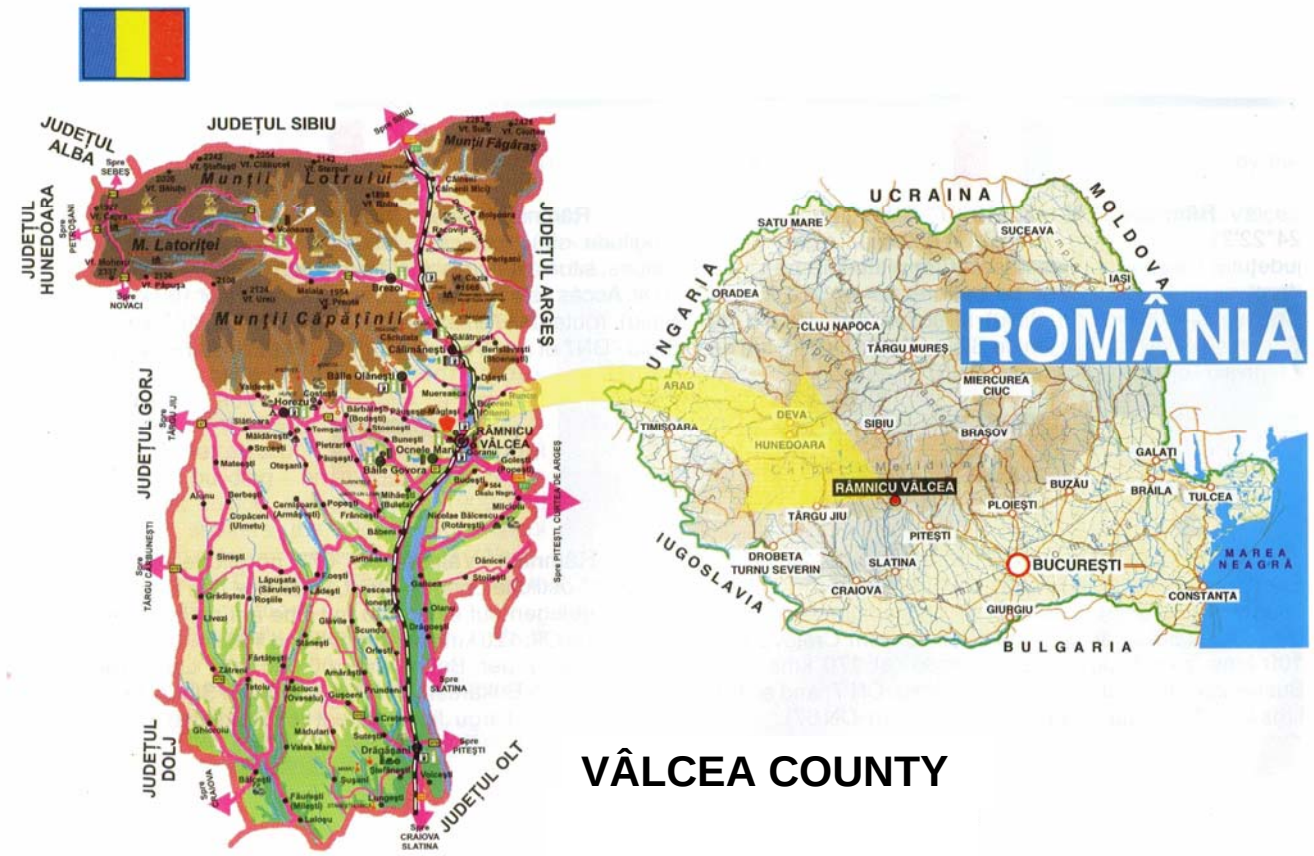
S.C. OLTCHIM S.A. – ROMANIA

1. SUMMARY DATA

Location:	Rm.Valcea Romania



VÂLCEA COUNTY

Adress:	1, Uzinei Street
Tel:	0250 736101...5, 730001...5
Fax:	0250 735030, 736188, 735446, 730703
Legal Form	Joint Stock
Registered Capital at 31.08.2003	323, 588, 641 thousand ROL
Percentage offered for sale	53.26%
Seller	Authority for Privatization and Management of State Ownership
Fiscal code	R 1475261
Registration no.at Trade Registrar	J38/219/1991

S.C.OLTCHIM S.A. is situated in the south of Romania, 10 km away from Rm. Valcea, in the industrial area at the south of the town.

Strengths:

- the plants are very professionally run;
- the products are vertically integrated;
- there is a steady and cheap work force;
- the products are of a high quality and are supplied according to the international standards;
- the certification of the management system according to ISO 9001 and of the environmental management system according to ISO 14001 by TÜV SÜDDEUTSCHLAND – Germany. The integration of the two management systems ended in 2000, having as a result the Integrated Quality Environmental Management System;
- the existence of the modernized plants;
- a large area of production plants and a continuous search of new products;
- the sole PVC and oxo-alcohols producer in the country ;
- a large part of Oltchim's market is the external market;
- qualified personnel .

Opportunities:

- modernization the plants and the increase of production capacity;
- the increase of plastics consumption per capita on the internal market where the consumption is very low compared with the one in the Western European countries;
- the positive trend concerning the worldwide using of the types of products produced by Oltchim .

Sales Structure:

- Domestic/Export 55.7 % / 44.3% (2001)
- Domestic / Export 44.2 % / 55.8 % (2002)
- Domestic / Export 41.1 % / 59.9 % (31.08.2003)

Main products

Inorganic Products
Macromolecular Products
Organic Synthesis Products
Chlorinated Organic Solvents
Pesticides
Construction Materials
Agro-Food Products

Shareholders Structure at 31.08.2003

AUTHORITY FOR PRIVATIZATION AND MANAGEMENT OF STATE OWNERSHIP	53.26%
LINDSELL ENTERPRISES LTD	12.04%
FINANCIAL INVESTMENT FUND OLTENIA	7.36%
OTHER SHAREHOLDERS NATURAL OR LEGAL PERSONS	27.34%

Financial Summary (31.08.2003) – thou.ROL

Revenue	5,198,390,047
Operating Profit	77,770,532
Net profit	- 90,156,280
Total Assets	5,104,044,624
Capital and reserves	-2,570,273,060

2. BACKGROUND

OLTCHIM S.A. is one of the biggest Romanian chemical companies, established in 1966 by the name of Râmnicu Vâlcea Chemical Factory. The layout of the chemical works in Vâlcea area was based on various advantages like the existence in the neighbourhood of raw materials and utilities sources, numerous labour available and easy access to the motor and railway means of transportation.

OLTCHIM S.A. Râmnicu Vâlcea was created as a joint stock company by Governmental Decision 1213/20.11.1990, based on the Law 15/1990, by total undertaking of Râmnicu Vâlcea Chemical.

Since 1990 until present, the production capacities experience meaning production shutting down for products with market and environmental issues, and the development of those with good outlets and even the development of new capacities and products.

3. PRODUCTS/MARKETS/SALES

Inorganic Products:
- Caustic soda (liquid, solid, flakes);
- hydrochloric acid from synthesis;
- liquid chlorine;
- sodium hypochlorite;
- hydrogen peroxide.

Macromolecular Products:
- polyvinyl chloride;
- polyether polyols.

Organic Synthesis Products:
- oxo-alcohols (octanol, iso-butanol);
- dioctylphthalate;
- ethyl chloroformate;
- propylene oxide,
- propylene glycol.

Chlorinated Organic Solvents:
- perchloroethylene.

Pesticides:
- herbicides, insecticides, fungicides, acaricides;

- insecto-fungicides for seeds treatment.

Construction Materials:
- PVC profiles for doors and windows - RAMPLAST 2000;
- PVC cellular panels – PANPLAST;
- thermal insulating panels, sandwich type – OLTPAN.

Agro-Food Products:
- preserved vegetables and fruits, natural fruit juices;
- eggs, poultry and pork meat .

The main export markets of Oltchim SA are: Eastern Europe (Hungary, Bulgaria, Yugoslavia, Poland, Czech Republic), Western Europe (Italy, Germany, Greece, England, Belgium Austria, Portugal), Middle East (Turkey, Israel, Pakistan), Africa (Nigeria, Egypt), Asia – Pacific (China), South America.

Products	M,U,	31,08,2003		2002		2001		2000	
		Dom	Export	Dom	Export	Dom	Export	Dom	Export
Polyvinil chloride	To	23,431	94,014	27,992	128,694	27,393	111,210	27,198	90,866
	Thou,$	14,097	64,076	15,889	65,787	13,856	49,052	17,883	62,465
Caustic soda lye	To	37,666	117,182	65,209	86,349	109,560	71,849	128,524	69,072
	Thou,$	7,222	5,088	12,747	8,516	24,511	18,602	17,999	11,055
Caustic soda (solid+flakes)	To	12,234	13,964	22,329	24,598	19,594	7,639	22,643	1,557
	Thou,$	3,456	2,984	5,966	5,573	5,687	2,231	4,730	352
Liquid chlorine	To	6,888	14,127	10,760	30,462	12,230	15,765	13,556	19,435
	Thou,$	863	1,861	1,282	2,363	1,381	1,056	1,690	1,635
Hydrochloric acid	To	43,976		66,472	1,728	70,841	2,256	62,164	5,589
	Thou,$	2,272		3,691	86	4,054	121	3,499	409
Sodium Hypochlorite	To	9,784		13,961		14,598		9,719	
	Thou,$	683		940		997		642	
Perchloroethylene	To	1,625	10,989	2,486	8,613	2,340	15,644	2,114	12,291
	Thou,$	535	6,533	672	1,657	560	3,268	608	3,044
Carbon tetrachloride	To	16		70	1,041	83	1,722	165	4,906
	Thou,$	5		18	187	20	286	45	902
Propylene glycol	To	482	1,580	645		828		742	
	Thou,$	419	379	563		799		809	
Polypropylene glycol	To	37		4	1,625	74	84	77	86
	Thou,$	17		2	1,112	38	62	40	72
Propene oxide	To	1,246	138	1,427	472	1,383	348	1,096	724
	Thou,$	1,189	14	1,217	380	1,286	269	1,162	592
Polyether polyols	To	2,653	21,720	8,067	21,433	6,376	11,853	4,761	12,869
	Thou,$	2,804	12,518	4,832	17,564	4,804	10,734	3,181	11,477
Pesticides	Thou,$	9,370		11,283		16,047		23,615	
Hydrogen peroxide	To	1,443		3,188		2,443	24	2,204	1,131
	Thou,$	381		707		510	6	455	239
Octanol	To	90	2,014	614	21,510	908	3,421	30	915
	Thou,$	59	603	356	11,067	451	1,635	18	515
Dichloroethane	To	395		660	50	424	4,453	211	12,404

Products	M,U,	31,08,2003 Dom	Export	2002 Dom	Export	2001 Dom	Export	2000 Dom	Export
	Thou,$	96		161	10	117	765	139	3,771
Dioctylphthalate	To	1,629	172	5,111	4,593	4,703	3,376	331	
	Thou,$	1,375	34	3,666	2,649	3,126	1,967	2,125	
Vinyl chloride	To			15	2,864		4,427		
	Thou,$			10	900		1,475		
Iso & n-Butiraldehydes	To			41		234		541	
	Thou,$			13		79		1	
Phthalic anhydride	To							10,300	
	Thou,$							7	
Tyocolic putty	To	5,604		6		7		4	
	Thou,$	54		55		72		50	
Other chemicals	Thou,$	4,253	45	509	1,023	532	57	514	280
Other products (agro food + construction material)	Thou,$	13,916	605	29,754	525	34,180	408	36,105	2,851
TOTAL	Thou,$	***63,066***	***94,740***	***94,334***	***119,399***	***113,107***	***91,994***	***115,318***	***99,659***

4. CAPACITIES/ EQUIPMENT / TECHNOLOGIES

ELECTROLYSIS IV - MEMBRANE PROCESS

Capacity: 120,300 t/year caustic soda
51,000 t/year hydrochloric acid
106,700 t/year gaseous chlorine
3,000 t/year hydrogen
41,248 t/year sodium hypochlorite
Licence: UHDE - Germany
Commissioning: 1999

ELECTROLYSIS III - MERCURY PROCESS

Capacity : 210,000 t/year caustic soda liquid
50,000 t/year caustic soda solid
44,200 t/year liquid chlorine
40,000 t/year hydrochloric acid - 32%
20,000 t/year sodium hypochlorite
Licence: De Nora-Permelec - Italy
Commissioning: 1974

CAUSTIC SODA FLAKES

Capacity : 100,000 t/year caustic soda flakes
Licence: SET - Italy
Commissioning: 1999

V C M

Capacity: 160,000 t/year VCM
Licence: Toyo Eng. Co. - Japan
Commissioning: 1975

PVC I

Capacity:	50,000 t/year polyvinyl chloride
Licence:	Dow Chemical USA
Commissioning:	1970

PVC II

Capacity:	120,000 t/year polyvinyl chloride
Licence:	Dow Chemical USA
Commissioning:	1974

PROPYLENE OXIDE/PROPYLENE GLYCOL/POLYETHER-POLYOLS

Capacity:	45,000 t/year propylene oxide 9,000 t/year propylene glycol 45,000 t/year flexible polyether-polyols
Licence:	IPROCHIM Bucharest - Romania
Start up :	2003

CHLORINATED ORGANIC SOLVENTS

Capacity:	27,000 t/year chlorinated organic solvents
Licence:	RHONE & PROGIL - France
Commissioning:	1972-1974

OXO-ALCOHOLS

Capacity:	52,000 t/year Octanol, I-Butanol
Licence:	DAVY- McKEE - England
Commissioning:	1999

DIOCTYLPHTHALATE

Capacity:	30,000 t/year Dioctylphthalate
Licence:	Balke Durr-Germany
Commissioning:	2002

PESTICIDES

Capacity:	21,700 t/year pesticides
Licence:	OLTCHIM
Commissioning:	1982

PACKAGES AND PESTICIDES AUTOMATIC PACKING

Packages capacity:	4 mill, pieces/year 0.5-1.0-5.0 l phials
Packaging capacity:	1000 l/hour, (2 lines x500 l/hour)
Licence:	KRUPP-KAUTEX - Germany
Commissioning:	1995

HYDROGEN PEROXIDE

Capacity: 6,000 t/year hydrogen peroxide
Licence: IPROCHIM Bucharest - Romania
Commissioning: 1999

PHOSGENE

Capacity: 8500 t/year phosgene
Licence: IPROCHIM Bucharest - Romania
Commissioning: 1979

PVC PROFILES FOR DOORS AND WINDOWS - RAMPLAST 2000

Capacity: 1,600 t/year PVC profiles for doors and windows with thermopane glass
Licence: TECHNOPLAST - Austria
Commissioning: 1996

THERMAL INSULATING PANELS, SANDWICH TYPE - OLTPAN

Capacity: 550 m^2/day thermal insulating panels, sandwich type, with polyurethane foam filled
Licence: EIP - Italy
Commissioning: 1997

PVC CELLULAR PANELS - PANPLAST

Capacity: 500 m^2/day PVC cellular panels
Licence: Luigi Bandera - Italy
Commissioning: 1996

DEMINERALIZED WATER

Capacity: 450 m^3/hour demineralized water
Licence: ARIONEX- Switzerland
Commissioning: 2001

WASTES INCINERATION

Capacity: wastes: 18,160 t/year
production: 39,400 t/year HCl
52,000 t/year 30 bar stream
Licence: KREBBS - France
Commissioning: 1999

PHTHALIC ANHYDRIDE

Capacity: 20,000 t/year
Licence: BALKE-DURR Germania
Commissioning: 2003

2EH ESTER - 2,4D ACID

Capacity: 1,300 t/year
Licence: OLTCHIM Rm. Vâlcea
Commissioning: 1993

RIGID POLYOLS

Capacity: 4,000 t/year
Licence: OLTCHIM Rm. Vâlcea
Commissioning: 2003

TECHNOLOGIES

MEMBRANE ELECTROLYSIS

The manufacturing process is based on the electrolysis of the sodium chloride solution in electrolysis cells provided with ion exchanging membrane type Nafion.

MERCURY ELECTROLYSIS

The manufacturing process is based on the electrolysis of the sodium chloride solution in electrolysis cells provided with mercury cathode.

VINYL CHLORIDE MONOMER

The manufacturing process consists in ethylene direct chlorination/oxychlorination resulting in 1.2-dichloroethylene, followed by dichloroethylene cracking in crackers.

POLYVINYL CHLORIDE

The manufacturing process is based on the vinyl chloride polymerization under temperature conditions.

POLYCARBONA|ES

Polycarbonate synthesis is carried out through trans-esterification, polycondensation and granulation.

PROPYLENEOXIDE

Propyleneoxide synthesis is based on addition reaction of hypochlorous acid to the double bound of propylene, followed by the saponification (with lime) of the resulted propylenechlorhydrine.

PROPYLENEGLYCOL

The propyleneglycol manufacturing is based on propyleneoxide hydration.

FLEXIBLE AND RIGID POLYETHER POLYOLS

Polyether polyols are derivatives of propylene oxide and ethylene oxide with a relative low molecular weight, except for the double functional products for elastomers. They have a functionality of 2-3 for flexible foams and between 3-7 for the rigid ones. The high functionality is achieved through propylene oxide (ethylene oxide) polymerization on a “starter” molecule like glycerin, which has three hydroxyl groups or materials with higher functionality like sorbitol or sucrose.

CHLORINATED SOLVENTS

Licenced Rhone-Progil, the chlorinated solvents (perchloroethylene) technology consists in pyrolytic chlorination of propylene at high temperature.

OXO ALCOHOLS

The oxoalcohols technology consists in catalytic hydroformylation of propylene with synthesis gas at low temperature and pressure.

DIOCTYLPHTHALATE

The dioctylphthalate technology consists in octanol and phthalic anhydride esterification with distillation of octanol-water azeotropic mixture.

PESTICIDES FORMULATION

Due to the fact that the pesticides are applied in relative small dosage, their conditioning (active ingredient mixing with different other ingredients) is necessary, in order to achieve an even spreading on large surfaces, with the purpose to improve the adhesivity on the plants, thus ensuring an optimum biological effect.
The main pesticide formulations are:
- solid products: dusting powders, wettable powders, powders for seed treatment, granules etc
- liquid products: watery solutions, emulsifiable concentrates, concentrated watery emulsions, micro-emulsions, concentrated suspensions, suspo-emulsions etc.

Conditioning type and formulation choosing are important for the treatment effectiveness improvement, for pollution risk and phytotoxicity diminishing, as well as for pesticides treatment profitability.

PACKAGES AND PESTICIDE AUTOMATIC PACKING

The process is conducted depending on the conditioning type, Liquid pesticides are packed in 0.5 liters to 5 liters containers, manually or automatically, in packing machines and the powders are packed in 10.20 kg polyethylene bags or in 0.5 kg to 1 kg bags.

HYDROGEN PEROXIDE

The hydrogen peroxide manufacturing process used at Oltchim is an auto-oxydating process, Hydrogen peroxide synthesis is carried out by a cyclical process of sequential reductions and oxidations of 2-ethyl antraquinone.

RAMPLAST – PVC profiles

The manufacturing process of the PVC profiles is a thermo-mechanical processing by the extrusion of K-wert 67 and 58 PVC compounded with several ingredients like: stabilizing – lubricating agents, thermal stability agents, pouring modifiers, anti-oxidants, anti-UV, internal and external lubricants.

OLTPAN

The sandwich type panels processing is thermo-mechanical and is conducted by corrugated metal sheets shaping, sheet supports inserting in the pressing machine and filling with a polyurethanic core the inner space between them.
The polyurethanic core consists of two elements: a polyolic component and an iso-cyanate,
The corrugated metal sheet is obtained using a shaping line, after it passed previously between shaping rolls. The shaping rolls can be changed depending on purpose (wall or roof applications).
The polyurethanic mixture is obtained using a foaming machine.

PANPLAST

The process for PVC panels manufacturing is one by thermo-mechanic extrusion of K-wert 58 and 61 PVC compounded with several ingredients like: stabilizing – lubricating agents, thermal stability agents, pouring modifiers, anti-oxidants, anti-UV, internal and external lubricants.

DEMINERALIZED WATER

The process for demineralized water manufacturing consists in mineral salts removing from water by passing this one through columns filled with ion exchanging resins.

WASTES INCINERATION

The process consists in burning the chlorinated wastes resulted in the VCM, chlorinated solvents and lindane plants.

2,4D ACID

The manufacturing process of the 2.4D acid consists in several stages: sodium phenolate preparation, sodium monochloro acetate preparation, sodium phenoxi acetate synthesis, phenoxi aceticv acid obtaining, phenoxi acetic acid chlorination in order to obtain 2.4D acid, followed by 2.4D acid purification, drying and packing.

5. MANAGEMENT

Nr. crt.	Job	Name and Surname	Seniority in work	Seniority in management	Seniority in current job
1	General Manager	ROIBU CONSTANTIN	26 years	19.06 years	12.05 years
2	Economic Director	VASILE MĂNDICĂ	38.08 years	22.08 years	12.05 years
3	Production Director	BALINT GHEORGHE	17.08 years	11.06 years	4.05 years
4	Development Director	OLARU RADU	8.05 years	2.06 years	1.10 years
5	Maintenance Director	ŞERBULESCU VASILE	40.09 years	34.04 years	12.05 years
6	Shareholder and Restructuring Director	NEGUȚ VICTORIA	16.11 years	8.03 years	2.05 years
7	Marketing Director	FLORESCU IONICĂ	29.10 years	9.05 years	1.10years
8	Agrofood Director	BARBU DOREL	17.08 years	13.08 years	2.05 years

6. PERSONNEL

Number of employees

Personnel Category	Average Personnel				
	1999	**2000**	**2001**	**2002**	**31.08.2003**
TOTAL Personnel	7,356	7,154	6,954	6,948	6,739
TOTAL Workers out of which	*5,728*	*5,592*	*5,399*	*5,342*	*5,220*
Skilled	*5,424*	*5,378*	*5,200*	*5,136*	*4,954*
Unskilled	*304*	*214*	*199*	*206*	*266*
Administrative Personnel	*1,628*	*1,562*	*1,555*	*1,606*	*1,519*

Average monthly salary

Personnel Category	Average Monthly Gross Salary				
	1999	2000	2001	2002	31.08.2003
	Thou ROL	Thou ROL	Thou ROL	Thou ROL	Thou ROL
TOTAL Personnel	2,001	3,642	5,683	6,846	8,350
TOTAL Workers out of which					
Skilled	2,324	3,329	5,268	6,324	7,425
Unskilled	1,343	2,056	3,105	3,539	4,150
Administrative Personnel	3,476	5,117	7,425	8,923	11,391

7. FINANCIALS

Income statement of S.C. Oltchim S.A.

INCOME STATEMENT	31.08.2003 thou.ROL	2002 thou.ROL	2001 thou.ROL
Revenue	**5,198,390,047**	**7,055,745,452**	**5,895,815,167**
Other operating income	36,715,587	64,755,338	24,372,003
Change in inventories of FG&WIP	241,194,117	520,659,062	636,545,065
Work performed by the enterprise capitalized	48,888,261	81,486,439	74,741,484
Raw material and consumables used	3,968,392,226	5,616,795,804	4,738,893,859
Staff costs	591,629,924	802,240,044	681,957,163
Depreciation and amortisation expenses	265,817,057	480,473,173	168,627,480
Other operating expenses	621,578,273	1,143,586,917	1,316,349,615
Profit (loss)from operations	**77,770,532**	**-320,449,647**	**-274,354,398**
Finance cost	222,999,833	914,524,868	1,248,185,793
Income from associates	-	518,228	689,920
Gain or loss from net monetary items	167,926,812	118,541,426	134,152,558
Profit (loss)before tax	**-90,156,280**	**-1,116,433,089**	**-1,387,697,713**
Income tax expenses	-	-	-
Profit(loss) after tax	**-90,156,280**	**-1,116,433,089**	**-1,387,697,713**
Minority interest	-	-	-
Net profit or loss from ordinary activities	**-90,156,280**	**-1,116,433,089**	**-1,387,697,713**
Extraordinary items	**-**	**-**	-
Net profit(loss) for the period	**-90,156,280**	**-1,116,433,089**	-1,387,697,713
Profit share to employees	-	-	-
Current result carried forward	-5,731,103,464	-4,614,670,375	-3,280,328,457

BALANCE SHEET S.C. OLTCHIM S.A.

Balance sheet as at (in thou. ROL)	31.08.2003	31.12.2002	31.12.2001
ASSETS			
I.Non –current assets	***5,104,044,624***	***5,103,805,017***	***5,204,755,981***
Tangible fixed assets	4,930,150,440	4,923,173,626	5,002,629,541
Intangible fixed assets	76,963,456	85,261,933	99,634,190
Other financial assets	96,930,728	95,369,458	102,492,250
II.Current assets	***2,748,808,364***	***2,607,834,745***	***2,163,584,795***
Inventories	1,171,045,689	1,220,633,650	1,225,137,807
Trade and other receivables	1,383,131,295	1,248,208,542	798,042,379
Cash and cash equivalents	194,631,380	138,992,553	140,404,609
III.Prepayments	***65,802,447***	***18,839,707***	***3,851,290***
Total assets (I+II+III)	**7,918,655,435**	**7,730,479,469**	**7,372,192,066**
Equity and liabilities			
I.Capital and reserves	**-2,570,273,060**	**-2,480,096,827**	**-1,417,568,669**
Issued capital	323,588,641	323,588,641	323,588,641
Reserves	95,887,853	95,907,806	94,844,104
Reserves of re-assessment	-5,731,103,464	-4,614,670,375	-3,280,328,457
Current result	**-90,156,280**	-1,116,433,089	-1,387,697,713
Current result carried forward	2,831,510,190	2,831,510,190	2,832,024,756
II.Down payment income	**61,255,491**	**66,488,663**	**75,836,829**
III.Non-current liabilities (>1 year):	**4,878,540,227**	**4,365,449,121**	**3,343,082,421**
Borrowings	4,356,356,534	4,020,713,981	2,776,324,821
Trade	239,611,128	114,786,843	255,531,100
Other payable	282,572,565	229,948,297	311,226,500
IV.Current liabilities (<1 year)	**5,549,132,777**	**5,778,638,512**	**5,370,841,485**
Trade	2,152,680,372	2,025,841,091	1,460,770,079
Short-term borrowings	2,909,990,776	3,137,827,114	2,812,601,191
Other payable	486,461,620	614,970,307	1,097,470,215
Total equity and liabilities(I+II+III+IV)	**7,918,655,435**	**7,730,479,469**	**7,372,192,066**