

**SPECIAL ADMINISTRATOR REPORT REGARDING THE BUSINESS OF OLTCHIM S.A.
IN 2015,
prepared in accordance with Annex 32 of NSC Regulation no. 1/2006**

Company: **S.C. OLTCHIM S.A. Rm.Vâlcea**
(Societate în reorganizare judiciară, în judicial reorganisation, en redressement)

Registered office : **Rm. Vâlcea, 1 Uzinei Street**

Telephone number : **0250/701200**

Fax number : **0250/735030**

Number and date of registration
with the Trade Register: **J 38/219/18.04.1991**

VAT Number: **RO 1475261**

Regulated market where shares are traded: **Bucharest Stock Exchange, symbol OLT**

Subscribed and paid share capital: **34,321,138.30 lei**

The main characteristics of the securities issued by Oltchim SA.:

Type: **common registered and dematerialized shares**

Number: **343,211,383**

Nominal value: **0.10 lei**

I. COMPANY BUSINESS REVIEW

1.1(a) Company's core business description:

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

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

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

The basic production of the company is divided into two sites

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

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

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

Petrochemical site Bradu – Pitești is structured on two production plants (Olefins and Polymers) which during 2015 was mothballed due to lack of working capital.

Utilization rate of the production capacities in 2015 is about **28.29%**, achieved by the operation of the following plants:

- **Membrane Electrolysis**, used at the maximum operational capacity under current technical conditions (about 95%). For operation at 100% capacity it is required the rehabilitation of three electrolyzers of a total of seven.
- **Propylene Oxide and Polyether Polyols**, operates in technological captivity, and are used at about 65% of capacity, constraint by chlorine quantity that can be produced by Membrane Electrolysis;
- **Oxo-alcohols**, restarted in June 2015 operates at about 90% of capacity. For operation at full capacity it is necessary to change the hydrogenation catalyst.

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

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

(b) Date of the company establishment:

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

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

Since the opening of insolvency proceedings (31.03.2013), the company's business is governed by Law no.85/2006 on insolvency proceedings. The company is in the stage judicial reorganization, given the Decision no 892/22.04.2015 in the insolvency file no. 887/90/2013, by which was confirmed the Reorganization Plan proposed by the consortium of judicial administrators.

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

Not applicable.

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

1.1.1 Elements of general evaluation:

In 2015 the company recorded the following results:

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 income	2,392,656	760,867	3,153,523
	- operation income	2,392,656	756,545	3,149,201
	-financial income		4,322	4,322
3	Total expenses	14,407	809,334	823,741
	- operating expenses	14,407	801,776	816,183
	-financial expenses, of which:		7,558	7,558
	<i>-interests</i>		2,144	2,144
4	Gross result	2,378,249	(48,467)	2,329,782
	-operating result, from which:	2,378,249	(45,231)	2,333,018
	- <i>depreciation</i> expenses		(85,775)	(85,775)
	-financial result		(3,236)	(3,236)
5	EBITDA (resulted from operation - depreciation)		40,544	
6	Income tax	35,653	0	35,653
7	Net result	2,342,596	(48,467)	2,294,129

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

th lei

Crt. No.	Indicators	Achieved in year 2015	Achieved in year 2014	Achieved in year 2013
1	Turnover	742,392	627,531	497,955
2	Export (th euro)	125,080	100,005	69,406
3	Total income	760,867	651,444	546,176
	- operation income	756,545	648,863	497,814
	-financial income	4,322	2,782	48,362
4	Total expenses	809,334	839,963	840,431
	- operating expenses	801,776	827,447	784,432
	-financial expenses, of which:	7,558	12,517	55,999
	<i>-interests</i>	2,144	7,874	38,393

Crt. No.	Indicators	Achieved in year 2015	Achieved in year 2014	Achieved in year 2013
5	Gross result	(48,467)	(188,319)	(294,255)
	-operating result, from which:	(45,231)	(178,584)	(286,618)
	- depreciation expenses	(85,775)	(139,993)	(108,298)
	-financial result	(3,236)	(9,735)	(7,637)
6	EBITDA (resulted from operation - depreciation)	40,544	(38,591)	(178,320)
7	Net result	(48,467)	(188,319)	(294,255)
8	Utilization degree of production capacity	28.29%	24.26%	20.69%

- ✓ **Turnover** increased by 114.8 million lei, or by 18% compared to 2014 and by 244.4 million lei, or by 49% compared to 2013;
- ✓ Value of **export** and intracommunity sales achieved by the company in 2015 is 125.1 million euro, up by 25%, i.e. up by 25.1 million euro compared to 2015 and up by 80%, i.e. up by 55.7 million euro compared to 2013;
- ✓ **Export share** in turnover increased from 62% in 2013 to 71% in 2014, and achieving 75% in 2015;
- ✓ **Total gross result** from current activity of the company in 2015 is -48.5 million lei representing an improvement of 139.8 million lei compared to 2014 and of 245.8 million lei compared to 2013.

The gross result of -48.5 million lei consists in:

- 11,3 million lei total profit obtained from the operating plants;
- -59,8 million lei loss caused by the expenses with the mothballing of unoperational 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 before the date of the approval of the Reorganization Plan.

The detail breakdown of the expenses that are not related to operating plants of 59.8 million lei:

- | | |
|---|-------------------|
| 1. Loss of Petrochemical Division Bradu Pitesti without severance pay | -24,1 million lei |
| 2. Severance payments, including taxes, related to 243 dismissed persons | -10,6 million lei |
| 3. Interest to loans taken prior to insolvency calculated until the approval of Reorganization Plan | -2,2 million lei |
| 4. Mothballing costs for Rm.Valcea site | -10,9 million lei |
| 5. Losses from Oxo-alcohols plant during unoperational period January-May 2015 | -2,0 million lei |
| 6. Impairment expenses to the net liquidation value of investments in progress | -10,0 million lei |

- ✓ **Net result** per total business (including income/expenditures related to the implementation of the Reorganization Plan and expenditures not related to the current business) saw by OLTCHIM S.A. at the end of 2015 is 2,294 million lei, consisting in:
 - +2,371 million lei scriptic gross result driven by debt cancellation, mainly of unsecured claims, following the confirmation of the Reorganization Plan by the bankruptcy judge by Decision no. 892 / 04.22.2015 delivered in the case of insolvency no. 887/90/2013 before the Court Valcea. Under the provisions of the Insolvency Act and the Tax Code, the cancellation of debt represents scriptic income of the period, influencing the result;
 - +5 million lei income from the sale of CO2 certificates;
 - +2 million lei net result from current assets adjustment;
 - -36 million lei tax on profits earned as a result of the revenue from the cancellation of debt;
 - -48 million lei result from the current business of the company;

- ✓ **Net result** from the current business of the company in 2015 is -48 million lei representing a loss of 140 million lower compared to that in 2014 and 246 million lei less against the loss of 2013;

- ✓ **EBITDA** is 40.5 million lei, meaning an improvement in profitability compared to 2013-2014 when was negative.

1.1.2. Evaluation of the technical status of the company

Description of main products/services:

Inorganic products:

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

Macromolecular products:

- polyether polyols for polyurethane foams;

Synthesis organic products:

- propylene oxide
- propylene glycol

Summary of main products manufactured

Inorganic products:

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

Caustic Soda Solid (block, flakes, pearls) is requested on the market due to the advantages shown for users: lower storage costs, easier and more accurate dosing, qualities

that recommend the product for applications in the pharmaceutical industry, cosmetics, detergents, and other areas of fine synthesis.

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

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

Macromolecular products:

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

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

Synthesis organic products:

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

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

(a) the main markets, the share of main products in these markets in 2015 and distribution methods:

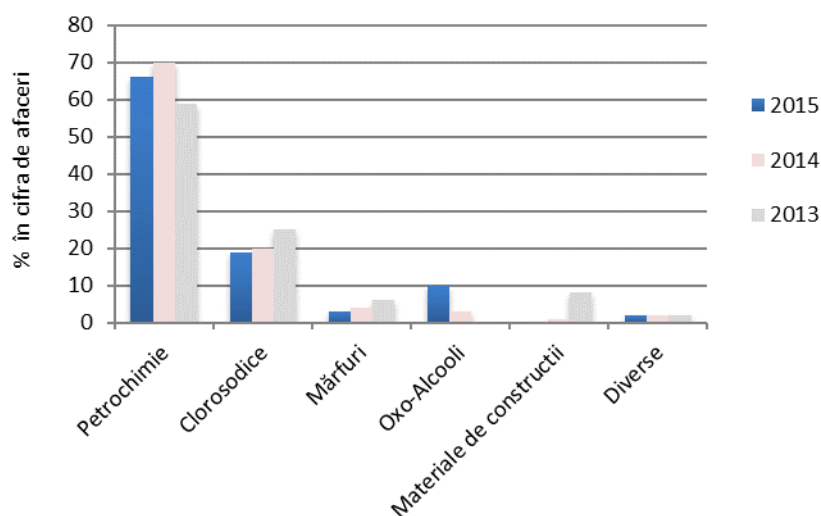
In 2015, production increased compared to 2014, although the company continued to operate at about 30% of full capacity, part of the plants are still shut down. Turnover rose to 167 million euro, being higher by 26 million euro, or by 18 % compared to 2014 and higher by 54 million euro, or by 49% compared to 2013. The increase in turnover was driven by quantitative growth in sales of main products manufactured. Thus, for polyether polyols, quantity sales increased by 20% compared to last year, while chlor-alkali sales saw an increase by 3%.

After company entered insolvency proceedings the sales saw monthly increases, but nonetheless the products shares on the main markets were insignificant in 2015. **Over 75% of turnover comes from export and intra community market.**

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

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

Product Groups	2015	2014	2013
Petrochemicals	66	70	59
Chlor-alkali	19	20	25
Commodities	3	4	6
Oxo-Alcohols	10	3	0
Construction Materials	0	1	8
Others	2	2	2



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

For the next financial year, the company is considering the development of new products, mainly new grades of polyether polyols.

Also, since the second half of 2016 the company intends to manufacture a new product, namely dioctyl terephthalate by the refurbishment of the existing dioctyl phthalate plant. The production of this product will drive a diversification of octanol utilization, allowing thus for a smooth and continuous operation of the oxo-alcohols plant.

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

As regards the procurement activity, 2015 was an year of strengthening the company's position in domestic and foreign markets. Besides the more than 150 suppliers, already confirmed in the previous year, Oltchim reconnected with old partners and initiated new contacts, expanding more and more its coverage in terms of actual and potential sources for the procurement of goods and services required.

The procurement of raw materials, auxiliary materials and services was carried out as last year, based on Internal Procedural Rules on procurement contracts, approved by the Ministry of Economy, in February 2014.

The overall uncertainty in financial markets was still felt in the attitude of suppliers, some of which continued in 2015 to be reluctant and maintain prepayment request. There are also partners of the company, closer to the current realities in terms of improving the financial position of Oltchim, who agreed deferred payment, whether or not secured by promissory notes, convinced about the stability on medium term of mutual commercial relationships.

Regarding the essential raw materials for the technological process, for the first time, this year have been concluded firm contracts for the entire volume of propylene required, creating thus a stable outlook for the company. The volume of propylene purchased increased from 57,316 to in 2014 to 76,940 to in 2015 and as mentioned above, according to contract provisions next year will reach 81,503 to.

With regard to ethylene oxide, an essential feedstock in the production of polyols, the volume purchased in 2015 increased from 4,114 to in 2014 to 4,782 to. This product is a feedstock of shortage nature and sources of supply are from outside of Romania (both from the EU and from third countries outside the EU). For next year, demand for ethylene oxide is fully covered by contracts with suppliers, the volume supplied rising to 6,672 to.

The volumes of raw materials purchased for Electrolysis Plant (soda ash, sulphuric acid, brine) rose slightly, remaining the same sources, respectively sources in the country - for soda ash and brine and EU sources - for sulphuric acid.

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

1.1.4. Evaluation of sale activity

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

In 2015 the company produced and sold three product groups:

- Polyether polyols with a share of 66% in turnover;
- Chlor-alkali products with a share of 19% in turnover;
- Oxo alcohols with a share of only 10% in turnover.

The products with the largest share in turnover were the polyols. The Company intends to focus its business on polyols and caustic soda. Hydrochloric acid and sodium hypochlorite are co-products obtained in the electrolysis process and are capitalized primarily on the domestic market, requiring special storage and transportation conditions.

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

The situation has culminated in 2012 with total shutdown of PVC production plant.

The main markets in 2015 were the European Union (50%), Romania (27%), the Middle East (13%) and the Rest of Europe (10%).

Compared to 2014, in 2015 the sales grew by 20% due to business reorganization and optimization measures taken after the opening of insolvency proceedings which led to the regaining of foreign partners trust.

The company has a wide and diverse range of quality products with multiple fields of application, products with high demand both in the domestic and foreign markets. For some products in the manufacturing portfolio, Oltchim is the main or even sole provider domestically, being the company that supports with raw materials a number of business sectors in the country, namely: aluminum industry, manufacture of artificial and cellulosic fibers, power industry, pharmaceuticals and food industries, plastic processing industry, construction industry. These industries were strongly affected during 2010 - 2014 by drastic reduction of Oltchim activity.

The evolution of sales by geographical area in 2015 compared to 2014 is given below:

Product/Geographical area	2015		2014	
	Quantity(to)	Value(EUR)	Quantity(to)	Value(EUR)
CAUSTIC SODA				
European Union (incl. Romania)	63%	63%	62%	61%
Rest of the World	37%	37%	38%	39%
POLYOLS				
European Union (incl. Romania)	84%	83%	79%	78%
Rest of the World	16%	17%	21%	22%
OXO-ALCOHOLS				
European Union (incl. Romania)	40%	40%	53%	53%
Rest of the World	60%	60%	47%	47%

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

Caustic Soda:

Globally, the largest producers and hence competitors are:

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

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

Polyether- polyols:

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

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

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

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

1.1.5. Evaluation on company's employees/personnel

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

On 31 December 2015, the number of company's employees was 1,936, lower by 303 than at the end of previous year.

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

Qualification	Employees no.	(%)
university degree	442	22.8
post-secondary education	130	6.7
secondary education	1,361	70.4
elementary school	3	0.1
Age	Employees no.	(%)
< 18	0	0.0
20 - 30 years	46	2.3
31 - 40 years	384	19.8
41 - 50 years	1,174	60.7
over 50 years	332	17.2
Men, women share in total personnel		
	Employees no.	(%)
Women	730	37.7
Men	1,206	62.3
Seniority		(%)
	Employees no.	
< 3 ani	0	0
>=3, <5	6	0.3
>=5, <10	86	4.4
>=10,<15	194	10.1
>=15,<20	242	12.5
>=20	1,408	72.7
TESA and workers share in total personnel		
	Employees no.	(%)
TESA	600	31

Workers	1,336	69
Unionization of the workforce - 78%		

On 31 December 2015, age structure shows that majority (60.7%) is ranging between 41 and 50 years. In terms of seniority the largest share is held by staff over 20 years of service (72.7%).

The share of 70.4% of personnel with secondary education (high school, vocational school) is consistent with the profile of activity - industrial production unit, where the number of direct productive personnel - workers is predominant.

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

The relationship with the management of the five trade unions is based on dialogue whose aim is to harmonize the expectations of employees with possibilities of the company, compliance with the Collective Labour Agreement, consultation and negotiation in the Joint Committee.

During 2015 there have been no protests of employees.

The results achieved in 2015 led to maintain stability in the relationship with employees. Thus, in 2015 there were paid monthly remuneration rights for a month (advance, liquidation, vouchers) and, in addition, wage arrears were reduced by paying an advance related to a month. Thus, the wage gap coming before the insolvency was reduced to two months.

1.1.6. Evaluation of core business impact on the environment

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

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

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

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

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

Since on the site of the Petrochemical Division Bradu has not been carried out activity in 2015, there is no impact on the environment.

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

- Integrated Environmental Authorization no. 4 / 14.08.2013 valid until 14.08.2023
- Greenhouse Gas Emissions Authorization (GES) no. 197 / 09.11. 2013 valid until 2020
- Authorization No. 33 / 07.05.2013 regarding ethylene and propylene transport by pipeline from Petrochemical Division Bradu to Oltchim Ramnicu Valcea valid until 06.05.2023
- Water Management Authorization no. 165 / 06.06.2013 valid until 31.05.2016

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

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

Document	Date of issue	Validity term	Issuer
Integrated Environmental Authorisation	25.05.2015	24.05.2025	APM Vâlcea
Water Management Authorization	29.01.2015	31.12.2015	National Administration "Romanian Waters" Documentation submitted to obtain a new authorization
Environmental Authorization for hazardous goods road transport and goods rail transport	28.04.2010	28.04.2020	EPAVâlcea
Greenhouse Gas Emissions Authorization for the period 2013 - 2020	28.03.2013	2020	NEPA Bucharest
Environmental permit for recovery of recyclables	01.03.2012	28.03.2022	EPA Vâlcea

Environmental Authorisation for RAMPLAST unit	14.07.2011 Decision no. 126/ 18.03.2014 for the transfer of Ramplast Environmental Authorisation from Oltchim SA to Dynamic Selling Group SRL	13.07.2021	EPA Vâlcea
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During 2015 was submitted the necessary documentation to obtain a new integrated environmental authorization and water management permit.

There were updated:

- Plan of measures for monitoring and reporting the emissions of greenhouse gases for 2016;
- Report to improve the methodology for monitoring emissions of greenhouse gases;
- Reporting in Integrated Environmental System for: emissions inventory, soil and subsoil monitoring, statistics of wasted and oils, packaging, industrial emission, IPPC-EPTR;
- Statistics on environmental protection costs;
- Plan to prevent and combat accidental pollution of water;
- Notification of OLTCHIM business according to GD 804/2007 on the control of major accident hazards involving dangerous substances;
- Public information regarding hazardous substances existing on site.

Supervision of environmental factors

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

- ***Environmental factor-water***

The company concluded with the National Administration "Romanian Waters" – Administration of Olt Water Basin, a subscription contract for use / exploitation of water resources and hydropower potential valid in 2015.

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

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

Surveillance of Olt River water quality

In order to determine the impact of wastewater on the quality of the emissary , INCD – ECOIND Bucharest Rm. Vâlcea branch is performing the monitoring of Olt River water upstream and downstream of the wastewater discharges from the industrial site. The quality of Olt River upstream and downstream of the wastewater discharges from the industrial site, is monitored

in three separate sections (of which two downstream) by ECOIND Bucharest- Rm. Valcea Branch.

Olt River water quality downstream from the chemical site is influenced by the quality of residual effluent discharged from the chemical site (Mixing Chamber, Biological Wastewater Treatment Plant and clear liquid from Soda Works Govora pond), by machining regime of hydropower plants and the amount of rainfalls recorded.

The analyzes carried out by ECOIND Bucharest in 2015 for the wells placed inside and in the area of organic waste pond, revealed that the groundwater is organically and inorganically contaminated. Inorganic contamination is caused by the neighborhood of the pond of inorganic slurry discharged by Soda Works Govora and the deposit of slurry coming from Propylene oxide and Electrolysis Plants.

- ***Environmental factor - air***

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

Measurements carried out at sources during 2015, indicate emissions compliance within the limits stated by the integrated environmental authorization.

CO2 Emissions

According to the National Allocation Plan of greenhouse gas emissions, in 2015 the company received, free of charge, a number of 185,368 greenhouse gases certificates from which a number of 176, 167 certificates were allocated for Ramnicu Valcea site and a number of 9,201 certificates for Petrochemical Division. In 2015, Ramnicu Valcea site produced 104,576 tons CO₂ and Petrochemical Division Bradu produced 265 tons CO₂

- ***Environmental factor - soil***

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

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

- ***Wastes***

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

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

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

As regards packaging placed on the market, in 2015 there were achieved the objectives set out in OUG 196/2005 concerning the Environmental Fund, with subsequent additions and amendments.

- ***Management of Hazardous Substances***

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

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

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

Major accident potential is given by:

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

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

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

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

Costs incurred in 2015 for environmental protection amount to 17, 843 thousand lei.

Existing or envisaged litigations concerning the violation of environment protection legislation:

By Imputation Decision no 2/03.17.2011, Environmental Fund Administration charged Oltchim with the amount of 59,205,056 lei, pursuant to article 9, paragraph 1 of the GEO no.196 / 2005, representing amounts received as a result of the penalties of EUR 100 for each tonne of carbon dioxide equivalent emitted for failure to return a number of 143, 437 greenhouse gas allowances.

The company started the following procedures against the imposing decision no.2 / 03.17.2011 issued by the Environmental Fund Administration:

- ✓ Appeal to fulfilment and to suspend the enforcement pursuant to provisions of Article 172 of Tax Procedure Code, which is the subject of file nr.6402 / 288/2011 before the District Court Rm.Vâlcea. In this file is disputed the enforcement from file no. 111/2011 begun by the Environmental Fund Administration for the amount of 59,205,056 lei.
At a hearing on November 4, 2011, the court suspended the case until the final disposal of the case no.978 / 46/2011.
Following the final settlement of the file no.978 / 46/2011, the company filed application for redocketing. By Civil Decision no. 4246/11.12.2015, delivered by the Court Rm.Vâlcea in the file no.6402 / 288/2011 was ordered to admit the appeal for enforcement filed by Oltchim S.A., annulment of enforcement and of acts of enforcement issued in the file no. 111/2011.

By Decision No.22 / 2016 filed at the company with no.496p / 18.01.2016, the Environment Fund Administration ordered the cessation of enforcement measures initiated in the execution file no.111 / 2011 to recover the amount of 59,205,056 lei .

- ✓ Application to suspend operation of taxation under art.215 paragraph 2 of Tax Procedure Code in conjunction with article 14 paragraph 1 of Law no.554 / 2004 on administrative litigation. In this file is requested to suspend enforcement of the file no. 111/2011 begun by the Environmental Fund Administration for the amount of 59,205,056 lei.

This application was the subject of File no. 637/46/2011 before the Court of Appeal Pitesti and the court ordered acceptance of the application and suspension of taxation operation. This judgment has been appealed against by the Environmental Fund Administration and the High Court of Cassation and Justice decided, on 28 September 2011, to dismiss the appeal as unfounded.

- ✓ Annulment request of administrative document subject of file 978/46/2011. In this file are disputed administrative documents, respectively Tax decision no. 2/03.17.2011 and Decision no. 32/05.19.2011 issued by Environmental Fund Administration for which was set the obligation to pay the amount of 59,205,056 lei (allowances failed to return in 2010). First instance, Appeal Court Pitesti decided on 19 October 2011 to accept the application and ordered the annulment of the act. The court also ordered the suspension of the administrative act until the final disposal of the merits. Against this judgment has been appealed by the Environmental Fund Administration. High Court of Cassation and Justice, at the hearing on 3 October 2012, ordered allow the appeal and refer the case back to the Court of Appeal Pitesti.

This file was registered before the Court of Appeal Pitesti with the number 978/46/2011*. By conclusion of 22 May 2013, the court suspended the proceedings under Article 36 of the Law no.85 / 2006 on insolvency proceedings. Against that decision was appealed by the Environmental Fund Administration and by Oltchim. By decision no.4532 / 11.27.2014 pronounced in the case no.978 / 46/2011 * / a1, High Court of Cassation and Justice ordered admission of appeals brought by the Environmental Fund Administration and Oltchim, cancellation of the appealed decision and further judgment by the trial court.

By Judgment No. 73 / M-account / 11.5.2015, the Court of Appeal Pitesti in the file nr.978 / 46/2011 *, ordered the admission as founded the action brought by the company, annulment of the Imposing Decision No.2 /17.03.2011 and Decision No 32 / 19.05.2011 issued by the Environment Fund Administration. This judgment has become final and irrevocable due to lack of appeal.

Environmental liabilities

Environmental investments that the Company must achieve are the following:

Crt no.	Investment	The need for investment	Estimated costs-euro			
			For fees, licences, authorizations	planning	execution	TOTAL
0	1	2	3	4	5	6 = 3+4+5
I	MEASURES FOR ENVIRONMENTAL AUTHORIZATION					
1	Closing hazardous residue pond - deadline 01.09.2022	The purpose of this measure is to green the area and to comply with GD 349/2005 amended by GD 210/2007 on waste disposal; by closing some plants and modernization of the others Oltchim does not discharge anymore this kind of waste. Implementation of this measure involves closing the Hazardous Wastes pond.	58,000	60,000	5,882,000	6,000,000
2	Closing of the existing non-hazardous residue pond - deadline 01.09.2021	The purpose of this measure is to green the area and to comply with GD 349/2005 amended by GD 210/2007 on waste disposal. This measure is implemented by greening the area related to the old non-hazardous residue pond closed in late 2009 due to its load to full capacity; in the same period it was put into operation the new non-hazardous pond.	30,000	60,000	2,974,000	3,064,000
	TOTAL					9,064,000

In 2015 OLTCHIM held the Water Management Authorization No. 17 / 29.01.2015.

Investments that the Company must achieve are:

0	1	2	Estimated costs-euro			
			3	4	5	6 = 3+4+5
Crt. no.	Investment	The need for investment	For fees, licences, authorizations	planning	execution	TOTAL
II MEASURES FOR WATER MANAGEMENT AUTHORIZATION						
1	Biological Treatment plant modernization	The purpose of this measure is to reduce the organic load of waste water discharged into the river Olt to a maximum of 125 mg O2 / liter for compliance with rules NTPA 001/2005 set by GD 352/2005 on requirements regarding wastewater discharging into the aquatic environment. Achieving this measure requires modernization of the existent Biological Treatment plant which is technologically and morally obsolete.	75,000	100,000	7,325,000	7,500,000
2	Improvement of water quality from Propylene Oxide plant	The purpose of this measure is to reduce the content of suspensions to maximum 100 mg / liter in wastewater of Propylene Oxide plant collected at the final control station of the company; It is a complementary measure by which there are provided the conditions to reduce suspensions content in wastewater discharged into the river Olt at the value required by NTPA 001/2005. Its implementation involves the resizing of the settling stage at the the intermediate station for wastewater treatment from Propylene Oxide plant.	45,000	100,000	4,355,000	4,500,000

0	1	2	Estimated costs-euro			
			3	4	5	TOTAL
Crt. no.	Investment	The need for investment	For fees, licences, authorizations	planning	execution	TOTAL
0	1	2	3	4	5	6 = 3+4+5
3	Final Control Station Modernization	The purpose of this measure is to reduce the content of suspensions in waste water discharged into the river Olt to a maximum of 60 mg / liter for compliance with rules NTPA 001/2005 set by GD 352/2005 on requirements regarding wastewater discharging into the aquatic environment. Achieving this measure requires modernization of the Final Control Station which is technologically and morally obsolete.	14,000	100,000	1,386,000	1,500,000
	TOTAL					13,500,000

All the investments to be carried out according to environmental permits and authorizations for water management are initiated, being in the early stages of contracting the feasibility studies and the preparation of the technical execution project.

1.1.7. Evaluation of Research and Development activity

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

In the financial year 2015 there were not concluded new contracts for technological research and development with research and design institutes of profile.

At the date of this report there are no contracts for technological research and development for 2016.

Consultancy expenditures amounted to 11,796 lei in 2015

Expenditures made in 2015 by Research Center of OLTCHIM SA were in amount of 1,032,491 lei, against an estimated value of 1,104,950 lei, of which personnel costs: 867,481 lei, technical and material costs 84,989 lei.

Research activity covers the following four main sections:

- Research to obtain new products/assortments

- Polyether PE 48-3 MB in DMC catalyst
- Polymer polyols PHD

- Polyols from vegetable oils
- Polyol duplicated of Voranol CP1412
- Research for the development of polyether polyols production
- Research with the environmental protection
- Research for streamlining production processes

In 2015 expenditure for the implementation of EU regulation no. REACH 1907/2006 concerning hazardous chemicals was in the amount of 12,697 Euro and for 2016 it is estimated a volume of expenses of 165, 000 Euro.

The expenses to be made in 2016 by the own Research Center aims at pursuing the above goals and are in the amount of: 1,100,000 lei, of which personnel expenses: 867,481 lei and material costs: 85,000 lei.

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

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

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

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

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

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

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

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

Risk management was implemented into the company by: establishing its general and specific objectives and its structures; establishing a performance monitoring and reporting system; identifying and assessing the main risks of the specific activities in departments / structures; drawing up the Book of risks, etc.

Company's objectives regarding the risk management are:

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

Description of company's exposure to risks:

Market risk

In 2015, the company achieved a turnover of 167 million euro, up by 18% over 2014 and 49% higher than in 2013. The turnover increase was driven by a quantitative increase in sales of main products manufactured. Thus, the polyol - polyether quantitative sales increased by 20% compared to last year, while sales of chlor-alkali products have increased by 3%. The resumption of oxo-alcohols production has also contributed to increased turnover.

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

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

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

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

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

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

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

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

Currency risk

Official exchange rates were as follows: for the year ended on 31 December 2015 - 4.5245 lei / euro and 4.1477 lei / USD and on 31 December 2014 - 4.4821 RON / EUR and 3.6868 lei / USD.

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

	31.12.2015	31.12.2014
Assets (<i>current assets, less inventories</i>)		
Monetary assets in LEI	40,510,976	54,753,815
Monetary assets in foreign currency	27,873,487	20,568,025
	<u>68,384,463</u>	<u>75,321,840</u>
Liabilities (<i>total liabilities, acc.balance sheet</i>)		
Monetary liabilities in LEI	923,827,407	2,941,005,578
Monetary liabilities in foreign currency	440,288,059	803,843,627
	<u>1,364,115,466</u>	<u>3,744,849,205</u>
Net monetary position in LEI	<u>(883,316,431)</u>	<u>(2,886,251,763)</u>
Net monetary position in foreign currency	<u>(412,414,572)</u>	<u>(783,275,602)</u>

Interest rate risk

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

During 2015 the company has not entered into loan agreements with banking and financial institutions.

Credit risk

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

Financial assets which subject the Company to potential concentrations of credit risk consist mainly of receivables from the main activity. These are shown at the net value by the provision for doubtful debts. Credit risk related to receivables is limited due to the large number of customers in the customer portfolio of the Company, financial instruments used (promissory notes, checks, etc.). Thus, receivables in the balance at 31.12.2015 were 64% covered by insurance policy for domestic and export trade credit, 19% were claims for direct offset with raw materials and utilities suppliers, 8% were covered by promissory notes, letters of credit or reverse factoring, and 3% accounted for receivables with payment on delivery.

Liquidity risk

Liquidity risk, also called funding risk is the risk that a company to have difficulties in accumulating

funds to meet commitments associated with financial instruments. Liquidity risk may arise from the inability to quickly sell an asset at a value close to the fair one. Company policy on liquidity is to maintain sufficient assets so to be able to pay its obligations at due dates. Assets and liabilities are analyzed depending on the period remaining to the contractual maturities.

Liabilities and assets are analyzed based on the remaining period until contract maturities as follows:

	<u>Less than 1 year</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing liabilities	280,367,912	1,083,747,554	1,364,115,466
- Trade liabilities	119,730,636	368,740,276	488,470,912
- Other current liabilities and loans	160,637,276	715,007,278	875,644,554
Interest bearing liabilities	-	-	-
Cash and cash equivalent	13,328,457	-	13,328,457
Liabilities and other assets	55,056,006	-	55,056,006

At the date of confirmation of the Reorganization Plan by the syndic judge (April 2015), loans were denounced, all debts recorded at 31.12.2015 becoming non-interest bearing loans.

On 31 December 2015 **the value of current liabilities** is higher than current assets, driven by the debts accrued in the first part of insolvency until the confirmation of the Reorganization Plan.

1.1.9. Prospects on company's activity

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

REORGANIZATION PLAN

In order to implement the reorganization plan, it was assumed that the Company will operate according to its object of activity, in two scenarios:

- Scenario A - consider operation of the company with the oxo-alcohols plant resuming its operation;
- Scenario B – consider, as a major goal in addition to scenario A, resuming the operation of the PA-DOP plants by identifying external financing sources.

Regarding the schedule of payments included in the reorganization plan, the amounts provided to be allocated are related to the starting negotiation price for the transfer of the assets and business of the Company, respectively the amount of 307 million euros, each scenario with 3 options on when it will be collected and allocated the price (1 year option: cashing in the 12th

month of the plan; 2 years option: cashing in the 24th month of the plan; 3 years option: cashing in the 36th month plan).

The company recorded in the accounts liabilities to pay the amounts mentioned in the schedule of payments in the scenario B.III, meaning that the highest liabilities remained recorded in the accounts, as follows:

Crt. No.	Claims	Value at the date of entering into insolvency	Value acc. to the schedule of payments	Impairment value
0	1	2	3	4 = 3 - 2
1	Secured claims	881,866,547	710,885,690	(170,980,857)
2	Employees claims	9,704,264	9,704,264	-
3	Budgetary claims	1,215,602,527	250,034,374	(965,568,153)
4	Unsecured claims acc. to art. 96 (essential suppliers)	150,384,370	44,926,658	(105,457,712)
5	Unsecured claims	1,128,925,357	-	(1,128,925,357)
TOTAL		3,386,483,065	1,015,550,986	(2,370,932,079)

Regarding the functioning of technological plants, in the first eight months (May-December 2015) after confirmation of the reorganization plan, these operated under Scenario A, respectively the company operated with membrane electrolysis plant, propylene oxide - polyols and oxo-alcohols plants.

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

- revamping of two electrolyzers of the membrane electrolysis;
- lime kiln repair;
- markets regain mainly the export ones;
- reducing surplus staff.

This is confirmed by the results achieved by the company after the confirmation of the reorganization plan (April 2015). Thus, in the period May to December 2015 (8 months from date of approval of the reorganization plan), the company recorded better results compared to the plan. In terms of EBITDA, the achievements of the first 8 months of judicial reorganization are with 2.5 million euro better compared to the plan. Also, net total debts accrued in insolvency are lower than the plan by 3 million euro (55.1 million euro achieved against 58.1 million euro specified in the plan).

INCOME AND EXPENSES BUDGET 2016

In substantiating the budget for 2016 the company is considering a quantitative increase in production by the operation of the following plants:

- ✓ Operation of the membrane electrolysis to its maximum technological capacity, by rehabilitating 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
- ✓ Since the second half of 2016 the company intends to manufacture a new product, namely dioctyl terephthalate by the refurbishment of the existing dioctyl phthalate plant.

The company 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%.

Under these conditions, the company expects for 2016 to obtain profit-per total activity, ie full coverage of depreciation 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 company 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

(b) Presentation and analysis of the effects of current or expected capital expenditures over the financial situation of the company compared with the same period of previous year:

During 2015, the company carried out investments and major overhauls, amounting to 16.9 million lei, only from its own resources, the breakdown by main objectives being as follows:

- ✓ 8 million lei for the rehabilitation of two electrolyzers in Membrane Electrolysis Plant;
- ✓ 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 in 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 as the purchase of a heat exchanger for the propylene oxide plant .

In 2015, the company commissioned two investment objectives, in total amount of 6,198 thousand lei, and independent acquisitions of fixed assets in amount of 280 thousand lei, as follows:

	th lei
Electrolyzers rehabilitation at Membrane Electrolysis	4,208
Consolidation the production capacity of lime plant	1,990
Acquisitions of independent equipment	280

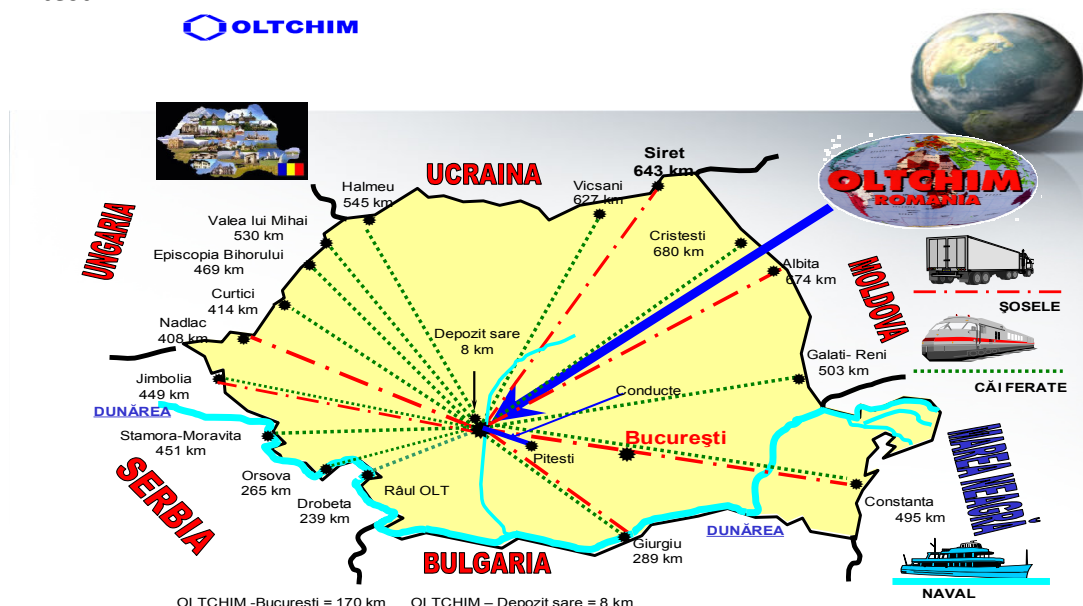
During 2016 investments are closely linked to the financial resources that the company will draw.

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

II. TANGIBLE ASSETS OF THE COMPANY

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

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



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

As of 31.12.2015 at the two main sites, the company owns tangible assets with a net value, by category of fixed assets, as follows:

Name	Net value
Lands and buildings	311,697
Facilities	364,837
Other fixed assets	2,685
Investment in progress	29,425
TOTAL	708,644

th lei

(2.2) Description and analysis of the rate of wear of the company's properties:

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

For the rest of the plants maintenance and turnarounds are carried out regularly so to be provided safe operational conditions, given the specific particular hazard in chemical plants. As regards physical condition and the continued operation of these plants, the wear set out in accordance with the technical manuals of equipment and machinery, is estimated at a level of about 30%.

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

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

For purchases made in 2015, lifetimes are those set out by legal rules in force. Land is not depreciated as it is deemed to have an unlimited life.

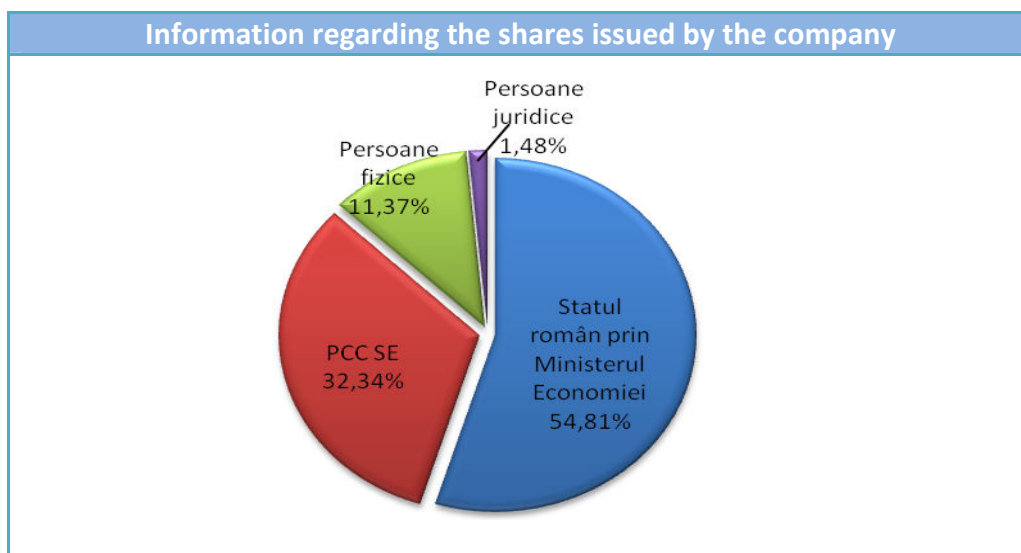
(2.3) Potential problems related to ownership of company's tangible assets:

Not applicable

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

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

Information regarding the shares issued by the company		
Symbol		OLT
ISIN		ROOLTACNOR2
Bloomberg BBGID		BBBG000BZZDZ4
Category		Standard
Total shares issued		343,211,383
Nominal value		0.10 RON
Number of shareholders on 31.12.2015		39,185
Shareholding structure (31.12.2015)	Number of shares	%
Romanian State through Ministry of Economy	188,100,976	54.8062
PCC SE*	111,005,766	32.3433
Natural persons	39,013,965	11.3430
Legal persons	5,090,676	1.5075



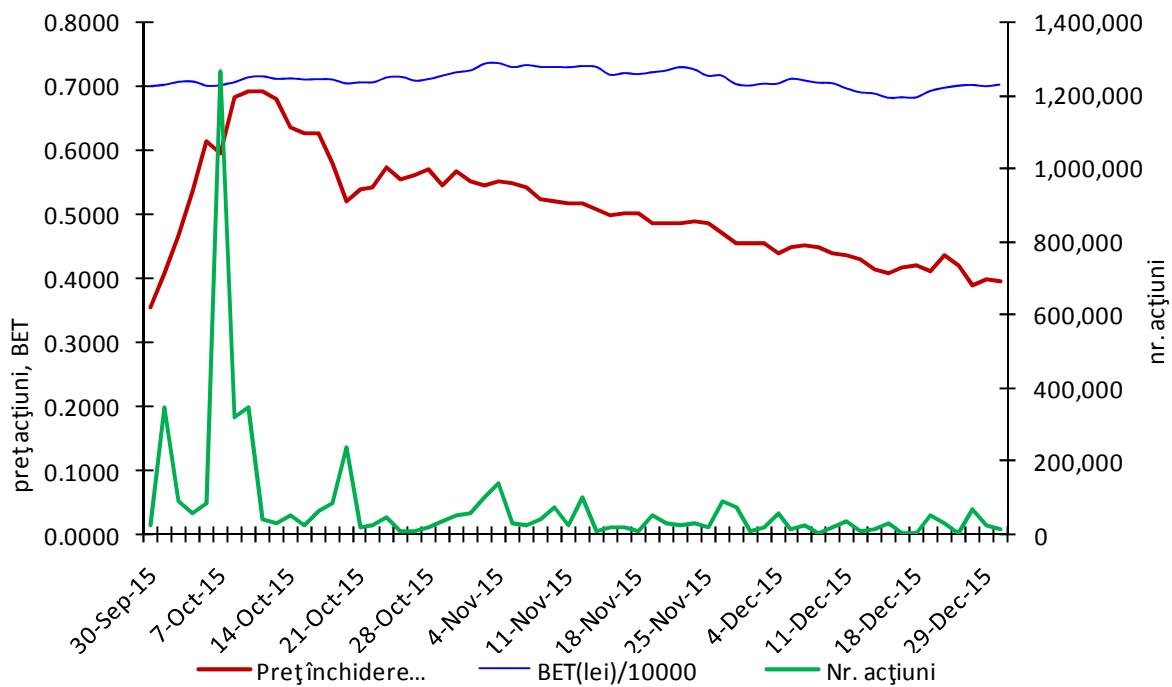
Trading of shares issued by Oltchim S.A. is carried out on Bucharest Stock Exchange based on BSE Decision No. 21/26.11. 1996 regarding shares tier admission since 18.02.1997, stock symbol OLT.

As of 01.30.2013, the starting date of the insolvency proceedings, and until the final confirmation of the reorganization plan the company's shares were suspended from trading. Resumption of trading was conducted on 30. 09.2015.

Trading of company's shares during 30.09.2015-31.12.2015, is as follows:

Number of shares traded	4,532,579
Value of transactions -lei	2,599,925
Number of transactions	4,362
Maximum price(09.10.2015)	0,7320
Minimum price(30.09.2015)	0,3530
Reference price at the date of suspension (30.01.2013)	0,3070
Closing price on30.12.2015	0,3920
Market capitalization (thousand lei)	134,882
Market capitalization (thousand euro)	29,785

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



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

The Company has not paid dividends to its shareholders since it incurred losses during 2010-2014.

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

The company does not have approved a plan to repurchase its own shares.

The company has a number of 6.180 own shares with a nominal value of 0.1 lei each, representing 0.0018% of the share capital resulting from the adjustment of share capital during the mass privatization process.

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

Not applicable.

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

Not applicable.

IV. STATEMENT OF CORPORATE GOVERNANCE

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

In September 2015, the BSE replaced CGC with a new code. Most aspects of corporate governance provided by this Code are not applicable to a company in insolvency proceedings.

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

As regards compliance with Section D. Adding value through investor relations on its website at Investor Relations, useful information can be found about the company as follows:

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

Company's compliance status at 31 December 2015, with each of the new provisions of the Code and the reasons for non-compliance are presented in Appendix section e).

COMPANY'S MANAGEMENT

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

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

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

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

By resolution of Court Valcea of 13. 05.2013 this Consortium was confirmed as judicial administrator.

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

In the area of internal control and risk management, Special Administrator's responsibilities are fulfilled in collaboration with the internal auditor. After each audit, the internal auditor prepare an Audit Report. This complies with International Standards on Internal Auditing both in terms of reporting and making recommendations to the management of the company. In fact, the main role of internal audit is to give an independent and objective opinion to the company management that the system of internal audits that was implemented reasonably covers the risks associated with different structures, activities, programs, projects, operations.

The internal auditor reports to the Special Administrator about the missions carried out and also about the compliance with the approved audit plan.

Summary of the internal audit missions performed in 2015 refers to:

- the performance of the preventive financial control activity in the company,
- the procedure for the conclusion of acquisition commercial contracts in accordance with the laws and internal regulations,
- the management of classified information in the company, under the law,
- the performance of the acceptance commission activity in Oltchim,
- the management of liquid finished products stocks in the company.

Following the internal audit activitiy carried out in 2015 there were not found failures from internal rules and regulations.

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

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

Not applicable.

c) participation of existing managers at the company's capital, on 31.12.2015:

Not applicable.

d) list of persons affiliated to the company:

Not applicable.

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

During the year the executive management was composed as follows:

Avram Dănuț Victor	Deputy General Manager
Tălpășanu Mihail	Production Manager
Spiru-Ciobescu Armand	Commercial Manager
Smeu Alin Ion	Economic manager

Munteanu Dana Maria	Human Resources Manager
Pîrvu Marius	Manager of Petrochemical Division Bradu

Short CV of each member of the current executive management is presented on the company website www.oltchim.ro/ Investor Relations / Corporate governance / Company's Management.

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

They are company employees for an unlimited duration.

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

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

c) Participation to the company's share capital of the members of the executive management on 31.12.:

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

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

Not applicable.

V. FINANCIAL STATEMENT

Preparation of financial statements was made in accordance with the provisions of Order 1286 / 01.10.2012 of Public Finance Ministry for the approval of accounting regulations in accordance with International Financial Reporting Standards - IFRS, adopted by the European Union and with OMFP no 123/28.01.2016 regarding the main aspects of drafting and submission of annual financial statements.

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

The audit of financial statements of the Company prepared on 31.12.2014 was conducted by Deloitte Audit S.R.L.

STATEMENT OF THE FINANCIAL POSITION

	th lei	
	31.12.2015	31.12.2014
ASSETS		
Fixed assets		
Tangible fixed assets	708,644	782,300
Intangible fixed assets	2,004	2,818
Real estate investment	6,822	6,950
Investments in related entities	155	155
Total Fixed assets	717,625	792,223
Current assets		
Inventories	39,438	40,560
Trade receivables	29,348	44,628
Taxes receivable	13,253	14,586
Other assets	12,455	11,228
Cash and cash equivalents	13,328	4,880
Total Current assets	107,822	115,882
TOTAL ASSETS	825,447	08,105
EQUITY AND LIABILITIES		
Equity		
Share capital	1,018,300	1,018,300
Reserves	228,594	228,594
Current result	2,295,614	(459,320)
Loss carried forward	(1,785,562)	(4,083,638)
Total equity	(538,668)	(2,836,744)
Long term liabilities		
Long term loans	615,690	3,429
Deferred income	5,107	5,961
Deferred tax	34,202	34,202
Provisions for employees benefits	9,180	15,528
Other long term liabilities	21,316	6,723
Trade payables	368,740	-
Fees paid	29,512	-
Total long term liabilities	1,083,747	65,843
Current liabilities		
Short term loans	-	1,767,246
Trade payables	119,731	1,698,671
Fees paid	63,943	70,692
Other liabilities	96,694	142,397
Total current liabilities	280,368	3,679,006
Total liabilities	1,364,115	3,744,849
Total equity and liabilities	825,447	908,105

FIXED ASSETS

Analyzing fixed assets at the net remaining value, it is noted a decrease from previous year by 74,598 thousand lei from 792,223 thousand lei to 717,625 thousand lei, driven by:

Breakdown	Year 2015
Acquisitions and costs with tangible and intangible fixed assets	11,177
Impairment of assets by calculating depreciation and other write-downs	(85,775)

CURRENT ASSETS

Comparing the value of current assets at end of 2015 with end of 2014 it is noted a decrease of 8,060 thousand lei, of which:

Breakdown	Year 2015
Inventories decrease	-1,122
Accounts receivables decrease	-15,280
Increase cash and cash equivalents	+8,448
Decrease in other receivables	-106

Regaining confidence of the internal and external customers led Oltchim to increase the sales with advance payment and consequently to reduce the average period for debt collection, which generated decrease in accounts receivables at 31.12.2015 to 31.12.2014, as follows:

Customers breakdown	31.12.2015	31.12.2014
Domestic customers	15,461	26,534
Foreign customers	14,282	18,922
Doubtful domestic customers	34,043	38,604
Doubtful foreign customers	25,490	25,421
TOTAL	89,276	109,480

Doubtful customers balance consists in the value of sales previous to 2013. There are no cases of doubtful customers following the sales of finished products between 2013-2015. The sale of Oltchim products with deferred payment is made only to customers with a good financial status with which the company had a long relationship, and secured either by payment instruments (checks, promissory notes, letters of credit, etc.), or covered by insurance policy of risk for risk of default.

The amount of 26,659 thousand lei of domestic and foreign customers balance at 31.12.2015 is reflected in current liabilities of Oltchim, for which are operated offsets.

TOTAL LIABILITIES

	th. lei	
Breakdown of total liabilities	31.12.2015	31.12.2014
TOTAL, of which:	1,364,115	3,744,849
Long term loans	374,383	569,374
Accrued interest on loans	23,129	64,717
Liability to ASAM	241,307	1,201,301
Suppliers	474,101	1,532,375
Advance payments from customers	14,370	166,296
Fees paid	93,455	70,692
Other liabilities	143,370	140,094

At 31 December 2015 Oltchim recorded total debts amounting to 1,364 million lei, of which:

- 1,052 million lei debts recorded in accordance with the Reorganization Plan;
- 248 million lei net debts accrued after the entering into insolvency, of which from the first part of the insolvency period and overdue 212 million lei;
- 37 million lei mutual debts and claims and debts to the state budget by offsetting with VAT to be recovered;
- 26 million lei other liabilities, of which mainly provisions for benefits granted to employees upon retirement.

The decrease in total debts from 3,745 million lei at 31.12.2014 to 1,363 million lei at 31.12.2015 was due mainly to recording in the account other operating revenues in April 2015 of the amounts arising from debts cancellation not included in payments program envisaged in the Reorganization Plan.

	th lei	
Breakdown of short term liabilities	31.12.2015	31.12.2014
TOTAL, of which:	280,368	3,679,005
Short term loans	0	565,945
Accrued interest on loans	23,129	64,717
Liability to ASAM	0	1,201,301
Suppliers	115,866	1,532,375
Fees paid	59,817	70,692
Taxes and fees related to severance pay	4,127	0
Advance payments from customers	3,864	166,296
Employees - salaries payable	12,475	19,499
Severance payment related to laid off personnel	36,020	38,274
Salaries paid by CEA Valcea from Guarantee Fund of salary claims.	16,603	16,603
Transactions related to joint operations	7,589	0
Other creditors	878	3,304

	th lei	
Breakdown of long term liabilities	31.12.2015	31.12.2014
TOTAL, of which:	1,083,747	65,843

Long term loans	374,383	3,429
Liability to ASAM	241,307	-
Suppliers	358,235	-
Fees paid	29,512	-
Advance payments from customers	10,506	-
Employees - salaries payable	4,825	-
Subsidies and deferred income	5,107	5,961
Deferred profit tax	34,202	34,202
Transactions related to joint operations	0	6,723
Provisions for employees benefits	9,180	5,256
Other creditors	16,490	10,272

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

OLTCHIM SA pays the taxes related to salaries by offsetting with VAT to be recovered from the state budget (VAT to be recovered by the Company registered at 31.12.2015 in amount of 10,265,939 lei). For companies in insolvency, offsetting is performed only after the completion of the control of National Agency for Fiscal Administration (ANAF).

In liabilities on salaries, the amount of 36,020 thousand lei is representing severance pay net amounts, related to dismissed personnel during the years 2013 and 2015. These are paid in installments, the company making monthly payments.

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

Long-term liabilities are mainly those included in the Reorganization Plan, confirmed by the syndic judge and the General Assembly of the Creditors and will be paid in accordance with the provisions of this Reorganization Plan.

The long-term liabilities included tax on the profit earned as a result of recording revenues from debt cancellation under the Reorganization Plan. According to the payments program under the Reorganization Plan, the tax on profits resulting from the recognition of the liabilities in the company accounts will be paid within 5 days from the date of cashing by Oltchim SA of the price representing the value of the shares held by Oltchim SPV.

EQUITY

According to financial statements at 31 December 2015, equity value is **-538,668 thousand lei**, composed of:

	th lei	
Breakdown	31.12.2015	31.12.2014
Share capital	34,321	34,321
Share capital adjustments	983,979	983,979
Revaluation reserves	213,762	213,762
Legal reserve	14,833	14,833
Loss from previous years	(4,079,692)	(3,624,318)

Profit (loss) for the period	2,294,129	(459,320)
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LOSS/PROFIT ACCOUNT

Breakdown	th lei	
	31.12.2015	31.12.2014
Revenues from sale of goods and commodities	747,944	627,531
Revenues from investments	8,593	7,858
Other operating revenues	2,385,469	(4,239)
Changes in inventories	(4,723)	8,819
Raw materials and materials costs	(370,183)	(365,680)
Water and power costs	(170,545)	(156,750)
Depreciation costs	(85,775)	(409,013)
Salary costs	(118,840)	(114,248)
Net cost of financing	(2,463)	(8,305)
Revenues from subsidy	854	1,392
Other operating costs	(60,549)	(46,685)
Gross Profit /Loss	2,329,782	(459,320)
Income/(Costs) on profit tax	(35,653)	-
Net Profit/Loss of the period	2,294,129	(459,320)
Other comprehensive income	-	-
Total annual comprehensive income	2,294,129	(459,320)
Profit/Loss per share	6,6843	(1,3383)
Number of shares	343,211,383	343,211,383

TURNOVER

The turnover in 2015 is **747,944 thousand lei**, equivalent to **168,266 thousand euro**.

The value of exports is **125,080 thousand euro**, ie 75% of turnover.

The results recorded by the company in 2015 confirms that it managed to increase month by month the utilization rate of production capacities and thus to increase the turnover.

The increase in production was reflected in increasing turnover by 120,413 thousand lei or by 19%, from 627,531 thousand lei in 2014 to 747,944 thousand lei in 2015.

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

Breakdown of turnover	th lei	
	31 .12.2015	31 .12.2014
Petrochemistry (Polyol-Polyethers)	491,813	440,299
Chlor-alkali	141,848	124,163
Commodities	22,551	24,402
Oxo-alcohols	78,237	22,071
Petrochemical Division Pitesti	141	160
Building Materials Division	3	4,991
Others, including sales of CO2 certificates	13,351	11,444
TOTAL	747,944	627,531

Core activities, petrochemical and chlor-alkali, concentrated in 2015 about 85% from turnover, compared to 90% from turnover in 2014. Although the share is in decline, this is not necessarily a bad thing, because the absolute values are increasing as can be easily seen from the table above.

The Oxo-alcohols plant products, especially octanol, have a significant contribution to the turnover increase. Revenues from sale of these products have increased from 22,071 thousand lei in 2014 to 78,237 thousand lei in 2015, while their share in turnover increase from 3.5% in 2014 to 10.5% in 2015. This is mainly due to the increasing of sales volume from 4,813 to in 2014 to 21,465 to in 2015.

The revenues from the Construction Materials Division decrease significantly their share in turnover to almost nil, following the lease of the business to Dynamic Selling Group.

Variation in revenue from the sale of finished products may be driven by changes in average selling prices, the increase or decrease in the quantity sold, or a mix between them. In order to establish the degree to which the average prices and volumes have influenced together recorded revenues, we identified the most significant products in terms of their contribution to total revenue earned, the analysis is presented in the table below:

	th lei	
	Caustic Soda solution 50% (Lye)	Polyols 48-3MB
2014	81,637	238,035
Volume change	2,780	35,629
Price change	7,600	-26,965
2015	92,017	246,699

Even if the negative change in average selling price for the product polyol 48-3MB determined by the fall of international prices leads to a decrease in revenues by **26,965** thousand lei, this is offset by the positive variation in the quantity sold with an influence of **35,629** thousand lei, thus registering total revenues higher by **8,664** thousand lei.

Regarding product Lye 50% it is noticed that major influence is given by the positive price variation, this positively influencing revenue by 7,600 thousand lei. Taking into account the favorable variation of sold quantities we obtain an overall increase of 10,380 thousand lei in income from the sale of Lye 50%.

TOTAL REVENUES

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

	th lei	
Breakdown	31 .12.2015	31 .12.2014
Income from debt cancellation acc. Reorganization Plan	2,370,932	-
Revenues from investments	8,593	7,858
Revenues from production in stock	(4,723)	8,820
Net revenues from current assets depreciation	6,382	206
Income from the reversal of provisions for risks and	5,256	-5,256

Breakdown	31 .12.2015	31 .12.2014
charges		
Other revenues	3,752	2,203

TOTAL EXPENSES

Total expenses in 2015 have the following structure:

Breakdown	31 .12.2015	31 .12.2014
		th lei
Raw materials and consumables costs	370,184	365,680
Energy and water costs	170,545	156,750
Salaries (including taxes), of which:	118,840	114,249
- <i>personnel salaries, health insurance and social security</i>	108,226	114,249
- <i>redundancy payments related to the dismissed personnel, taxes and fees</i>	10,614	0
Depreciation costs	103,973	139,993
Reversal / (losses) related to value of tangible fixed assets	-18,198	269,020
Other costs with services provided by third parties	16,908	16,239
Costs with transport and logistics	15,561	12,022
Costs for repairs	7,662	6,923
Other taxes and fees	6,620	7,629
Net loss from receivables	4,994	-
Interest costs and bank charges	2,463	8,305
Other expenses	8,805	3,873

CASH FLOW STATEMENT

	31.12.2015	31.12.2014
		th lei
Cash flows from operating activities		
Annual net Profit/(Loss)	2,294,129	(459,320)
Depreciation of fixed assets	103,973	139,993
Loss from the disposal of intangible assets	-	72
Expenses/ (Income) on impairment adjustments of current assets	(1,388)	(207)
Subsidies depreciation	(854)	(1,393)
Interest expenses, net	2,105	7,726
Expenses / Income from revaluation of tangible assets	(18,198)	269,020
Expenses related to provisions for litigation	(5,256)	5,256
Current income tax expenses	35,653	-
Revenue from the production of tangible assets	(5,399)	(3,438)
Income/(Expenses) from cancellation/record of debts according to the Reorganization Plan	(2,370,932)	-
Operating profit (loss) before changes in working capital	33,833	(42,291)
Inventory increase/decrease	2,488	(5,845)
Claims Increase / Decrease	(280,952)	(208,774)
Debts Increase / Decrease	258,818	260,042

	31.12.2015	31.12.2014
Working capital changes	(19,646)	45,423
Cash flows from operating activities	14,187	3,132
Interest paid	-	(17)
Cash flow from operation	14,187	3,115
Cash flow used in investment		
Interest received	38	45
Purchase of tangible and intangible assets	(5,777)	(3,578)
Dividends received	-	-
Cash flow used in investment	(5,739)	(3,533)
Cash flow generated from financing		
Change in short-term loans	-	6,858
Change in long-term loans	-	(6,858)
Lease payments	-	-
Cash flow from financing	-	-
Cash at the beginning of the year	(514,981)	(514,563)
Lines of credit cancellation/reclassification under the Reorganization Plan	519,861	-
Increase in cash and cash equivalents	8,448	(418)
Cash at the end of period	13,328	(514,981)

The analysis of cash flows reveals that the company's activities in 2015 generated a positive total cash flow in the amount of 8,448 thousand lei.

Cash flow breakdown by activities reveals that operating activity (production) generated a positive cash flow in both 2015 (14,187 thousand lei) and 2014 (3,115 thousand lei).

However, spending on investments decreased operating cash surplus due to the fact that the company did not acquire financing from banking institutions.

After entering the insolvency, funding sources used by the company were supplier credit and advance payments from some customers. The company also managed to capitalize quickly its output and thus self-financing its activity.

The only financing obtained after the insolvency was 1.5 million euros, through concluding the joint venture contract with RCS & RDS, a company with private capital, financing that funded the overhaul and the restarting of oxo-alcohols plant in September 2014.

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

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

SUBSEQUENT EVENTS

Oltchim SA has a plant for the production of dioctylphthalate that has not operated since 2012. In the month of March 2016 the company concluded a contract for its conversion thus to obtain a new product more competitive and with good development expectations according to the market research, respectively dioctylterephthalate. The investment will be made within 6 months from the signing of the contract. The production capacity will be of 18,000 tons dioctylterephthalate per year. The investment will worth 2.7 million euro, fully financed by supplier credit.

Exchange rate fluctuations

On February 29, 2016, the exchange rate was 4.4692 lei / euro and 4.0970 lei / dollar. This represents an appreciation of the national currency against the euro of 1.24% and an appreciation against the dollar of 1.24%, compared with exchange rate at December 31, 2015 (1 euro = 4.5245 lei; \$ 1 = 4.1477 lei) .

Collection and payment of receivables and liabilities

Until February 29, 2016, the company collected the amount of 1,302,766 euro and 13,111,302 lei, corresponding to the outstanding trade receivables at December 31, 2015 and paid trade liabilities in the amount of 62,445 euro and 37,338,040 lei from the outstanding invoices at 31 December 2015.

Stănescu Bogdan
Special Administrator

Avram Victor
Deputy General Manager

Tălpășanu Mihail
Production Manager

Spiru Armand
Commercial Manager

Smeu Alin
Economic Manager

VI. ANNEXES to the Special Administrator Report

a) *Article of Association have not been amended / updated during 2015.*

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

- **Contract agreements**

- **Procurement Contracts**

On 31 December 2015, the company had contracts for raw materials, auxiliary materials and services worth of 57,114,500 euro, 625,180 USD and 11,034,580 lei.

- **Sales Contracts**

On 31 December 2015, the company had contracted product sales in 2016 amounting to 91,587,740 euro, 529,400 USD and 3,779,550 lei.

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

Not applicable.

d) *Litigation*

At the date of the financial statements, the company had sued, through its Legal Department, bad customers for deliveries made before the entering in insolvency procedure, for failure to comply with contract terms, amounting to 31,415,579.74 lei representing the value for delivered and unpaid products and 8,673,963.98 lei representing delay penalties. Also, the company had to recover from litigation with foreign clients a total value of 1,118,942.98 USD and 1,786,315.69 euro representing the value for goods delivered.

For bad customers, the company recorded impairments at the date of the balance sheet in accordance with the policy adopted by the company.

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

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

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

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

e) list of companies to which Oltchim SA holds shares on 31.12.2015:

Name of the company where Oltchim holds shares	Share Capital -lei-	% of share capital held by Oltchim
S.C.Oltquino S.A. Rm. Vâlcea	2,034,860	46,64%
S.C.Sistemplast S.A. Rm. Vâlcea	2,347,805	94,4%
Oltchim GmbH Germania*	102,258 Euro	100%
S.C.Protectchim S.R.L. Rm. Vâlcea**	1,200,000	7,5%
S.C. Euro Urethane S.R.L. Rm. Vâlcea	59,725,212	41,28%
S.C Mentchim S.A. Rm. Vâlcea***	1,500,000	25%
Fundația Oltchim	200	100%

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

** the stage of the dispute concerning participation of Oltchim SA in the share capital of Protectchim SRL: by civil sentence no. 3078 / 22 May 2014 issued by Valcea Court, IInd Civil Chamber pronounced in case no. 328/90/2014 was accepted the request made by Oltchim SA, with the consequence of invalidity of Decision no. 1 / 11.2.2013 adopted by the General Assembly of Associates of Protectchim SRL, through which was decided a capital increase. As a result of annulment of General Assembly of Associates decision, Oltchim SA stake in the share capital of Protectchim SRL returned from 7.5% to 30%. The resolution was filed with the Trade Register and published in the Official Gazette. Removal from the Trade Register of the mention of the General Assembly of Associates decision no. 1/2013 and return to the initial share of 30% held by Oltchim SA will be settled by Valcea Court.

*** it is declared bankrupt

f) The compliance status of the company with the new provisions of the Corporate Governance Code of BSE at 31 December 2015

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.</p>		x	<p>Starting on the date of insolvency (30.01.2013) the company's activity is carried out according to the proceedings subject of Law no.85/2006 on the insolvency proceedings.</p>
<p>A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflict of interest which have arisen or may arise, and should refrain from taking part of the discussion(including by not being present where this does not render the meeting non - quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.</p>		x	<p>Company's management is provided by the consortium of legal administrators ROMINSOLV SPRL București and BDO BUSINESS RESTRUCTURING SPRL București as decided by the syndic judge through Sentence no 617 of January 30, 2013 .</p>
<p>A.3. The Board of Directors or the Supervisory Board should have at least five members.</p>		x	
<p>A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of The Board of Directors or the Supervisory Board should be independent, in the case of Standard Tier companies. No less than two non executive members of The Board of Directors or the Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of The Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground of which he/she is considered independent in character and judgement in practice and according to the criteria A.4.1-A.4.9. stipulated in the Code.</p>		x	<p>The mandate of the Board members ended since the appointment of the special administrator (14.03.2013) who is entitled by the General Meeting of Shareholders to perform the management of OLTCHIM S.A. under the supervision of the Consortium of Legal Administrators. The Special administrator performs inclusive the General Manager responsibilities.</p>
<p>A.5. Board member's other relatively permanent professional commitments and engagements including executive and non-executive Board positions in the companies and non-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.</p>		x	<p>The company is in the stage of judicial reorganization. The Sentence no.892/22.04.2015, of</p>

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder who holds directly and indirectly, shares representing more than 5% of all voting rights. This obligations concerns any kind of relationships which may affect the position of the member on issues decided by the Board.</p>		x	Vâlcea Court issued in insolvency file no. 887/90/2013 regarding confirmation of the Reorganization Plan, became irrevocable through Pitești Court of Appeal Decision no.1585/24.09.2015.
<p>A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.</p>		x	The deadline of implementation of the Reorganization Plan is 36 month after its confirmation, with the possibility of prolongation according to the law.
<p>A.8. The Corporate Governance Statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/ guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.</p>		x	The majority relevant provisions related to corporate governance as of the section A, B and C of the Governance Corporative Code are not applicable during the insolvency.
<p>A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors(in person and in absentia) and a report of the Board and committees on their activities.</p>		x	
<p>B.1. The Board should set up an audit committee, and at least one member should be an independent , non-executive. The majority of members, including the chairman should have proven an adequate qualification relevant to the function and responsibilities of the committee. At least one member of the audit comittee should have proven an adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the the audit comittee should be independent.</p>		x	
<p>B.2. The audit committee should be chaired by an independent non-executiv member.</p>		x	
<p>B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.</p>		x	

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control report to the audit committee of the Board, management’s responsiveness and effectiveness in dealing with indentified internal control failings or weaknesses and their submission of relevant reports to the Board.</p>		x	
<p>B.5. The audit committee should review conflict in interests in transactions of the company and its subsidiaries with related parties.</p>		x	
<p>B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.</p>		x	
<p>B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.</p>		x	
<p>B.8. Whenever the Code mentions reviews or analysis to be exercised by the de Audit Committee, these should be followed by cyclical (at least annual) or ad-hoc reports to be submitted to the Board afterwards.</p>		x	
<p>B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by company with shareholders and their related parties.</p>	x		
<p>B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the company with which it has close relations, that is equal to or more than 5% of the net assets of the company(as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board’s audit committee and fairly disclosed to the shareholders and potential investors, to the extend that such transactions fall under the category of events subject to disclosure requirement.</p>		x	
<p>B.11. The internal audit should be carried out by a separate structural division(internal audit departmentu) within the company or by retaining an independent third-party entity.</p>	x		

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via audit committee. For administrative purpose and in the scope related to the obligation of the management to monitor and mitigate risks, it should report directly to the chief executive officer.</p>	x		<p>The internal audit office reports functionally to the special administrator and for administrative purposes reports to the Deputy General Manager.</p>
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>		x	<p>Being in the insolvency the company has not a remuneration policy. The special administrator remuneration was set up by the General Meeting of the Shareholders and it is not paid by the company and the judicial administrators retribution was set up by Decision of the General Meeting of Creditors.</p>
<p>D.1. The company should have an Investor Relations function indicated, by person(s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p>		partially	<p>The business restructuring measures provided by the Reorganization Plan have included the optimization of personnel structures. Pursuant to the new organization chart the persons within the Investors/shareholders office have been integrated within Legal Department. The Investors Relation is been provided by the Consortium of Judicial Administrators.</p>
<p>D.1.1. Principal corporate regulation: the articles of association, general shareholders' meetings procedures;</p>	x		
<p>D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;</p>	x		

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
D.1.3. Current report and periodic report (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	x		
D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of the Board members; the rationale for the proposal of candidates for the election to the Board together with their professional CVs; shareholders’ questions related to the agenda and the company’s answers, including the decisions taken;	x		
D.1.5. Information on corporate events, such as payment of dividends and other distribution to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information will be publish within a timeframe that enables investors to make investment decisions;		x	No corporate events.
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request.	x		
D.1.7. Corporate presentations (e.g., IR presentations, quarterly results presentations,etc.), financial statements (quarterly, semi-annual and annual), auditor reports and annual reports.	x		The company organized in- person meetings with all investors which have an interest in taking over of Oltchim.
D.2. The company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of direction the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		x	Not applicable, given the legal provisions of Ordinance no.64/2001 regarding the profit distribution by purpose, respectively to cover losses from previous periods.

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual and quarterly reports. The forecast policy should be published on the corporate website.</p>	x		<p>Due to the fact that the company is in judicial reorganization the company operates until the end of proceedings based on the Reorganization Plan provisions. This plan presents in one of its chapters the reorganization outlook, in two basic scenario as well as the operation options for each of them for each of them, for a period of 36 month.</p> <p>We consider that this chapter (pag.83-90) can be considered as a forecast policy for the company.</p> <p>The Reorganization Plan is available on the company website within the Investors Relation Section/Ad-hoc reports-10.03.2015.</p>
<p>D.4. The rules of the general meetings of the shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of the shareholders.</p>	x		
<p>D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.</p>	x		
<p>D.6. The Board should present to the annual general meeting of shareholders a brief assesment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.</p>		x	<p>Not applicable in insolvency proceedings</p>

Provisions of the Code	Comply	Non-comply or partially comply	The reason of non-compliance/Others specifications
<p>D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>		x	The company follows to comply since 2016.
<p>D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sale, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.</p>		partially	<p>The company did not submit these reports in English and did not submit the information on quarter-on quarter terms being under the legal provisions (NSC Regulation no. 1/2006 with subsequent amendments and BSE Code). The company follows to comply since 2016.</p>
<p>D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.</p>		partially	<p>It was considered that the information provided as well as current and periodic reports published on the website allow the shareholders as well as the investors to make informed choices. The company has organized in-person meetings with all the investors interested in buying Oltchim.</p>
<p>D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.</p>		x	<p>During the insolvency the company considers mainly financial balancing and reducing expenditure measures.</p>