments	13
+	= Cashflow from financial activity (C)	705,521,976
-	Variation of other asset elements	4,887,441
+	Variation of other liability elements	220,038
+	= Cashflow from other activities (D)	-4,667,403
+	Monies availability at the start of the period	1,405,914
+	Net cashflow (A+B+C+D)	50,904,305
=	Monies availability at the end of the period	52,310,219

THE BOARD OF DIRECTORS,
VUZA STEFAN - Chairman

S.C. CHIMCOMPLEX S.A. BORZESTI
 Romania – Bacau; Onesti, 3 Industriilor Street;
 Trade Register No. J04/493/1991; Taxation code RO 960322; Share capital 162,877,590.54 lei
 Legal Entity Identifier (LEI) code: 549300FCIHJZOG56WD36
 Account: RO51RZBR000001506855; Raiffeisen Bank Onesti;
 Tel./fax: 0234/302102; e-mail: juridic@chimcomplex.ro, www.chimcomplex.ro

**Statement regarding the Corporate Governance
 31.12.2018**

It contains the self-assessment of the compliance with "provisions to be accomplished" provided by the document "Principles of Corporate Governance for AeRO – the share market of Bucharest Stock Exchange", which came into force on 04.01.2016, as well as of the measures adopted or which are going to be adopted, in order to achieve all of them.

Preamble

The Principles of Corporate Governance of Bucharest Stock Exchange applied by CHIMCOMPLEX S.A. Borzesti, aim to increase the level of transparency and trust for the company's shareholders and to create a stronger connection with them, as well as an wider opening to potential investors.

A good corporate governance is a powerful instrument for increasing business competitiveness and CHIMCOMPLEX S.A. Borzesti aims the fulfillment of all these recommendations, contributing to the development of the economic efficiency of business and increase of investors' confidence.

Any significant change to this Annual Corporate Governance Statement will be presented in a current report.

Table regarding the compliance with the Principles of Corporate Governance:

Principles of Corporate Governance	Complies with	Does not comply or partially complies with	Reason for noncompliance
A. 1. The company should have an internal Board of Directors regulation that includes terms of reference for the Board and the company's key management	X		

positions. The Regulation should also present how to deal with a conflict of interest within the Board.			
A.2. Any other professional engagements of Board's members, including the executive or non-executive position of the board members in other companies (excluding company's subsidiaries) and non-profit institutions shall be brought to the attention of the Board prior to the appointment and during the mandate.	X		
A.3. Each member will inform the Board about any connection with a shareholder holding directly or indirectly shares representing not less than 5% of the total number of voting rights. This obligation shall take into account any connection that may affect the position of the respective member on matters concerning the decisions of the Board.	X		
A.4 The annual report must inform whether an assessment of the Board led by the Chairman has taken place. It must also contain the number of the Board's meetings.		X	The company is due to develop the procedure for the Board assessment in 2019, and in the annual report will be presented aspects of Board meetings.
A.5. The procedure regarding the cooperation with the Authorized Consultant for the period in which such cooperation is imposed by the Bucharest Stock Exchange.	X		

<p>B.1. The Board will adopt a policy so that any transaction of the company with a subsidiary representing 5% or more of the company's net assets, according to the most recent financial report, to be approved by the Board of Directors.</p>		X	The Board is to develop in 2019 the policy of the company's transactions with subsidiaries representing 5% or more of the net assets of the company.
<p>B.2. The internal audit must be carried out by a separate organizational structure (internal audit department) of the company or through the services of an independent third party that will report to the Board and within the company it will report directly to the General Manager.</p>	X		
<p>C.1. The Company will publish in the annual report a section that will include the total incomes of the Board's members and of the General Manager for the respective financial year and the total amount of all bonuses or any variable compensation and also the key assumptions and principles related to the calculation of the above mentioned incomes.</p>		X	The requirement has been partially met because the notes to the annual financial statements include information on the remuneration of members of the Board of Directors and the General Manager. The requirement is going to be fully implemented during the year 2019.
<p>D.1. Additionally to the information provided by the legal provisions, the company's website shall contain a section dedicated to the Relationship with the Investors, both in Romanian and in English, with all relevant information of interest to investors.</p>		X	On the website, the section "Relationship with the Investors", presents the information in Romanian.
<p>D.2. A company must have</p>	X		

<p>adopted a company's dividends policy as a set of directives related to the allocation of net profit, that the company undertakes to observe. The principles of the policy regarding the dividends must be published on the company's website.</p>			
<p>D.3. A company must have adopted a forecasting policy and whether it will be provided or not. Forecasts are the quantified conclusions of studies aiming the determination of the overall impact of a list of factors relating to a future period (the so-called hypotheses). The policy should provide the frequency, the period considered and the content of the forecasts. If published, the forecasts will be part of the annual, half-yearly or quarterly reports. Forecast policy should be published on the company's website.</p>		X	<p>The company has not adopted a policy on forecasts to determine its frequency, period and content, whether to be made public or not. Forecasts with a certain level of uncertainty, factors with significant impact on future periods, are every time included in the annual reports of the administrators.</p>
<p>D.4. A company must set the date and place of a general meeting so as to allow the participation of as many shareholders as possible.</p>	X		
<p>D.5. The financial reports will include information, both in Romanian and in English, on the main factors influencing changes in sales, operating profit, net profit or any other relevant financial indicator.</p>	X		
<p>D.6. Every year, the company will organize at least one meeting / conference call</p>	X		

with the analysts and the investors. The information presented on these occasions will be published in the section about Relationship with the Investors on the company's website at the time of that meeting / conference.

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**CHAIRMAN OF THE BOARD OF DIRECTORS,
VUZA STEFAN**



STATEMENT OF FINANCIAL POSITION
for the financial period ending at 31.12.2018

RON

Indicators A	Nr.		
	rd. B	31.12.2017 1	31.12.2018 2
A. FIXED ASSETS			
1. Set-up costs (acc. 201-2801)	01	0	0
2. Development expenses (acc. 203-2803-2903)	02	0	0
3. Concessions, patents, licences, trademarks and other similar rights and assets and other intangible assets (acc. 2051+2052+208-2805-2808-2905-2908)	03	238,157	1,060,574
4. Goodwill (acc. 2071-2807)	04	0	0
5. Intangible assets for exploration and evaluation of mineral resources (206-2806-2906)	05		
6. Advances (acc. 4094)	06	0	0
I. TOTAL INTANGIBLE ASSETS	07	238,157	1,060,574
II. TANGIBLE ASSETS			
1. Land and buildings (acc. 211+212-2811-2812-2911-2912)	08	94,629,862	257,435,775
2. Machinery and vehicles (acc. 213-2813-2913)	09	109,608,030	540,953,572
3. Other technical equipment, machinery and furniture (acc. 214-2814-2914)	10	477,539	1,998,496
4. Investment property (acc.215-2815-2915)	11		
5. Tangible assets in progress (acc. 231-2931)	12	2,177,341	41,985,327
6. Investment property in progress (acc.235-2935)	13		
7. Tangible assets for exploration and evaluation of mineral resources (acc.216-2816-2916)	14		
8. Productive biological assets (acc.217+227-2817-2917)	15	30,054	26,715
9. Advances (acc.4093)	16	319,122	6,022,196
II. TOTAL TANGIBLE ASSETS	17	207,241,948	848,422,081
III. FINANCIAL ASSETS			
1. Shares held in affiliated entities (acc. 261-2961)	18	40,398,270	45,625,270
2. Loans granted to affiliated entities (acc. 2671+2672-2964)	19	0	0
3. Shares in associated companies (acc. 262+263-2962)	20	0	0
4. Loans granted to associates and jointly controlled (acc. 2673+2674-2965)	21	0	0
5. Investments held as fixed assets (acc. 265-2963)	22	1,000	1,000
6. Other loans granted (acc.2675+2676+2677+2678+2679-2966-2968)	23	116,599,835	4,076,697
III. TOTAL FINANCIAL ASSETS	24	156,999,105	49,702,967
FIXED ASSETS - TOTAL (rows 07+17+24)	25	364,479,210	899,185,622
B. CURRENT ASSETS		0	0
1. Raw materials and consumables (acc.301+3021+3022+3023+3024+3025+3026+3028+303+/-308+ 351+358+381+/-388-391-3921-3922-3951-3958-398)	26	10,229,737	22,753,364
2. Production in progress (acc. 331+332+341+/-3481+3541-393-3941-3952)	27	1,301,460	5,923,259
3. Finished goods and merchandise (acc. 378-3945-3946-3953-3954-3956-3957-396-397-4428)	28	12,081,513	48,197,702
4. Advances for purchase of inventory (acc. 4091)	29	73,406	2,427,952
I. TOTAL INVENTORIES	30	23,686,116	79,302,277
II. RECEIVABLES			
1. Trade receivables (acc. 2675+2676+2678+2679-2966-2968+4092+4111+4118+413+418-491)	31	15,919,225	27,453,873

Indicators	Nr.		
	rd.	31.12.2017	31.12.2018
A	B	1	2
2. Inter-group settlements (acc. 4511+4518-4951)	32	3,588,098	23,056,932
3. Receivables from participation interests (acc. 453-495)	33	0	0
4. Other receivables (acc.425+4282+431+437+4382+441+4424+4428+444+445+446+447+4482+4582+461+473-496+5187)	34	1,675,659	99,372,879
5.Receivables related to subscribed and not paid in share capital (acc. 456-4953)	35	0	0
II. TOTAL RECEIVABLES	36	21,182,982	149,883,684
III. SHORT TERM FINANCIAL INVESTMENTS			
1. Shares in related parties (acc. 501-591)	37	0	0
2. Other short-term financial investments (acc. 505+5061+5062+5081+5088-595-596-598+5113+5114)	38	0	0
TOTAL: (row 31+32)	39	0	0
IV. CASH AND BANK ACCOUNTS (acc.5112+5121+5124+5125+5311+5314+5321+5322+5323+5328+5411+5412+542)	40	1,405,914	52,310,219
CURRENT ASSETS - TOTAL (rows 30+36+39+40)	41	46,275,012	281,496,180
C. ADVANCE PAYMENTS (acc. 471) (rows 43+44)	42	335,475	15,358,083
Amounts up to one year	43	335,475	4,277,418
Amounts over one year	44		11,080,665
D. SHORT TERM LIABILITIES			
1. Debenture loans (acc. 1614+1615+1617+1618+1681-169)	45	0	0
2. Amounts owed to credit institutions (acc.1621+1622+ 1624+1625+1627+1682+5191+5192+5198)	46	14,543,447	129,250,279
3. Advance payments from customers (acc. 419)	47	28,999,251	24,080,373
4. Trade liabilities (acc. 401+404+408)	48	36,651,850	57,187,101
5. Bills of exchange payable (acc. 403+405)	49	0	0
6. Amounts due to group entities (acc.1661+1685+2691+4511+4518)	50	10,733,947	4,896,603
7. Amounts due to associated entities (acc. 1663+1686+2692+2693+453)	51	0	0
8. Other liabilities, including tax and other debts for social security (acc.1623+1626+167+1687+2698+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+4551+4558+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	52	6,491,300	40,075,003
TOTAL LIABILITIES UP TO 1 YEAR: (row 45 to 52)	53	97,419,795	255,489,359
E. NET CURRENT ASSETS LESS NET CURRENT DEBTS (rows 41+43-53-70-73-76)	54	-53,252,886	15,386,892
F. TOTAL ASSETS LESS CURRENT DEBTS (rows 25+44+54)	55	311,226,324	914,572,514
G. DEBTS PAYABLE WITHIN A PERIOD LONGER THAN ONE YEAR			
1. Debenture loans (acc. 1614+1615+1617+1618+1681-169)	56	0	0
2. Amounts owed to credit institutions (acc.1621+1622+1624+1625+1627+1682+5191+5192+5198)	57	23,412,609	570,861,360
3. Advance payments from customers (acc. 419)	58	0	0
4. Trade liabilities (acc. 401+404+408)	59	0	0
5. Bills of exchange payable (acc. 403+405)	60	0	0
6. Amounts due to group entities (acc. 1661+1685+2691+4511+4518)	61	0	0
7. Amounts due to associated entities (acc. 1663+1686+2692+2693+4521+4528)	62	0	0
8. Other liabilities, including tax and other debts for social security (acc.1623+1626+167+1687+2698+421+423+424+426+427+4281+431+437+4381+441+4423+4428+444+446+447+4481+4551+4558+456+457+4581+462+473+509+5186+5193+5194+5195+5196+5197)	63	22,662,600	0
TOTAL: (rows 56 to 63)	64	46,075,209	570,861,360
H. PROVISIONS FOR RISKS AND CHARGES			
1.Provisions for employee benefits (acc.1515+1517)	65	0	0

Indicators	Nr.		
	rd.	31.12.2017	31.12.2018
A	B	1	2
2.Provisions for taxes (acc.1516)	66	0	0
3. Other provisions (acc.1511+1512+1513+1514+1518)	67	765,679	832,154
TOTAL PROVISIONS: (rows 65 to 67)	68	765,679	832,154
I. REVENUES REGISTERED IN ADVANCE			
1. Subsidies for investment (acc 475)(rows70+71)	69	23,587,220	21,341,739
Amounts less than 1 year	70	2,280,003	2,245,481
Amounts more than 1 year	71	21,307,217	19,096,258
2. Revenues registered in advance (acc. 472) (rows 73+74)	72	163,575	23,732,531
Amounts less than 1 year (acc.472)	73	163,575	4,748,975
Amounts more than 1 year (acc.472)	74		18,983,556
3. Deferred income related to assets received from customers transfer (acc. 478) (rows 76+77)	75	0	0
Amounts less than 1 year (acc.478)	76		
Amounts more than 1 year (acc.478)	77		
Negative goodwill (acc.2075)	78		
TOTAL REVENUES IN ADVANCE (rows69+72+75+78)	79	23,750,795	45,074,270
J. CAPITAL AND RESERVES			
I. CAPITAL			
1. Subscribed and paid-in share capital (acc.1012)	80	185,557,669	296,504,061
2. Subscribed and not paid-in share capital (acc. 1011)	81		
3. Patrimony (acc.1015)	82		
development(acc.1018)	83		
5.Other items of equity (1031)	84		
TOTAL CAPITAL (rows 80 to 84)	85	185,557,669	296,504,061
II. SHARE PREMIUM (acc. 104)	86		844,028
III. REVALUATION RESERVES (acc. 105)			
Sold C	87	43,606,567	43,606,529
IV. RESERVES			
1. Legal reserves (acc.1061)	88	6,708,903	8,927,310
2. Statutory or contractual reserves (acc. 1063)	89	0	0
3. Other reserves (acc. 1068)	90	74,323,323	33,995,546
TOTAL RESERVES (rows 88 to 90)	91	81,032,226	42,922,856
Own shares (acc.109)	92		
Gains related to equity instruments(acc.141)	93		
Losses related to equity instruments(acc.149)	94		
V.RETAINED PROFIT OR LOSS(A) Balance C (acc.117)			
D (acc.117)	96	94,720,397	90,409,706
VI.PROFIT OR LOSS OF THE FINANCIAL YEAR			
Balance C (acc. 121)	97	31,253,370	32,686,389
Balance D (acc. 121)	98		
Profit allocation (acc. 129)	99	3,651,216	2,371,415
EQUITY -TOTAL (rows85+86+87+91-92+93-94+95-96+97-98-99)	100	243,078,219	323,782,742
Public patrimony (acc. 1016)	101	0	0
Public patrimony (acc. 1017)	102		
CAPITAL-TOTAL (rows 100+101+102) rows25+41+42-53-64-68-79	103	243,078,219	323,782,742

ADMINISTRATOR,
VUZA STEFAN

ECONOMIC DIRECTOR,
ANISOARA ALEXA



PROFIT AND LOSS ACCOUNT
31.12.2018

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INDICATORS	Nr. rd.	Financial year	
		Previous	Current
A	B	C	D
1. Net turnover (row 02+03-04+05+06)	01	242,476,720	294,300,863
Sales of finished goods (acc.701+702+703+704+705+706+708)	02	239,953,755	285,927,969
Revenues obtained from merchandise sold (acc. 707)	03	2,522,965	8,372,894
Granted commercial discounts (acc.709)	04		
Revenues associated with the costs of the production in progress			
Balance C acc.711+712	07		35,383,617
Balance D acc.711+712	08	1,966,855	
3.Capitalised costs of intangible/tangible non-current assets	09	4,180,240	1,137,154
4. Revenues from tangible fixed assets revaluation (acc.755)	10		
5. Revenues from production of investment property (acc.725)	11		
6. Revenues from subsidies for operating activities (acc. 7412+7413+7414+7415+7416+7417+7419)	12	8,100	17,550
7. Other operating revenues (acc. 751+758+7815)	13	13,460,171	12,906,002
OPERATING REVENUES - TOTAL (row 01+07+08+09+10+11+12+13)	16	258,158,376	343,745,186
8.a) Expenses with raw materials and consumables (acc. 601+602-7412)	17	68,836,963	96,136,798
Expenses with other materials (acc. 603+604+606+608)	18	2,071,838	2,552,096
b) Other external expenses (power and water supply) (acc. 605)	19	44,261,804	59,434,804
Cost of merchandise sold (acc.607)	20	2,020,943	7,653,251
Received commercial discounts (acc.609)	21	12,811	252,073
6. Staff expenses (row 23+24)	22	42,468,170	64,216,133
a) Wages and benefits (acc. 641+642+643+644)	23	34,037,439	61,136,443
b) Expenses related to insurances and social protection (acc. 645+646)	24	8,430,731	3,079,690
7.a) Adjustment of tangible and intangible assets (row 18-19)	25	16,468,831	15,316,452
a.1) Expenses (acc. 6811+6813+6817)	26	16,468,831	15,316,452
a.2) Revenues (acc. 7813)	27		
7.b) Adjustment of current assets (row 29-30)	28	-5,981	-30,982
b.1) Expenses (acc. 654+6814)	29	142,516	94,570
b.2) Revenues (acc. 754+7814)	30	148,497	125,552
8. Other operating expenses (row 32 la 38)	31	43,822,312	46,420,542
8.1. Expenses related to foreign services (acc.611+612+613+614+621+622+623+624+625+626+627+628)	32	38,372,376	38,306,316
11.2 Expenses related to other taxes and charges (acc.635+6586)	33	1,367,152	2,210,863
11.3 Expenses with environment protection (acc.652)	34	575,724	315,121
11.6 Alte cheltuieli(acc.651+6581+6582+6583+6588)	37	3,507,060	5,588,242
Adjustments related to provisions (row40-41)	39	765,679	71,067
- Expenses (acc. 6812)	40	765,679	836,746
- Revenues (acc. 7812)	41	0	765,679
OPERATING EXPENSES - TOTAL (row17 la 20-21+22+25+28+31+39)	30	220,697,748	291,518,088

INDICATORS	Nr. rd.	Financial year	
		Previous	Current
A	B	C	D
-OPERATING RESULT Profit (row 9-30)	31	37,460,628	52,227,098
- Loss (row 30-09)	32		
9. Revenues from participation interests (acc.7613+7614+7615+7616) of which:	33		
- Revenues from affiliated entities	34		
10. Revenues from other financial investments and receivables which are part of the fixed assets (acc.7611+7612), of which:	35		
- Revenues from affiliated entities	36		
11. Revenues from interests (acc. 766), of which:	37	178,276	447,052
- Revenues from affiliated entities	38		
Other financial revenues (acc. 7617+762+763+764+765+767+768+788)	39	3,117,409	3,807,520
FINANCIAL REVENUES - TOTAL (row 33+35+37+39)	40	3,295,685	4,254,572
12. Adjustment of financial assets and of investments held as current assets (row 42-43)	41	0	0
Expenses (acc. 686)	42		
Revenues (acc. 786)	43		
13. Interest expenses (acc. 666-7418), of which:	44	847,088	9,617,025
- from affiliated entities	45		
Other financial expenses (acc.663+664+665+667+668+688)	46	3,836,732	7,898,371
FINANCIAL EXPENSES - TOTAL (row 41+44+46)	47	4,683,820	17,515,396
FINANCIAL RESULT: - Profit (row 40-47)	48		
- Loss (row 47-40)	49	1,388,135	13,260,824
14. CURRENT RESULT: - Profit (row 31+48)	50	36,072,493	38,966,274
- Loss (row 32+49)	51		
15. Extraordinary revenues (acc. 771)	52		
16. Extraordinary expenses (acc. 671)	53		
17. EXTRAORDINARY RESULT - Profit (row 52-53)	54	0	0
- Loss (row 53-52)	55		
TOTAL REVENUES (row 09+40+52)	56	261,454,061	347,999,758
TOTAL EXPENSES (row 30+47+53)	57	225,381,568	309,033,484
GROSS RESULT: - Profit (row 56-57)	58	36,072,493	38,966,274
- Loss (row 57-56)	59		
18. TAX ON PROFIT (acc. 691-791)	60	4,819,123	6,279,885
Tax on current profit (acc 6911)	61	4,819,123	6,279,885
Deferred profit tax (acc 6912)	62		
Income from deferred profit tax (acc 791)	63		
19. Other taxes not included in items above (acc.698)	64		
20. NET PROFIT OR LOSS OF THE FINANCIAL YEAR:			
- Profit	65	31,253,370	32,686,389
- Loss	66		

ADMINISTRATOR,
VUZA ȘTEFAN

ECONOMIC DIRECTOR,
ANISOARA ALEXA

TO ,

**ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS
SC CHIMCOMPLEX S.A. BORZESTI**

We submit the distribution of the net profit realized in 2018 in the amount of 32,686,389 ron as follows:

- 1,948,314 ron Legal reserves
- 423,101 ron Reserves from reinvested earnings
- 30,314,974 ron Coverage of loss carried forward from previous years.

**PRESIDENT ADMINISTRATION BOARD
STEFAN VOZA**



7

STATEMENT

In accordance with Art. 30 of the Accounting Law no.82 / 1991, republished, with the subsequent modifications and completions

The annual financial statements as at 31/12/2018 were prepared for:

Entity: S.C. CHIMCOMPLEX S.A Borzesti

County: 04-BACAU

Address: ONESTI, INDUSTRIILOR Street, no. 3, tel. 0234/302100

Trade registry number: J04 / 493/1991

Form of ownership: 35 - Limited liability companies

Main business (CAEN code and class name): 2013 – manufacture of other basic inorganic chemicals

Unique registration code: 960322

I, the undersigned **VUZA STEFAN**, according to art.10 paragraph (1) of the Accounting Law no.82 / 1991, republished, with the subsequent amendments and supplements, in the capacity of:

ADMINISTRATOR,

I undertake the responsibility for the preparation of the annual financial statements as 31/12/2018 and I confirm the following:

a) The accounting policies used to prepare the annual financial statements are in accordance with applicable accounting regulations;

b) The annual financial statements provide a true picture of the financial position, financial performance and other information about the business;

c) The legal person is operating based on ongoing business conditions.

Signature

