

**OLTCHIM SA in judicial reorganization
and affiliates**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
ON DECEMBER 31, 2015**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	1-4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5-6
CONSOLIDATED PROFIT AND LOSS STATEMENT	7
CONSOLIDATED STATEMENT OF GLOBAL RESULT	8
CONSOLIDATED STATEMENT OF CASH FLOW	9-10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12-57
ACTIVITY REPORT ON CONSOLIDATED FINANCIAL STATEMENTS	1-7

To the Shareholders of,
S.C. Oltchim S.A. în reorganizare judiciară, in judicial reorganisation, en redressement
Râmnicu Vâlcea, Romania

INDEPENDENT AUDITOR'S REPORT (Free translation)

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of S.C. Oltchim S.A. în reorganizare judiciară, in judicial reorganisation, en redressement and its subsidiaries ("the Group") which comprise the statement of financial position as at December 31, 2015, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

6. As at December 31, 2015 the Group registered non-current assets in amount of RON 717,545, revaluation reserve in amount of RON 213,762 and a deferred tax liability recognized for revaluation reserves that will be taxable in the future in the amount of RON 34,202. Further to the initiation of the insolvency proceedings, the parent company revalued all its non-current assets, based on the revaluation report dated July 20, 2013, issued by an independent valuer, which used April 30, 2013 as reference date for determining the fair value thereof. The results of the revaluation, based on the report mentioned above, were recorded by the parent company as of December 31, 2013. At December 31, 2014 and December 31, 2015, the parent company recorded adjustments for the impairment of non-operational non-current assets so they are recorded at the liquidated value established by the evaluator as at April 30, 2013. The parent company has not made a fair value evaluation of non-current assets as at December 31, 2014 and December 31, 2015. Given the above, we cannot quantify the impact of possible adjustments to the value of non-current assets as at December 31, 2014 and December 31, 2015, to the revaluation reserves and to deferred tax liabilities reported by the Group as at December 31, 2014 and December 31, 2015, or the impact thereof on the consolidated statements of financial position as at December 31, 2014 and December 31, 2015 and the consolidated statements of comprehensive income for the respective years.

Opinion

7. In our opinion, except for the possible effects of the matter described in paragraph 6 "Basis for Qualified Opinion", the consolidated financial statements present fairly, in all material respects, the financial position of S.C. Oltchim S.A. în reorganizare judiciară, in judicial reorganisation, en redressement, and its subsidiaries ("the Group") as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and the accounting policies described in the notes to the consolidated financial statements.

Emphasis of Matter

8. We draw attention to Note 35 to the consolidated financial statements, which indicates that the Group must invest approximately EUR 22.5 million in order to comply with the environment protection legal stipulations. The realization of these investments depends on the financing sources that the Group will be able to contract. Our opinion is not qualified in this respect.

Other Matters

9. The Company's consolidated financial statements prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, as at December 31, 2014 and for the year then ended were audited by another auditor, which issued a qualified opinion on March 30, 2015, as follows:

- As presented in the audit report prepared for the year ended December 31, 2013, issued on March 27, 2014, the predecessor auditor was not able to issue an opinion due to the fact that he could not obtain sufficient and proper audit evidence regarding: the going concern principle, the opening balances for the year ended December 31, 2012, the revaluation of non-current assets and the employees' benefits upon retirement. Given that opening balances contribute to determining the comprehensive income and cash flows, the predecessor auditor was unable to determine whether changes to the financial performance are required, for the year ended December 31, 2014, as a result of the mentioned matters;
 - As at December 31, 2014, the Group registered non-current assets in amount of RON 792,104, revaluation reserve in amount of RON 213,762 and deferred tax liabilities recognized for revaluation reserves that will become taxable in the future, in the amount of RON 34,202. Further to the initiation of the insolvency proceedings, the Company revalued all its non-current assets held by it, based on the revaluation report dated July 20, 2013 issued by an independent valuer, which used April 30, 2013 as reference date for the fair value thereof. The results of the revaluation, based on the report mentioned above, were registered by the Company as of December 31, 2013. In addition, as at December 31, 2014, the Company recorded adjustments for the impairment of non-operational non-current assets so they are recorded at the liquidated value established by the evaluator as at April 30, 2013. The Company has not made a fair value evaluation of non-current assets as at December 31, 2014. Also, given the Company's obligations to comply with the Environmental rules for obtaining the Comprehensive Environmental Permit, the Company should have recognized as asset the discounted amount of expenses estimated as necessary to settle the liability. Given the above, the predecessor auditor cannot measure the impact of potential adjustments to the value of non-current assets as at December 31, 2014, to the revaluation reserve and to deferred tax liability reported by the Company as at December 31, 2014, or the impact thereof in the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of comprehensive income for the respective years.
 - As presented in Note 2.23, the Company calculated and recorded provisions for employee-related liabilities upon retirement as per the Collective Labor Agreement, in amount of RON 10,272 thousand. Order no. 1286/2012 provides that such provision be calculated by an actuary. The predecessor auditor was not able to measure the impact of any additional adjustments on retained earnings, on other items of equity and provisions for employee-related liabilities.
10. This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Report on conformity of the administrators' report with the consolidated financial statements

The administrators are responsible for the preparation and presentation of the administrators' report in accordance with the requirements of MoPFO no. 1286/2012 Accounting Regulations regarding annual standalone financial statements and annual consolidated financial statements, Chapter II, points 10-14 which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of administrators' report that is free from material misstatement, whether due to fraud or error.

Our opinion on the consolidated financial statements does not cover the administrators' report.

In connection with our audit of the consolidated financial statements, we have read the administrators' report accompanying the consolidated financial statements and we report as follows:

- a) in the administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the consolidated financial statements attached;
- b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of MoPFO no. 1286/2012, Chapter II, points 10-14;
- c) based on our knowledge and understanding concerning the Group and its environment gained during the audit of the consolidated financial statements prepared as at December 31, 2015, we have not identified information included in the administrators' report that contains a material misstatement of fact.

Madeline Alexander, Audit Partner

For signature, please refer to the original Romanian version

Registered with the Chamber of Financial Auditors of Romania under certificate no. 36/07.10.2000

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 25/25.06.2001

Bucharest, Romania
March 28, 2016

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Fixed assets			
Tangible fixed assets	15A	708.716	782.312
Real estate investments	15B	6.822	6.950
Intangible assets	16	2.007	2.820
Investments in Associates	17	-	22
Total long term assets		717.545	792.104
Current assets			
Stocks	18	39.757	40.754
Commercial receivables	19	29.696	45.482
Taxes and charges to be recovered	20	13.267	14.586
Other receivables	21	12.526	11.227
Cash and cash equivalents	22	13.524	4.944
Total current assets		108.770	116.993
TOTAL ASSETS		826.315	909.097
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	23	1.018.300	1.018.300
Reserves	24	229.834	229.834
Retained and current loss	25	(1.786.931)	(4.083.908)
Total equity attributable to owners of the parent		(538.797)	(2.835.774)
Non-controlling interests		2	66
Total equity		(538.795)	(2.835.708)
Long term liabilities			
Borrowings	26	615.690	3.429
Incomes in advance	27	5.107	5.961
Deferred tax liabilities	28	34.202	34.202
Provisions for employees' benefits and litigations	29	9.180	15.528
Other long term liabilities	29	21.317	6.723
Commercial liabilities	30	368.740	-
Fees and taxes liabilities	31	29.512	-
Total long term liabilities		1.083.748	65.843

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

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015

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

	Note	December 31, 2015	December 31, 2014
Current liabilities			
Borrowings	26	-	1.767.247
Commercial liabilities	30	119.242	1.697.107
Fees and taxes liabilities	31	64.801	71.577
Current portion of leasing agreements		14	-
Other liabilities	32	97.305	143.031
Total current liabilities		281.362	3.678.962
Total liabilities		1.365.110	3.744.805
Total equity and liabilities		826.315	909.097

Consolidated financial statements presented were approved by the management on March 28, 2016 and signed on its behalf by:

Special administrator
Stanescu Nicolae Bogdan Codrut

Deputy General Manager
Avram Victor

Economic Manager
Smeu Alin

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

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED PROFIT AND LOSS STATEMENT
AT DECEMBER 31, 2015

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

	Note	Year ended on December 31, 2015	Year ended on December 31, 2014
Net sales	5	747.944	627.531
Investments incomes	6	8.593	7.858
Other gains or losses	7	2.386.633	(1.892)
Stock variations		(4.710)	8.898
Expenses with raw materials and materials	8	(370.611)	(366.485)
Expenses with energy and water		(170.545)	(156.750)
Expenses with assets' depreciation and amortization	9	(85.793)	(409.018)
Salary expenses	10	(124.338)	(119.599)
Net cost of finance	11	(2.483)	(8.314)
Subsidies incomes		854	1.392
The result of associated companies put in equivalence	17	(22)	(228)
Other expenses	12	(56.903)	(42.088)
Profit/ (loss) before tax		2.328.619	(458.695)
Tax on profit	13	(35.653)	-
Net profit/(loss) of the year		2.292.966	(458.695)
Profit/(loss) attributable to:			
Parent-company owners		2.293.030	(458.743)
Minority interest		(64)	48
<u>Profit/(Loss) per share, basic</u>	14	<u>6.684754</u>	<u>(1,337350)</u>
<u>Number of share, in millions</u>		<u>343</u>	<u>343</u>

Consolidated financial statements presented were approved by the management on March 28, 2016 and signed on its behalf by:

Special administrator
Stanescu Nicolae Bogdan Codrut

Deputy General Manager
Avram Victor

Economic Manager
Smeu Alin

OLTCHIM S.A. in judicial reorganization
STATEMENT OF CONSOLIDATED GLOBAL RESULT
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

	December 31, 2015	December 31, 2014
Profit/(Loss) of the period	2.292.966	(458.695)
Other elements of global result	-	-
Total global result of the year	2.292.966	(458.695)
Total global result attributable to:		
Parent-company owners	2.293.030	(458.743)
Minority interest	(64)	48

Consolidated financial statements presented were approved by the management on March 28, 2016 and signed on its behalf by:

Special administrator
Stanescu Nicolae Bogdan Codrut

Deputy General Manager
Avram Victor

Economic Manager
Smeu Alin

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF THE CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities		
Net profit / (Loss) of the year	2.292.966	(458.695)
Adjustments for non-cash items		
Depreciation of assets expenses	103.990	139.997
Loss on the disposal of intangible assets	-	72
Expenses / (Income) from depreciation adjustments on current assets	(1.388)	(207)
Depreciation of subsidies	(854)	(1.392)
Interest expenses, net	2.105	7.726
Depreciation/(Reversal of depreciation) tangible assets	(18.198)	269.020
Reversal of provisions for litigations	(5.256)	5.256
Tax on current profit	35.653	-
Incomes from production of tangible assets	(5.399)	(3.438)
Net incomes from cancellation of debts, according to Reorganization Plan	(2.370.932)	-
Associates (Profit)/Loss	22	228
Operational profit (loss) before working capital changes	32.709	(41.433)
Increase / (Decrease) in stocks	2.362	(5.958)
Increase / (Decrease) in receivables	(280.531)	(209.483)
(Increase) / Decrease in liabilities	259.842	260.056
Changes in working capital	(18.327)	44.615
Cash flows from operating activities	14.382	3.182
Paid interest	-	(17)
Cash flows from operational activities	14.382	3.165
Cash flow used in investing activities		
Collected interest	39	45
Acquisition of tangible and intangible assets	(5.811)	(3.585)

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

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF THE CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
Cash flow used in investing activities	(5.772)	(3.540)
Cash flow generated from financing activities		
Variation of short term loans	-	6.858
Variation of long term loans	-	(6.858)
Lease payments	(30)	-
Cash flow used in financing activities	(30)	-
Increase/(Decrease) in cash and cash equivalents	8.580	(375)
Cash on January 1st	(514.918)	(514.543)
Cancellation/Reclassification of the loans according to the Reorganization Plan*	519.862	-
Cash on December 31	13.524	(514.918)

* The amount eliminated from the cash at beginning of year, following the termination of the loans agreements according to the Reorganization plan. The balance of cash and cash equivalents, without overdrafts, at December 31, 2014 was 4.880.174 lei

Consolidated financial statements presented were approved by the management on March 28, 2016 and signed on its behalf by:

Special administrator
Stanescu Nicolae Bogdan Codrut

Deputy General Manager
Avram Victor

Economic Manager
Smeu Alin

OLTCHIM S.A. in judicial reorganization
CONSOLIDATED STATEMENT OF THE CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

	Share Capital	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total	Un- controllable interests	Total equity
Balance at January 1, 2014	1.018.300	216.733	6.851	9.221	(3.628.153)	(2.377.048)	18	(2.377.030)
Total global result of the period								
Net result of the year	-	-	-	-	(458.743)	(458.743)	48	(458.695)
Other elements of the global result								
Adjustments for provisions regarding employees' benefits	-	-	-	-	(639)	(639)	-	(639)
Other elements	-	(2.971)	-	-	2.986	15	-	15
Total other elements of the global result	-	(2.971)	-	-	2.347	(624)	-	(624)
Total global result of the period	-	(2.971)	-	-	(456.396)	(459.367)	48	(459.319)
Interest reverse for uncertain client entered in insolvency	-	-	-	-	(8)	(8)	-	(8)
Losses on investments in associates	-	-	-	-	649	649	-	649
Balance at December 31, 2014	1.018.300	213.762	6.851	9.221	(4.083.908)	(2.835.774)	66	(2.835.708)
Balance at January 1, 2015	1.018.300	213.762	6.851	9.221	(4.083.908)	(2.835.774)	66	(2.835.708)
Total global result of the period								
Net result of the year	-	-	-	-	2.293.030	2.293.030	(64)	2.292.966
Other elements of the global result								
Adjustments for provisions regarding employees' benefits	-	-	-	-	1.092	1.092	-	1.092
Other elements	-	-	-	-	2.855	2.855	-	2.855
Total other elements of the global result	-	-	-	-	3.947	3.947	-	3.947
Total global result of the period	-	-	-	-	2.296.977	2.296.977	(64)	2.296.913
Balance at December 31, 2014	1.018.300	213.762	6.851	9.221	(1.786.931)	(538.797)	2	(538.795)

Note: The amount of 1.092 th. lei represents the difference between the provision for employees' benefits recorded on 31.12.2015 and the provision recorded on 31.12.2014, reversed to the retained earnings.
The amount of 2.854 th. lei is made of: 2.764 th. lei correction of the expenses with green certificates related to 2014 and 90 th. lei correction other expenses related to 2014.

Consolidated financial statements presented were approved by the management on March 28, 2016 and signed on its behalf by:

Special administrator
Stanescu Nicolae Bogdan Codrut

Deputy General Manager
Avram Victor

Economic Manager
Smeu Alin

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

1. GENERAL INFORMATION AND MAIN ACTIVITIES

Activities of the Group

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

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

The consolidated financial statements at and for the year ended on 31 December 2015 relates to Oltchim SA and its subsidiary, Sistemplast (94.4%), (together defined as "the Group") and to the Group's shares in associated companies: Oltquino (46.64 %), Eurourethane (41.28%).

Main activity of the Group is the manufacturing of chemicals.

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

The Group sells chemicals both on the local market (approx. 26% of turnover in 2015 and 30% in 2014), as well as on the international market (approx. 74% of turnover in 2015 and 70% in 2014). The most significant exports are made to EU countries and Middle East.

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

Ownership structure

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

Romanian State, represented by the Ministry of Economy, Trade and Relations with the Business Environment is the main shareholder. The nominal capital subscribed and paid on December 31, 2015, and also on December 31, 2014, is 34,321 thousand LEI divided into 343,211,383 shares each with a nominal value of 0.10 RON. Each share entitles its holder to one vote.

Shareholding structure is as follows:

Shareholders	31.12.2015		31.12.2014	
	Number of shares	%	Number of shares	%
Romanian State, through the Ministry of Economy, Trade and Relations with the Business Environment	188.100.976	54,8062	188.100.976	54,8062
PCC SE	111.005.766	32,3433	111.005.766	32,3433
Individuals	38.930.613	11,3430	39.013.965	11,3673
Legal entities	5.174.028	1,5075	5.090.676	1,4832
TOTAL	343.211.383	100	343.211.383	100

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

1. GENERAL INFORMATION AND MAIN ACTIVITIES (continuation)

Activities carried out by the Group

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

Average number of employees was 2.345 at December 31, 2015 (at December 31, 2014: 2.418 employees).

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

Management structure

By sentence no. 617 of 30 January 2013 given by the Court Valcea - Division II civil in case no. 887/90/2013 was appointed as judicial administrator a consortium formed by ROMINSOLV SPRL Bucharest, , headquartered in Bucharest, Splaiul Unirii no.223, 3 rd floor, Section 3, registration number 0122/2006 in Registry Forms of Organization, RFO, represented by Coordinating Partner, Gheorghe Piperea, and BDO BUSINESS RESTRUCTURING S.P.R.L., headquartered in Bucharest, Str. Invingatorilor no. 24, Victory Business Center Building, 3,rd floor, Section 3, registration number 0239/2006 in Registry Forms of Organization, RFO, represented by Coordinating Partner, Nicolae Balan.

In Extraordinary General Meeting of Shareholders on March 14, 2013, the shareholders appointed Mr. Stanescu Nicolae - Bogdan- Codrut as special administrator of Oltchim SA, in the insolvency procedure.

On 31.12.2015, the management of the Group is ensured by:

Consortium composed of:

ROMINSOLV S.P.R.L., represented by
Coordinating Partner ,Gheorghe Piperea and
BDO BUSINESS RESTRUCTURING S.P.R.L.
represented by Coordinating Partner, Nicolae
Balan

Stanescu Nicolae Bogdan Codrut

Avram Victor

Talpasanu Mihail

Spiru-Ciobescu Laurentiu-Armand

Smeu Alin-Ion

Munteanu Dana Maria

Judiciary Administrators

Special Administrator

Deputy General Manager

Production Manager

Commercial Manager

Economic Manager

Human Resources Manager

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the provisions of Public Finance Ministry Order No.1286/01.10.2012 for approval of accounting regulations in accordance with International Financial Reporting Standards – IFRS, applicable to companies whose securities are admitted to trading on a regulated market, as subsequently amended.

The financial statements were approved on March 28, 2016.

2.2 Changes in accounting policies and information provided

(a) Standards and interpretations effective in the current period

The company is required to prepare individual and consolidated annual financial statements in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS").

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

Standards and interpretations applicable in the current period

The following amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in effect in the current period:

- **Additions to various standards "Improvements to IFRSs (cycle 2011-2013)"**, following the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily in order to eliminate inconsistencies and clarify formulations - adopted by the EU on 18 December, 2014 (effective for annual periods beginning on or after 1 February 2015).
- **IFRIC 21 „Levies”** –adopted by EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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

At the authorization date of these financial statements, the following standards and additions brought to existing standards and interpretations issued by IASB and adopted by the EU are issued but are not in force in the current period:

- **Additions to IFRS 11 "Joint Commitments"** - improving the method of accounting for interests in jointly controlled entities - endorsed by the EU on 25 November , 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 1 "Presentation of Financial Statements"** - improving the method of presentation (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"** - clarifying acceptable methods of depreciation and amortization - endorsed by the EU on 2 December, 2015 (effective for annual periods beginning on or after 1 January 2016),

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.2 Changes in accounting policies and information provided (continuation)

- **Additions to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" - Agriculture - bearer plants**, endorsed by the EU on 23 November, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 27 "Separate Financial Statements" - equity method** - endorsed by the EU on 18 December, 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Additions to various standards "Improvements to IFRSs (cycle 2012-2014)"**, following the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily in order to eliminate inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 February 2016),
- **Additions to various standards "Improvements to IFRSs (cycle 2010-2012)"**, following the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily in order to eliminate inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 February 2015),
- **Additions to IAS 19 "Employee Benefits"** - defined benefit plans: employee contributions, adopted by the EU in 18 December, 2015 (effective for annual periods beginning on or after 1 February 2015),

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

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

- **IFRS 9 "Financial Instruments" and subsequent additions** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from contracts with customers"** (effective for annual periods beginning on or after 1 January 2018),
- **Additions to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - clarifies the treatment of sale or contribution in assets between the investor and the associate / joint venture (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure on interests in other entities" and IAS 28 "Investments in associates and Joint Ventures"** - investment entities: Application of exception to consolidation (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 16 Leasing** (effective for annual periods beginning on or after January 1, 2019)
- **Additions to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"** - clarifying acceptable methods of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016),
- **Additions to IAS 16 "Property and equipment" and IAS 41 "Agriculture" - Agriculture - bearer plants** (effective for annual periods beginning on or after 1 January 2016),

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.2 Changes in accounting policies and information provided (continuation)

- **Additions to IAS 7 "Cash flow statement"** - presentation (effective for annual periods beginning on or after 1 January, 2017),
- **Additions to IAS 12 "Income tax"** - recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after 1 January, 2017)

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

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

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

2.3 Business continuity

The financial statements have been prepared based on the ongoing concern principle which assumes that the Group will continue its activity in the foreseeable future, based on the reorganization plan that was confirmed by the insolvency judge through sentence no. 892 / 04.22.2015 issued in insolvency file no. 887/90/2013, Valcea Court. The approved reorganization plan stipulates partial payments of the Group's debts towards its creditors in accordance with an agreed schedule over 3 years. The reorganization plan is based on hypothesis and projections of future cash flow and depends on events that can appear in the future or not. These financial statements do not include adjustments regarding an uncertainty over the continuity of the business activity.

In April 2015, following the confirmation of the reorganization plan, the amounts generated by the cancellation of the debts that were not included in the schedule of payments of the reorganization plan, have been registered as other operating incomes.

2.4 Basis of measurement

The consolidated financial statements are prepared on the historical cost and modified to include equity adjustment under International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") until 31 December 2003. Since 1 January 2004, Romania's economy is no longer considered hyperinflationary. The Group ceased applying IAS 29 as of this date. The accounting policies have been applied consistently with the previous year, by all entities within the Group.

2.5 Functional and presentation currency

These consolidated financial statements are presented in LEI, which is also the functional currency of the Group. All financial information are presented in LEI, rounded to the nearest thousand, unless otherwise stated.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.6 Use of estimates and professional judgment

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

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

2.7 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The control means the authority to govern the financial and operating policies of an entity, in order to obtain benefits from its activity. In establishing control, the number of votes exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control begins until the date on which it ceases.

(ii) Associated companies and jointly controlled related parties (accounting of investments in related parties)

Associates are those related parties in which the Group has significant influence, but does not held control, on the financial and operating policies. The related parties under joint control (joint ventures) are those on which activities the Group has joint control, established by contractual arrangement that requires unanimous agreement regarding strategic operational and financial decisions. Associated companies and related parties under joint control are accounted by using the equity method. The consolidated financial statements include the proportion held by the Group in the revenues and expenses of the related party, after the necessary adjustments to align their accounting policies to those of the Group, from the date on which significant influence or joint control begins until it ends. When the proportion owned by the Group in the loss registered by the related party exceeds the investment value, the net value of the investment (including long-term investments) is reduced to zero and the recognition of further losses is discontinued, unless the Group has an obligation or has made payments on behalf of the related party.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated from the consolidated financial statements. The revenues unachieved with the related parties are eliminated with the investments in them, with the share held by the Group in the related party. Unrealized losses are eliminated in the same way as the unrealized gains, but only to the extent in which there is no evidence of impairment.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.8 Foreign currency

Transactions in foreign currencies

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

Exchange rates on December 31, 2015 and December 31, 2014 are as follows:

Currency	December 31, 2015	December 31, 2014
1 EURO	4,5245 lei	4,4821 lei
1 USD	4,1477 lei	3,6868 lei

2.9 Business Combinations

The Group has applied IFRS 3 "Business Combinations" in 2010 and 2011 for accounting the takeover of assets related to petrochemical activity and logistics of Arpechim.

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

2.10 Segment reporting

An operational segment is a component of the Group that engages in activities out of which it can register revenues and expenses, including revenues and expenses related to transactions with any of the other components of the Group. Operating results of an operational segment are regularly reviewed by the CEO to make decisions about resources to be allocated to the segment and to assess its performance and for which separate financial information is available.

The results of the segments that are reported to the management include direct elements attributable to a segment, as well elements that can be allocated on a reasonable basis. Unallocated elements comprise mainly corporate assets (primarily the Company's headquarters), head office expenditure and the debts and claims regarding the income tax.

Segment capital expenditure is the total cost incurred during the period of acquisition of tangible and intangible assets, other than goodwill.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.11 Tangible assets

a. Own assets

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

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

The fair value of tangible fixed assets was determined based on the principle of continuity. The Group's assets were revalued in 2013, the consolidated financial statements containing the revalued assets.

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

In 2013, the Group's assets were revalued taking into consideration life-time value determined based on the method of net capitalized value for cash-generating units (UGN).

Cash-generating units were considered the following units:

- Chemical plant;
- Division of construction materials;

Any gain or loss recorded at the exit of an asset is recognized in profit or loss account.

b. Subsequent expenditure

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

c. Depreciation

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

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

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

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.12 Intangible assets

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

After the transition to IFRS, the Group has chosen to present the tangible assets at revalued amounts. Any increase resulting from the revaluation of tangible assets is recorded directly in equity credit accounts, in the revaluation reserve, unless there was a previous decrease recognized as an expense related to the asset, in which case the increase is recognized as income to compensate the expense previously recognized for that asset.

A decrease in the net book value resulted from revaluation is treated as an expense to the extent that in the revaluation reserve is not recorded an amount related to that asset. Depreciation related to revalued tangible assets is recorded in profit and loss account. The subsequent sale or retirement of a revalued property, the attributable surplus from revaluation in the revaluation reserve is directly transferred to retained earnings representing the surplus obtained from revaluation reserve. The transfer of reserve from revaluation is only possible in case of derecognition of asset.

Other intangible assets are recognized at the revalued amount less the accumulated depreciation and the accumulated adjustments of value.

The intangible assets of the Group were revalued in 2013, the consolidated financial statements containing the current assessed value.

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

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

- Patents up to 17 years;
- Trademarks up to 10 years;
- Other intangible assets up to 3 years.

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

2.13 Customers and similar accounts

Customer accounts and similar accounts include issued and uncollected invoices until December 31, 2015 at the nominal value and related to the services provided during 2015. Customer accounts and similar accounts are recorded at the depreciated cost less impairment losses. The depreciated cost approximates the nominal value. Final losses may vary from current estimates.

2.14 Inventory

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

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.15 Cash

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

2.16 Impairment

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

a. Calculation of recoverable amount

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

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

b. Reversal of impairment losses

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

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

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

2.17 Share capital

The share capital comprises ordinary shares recorded at nominal value. External costs attributable to issue of new shares are shown as a reduction of equity. Any excess of the fair value received over the nominal value of shares issued is recognized as premium share.

The Group recognizes the changes in the share capital as provided by law and only after their approval by the General Meeting of Shareholders and their registration in the Trade Register.

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

2.18 Dividends

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

On 31.12.2015 the Group does not register dividends.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.19 Suppliers and assimilated accounts

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

2.20 Interest bearing loans

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

2.21 Financial instruments

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

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

2.22 Leasing

Leases where the Group assumes all risks and rewards of ownership are classified as finance leases. Fixed assets acquired through finance lease are presented as assets at fair value at the acquisition date. The debt to the leasing company is included as a liability on the balance sheet leases. Initial recognition of assets acquired through leasing is the minimum between the fair value and the present value of the minimum lease payments.

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

2.23 Income tax expense

Income tax comprises a current part and a part postponed. Income tax is recognized in profit or loss unless it relates to the position previously recognized directly in equity, in which case it shows in equity. Current tax is calculated using tax income for the period, using the tax rate in effect at the balance sheet date, adjusted for corrections of prior years.

Deferred tax is obtained by applying the balance sheet method on all temporary differences between the accounting value and tax base of balance sheet items. The following temporary differences are not taken into consideration: tax non-deductible goodwill, the initial recognition of assets or liabilities that are not a business combination and that affects neither the accounting profit nor taxable profit. Deferred tax is calculated based on tax rates enacted by legislation to apply in the period when the temporary difference will be realized.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.23 Income tax expense (continuation)

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

Additional Income taxes derived from the distribution of dividends are recognized in the same period in which the dividend payment obligations are recognized.

Information on tax calculation is included in note 13.

2.24 Affiliates

Companies are considered affiliates if one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party.

2.25 Employees benefits

Throughout his business, the Group makes payments on behalf of its employees to the Romanian State, health and unemployment. These costs are recognized in profit and loss account together with associated labor costs. All Group employees are part of the state pension system. The Group is not engaged in any other pension system and therefore, does not assume any obligation in this respect.

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

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

At December 31, 2015 the Group recorded a provision for benefits granted to employees under the Collective Labor Agreement, based on the actuarial calculation performed by an independent external actuary according to the provisions of IAS 19.

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

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

We specify that in the reorganization plan is no longer provided another collective dismissal.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.26 Revenues

Revenues from sale of goods are recognized at the fair value received or to be received. Revenue is recognized in profit and loss account when the risks and benefits of ownership on those assets are transferred to the buyer, the recoverable amount is probable, the associated costs and returns of goods can be estimated reasonably and the ownership on property ceases.

Transfer of risks and benefits depends on the individual terms of the contract.

Revenue is recognized after delivery of products and customer acceptance of terms, if any, as this is given when the risks and benefits have been transferred to the customer. Sales are presented without VAT and commercial discounts.

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

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

2.27 Financial incomes and expenses

Financial income represents the amount of interest received from the cash in bank accounts, dividend income, gains from the transfer of financial assets valid for sale, changes in fair value of financial assets, foreign exchange gains, which are all recorded in the profit and loss account.

Dividends income is recognized on the date when the right to receive dividends of the Group is recognized.

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

2.28 Cost of loans

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

2.29 Government grants

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

2.30 Subsequent events

The accompanying financial statements reflect events after the end of the year that provide additional information about the position of the Group as at balance sheet date or those that indicate a possible violation of the principle (events that lead to adjustments). Subsequent events that are not adjusting events are disclosed in notes when considered significant.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.31 Earnings per share

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

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

Dilution is a reduction in earnings per share or an increase of loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. Diluted earnings per share is consistent with that of basic earnings per share ie, to assess interest of each ordinary share in the performance of an entity.

2.32 Certificates of greenhouse gas emissions

Certificates of greenhouse gases emissions that are received free of charge from the Romanian government are recognized at cost zero, in accordance with IAS 20 "government subsidies". Emissions of greenhouse gases create the obligation to buy emission certificates.

In accordance with Government Decision no. 780/2006, for implementation of the European Directive no. 2003/2007/EC on emissions of greenhouse gases, Romania has implemented a system of trading the emissions certificates of greenhouse gases.

A certificate of emission of greenhouse gases is a title that conveys the Company the right to issue the equivalent of one ton of carbon dioxide, in a certain period of time. The purpose of the certificate is only to comply with GD no. 780/2006 on the implementation of the system of trading emission certificates of greenhouse gases.

For the new 2013-2020 trading period, which is the third trading period, the European Union established the total number of certificates for greenhouse gas emissions allocated to each Member State and for each installation that falls under the Scheme of trading certificates for greenhouse gas emissions.

In 2011 Validation Report was drafted, verified by an accredited institution that provided calculation of preliminary annual number of free certificates allocated for the period 2013-2020, that allocated a total of 296,107 certificates per year for the whole period.

In October 2013, after the application of some factors that reduced carbon dioxide emissions, the central public authority for environmental protection and climate change informed operators about the fact that the number of free certificates allocated for the period 2013-2020 was revised, and that may vary from one year to another, as certificates will be awarded according to changes of annual activity levels, for which the calculation was made.

Up to 31 December of each year for the period 2013-2020, SC OLTCHIM S.A. reports to the central public authority for environmental protection and climate change any relevant change of capacity, projected or actual, activity level and operation of the facility, according to forms (Appendix 3 + Appendix 4) set forth in the Order 89/2013, on the relevant changes (increases/decreases of activity) of the Group, which could have an impact on the allocation of certificates for greenhouse gases emissions.

For 2015, OLTCHIM received a total of 176,167 certificates, due to changes in activity levels benchmark sub-installation thermal energy and Bradu Petrochemical Division received 9,201 certificates.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

2. PRIMARY ACCOUNTING POLICIES (continuation)

2.32 Certificates of greenhouse gas emissions (continuation)

Following the calculation of emissions and the verification report, for 2015 a total of 104,576 tonnes of CO₂ were issued (certificates) for SC OLTCHIM S.A. Ramnicu Valcea, and for the Bradu Petrochemical Division were issued 265 tonnes CO₂ (certificates), in total 104,841 certificates that should be handed over until April 30, 2016.

2.33 Quotas

Contingent liabilities are not recognized in the financial statements. They are disclosed only if the possibility of an outflow of resources representing economic benefits is possible, but not probable. A contingent asset is not recognized in the accompanying financial statements, but disclosed when an inflow of economic benefits is probable.

2.34 Comparative figures

The financial statements for the year ended on December 31, 2015 show the comparability of financial statements for the year ended on 31 December 2014

Where necessary, comparative figures have been reclassified to conform with changes in presentation of the consolidated financial statements of the current year.

3. DETERMINATION OF FAIR VALUE

Group's accounting policies require the determination of fair value for both financial and non-financial assets and liabilities. The fair value was determined by the methods listed below. Additional information, where appropriate, on the assumptions made in determining fair values are presented in the specific notes of that asset or liability.

- **Tangible assets**

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows of cash (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

- **Inventories**

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

4. REPORTING ON OPERATING SEGMENTS

Geographical segments

Sales activity of the Group is mainly divided into two geographical areas - the European Union and Turkey. Assets and production activities of the Group are located in Romania, therefore no information is given on the location of assets.

	Year ended on December 31, 2015	Year ended on December 31, 2014
(%)	(%)	(%)
Internal market	26 192.117	30 185.787
Export	74 555.827	70 441.744
	100 747.944	100 627.531

	Year ended on December 31, 2015	Year ended on December 31, 2014
Europe	638.323	539.217
Middle East (including Turkey)	96.110	73.221
Asia	4.123	7.006
Africa	7.422	4.845
America	1.966	3.242
Total	747.944	627.531

Presentation of turnover by type of products:

	Year ended on December 31, 2015	Year ended on December 31, 2014
Petrochemistry	491.813	440.299
Chlorine	141.848	124.163
Merchandise	22.551	24.402
Oxo-Alcohols	78.238	22.071
Petrochemical Division Pitesti	141	161
Building materials	3	4.991
Various, including sales of CO2 certificates	13.350	11.444
Total	747.944	627.531

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

4. REPORTING ON OPERATING SEGMENTS (continuation)

Presentation of operating result by business segments:

	Year ended on December 31, 2015	Year ended on December 31, 2014
Chemistry (petrochemistry, chlorine)	(3.941)	(302.071)
Building materials	(10.980)	(10.777)
Oxo-Alcohols	(2.324)	(4.020)
Petrochemical Division Pitesti	(28.368)	(140.351)
Others	(2.788)	(792)
Total operating result	(48.401)	(458.011)
Incomes from debt cancellation according to the Reorganization Plan	2.370.932	-
Incomes from investments	8.593	7.858
Net cost of finance	(2.483)	(8.314)
The result of associated companies put in equivalence	(22)	(228)
Profit before taxation	2.328.619	(458.695)

Presentation of assets value by business segments:

	Year ended on December 31, 2015	Year ended on December 31, 2014
Chemistry (petrochemistry, chlorine)	587.603	655.568
Building materials	18.560	22.814
Oxo-Alcohols	6.347	7.967
Petrochemical Division Pitesti	212.671	221.459
Others	1.134	1.289
Total	826.315	909.097

Presentation of liabilities by business segments:

	Year ended on December 31, 2015	Year ended on December 31, 2014
Chemistry (petrochemistry, chlorine)	1.344.658	3.725.288
Building materials	5.230	5.001
Oxo-Alcohols	6.140	6.639
Petrochemical Division Pitesti	8.052	7.900
Others	1.030	(22)
Total	1.365.110	3.744.806

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

4. REPORTING ON OPERATING SEGMENTS (continuation)

Presentation of depreciation by business segments:

	Year ended on December 31, 2015	Year ended on December 31, 2014
Chemistry (petrochemistry, chlorine)	72.794	292.538
Building materials	4.283	3.371
Oxo-Alcohols	-	-
Petrochemical Division Pitesti	8.542	112.939
Others	174	170
Total	85.793	409.018

5. NET SALES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Revenues from the sale of finished products	707.494	588.547
Revenue from sale of merchandise	55.551	24.402
Others	17.899	14.582
Total	747.944	627.531

6. INCOMES FROM INVESTMENTS

	Year ended on December 31, 2015	Year ended on December 31, 2014
Incomes from rental of real estate investments	8.593	7.858

7. OTHER GAINS OR LOSSES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Rental incomes	1.716	1.555
Incomes from rendering services	2.697	1.800
Incomes from debts cancellation according to the Reorganization plan	2.370.932	-
Incomes from penalties and fines applied	426	323
Foreign exchange gain / (loss)	(664)	(1.303)
Gain / (Loss) from variance in provisions	10.999	(5.050)
Gain / (Loss) from discounts	(466)	(603)
Gain / (Loss) from fixed assets disposal	-	(72)
Other gains	993	1.570
Other losses	-	(112)
Total	2.386.633	(1.892)

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

8. EXPENSES WITH RAW MATERIALS AND CONSUMABLES

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Consumed raw materials	334.499	325.822
Cost of merchandise sold	20.162	22.756
Expenses with consumables	15.950	17.907
Total	370.611	366.485

9. EXPENSES WITH ASSETS DEPRECIATION AND AMORTIZATION

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Fixed assets depreciation	103.164	139.145
Intangible assets amortization	827	853
Gain/ (Loss) from adjustments for fixed assets depreciation	(18.198)	269.020
Total	85.793	409.018

10. SALARY EXPENSES

The Group has no retirement obligations for those with leadership positions and Group's administrators, other than those stipulated in the Collective Labor Agreement. At December 31, 2015 there was no professional malpractice insurance for management of the Group.

During 2015 no advances were granted to those with leadership positions or administrators of the Group, except travel expenses. Payroll for the Group's management and directors are as follows:

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Management salaries	1.604	1.937

Total expenditure on staff remuneration is set out below:

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Gross wages and allowances	84.769	86.635
Expenses with social insurances of the employer	24.226	28.088
Meal tickets	4.728	4.876
Gross redundancy payments related to personnel laid off in 2015	8.440	-
Expenses with employer taxes and fees related to redundancy payments in 2015	2.175	-
Total	124.338	119.599

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

11. NET COST OF FINANCE

	Year ended on December 31, 2015	Year ended on December 31, 2014
Net expenses with banking interest	2.105	7.726
Bank commissions and similar charges	378	588
Total	2.483	8.314

12. OTHER EXPENSES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Expenses with transport and logistic	15.564	12.026
Other third party services	17.111	16.561
Protocol expenses	103	110
Maintenance and repairs expenses	3.403	1.621
Expenses with taxes and duties	6.659	7.698
Net loss/(profit) from receivables and various debtors	4.994	(1)
Expenses with insurance premiums	847	829
Postage and telecommunications	198	265
Travel expenses	292	240
Expenses with rent	400	265
Expenses on commissions and fees	8	703
Penalties and fines	1.520	15
Other expenses	5.804	1.756
Total	56.903	42.088

13. PROFIT TAX

	Year ended on December 31, 2015	Year ended on December 31, 2014
Expense with tax on current profit	(35.653)	-
Expense with tax on deferred profit	-	-
Total	(35.653)	-

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

13. PROFIT TAX (continuation)

	Year ended on December 31, 2015	Year ended on December 31, 2014
Gross result before tax	2.328.619	-
Income tax expense calculated at 16%	372.765	-
Effect of non-taxable income	(140.515)	-
Effect of non-taxable expenses	16.397	-
Effect of deferred tax	-	-
The effect of tax loss from previous years	(212.994)	-
Sponsorship related deductions	-	-
Total	35.653	-

14. PROFIT/ (LOSS) PER SHARE

Loss per share is determined by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares issued. There are no dilutive potential shares at December 31, 2015.

Profit/(Loss) per share, basic, attributable to the parent-company

	December 31, 2015	December 31, 2014
Net profit/(loss) from continuous activity attributable to parent company	2.293.030	(458.743)
Average number of shares (million shares)	343	343
Profit/(Loss) per share, basic (Lei per share)	<u>6,684754</u>	<u>(1,337350)</u>

15. A) TANGIBLE ASSETS

	Land and buildings	Plants and machinery	Other installations, tools and furniture	Tangible assets in progress	Total
Gross values					
Balance at 1 January 2014	478.599	672.886	3.395	40.105	1.194.985
Transfer from assets in progress	522	6.522	-	(7.044)	-
Increases / Decreases	(7.078)	2	3.230	4.626	780
Disposals	(5.219)	(1)	-	(69)	(5.289)
Decreases from revaluation	(172.628)	(138.022)	(451)	(339.985)	(651.086)

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

15. A) TANGIBLE ASSETS (continuation)

Balance at December 31, 2014	466.824	679.409	6.625	40.065	1.192.922
Balance at 1 January 2015	466.824	679.409	6.625	40.065	1.192.922
Transfer from assets in progress	-	6.478	-	(6.478)	-
Increases / Decreases	-	3.297	(3.217)	11.230	11.310
Disposals	-	-	-	(67)	(67)
Balance at December 31, 2015	466.824	689.184	3.408	44.750	1.204.166
			Other installations, tools and furniture	Tangible assets in progress	Total
Depreciation and provisions	Land and buildings	Plants and machinery			
Balance at 1 January 2014	5.223	78	2.870	-	8.172
Depreciation in 2014	34.560	103.727	353	-	138.640
Accumulated depreciation of disposals	(5.219)	-	-	-	(5.219)
Losses (Reversal) from the value reduction	106.386	158.124	12	4.497	269.019
Balance at December 31, 2014	140.950	261.929	3.235	4.497	410.611
Balance at 1 January 2015	140.950	261.929	3.235	4.497	410.611
Depreciation in 2015	13.952	91.602	(2.519)	-	103.035
Losses (Reversal) from the value reduction	225	(29.245)	(4)	10.827	(18.197)
Balance at December 31, 2015	155.127	324.287	712	15.324	495.450
			Other installations, tools and furniture	Tangible assets in progress	Total
Net value	Land and buildings	Plants and machinery			
January 1, 2014	473.376	627.808	3.395	40.105	1.187.188
December 31, 2014	325.874	417.480	3.390	35.568	782.312
January 1, 2015	325.874	417.480	3.390	35.568	782.312
December 31, 2015	311.697	364.897	2.696	29.426	708.716

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

15. A) TANGIBLE ASSETS (continuation)

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

Group's assets were revalued in 2013, the financial statements 31.12.2015 comprising those assets at revalued amounts.

On 31.12.2015, the Group owns tangible assets in the gross amount of 1.204.166 th. LEI, respectively in the net amount of 708.716 th. LEI, a decrease compared to 31.12.2014, in the net amount of 73.596 th. LEI.

During 2015 have been put into operation tangible assets in amount of 6.478 th. LEI.

Commissioning in 2015 consisted of the following:

- Electrolyzers rehabilitation to membrane electrolysis plant	4.208 mii LEI
- Strengthening the production capacity of lime plant	1.990 mii LEI
- Commissioning of independent equipment	281 mii LEI.

15. B) REAL ESTATE INVESTMENT

Gross values	Real Estate Investments
Balance at January 1, 2014	-
Increases / (Decreases)	7.079
Balance at December 31, 2014	7.079
Balance at January 1, 2015	7.079
Balance at December 31, 2014	7.079

Depreciation and provisions	Real Estate Investments
Balance at January 1, 2014	-
Depreciation in 2014	129
-of which transfer from other positions	129
Balance at December 31, 2014	129
Balance at January 1, 2015	129
Depreciation in 2015	128
Balance at December 31, 2015	257

Net values	Real Estate Investments
Balance at January 1, 2014	-
Balance at December 31, 2014	6.950
Balance at January 1, 2015	6.950
Balance at December 31, 2015	6.822

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

The latest revaluation of the patrimony was performed in 2013 by a specialized company respectively Winterhill Romania.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

16. INTANGIBLE ASSETS

	<u>Development expenses</u>	<u>Patents and licenses</u>	<u>Other assets</u>	<u>Total</u>
Cost				
Balance at January 1, 2014	-	3.731	-	3.731
Increases	-	11	2	13
Decreases	-	(101)	-	(101)
Balance at December 31, 2014	-	3.641	2	3.643
Balance at January 1, 2015	-	3.641	2	3.643
Increases	-	14	-	14
Decreases	-	(12)	-	(12)
Balance at December 31, 2015	-	3.643	2	3.645
Depreciation and impairment losses				
Balance at January 1, 2014	-	-	-	-
Depreciation during the period	-	853	-	853
Decreases	-	(30)	-	(30)
Balance at December 31, 2014	-	823	-	823
Balance at January 1, 2015	-	823	-	823
Depreciation during the period	-	827	-	827
Decreases	-	(12)	-	(12)
Balance at December 31, 2015	-	1.638	-	1.638
Net value				
January 1, 2014	-	3.731	-	3.731
December 31, 2014	-	2.818	2	2.820
January 1, 2015	-	2.818	2	2.820
December 31, 2015	-	2.005	2	2.007

Intangible assets acquired during of 2015 represent patents and licenses amounting to 14 th. lei. Intangible assets out of service during 2015 are in amount of 12 th. lei.

Following decommissioning, revaluation reserves of intangible assets are as follows:

- initial balance	3.629 th. lei;
- decreases during 2015	- th. lei;
- balance at the end of the year	3.629 th. lei.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

17. ACCOUNTING OF INVESTMENTS IN ASSOCIATES

Financial investments include shares held by the Group in other companies, respectively investments in affiliated parties (20% < ownership < 50% of share capital).

Participations structure is as follows:

Explanations	Date of establishment	Percentage owned by OLTCHIM in share capital	Net participation value at 31.12.2014 -LEI -	Net participation value at 31.12.2015 -LEI -
<u>TOTAL</u>, of which:	-	-	21.622	0
- Participation in the share capital of OLTQUINO	19.12.1994	46,64%	0	0
- Participation in the share capital of EURO URETHANE	07.07.2004	41,28%	21.622	0

At the end of 2013 the Group had the financial investments revaluated, according to the Revaluation Report carried out by an authorized independent evaluator, ANEVAR, report that has been revised during 2014.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

17. ACCOUNTING OF INVESTMENTS IN ASSOCIATES (continuation)

Group loss in associates for the year 2015 was 22 th. LEI, at the level of the investment recorded at December 31, 2014, because the percentage owned by the Group in the loss registered by the entity is bigger than the value of the investment, the net value of the investment is reduced to zero and the recognition of further losses is discontinued (2014: loss 228 th. LEI).

	2015	2014
January 1	22	52.264
Share of profit / (loss)	(22)	(228)
Loss with eliminated associates	-	(52.014)
December 31	-	22

The financial information relating to associated companies, unadjusted to percentage of ownership of the Group are presented below:

	Percentage of ownership	Current assets	Fixed Assets	Total asstes	Current liabilities	Long-term liabilities	Total liabilities	Revenues	Expenses	Profit/ (loss)
2015										
Oltquino	46,64%	57	324	281	71	-	71	428	4.339	(3.911)
Eurourethane	41%	3.194	2.446	5.640	19	-	19	3.050	56.233	(53.183)
Total		3.251	2.770	6.021	90	-	90	3.478	60.572	(57.094)
2014										
Oltquino	46,64%	831	3.746	4.577	317	-	317	1.220	1.639	(419)
Eurourethane	41%	589	58.236	58.825	16	-	16	114	397	(283)
Total		1.420	61.982	63.402	333	-	333	1.334	2.036	(702)

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

18. INVENTORIES

In the statement of financial position at December 31, 2015, the inventories are presented at net realizable value by reducing the adjustments for depreciation, resulting the following values:

	Year ended on December 31, 2015	Year ended on December 31, 2014
Finished products	17.239	23.015
Raw materials	8.771	7.690
Materials	7.028	6.596
Packaging	388	520
Production in progress	303	194
Semi-finished products	2.811	2.420
Merchandise	70	78
Stocks held by third parties	2	81
Others	3.145	160
Total	39.757	40.754

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

	Year ended on December 31, 2015	Year ended on December 31, 2014
Impairment of finished products	738	416
Impairment of raw materials	6.168	4.724
Impairment of materials	43.528	46.665
Impairment of semi-finished products	2.866	3.008
Impairment of packaging	944	927
Other	304	225
Total	54.548	55.965

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

	Year ended on December 31, 2015	Year ended on December 31, 2014
Initial balance	55.965	56.167
Adjustments during the period	2.697	2.049
Adjustments reversed on incomes	(4.114)	(2.251)
Final balance	54.548	55.965

19. COMMERCIAL RECEIVABLES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Domestic customers	50.490	65.992
Foreign customers	39.772	44.342
Adjustments for impairment	(60.566)	(64.852)
Total	29.696	45.482

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

19. COMMERCIAL RECEIVABLES (continuation)

For domestic customers average collection term was 28 days in 2015 (31 days in 2014). For external clients the average collection term was 9 days in 2015 (11 days in 2014).

20. RECOVERABLE TAXES AND FEES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Recoverable VAT	10.266	11.727
Not due VAT	2.787	2.768
Other recoverable taxes	214	91
Total	13.267	14.586

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

21. OTHER ASSETS

	Year ended on December 31, 2015	Year ended on December 31, 2014
Expenses recorded in advance	268	208
Advances paid to domestic suppliers	4.722	8.454
Advances paid to external suppliers	6.711	1.490
Other receivables	825	1.168
Impairment of other receivables	-	(93)
Total	12.526	11.227

Increasing advances paid to external suppliers in 2015 is due mainly to the amounts paid during December 2015 for the purchasing of the hydrogenation catalyst for the oxo-alcohols plant (around 650 th. euro).

22. CASH AND CASH EQUIVALENTS

	Year ended on December 31, 2015	Year ended on December 31, 2014
Cash and bank accounts in local currency	6.353	4.048
Cash and bank accounts in foreign currency	6.913	595
Deposits (handlers material guarantees)	198	195
Cash register	49	70
Cash equivalents	11	36
Total	13.524	4.944

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

23. SHARE CAPITAL

Share capital comprises:

	Number of shares	Share capital
Statutory capital	34.321	34.321
Adjustments for inflation up to December 31, 2003		983.979
At December 31, 2015 - adjusted		1.018.300

By December 31, 2015 share capital represents government contribution in the form of net assets at the Company's formation on August 1, 1990, share capital made of four units taken since August 1, 1996, the value of the land transferred by the Government to the Company in 1998, 1999 and 2000, two capital increases representing contribution in kind (land of the State) by AAAS (Ministry of Economy) and cash contributions of shareholders.

Oltchim S.A. is listed on the Bucharest Stock Exchange.

All shares are ordinary shares, fully subscribed and paid. All shares carry equal voting rights and nominal value is 0.10 Lei per share.

In 2015 there were no changes in share capital or in terms of its structure.

24. RESERVES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Legal reserves	6.851	6.851
Other reserves	9.221	9.221
Revaluation reserves	213.762	213.762
Total	229.834	229.834

25. RETAINED EARNINGS

	Year ended on December 31, 2015	Year ended on December 31, 2014
Balance at the beginning o the year	(4.083.908)	(3.628.153)
Net profit / loss	2.293.030	(458.743)
Ajustments for employees benefits	1.092	(639)
Other elements of the result	2.855	3.627
Balance at the end of the year	(1.786.931)	(4.083.908)

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

26. LOANS

On confirmation of the Reorganization plan by the syndic judge (on April 2015) the loan agreements were considered terminated. The amounts from the accounting records are those established through the schedule of payments in Reorganization Plan, thus:

Bank	Currency	Loan Value	Balance in loan's currency	Currency rate on the date of entry into insolvency	Balance in lei	Transfer in other operating incomes, according to the Payments programme	Balance at December 31, 2015
Long term banking loans							
BCR (Erste)	euro	73.095.000,00	78.735.560	4,3853	345.279.435	162.365.289	182.914.146
Banca Transilvania	euro	8.500.000,00	2.368.853	4,3853	159.957.116	32.223.538	127.733.578
	usd	12.250.000,00	12.250.000	3,2668			
	lei	100.000.000,00	100.000.000	-			
Bancpost	euro	2.500.000,00	568.793	4,3853	2.494.327	502.485	1.991.842
CEC Bank	euro	5.000.000,00	5.000.000	4,3853	56.321.014	11.345.930	44.975.083
	lei	2.260.000,00	2.260.000	-			
	lei	34.789.650,00	32.134.514	-			
			1.866.269	-	1.866.269	-	1.866.269
Garantibank	euro	700.000,00	315.298	4,3853	1.382.676	278.542	1.104.134
ING Bank	lei	13.395.000,00	13.614.731	-	13.614.731	13.468.471	146.260
Unicredit	euro	3.900.000,00	3.898.390	4,3853	17.095.609	3.443.929	13.651.680
Rabobank	euro	10.251.076,80	668.292	4,3828	2.928.989	2.928.989	-
Total Long term banking loans					600.940.166	226.557.174	374.382.992
Other loans and assimilated debts							
AAAS	lei				1.201.301.222	959.994.491	241.306.731
TOTAL					1.800.375.119	1.186.551.664	615.689.723

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

27. INCOMES IN ADVANCE

	<u>2015</u>	<u>2014</u>
At January 1, 2015	5.961	7.353
Registered during the year	-	-
Resume on profit and loss accounts	(854)	(1.392)
At December 31, 2015	5.107	5.961

Revenues in 2015 represents the share of subsidies received in previous years, the most significant being the one in 2007 when there were received 8,908,844 Lei from the Environment Fund Administration for the "Incineration Residues" Plant.

The Group recorded revenues from this grant over 10 years, consistent to the related period of depreciation of fixed assets acquired.

28. DEFERRED TAX LIABILITIES

Deferred tax is recognized on temporary differences between the accounting value of assets and liabilities in the financial statements and the corresponding tax bases used in calculating taxable profit. In accordance with current fiscal provisions, the balance of revaluation reserves as at December 31, 2015 are taxed simultaneously with the deduction of fiscal depreciation and respectively at the stage of declining from administration the revalued assets.

On December 31, 2015 net debt on deferred taxes relating to temporary differences is as follows:

Deferred tax at December 31, 2014	34.202
Deferred tax - 2015	-
Total deferred tax at December 31, 2015	34.202

29. PROVISION FOR EMPLOYEES BENEFITS, LITIGATIONS AND OTHER LONG-TERM LIABILITIES

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Transactions related to joint operations	-	6.723
Provisions for litigation	-	5.256
Provisions for employee benefits	9.180	10.272
Wages accumulated before the insolvency	4.825	-
Other liabilities accumulated before the insolvency	16.492	-
Total	30.497	22.251

Provisions for litigation recorded in 2014 in amount of 5,256 th. lei were canceled and recorded in operating expenses in 2015, the amounts being included in the Table of debts.

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

At December 31, 2015 the Group recorded a provision for benefits granted to employees under the Collective Labour Agreement, based on the actuarial calculation performed by an independent external actuary according to the provisions of IAS 19.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

30. COMMERCIAL LIABILITIES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Commercial liabilities registered in Table of debts	368.741	1.541.852
Commercial liabilities registered during insolvency	100.241	135.559
Estimates for accrued expenses (invoices not received)	15.136	14.405
Advances received in insolvency	3.864	5.291
Total	487.982	1.697.107

The decrease of the total balance from 1.697 million lei at December 31, 2014 to 488 million lei at December 31, 2015 is due mainly to the cancellation in April 2015 from the liabilities and registration as other operating incomes of the amounts not included in schedule of payments set out in the Reorganization Plan.

Reclassification from short term at December 31, 2014 to long term at December 31, 2015 are according to the Program of Payments under the Reorganization plan.

The main suppliers to which SC OLTCHIM S.A. recorded liabilities at December 31, 2015:

Supplier's name	Total balance	Of which:	
		Suppliers' debt according to Reorganization Plan	Suppliers' debt accumulated during insolvency, from current activity
TOTAL, of which:	443.501.438	352.575.402	90.926.036
Electrica SA Bucuresti	160.713.716	160.469.977	243.739
CET SA Govora	103.588.017	43.346.898	60.241.119
OMV Petrom SA	41.800.736	41.706.657	94.079
Bulrom Gas Bucuresti	38.412.541	18.986.521	19.426.020
Electrica Furnizare SA	21.427.328	21.427.328	-
Calvi Trade Cipru	18.944.963	18.944.963	-
Polchem Liechtenstein	18.937.386	18.937.386	-
Arelco Power SRL Bucuresti	14.225.549	11.978.233	2.247.316
Administratia Nationala Apele Romane	12.873.402	4.199.639	8.673.763
Exploatarea Miniera Valcea	12.577.800	12.577.800	-

ELECTRICA SA Bucharest, ELECTRICA FURNIZARE SA and CET SA Govora were electricity suppliers. CET Govora is the current utilities supplier (electricity, industrial steam), CFR MARFA SA providing services of goods transport, the other suppliers mentioned delivered/deliver raw materials (propylene) for the production activity.

Starting October 2014 when the Group's financial situation has stabilized, every month is paid to CET Govora SA the entire current consumption of both electricity and steam. Moreover, Oltchim pays every month amounts from the overdue debts accumulated in the first part of insolvency. Out of the total debt of 60.241 th. lei accumulated during insolvency, the overdue amount is 48.250 th. lei.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

30. COMMERCIAL LIABILITIES (continuation)

Also, are paid every month the entire current invoices issued by Administratia Bazinala Apa Olt and also amounts from the overdue debts accumulated in the first part of insolvency, reducing month by month the balance that was overdue at December 31, 2015. Out of the total debt of 8.674 th. lei accumulated during insolvency, the overdue amount is 8.012 th. lei.

Regarding the balance of Bulrom Gas, it is fully covered as follows: by deliveries to Bulrom Gas of finished products made by the Company (to be compensated) and by Company's receivables that were transferred to BULROM Gas to be compensated at the date of cashing.

From the total current liabilities to suppliers recorded in the insolvency, 26.659 th. Lei are also found in the Group's receivables, amounts for which compensation will be made.

31. LIABILITIES ON TAXES AND FEES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Debts to State and Local Budgets registered in Table of debts	9.042	22.854
Tax on the profit from debts cancellation according to the Reorganization plan	20.470	-
Social contributions	42.902	36.976
Tax on income	1.945	1.956
Taxes related to compensatory wages	4.127	-
Other fiscal debts	15.827	9.791
Total	94.313	71.577

OLTCHIM pays taxes and fees related to salaries by offsetting negative VAT (VAT recovered by the Company registered 31.12.2015: 10.266 th. Lei. For companies in insolvency the compensation is performed only after completing the control of the National Agency for Fiscal Administration (ANAF).

We mention that ANAF offset the amount of 15,183 th. lei from 2015 profit tax determined by debt cancellation under the reorganization plan approved by all creditors and confirmed by the syndic judge. According to the provisions from reorganization plan, this tax is not a current liability and the compensation should not have been done. The company contested and by sentence no. 2329/16.12.2015, it was confirmed that tax is not a current debt. Follow the 2016 ANAF returns on offsetting income tax and offset the negative VAT with taxes related to wages.

32. OTHER LIABILITIES

	Year ended on December 31, 2015	Year ended on December 31, 2014
Debts on wages	13.086	20.133
Compensatory salaries of the dismissed personnel	36.020	38.274
Payable interest	23.129	64.717
Settlements from investment operations	7.589	0
Other creditors	17.481	19.907
Total	97.305	143.031

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

32. OTHER LIABILITIES (continuation)

At December 31, 2015 OLTCHIM registered total debts in the amount of 1.365 million lei, of which:

- 1.052 million lei debt registered according to the reorganization plan;
- 249 million lei net debt accrued in insolvency, of which 212 mil. lei are overdue;
- 37 million lei mutual debts and claims and liabilities to the state budget that will be compensated with VAT to be recovered;
- 27 million lei other liabilities, of which mainly is the provision for retirement benefits granted to employees.

33. TRANSACTIONS WITH RELATED PARTIES

The nature of transactions with related parties, where the Group has significant transactions or balances, is detailed below. The Group recorded transactions with related parties in the normal course of business in conditions of normal contract terms.

(i) Related parties transactions

Sales

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Oltquino	5	121

Purchases of goods and services

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Oltquino	15	57

(ii) Balances with related parties

Customer receivables

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Oltquino	-	58

Suppliers and other liabilities

	<u>Year ended on December 31, 2015</u>	<u>Year ended on December 31, 2014</u>
Oltquino	-	6

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

34. SIGNIFICANT NON-CASH TRANSACTIONS

A part of current receivables and liabilities were settled by non-monetary transactions. The transactions mainly consist of sales of products in exchange for raw materials and services or compensating balances arising from mutual agreements concluded with customers and suppliers within the same operational cycle. These non-monetary transactions were excluded from the statement of cash flows.

35. COMMITMENTS AND CONTINGENCIES

(i) Contractual commitments

Acquisition contracts

On December 31, 2015, the Group had acquisition contracts of raw materials, auxiliary materials and services in the amount of 57.114.500 euro, 625.180 usd and 11.034.580 lei.

Sales contracts

On December 31, 2015, the Group had concluded sales contracts of products for 2016 totaling 91.587.740 euro, 529.400 usd and 3.779.550 lei.

(ii) Contingencies

At the date of the financial statements, the Group, by its Legal Service, sued bad debt customers for deliveries performed before the entry into insolvency proceedings, for failure to comply with contractual terms totaling 31.415.579,74 Lei representing the products delivered and unpaid and 8.673.963,98 lei delay penalties. Also, from disputes with foreign clients the company had to recover a total amount of 1.118.942,98 USD and 1.786.315,69 EUR, representing the value of products sold.

For our bad debt clients, the Group recorded adjustments to the balance sheet date in accordance with the policy adopted by the company (see Note 19).

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

Oltchim had lawsuits with employees. The cases were suspended: in these cases, suspension started when the insolvency proceedings were opened in Oltchim. When the case is suspended, the limitation period is suspended and thus causes can be judged after the expiration of the period of limitation of three years, but depending on the legal status of the Group after completion of the insolvency proceedings. In the Table of debts were accepted amounts requested in court by employees of the Petrochemical Division Bradu so that these lawsuits, of high values, remained without object

Environment

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

35. COMMITMENTS AND CONTINGENCIES (continuation)

(ii) Contingencies (continuation)

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

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

Environmental Obligations

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

Environment investments that the Company must achieve are the following:

No.	Name of investment objective	Description	Estimated expenses -euro			
			For sundry taxes and authorizations	Designing	Execution	TOTAL
0	1	2	3	4	5	6 = 3+4+5
I	MEASURES FROM ENVIRONMENTAL AUTHORIZATION					
1	Closing the storage pit for hazardous waste - deadline 01.09.2022	It aims at greening the area and comply with GD 349/2005 amended by GD 210/2007 regarding waste disposal; by closure of some installations and modernization of others, no waste will result from the processes in this category. Making this investment involves closing the storage pit for hazardous waste.	58.000	60.000	5.882.000	6.000.000
2	Closing the current non hazardous waste landfill - deadline 01.09.2021	It aims at greening the area and in compliance with GD 349/2005 amended by GD 210/2007 regarding waste disposal. This measure is accomplished by greening the perimeter of the old warehouse of non hazardous waste closed the end of 2009 due to loading to capacity. In the same period it was taken into operation the new non hazardous waste landfill.	30.000	60.000	2.974.000	3.064.000
	TOTAL					9.064.000

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

35. COMMITMENTS AND CONTINGENCIES (continuation)

(ii) Contingencies (continuation)

During 2015 SC OLTCHIM SA had the environmental authorization for water - management no.17/ 29.01.2015. Environment investments that the Company must achieve are the following:

No.	Name of investment objective	Description	Estimated expenses -euro			
			For sundry taxes and authorizations	Designing	Execution	T O T A L
0	1	2	3	4	5	6 = 3+4+5
II MEASURES FROM WATER - MANAGEMENT AUTHORIZATION						
1	Upgrading Biological Wastewater Treatment Plant	Aims to reduce the organic load of waste water discharged into the river Olt at maximum 125 mg O ₂ / liter for compliance with the rules set by NTPA 001/2005 stated by the GD 352/2005 regarding the conditions of discharging waste water into the aquatic environment. Their implementation involves upgrading the Biological Wastewater Treatment Plant that is technologically and morally outdated.	75.000	100.000	7.325.000	7.500.000
2	Improving water quality in Propylene Oxide Plant	It aims to reduce the content of suspensions up to 100 mg / liter in wastewater at Section Propylene collected at the Oltchim's Final Control Station. It is a complementary measure that ensures the conditions of reducing the content of suspensions in waste water discharged into the river Olt to the value provided by NTPA 001/2005. Its implementation involves resizing the settling phase of intermediate station of sewage treatment at Propylene Oxide Plant.	45.000	100.000	4.355.000	4.500.000
3	Upgrading the Final Control Plant	Aims to reduce the content of suspended particles in wastewater discharged into Olt to 60 mg / liter for compliance with the rules set by NTPA 001/2005 stated by the GD 352/2005 regarding conditions of discharging waste water into the aquatic environment. Its implementation involves upgrading the Final control station that is technologically and morally outdated.	14.000	100.000	1.386.000	1.500.000
	T O T A L					13.500.000

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

35. COMMITMENTS AND CONTINGENCIES (continuation)

All the investments to be carried out according to environmental authorization and water management permits are started, in the incipient stage of contracting feasibility studies and preparation of technical project of execution.

(iii) Taxes

On December 31, 2015, the Group has reserves recorded from fiscal facilities amounting 6.843 th. RON which, according to the tax legislation in force at that time, will become taxable on changing their destination. The impact will be 16% applied to the counter value of reserves used. The Company does not intend to use these reserves, so on the reporting date was not calculated or recorded deferred tax.

(iv) Onerous contracts

Onerous contracts are considered those contracts in which the costs of meeting the contractual obligations exceed the economic benefits accruing. These contracted costs include at least the net cost for contract implementation, which is the minimum of the cost of meeting the contractual obligations and any compensation or penalties arising from their failure. On December 31, 2015, the Group is not party to any onerous contract.

(v) Complaints about non-compliant products

On December 31, 2015 the Group has not recorded contingent liabilities related to complaints from customers associated with non-conforming products. The management believes as insignificant the risk of such possible claims. During 2015, the Group has not concluded insurance policies against such risks.

(vi) Insurance policies

On December 31, 2015, the Group has concluded compulsory insurance policies of civil liability for damage caused to third parties by accidents (RCA) and the policy ensuring domestic and export trade credits.

36. FINANCIAL RISKS

(i) Market risk

During 2015, along with the monthly increase of the utilization grade of production capacities and implicitly the increase of the turnover, the Group has resumed the business relation with an extensive portfolio of internal and external clients. Whereas 74% of the Group turnover is realized on foreign markets, the company's activity is influenced by developments on foreign markets of chemical and petrochemical products.

(ii) Currency and inflation risk

Official exchange rates were as follows: for the year ended on December 31, 2015– 4,5245 lei/euro and 4,1477 lei/usd, and for the year ended on December 31, 2014 – 4,4821 lei/euro and 3,6868 lei/usd.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

36. FINANCIAL RISKS (continuation)

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

	December 31, 2015	December 31, 2014
Assets (current assets, less inventories)		
Monetary assets in lei	41.140	55.671
Monetary assets in foreign currency	27.873	20.568
	69.013	76.239
Liabilities (total liabilities as per balance sheet)		
Monetary liabilities in lei	924.822	2.942.962
Monetary liabilities in foreign currency	440.288	803.844
	1.365.110	3.746.806
Net monetary position in lei	(883.682)	(2.887.291)
Net monetary position in foreign currency	(412.415)	(783.276)

(iii) Interest rate risk

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

During 2015 the Group did not conclude loan agreements with financial institutions.

(iv) Credit risk

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

Financial assets which subject the Group to potentially concentrations of credit risk mainly include receivables from the main activity. These are shown at net value of provision for doubtful debts. Credit risk related to receivables is limited, due to the large number of clients of the Group's customer portfolio and to the financial instruments used (promissory notes, checks, etc.).

Thus, the balance of receivables on December 31, 2015 was covered 64% by the insurance policy on domestic and export trade credit, 19% were claims for compensation which operates directly with suppliers of raw materials and utilities of the Group, 8% was covered by promissory notes, letters of credit or reverse factoring, and 3% were receivables with payment on delivery.

(v) Economic environment risk

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

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

36. FINANCIAL RISKS (continuation)

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

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

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

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

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

(vi) Liquidity risk

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

	<u>Less than 1 year</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing debts	281.362	1.083.748	1.365.110
- Commercial liabilities	119.242	368.740	487.982
- Other current liabilities and loans	162.120	715.008	877.128
Interest bearing debts	-	-	-
Cash and cash equivalents	13.524	-	13.524
Receivables and other current assets	55.489	-	55.489

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

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

36. FINANCIAL RISKS (continuation)

(vii) Cash flow risk

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

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

37. BUSINESS CONTINUITY

After entering the insolvency procedure, the Group entered into a comprehensive restructuring process which involved the following main areas:

- a. increase in production activity;
- b. regaining the foreign markets where OLTCHIM capitalize over 74% of turnover;
- c. drastic reduction in costs to streamline the activity.

In 2015 the Group achieved the best economic & financial performance since the entry in insolvency and the best value of EBITDA from 2008 to date:

-th. lei-

Crt. No.	Indicators	Implementation of the reorganization plan and other income/ expenses not related to current activity	Current activity	TOTAL YEAR
1	Turnover	5.552	742.392	747.944
2	Total revenues	2.392.656	744.782	3.137.438
	- operating revenues	2.392.656	740.460	3.133.116
	- financial revenues		4.322	4.322
3	Total expenses	14.407	794.412	808.819
	-operating expenses	14.407	786.854	801.261
	-financial expenses, of which:		7.558	7.558
	<i>-interests</i>		<i>2.144</i>	<i>2.144</i>
4	Gross result	2.378.249	(49.630)	2.328.619
	- operating result, from which :	2.378.249	(46.394)	2.331.855
	<i>- depreciation expenses</i>		<i>(85.793)</i>	<i>(85.793)</i>
	-financial result		(3.236)	(3.236)
5	EBITDA (operating result - depreciation)		39.399	
6	Profit tax	35.653	0	35.653
7	Net Result	2.342.596	(49.630)	2.292.966

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

37. BUSINESS CONTINUITY (continuation)

Total net result of OLTCHIM obtained in 2015 is + 2,293 million lei, consisting of:

- ✓ +2,371 million lei scriptic gross result caused by debts cancellation, mainly of unsecured debts, following the confirmation of the Reorganization Plan by the syndic judge by Sentence no. 892/22.04.2015 given in insolvency file no. 887/90/2013, before the Court Valcea. Under the provisions of the Insolvency Law and the Tax Code, the cancellation of debt means scriptic income of the period, which influence the registered outcome;
- ✓ +5 million lei revenues from the sale of CO2 certificates;
- ✓ +2 million lei net result from adjustments of current assets;
- ✓ -36 million lei tax on profit following the revenue from debt cancellation;
- ✓ -48 million lei gross result from the current activity of the Group;
- ✓ - 1 million lei from result consolidation in affiliates and associates.

Economic and financial performance achieved by the Group in 2015 confirms the positive development of the Group. Thus, since the insolvency and until now the Group had the following results from current activity:

Crt. No.	Indicators	Achieved year 2013	Achieved year 2014	Achieved year 2015
1	Turnover	497.955	627.531	742.392
2	Total revenues	546.183	654.079	744.782
	- operating revenues	497.821	651.297	740.460
	- financial revenues	48.362	2.782	4.322
3	Total expenses	841.258	841.773	794.412
	-operating expenses	784.718	829.020	786.854
	-financial expenses, of which:	56.540	12.753	7.558
	<i>-interests</i>	38.393	7.874	2.144
4	Gross result	(295.075)	(187.694)	(49.630)
	- operating result, from which :	(286.897)	(177.722)	(46.394)
	<i>- depreciation expenses</i>	(108.306)	(139.998)	(85.793)
	-financial result	(8.178)	(9.972)	(3.236)
5	EBITDA (operating result - depreciation)	(178.591)	(37.724)	39.399
	Utilization degree of production capacity	20,69%	24,26%	28,29%

From the current business, in 2015 the Group achieved the main indicators as follows:

- turnover increased by 114.8 million lei, or by 15% compared to 2014 and by 244.4 million lei, or by 33% compared to 2013;
- operating result from current activity (EBITDA) is + 39.4 million lei, compared to 2013-2014 when it was negative.

Total gross result from current activity of the Group in 2015 is -49.6 million lei representing an improvement of 138 million lei compared to 2014 and of 245,4 million lei compared to 2013.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

37. BUSINESS CONTINUITY (continuation)

The total gross result of -49.6 million lei consists of:

- 11.3 million lei total profit generated from operating plants;
- - 59.8 million lei loss caused by the expenses with the preservation of non operating plants from Bradu and Valcea sites, plus expenses with severance payments related to personnel dismissal completed in December 2015 and other banking financial costs calculated prior to the approval of the reorganization plan ;
- -1.1 million lei loss in affiliates and associates.

Detailed structure of the costs that are not related to the operating plants, of 59.8 million lei:

1. Losses on Petrochemical Division Bradu, Pitesti without redundancy payments	-24.1 million lei
2. Redundancy payments, including taxes, related to the 243 persons dismissed	-10.6 million lei
3. Interest on loans acquired before insolvency calculated prior to the approval of the Reorganization Plan	-2.2 million lei
4. Costs with preservation of the plants from Rm. Valcea site	-10.9 million lei
5. Oxo-alcohols plant loss in downtime during January-May 2015	-2.0 million lei
6. Depreciation to the net liquidation value of the investment in progress	-10,0 million lei

The value of exports achieved by the Group in 2015 is of 125.080 th. euro, up with 25.075 th. euro compared to 2014.

In 2015, the Group has carried out major investment work and overhauls to ensure the operation of production facilities safely and efficiently. They were worth 16.9 million lei, only from own sources:

√ 8 million lei for the rehabilitation of two electrolyzers in Membrane Electrolysis Plant, one of which was rehabilitated in September 2015;

√ 2.7 million lei for the overhaul of tank wagons in which the main feedstocks are supplied and the finished products are delivered;

√ 2.6 million lei payment of two installments for the purchasing of the hydrogenation catalyst for the oxo-alcohols plant;

√ 2.2 million lei for the overhaul of the lime kiln carried out in the Propylene Oxide Plant early this year;

√ 1.4 million lei investment in other objectives such, the purchase of a heat exchanger for the propylene oxide plant.

At the main process plant, the Membrane Electrolysis there are rehabilitated 4 electrolyzers of the total of 7, the next 3 following to be rehabilitated in 2016, the investment being estimated at 10.6 million lei.

The results achieved in 2015 led to maintain the stability in the relationship with employees. Thus, in 2015 there were paid monthly salary rights for a month (first and second fortnightly payments, meal tickets) and, additionally, the salary arrears has decreased by the payment of a first fortnightly related to a month. Thus the salary gap originating before the company entered insolvency proceedings was reduced to two months.

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

37. BUSINESS CONTINUITY (continuation)

On 31 December 2015 the value of current liabilities is higher than current assets, driven by the debt accrued in the first part of the insolvency until confirmation of the reorganization plan.

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

The reorganization plan mentions that the "accounts payables resulting from Oltchim's going concern will be paid during the judicial reorganization according to the related documents, or in the event that Oltchim will not generate enough cash from current operational activities, their payment will be made in maximum 5 working days from the date of cashing by the debtor company of the price representing the value of the shares held by Oltchim SPV.

Accounts payables include also the amounts due by Oltchim as severance payments for the personnel dismissed previous to the opening of insolvency proceedings".

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

For 2016 the Group is considering a quantitative increase in production by the operation of the following plants:

- ✓ Operation of the membrane electrolysis to its maximum technological capacity, by rehabilitating other three electrolyzers;
- ✓ Operation of oxo-alcohols plant from April 2016, after the replacement of the hydrogenation catalyst;
- ✓ Operation of the propylene oxide plant depending on the volume of chlorine produced captively and acquisition of about 10,000 tons of chlorine;
- ✓ Operation of polyether polyols plants based on propylene oxide production;
- ✓ The manufacture of a new product since the second half of 2016, namely dioctyl terephthalate by the refurbishment of the existing dioctyl phthalate plant. The production of this product will drive to a diversification of octanol utilization, allowing thus for a smooth and continuous operation of the oxo-alcohols plant.

The Group estimates for the year 2016 quantitative increase compared to 2015, for the main groups of finished products:

- at polyether polyols, including propylene glycol, an increase of 5%;
- at caustic soda liquid, an increase of 3%;
- at octanol, an increase of 37%.

The Group has already signed contracts for entire 2016 for its main products (polyether polyols and chlor-alkali) covering more than 75% of its estimated production, and as regards the main raw materials required in 2016 (propylene, ethylene oxide, Irgastab, amines), the Group has concluded contracts for the entire annual requirement.

In these conditions, the Group estimates for 2016 profit-per total activity, ie full coverage of depreciation expenses and financial expenses.

At a turnover of 168 million euro (approx. the same value as in 2015) and subject to lower selling prices than the average of 2015, driven by decreased oil prices, the Group estimates:

- ✓ EBITDA +12,3 million euro, i.e. by 2.7 million euro higher than in 2015;
- ✓ operational profit 330 thousand euro;
- ✓ profit on entire business 110 thousand euro.

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

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

38. THE REORGANIZATION PLAN

The reorganization plan started from the premise that the Group will operate according to its object of activity, in two scenarios:

- Scenario A – considers the restart and operation of Oxo-alcohols plant;
- Scenario B - considers the restart and operation of PA-DOP plant as major objective in addition to Scenario A, by identifying sources of external funding.

Regarding the schedule of payments included in the reorganization plan, the amounts to be distributed are provided as reference element, starting price negotiation for the sale and transfer of the business assets of the Group, amounting to 307 million euros respectively, each with 3 scenario assumptions as to when it will be collected and distributed the price (hypothesis 1 year: cashing in the 12th month of the plan; hypothesis 2 years: cashing in the 24 th month of the plan; hypothesis 3 years: cashing in the 36th month plan).

The Group recorded in accounting system the liabilities at the level settled in the Schedule of payments from the reorganization plan scenario B III, meaning the liabilities are recorded at the highest level, thus:

Crt. No.	Debt category	Value of debt at the date of insolvency of Oltchim	Value settled in the shedule of payments	Value of the adjustment
0	1	2	3	4 = 3 - 2
1	Secured debts	881.866.547	710.885.690	(170.980.857)
2	Debts from labor relations	9.704.264	9.704.264	-
3	Budgetary debts	1.215.602.527	250.034.374	(965.568.153)
4	Unsecured debts as per art. 96 (essential suppliers)	150.384.370	44.926.658	(105.457.712)
5	Unsecured debts	1.128.925.357	-	(1.128.925.357)
T O T A L		3.386.483.065	1.015.550.986	(2.370.932.079)

Regarding the functioning of technological installations, in the first eight months (May-December 2015) after confirmation of the reorganization plan, they worked under Scenario A, respectively membrane electrolysis, propylene oxide - polyols and oxo – alcohols plants.

Also, the measures referred to in the reorganization plan for the first 8 months, were successfully implemented:

- Retehnologization of two electrolyzers from the membrane electrolysis plant;
- Repair of lime kiln;
- Regaining the commodity markets, mainly foreign;
- Reducing the personnel in excess.

This is confirmed also by the results registered by the Group after the confirmation of the reorganization plan (in April 2015).

Thus, between May –December 2015 (first 8 months from the approval of the reorganization plan) the Group recorded better results compared with the provisions in the plan. In terms of EBITDA, the achievements of the first 8 months of reorganization are with 2.5 million euro better compared to provisions in the plan.

Also accumulated net total debt in insolvency are smaller than the provisions of the plan by 3 million euro (55.1 million euro achieved versus 58.1 million euro provided for in the plan).

OLTCHIM S.A. in judicial reorganization
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are expressed in thousand Lei, unless otherwise stated)

39. SUBSEQUENT EVENTS TO BALANCE SHEET DATE

Currently Oltchim has a plant for the production of dioctylphthalate, not functional since 2012. In March 2016 the Group concluded a contract for its conversion so as to obtain a new product more competitive and having rapid development prospects according to market studies, respectively dioctiltereftalat. The investment will be made within 6 months after signing the contract. The production capacity will rise to 18,000 tons of dioctiltereftalat annually. The investment will be 2.7 million euros, financed entirely by the supplier credit.

Exchange rate movements

On February 29, 2016 exchange rate was 4,4692 lei/euro and 4,0970 lei/usd. This represents an appreciation of the national currency by 1,24% versus euro and by 1,24% versus usd, compared with December 31, 2015 (1 euro = 4,5245 lei; 1 usd = 4,1477 lei).

Collections and payments of receivables and liabilities

Until February 29, 2016 the Group collected the amount of 1.302.766 euro and 13.111.302 lei, corresponding to outstanding trade receivables at December 31, 2015 and paid commercial liabilities in amount of 62.445 euro and 37.338.040 lei from the invoices outstanding at December 31, 2015.

Stock exchange

The closing price of a share OLT on 31.12.2015 is 0.3930 lei and market capitalization registered this date is 134.882.074 lei.

Unconsolidated financial statements presented were approved by the management on March 28, 2016 and signed on its behalf by:

Special Administrator
Stanescu Nicolae Bogdan Codrut

Deputy General Manager
Avram Victor

Economic Manager
Smeu Alin