



SINTEZA SA
Șos. Borșului no. 35
410605 ORADEA - ROMANIA



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VAT Reg.No.: RO 67329
Reg.No.at Commerce Register: J.05/197/1991

BANK: BANCA TRANSILVANIA ORADEA
IBAN EURO:RO61BTRL00504202N98396XX
IBAN RON: RO86BTRL00501202N98396XX
SWIFT CODE: BTRL RO22XXX

THE BOARD OF DIRECTORS' REPORT

ON 31.12.2019

| | |
|-------------------------------------|--|
| Yearly report according to: | Law 297/2004 regarding the capital market Law 24/2017 regarding the issuers of financial instruments and market operations ASF Regulation NO. 5/2018 |
| For the fiscal year: | 2019 |
| Report date: | 31.12.2019 |
| Trade company designation: | S.C. Sinteza S.A. Oradea |
| Head office: | Oradea. Șos. Borsului no. 35, Bihor county |
| Phone/Fax number: | 0259.456.116 / 0259.462.224 |
| Trade Register Office unique ID: | 67329 |
| Trade Register order no.: | J/05/197/1991 |
| Regulated market: | Bucharest Stock Exchange |
| Subscribed/Paid-up share capital: | 9.916.889 lei |
| Main characteristics of securities: | Shares issued in dematerialised form |

1. Analysis of the trade company's activity

1.1. Description of the trade company's basic activity

S.C."SINTEZA"- S.A. was established by Government Decision no. 1213/20.11.1990 from the "SINTEZA" Chemical Enterprise, it is registered in the Trade Register under no. J/05/197/1991, Tax ID no. RO 67329 and has the registered office in Șos. Borșului no. 35, Oradea, Bihor county.

During the year 2018 there have been no mergers or reorganisations of any kind.

1.1.1. General evaluation elements

In the year 2019 the company obtained the following indicators, according to the balance sheet:

1. Total incomes: **28.213,047 lei**, of which:
 - net turnover: 22.494,407 lei, of which the amount of 21.079.808 lei represents the export sales;
 - incomes from stocks variation: 1.854.528 lei;
 - incomes from the production of tangible assets: 100.388 lei;
 - incomes from the reevaluation of the tangible assets: 181.576 lei;
 - sales of shares: 3.232.651 lei;
 - other incomes: 8.679 lei;
 - financial incomes: 125.637 lei;
 - incomes from commissions: 187.647 lei;
 - incomes from delayed income tax: 209.110 lei;
2. Total expenses: **32.274.334 lei**, of which:
 - operating costs: 31.598.382 lei;
 - financial expenses: 646.955 lei;
 - expenses with the delayed profit tax: 28.997 lei;
3. Net operational result: **-4.061.287 lei**;
4. Liquidities at the end of the period: **38.444 lei equivalent**

1.1.2 Evaluation of the company's technical level

The company exploits the industrial platform from Sos. Borsului no. 35 and operates the installation of Benzoic Acid, installation of an advanced technical level, modernised at the end of the year, obtaining products meant mainly for the external market.

Through the Investment works that were performed in 2018, works which translated into research and design processes, checks, equipment purchase and design, the restoration of Benzoic Acid Unit structural elements, was aimed to improve quality and production capacity for Benzoic Acid product. The Investment works were followed by several months of testing, having the purpose to stabilize Benzoic Acid Unit operating parameters and to finalize the Operating Instructions.

The organic synthesis products manufactured are meant for the industrial chemical applications of high technical level, their use being in an ascending trend in the chemical industry.

At the same time the company continued in the year 2019 the activity of renting its available locations, obtaining incomes from rents.

The company intends the further development of the manufacturings at a high technical level.

The main products manufactured in the year 2019 and the incomes obtained from their sale, but also other incomes, compared to the previous year are:

| Crt. no. | Products | 2019 | | 2018 | |
|----------|---|------------|--------|------------|--------|
| | | lei | % | lei | % |
| 1 | Exploitation of the industrial platform | 1.414.599 | 6,29 | 1.250.236 | 4,62 |
| 2 | Organic synthesis manufacturings | 21.079.808 | 93,71 | 25.822.130 | 95,38 |
| | Total | 22.494.407 | 100.00 | 27.072.366 | 100.00 |

1.1.3. Evaluation of the technical-material supply

The company acquires industrial technology from renowned companies in the field, both from inland and from abroad.

As for the acquisition of raw resources, materials, energy, the company acts freely on the competitive market.

1.1.4. Evaluation of the sale activity

S.C. Sinteza S.A. sells the products manufactured on markets such as Europe, Turkey, Russia and Asia.

The company sells on the free competitive market, without significant dependencies upon a customer or a group of customers.

The company uses in the sale both the direct sale and the sale through distributors.

1.1.5. Evaluation of the aspects related to the company's staff

In the year 2019 the average recorded number of staff members was 93 persons. The company made a number of 29 employments and 25 work contract terminations. From the total staff, 23 are with higher education studies. The degree of unionisation was 20 %.

Within the work relations there were no conflictual elements.

The company periodically organizes courses for professional training and intends the financing of some professional school classes of organic synthesis operators/ chemists.

1.1.6 Evaluation of the aspects related to the environmental impact

The company obtained all the authorisations and permits imposed by the legislation in the field. There is no major impact on the environment and there are no litigations related to the breach of the environmental protection legislation.

1.1.7 Evaluation of the research and development activity

The company has an organized own section meant for this activity, the expectations being oriented towards the implementation of new products and technologies.

1.1.8 Evaluation of the activity regarding the risk management

The company acts on the competitive market, being exposed from this point of view to normal risks. There is no major or significant exposure regarding prices or liquidity. The company implements the risk management system, the process covering the identification, analysis, management and monitoring of the risks to which it is exposed.

The price risk - there is a permanent monitoring of this risk considering the market on which the firm acts is a specialized one. In fact the company applies and will apply in the future policies for forming the sale price based on the raw material price (Minimum sale price = Acquisition price + margin). We specify that resorting to this form of price setting is a usual practice on the specific market on which the company acts.;

The credit risk – the company has undergoing and will resort in the future as well to resources drawn especially for the financing of the investment objectives. The resource cost is negotiated and generally sized in connection to the reference rates on the financial market so as to be sustainable for the contractual deadlines. One also takes into account the potential variations of the interest rates;

The liquidity risk – there is a permanent preoccupation for maintaining the liquidity at a level above one. On 31.12.2019 this indicator had the value of 0,84;

The cash flow risk is monitored daily through prognoses of encashments and weekly and monthly payments. The company applies the policy of the trade credit in the relation with the traditional customers and correlates the encashments deadlines with the deadlines of the payments (suppliers, banks, budgets, salaries).

1.1.9 Elements of perspective regarding the trade company activity

The company has at the base of its strategy in the field of quality the satisfaction of the requirements and necessities of its customers and other concerned parties by offering on time quality products according to the requirements of the customers, regulation and environmental protection.

The improvements in Benzoic Acid quality and Company alignment to EU market requirements, a market with higher margins, will support the Company's return to the area of operational profit in 2020.

The Company will continue to run cash generation programs by renting and selling assets which are not affecting the core business and by attracting other funding. The amounts thus obtained, will be used to support the basic activity through investments and working capital.

1.1.10 Information regarding the internal control

Within SC Sinteza SA the ensuring of the internal control aims at the internal control and internal audit activities. In the field of internal control one followed the observance of the internal norms, of the decisions of the leading bodies and financing-accounting norms.

The internal audit is ensured by a contract for services with an independent office. The internal auditor evaluates by a systematic and methodical approach the processes of control and governing of the company and informs the general manager and managers on the significant aspects established by the audit report.

2 Tangible assets of the company

2.1 Placement and description

The company owns and manages the following assets:

- Acid
- a) Șos. Borșului no. 35 Platform - dedicated to the manufacture of Benzoic Acid
 - b) Șos. Clujului Platform no.159 - meant for the rental or sale
 - c) Sludge dump – closed for operation and undergoing closing

2.2 Potential problems related to the ownership right

The are no problems related to the ownership right.

3 The market of the securities issued by the company

The social capital of the company is 9.916.889 lei, divided in 66.112.590 shares with a nominal value of 0,15 lei/share. The shares are transacted on the Bucharest Stock Exchange, Standard category. On the date of 31.12.2019 the structure of the shareholding was the following:

| | |
|---------------------------------|------------|
| F.I.I. BT Invest 1 | 33,8898 % |
| Tibor Tincău | 28,1346 % |
| PLATFORMA ROCA SA | 18,0000 % |
| Other natural and legal persons | 19,9756 % |
| Total : | 100,0000 % |

The company did not acquire own shares and did not issue bonds.

4 Leadership of the trade company

On 31.12.2019 the company's Board of Directors was formed of:

| | |
|----------------------|------------|
| Radu Vasilescu | - chairman |
| Cosmin Vasile Turcu | - member |
| Claudiu Sorin Pasula | - member |

and the company's executive leadership was formed of:

| | |
|---------------|---------------------|
| Cosmin Turcu | - general manager |
| Ramona Paltin | - sales manager |
| Doina Ujupan | - financial manager |

None of the above were involved in litigations or administrative procedures related to the capacity to fulfil their duties.

5 Declaration regarding the corporate governance

Sinteza SA, being a trade company the securities of which are transacted on the Bucharest Stock Exchange, is in the process of implementation of the Corporate Governance Regulation of B.V.B. A declaration on the stage of the compliance and its explanation is found in the annex to the present report.

Sinteza SA is a trade company managed in unitary system. The company's supreme leading body is the General Meeting of Shareholders, according to the stipulations of the articles of incorporation. The general meetings can be ordinary or extraordinary.

The Ordinary General Meeting of Shareholders is convened at least once a year at the most 5 months after the closure of the fiscal year. The main duties of the Ordinary General Meeting of the Shareholders are the ones stipulated in the Law of the trade companies.

The Extraordinary General Meeting of Shareholders is convened whenever it is needed in order to decide according to the law.

The convening of the General Meetings of Shareholders is done by the Board of Directors whenever it is needed or when the legislation of the trade companies demands it. The information regarding the date for holding the meeting, the place, the agenda and any other information necessary for the shareholders are made public by the meeting notices which are published in the Official Gazette and local press.

Each company share gives the right to one vote within the general meetings. The vote is exercised directly or through representation. The organization and way of carrying out the general meetings are stipulated in the company's articles of incorporation and observe the requirements of the trade companies' law.

The company is managed by a board of directors composed of 3 managers elected for a period of 4 years, re-eligible and revocable.

The majority of the members of the Board of Directors are non-executive and independent managers.

The Board of Directors meets whenever it is necessary, but at least once every three months, at the company head office.

The Board of Directors is convened by its chairman, or by his deputy.

In accordance with the stipulations of the articles of incorporation the Board of Directors has the following duties:

a.- it approves the organizational structure of the company and the number of jobs, as well as the normative for the establishment of the functional and production sections;

b.- it approves the rights and obligations of the company staff through the collective labour agreement, the regulation of organization and functioning and the internal regulation policy;

c.- it subjects yearly to the approval of the general meeting of shareholders, within 5 months after the closure of the fiscal year, the report regarding the company's activity, as well as the budget project for the running year;

d.- it approves the way of amortisation of the fixed assets located in the company's patrimony, their removal from the system and placement in conservation, as well as the downgrading and cassation of some material assets, other than the fixed assets;

e.- it decides the granting of sponsorships;

f.- it approves the company's management tactics and strategy;

g.- it proposes to the extraordinary general meeting of shareholders the issuance of bonds;

h.- it appoints the members of the steering committee, as appropriate;

i.- it approves firm measures regarding the prospective development of the company, of its production capacities, the introduction of the technical progress and the making of products at worldwide technical level;

j.- it resolves any other problems established by the general meeting of shareholders and by the valid legislation.

k.- it approves the acquirement, selling, exchange, the establishment under warranty of goods available in the company's patrimony, the contracting of financings for investments and working capital according to the decisions of the Extraordinary General Meeting of Shareholders.

The current company leadership is delegated through mandate by the General Manager, appointed by the Board of Directors for a period of 4 years.

The company applies the diversity policy regarding its leading and managing bodies.

The company will continuously improve the communication in the relationship with the shareholders and investors by complying to increasing requirements of the BVB Code. In this sense it proposes the reconfiguration of its own site and the development of a section dedicated to the relationship with the investors which would present relevant information for these.

6. Financial and accounting statement

The statement of the **individual** financial position of Sinteza S.A. in 2019 as against 2018 is presented as follows:

| INDICATOR | INDIVIDUAL | |
|--|-------------------|-------------------|
| | 31-Dec-2018 | 31-Dec-2019 |
| Tangible assets | | |
| Freehold land and land improvements | 15.220.540 | 14.565.500 |
| Buildings | 14.004.992 | 11.724.640 |
| Technical installations and transport means | 15.817.796 | 14.552.554 |
| Furniture, office automation equipments | 14.314 | 23.789 |
| Tangible assets in progress | 1.803.960 | 1.922.367 |
| Advance payments for tangible assets | 42.403 | 0 |
| Total of tangible assets | 46.904.005 | 42.788.850 |
| Intangible assets | | |
| Concessions, patents, licences, trademarks | 245.294 | 205.062 |
| Investment assets | | |
| Shares owned at branch offices and other fixed securities | 25.702 | 32.113 |
| Rights to use the assets leased | | 74.898 |
| Total of intangible assets | 47.175.001 | 43.100.924 |
| Current assets | | |
| Stocks | 3.157.570 | 3.239.102 |
| Trade receivables and other receivables | 4.606.097 | 3.052.091 |
| Accrued expenses | 353.542 | 225.379 |
| Cash and cash equivalent | 65.477 | 38.444 |
| Assets classified as being held for sale | 3.602.553 | 3.602.553 |
| Total of current assets | 11.785.239 | 10.157.569 |
| Total of assets | 58.960.240 | 53.258.493 |
| Shareholders' equities | | |
| Share capital | 9.916.889 | 9.916.889 |
| Share premiums | | |
| Reserves | 29.836.350 | 27.500.241 |
| Result of the year | -4.607.158 | -4.061.287 |
| Result carried forward | 5.076.161 | 3.300.876 |
| Other elements of shareholders' equities | -540 | -540 |
| Minority interests | | |
| Total of shareholders' equities | 40.221.702 | 36.656.179 |
| Long-term liabilities | | |
| Long-term loans and other liabilities | 2.480.551 | 790.277 |
| Deferred income | | |
| Provisions | | |
| Deferred tax liabilities | 4.328.381 | 3.652.504 |
| Total of long-term liabilities | 6.808.932 | 4.442.781 |
| Current liabilities | | |
| Short-term loans | 4.845.857 | 5.897.336 |
| Trading liabilities and other liabilities, including derivatives | 6.819.922 | 6.124.802 |
| Deferred income | 82.595 | 30.820 |
| Provisions | 181.232 | 106.575 |
| Liabilities classified as being held for sale | | |
| Total of current liabilities | 11.929.606 | 12.159.533 |
| Total of liabilities | 18.738.538 | 16.602.314 |
| Total of shareholders' equities and liabilities | 58.960.240 | 53.258.493 |

As regards the accounting period for 2019, the parent company SINTEZA S.A. has drawn up consolidated financial statements, in this consolidation being

included the trading company CHIMPROD S.A., with the following identification data:

Company name: S.C. Chimprod S.A.
Registered office: Oradea, 35 Șos. Borșului
Phone/fax no.: 0259 456 110
Tax code: (RO) 67345
No. at the Register of Companies: J05/1984/1992
Share capital: 90,000 lei

The shares of the company S.C. Chimprod S.A. are not transacted on the regulated securities market. The shareholding owned by S.C. Sinteza S.A. is of 99.765%, and the non-controlling interest shareholding is of 0.235%.

The company is administered by delegation by S.C. Sinteza S.A., having appointed a permanent representative to that effect.

The statement of the **consolidated** financial position in 2019 as against 2018 is presented as follows:

| INDICATOR | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 31-Dec-2018 | 31-Dec-2019 |
| Tangible assets | | |
| Freehold land and land improvements | 15.220.540 | 14.565.500 |
| Buildings | 14.004.992 | 11.724.640 |
| Technical installations and transport means | 15.771.206 | 14.552.554 |
| Furniture, office automation equipments | 14.314 | 23.789 |
| Tangible assets in progress | 1.803.960 | 1.922.367 |
| Advance payments for tangible assets | 42.403 | 0 |
| Total of tangible assets | 46.857.415 | 42.788.850 |
| Intangible assets | | 0 |
| Concessions, patents, licences, trademarks | 245.294 | 205.062 |
| Investment assets | 0 | 0 |
| Shares owned at branch offices and other fixed securities | 28.602 | 35.013 |
| Rights to use the assets leased | | 74.898 |
| Total of intangible assets | 47.131.311 | 43.103.824 |
| Current assets | | |
| Stocks | 3.161.241 | 3.242.773 |
| Trade receivables and other receivables | 2.839.257 | 1.274.370 |
| Accrued expenses | 353.542 | 225.379 |
| Cash and cash equivalent | 68.222 | 61.916 |
| Assets classified as being held for sale | 3.605.944 | 3.602.553 |
| Total of current assets | 10.028.206 | 8.406.991 |
| Total of assets | 57.159.517 | 51.510.815 |
| Shareholders' equities | | 0 |
| Share capital | 9.916.889 | 9.916.889 |
| Share premiums | | 0 |
| Reserves | 31.275.588 | 28.939.479 |
| Result of the year | -5.284.663 | -4.114.704 |
| Result carried forward | 2.673.334 | 263.744 |
| Other elements of shareholders' equities | -540 | -540 |
| Minority interests | -3.764 | -3.891 |

| | | |
|--|-------------------|-------------------|
| Total of shareholders' equities | 38.576.844 | 35.000.977 |
| Long-term liabilities | | 0 |
| Long-term loans and other liabilities | 2.480.551 | 790.277 |
| Deferred income | | 0 |
| Provisions | | 0 |
| Deferred tax liabilities | 4.328.381 | 3.652.504 |
| Total of long-term liabilities | 6.808.932 | 4.442.781 |
| Current liabilities | | |
| Short-term loans | 4.845.857 | 5.897.336 |
| Trading liabilities and other liabilities, including derivatives | 6.661.041 | 6.032.326 |
| Deferred income | 82.595 | 30.820 |
| Provisions | 184.248 | 106.575 |
| Liabilities classified as being held for sale | | 0 |
| Total of current liabilities | 11.773.741 | 12.067.057 |
| Total of liabilities | 18.582.673 | 16.509.838 |
| Total of shareholders' equities and liabilities | 57.159.517 | 51.510.815 |

The financial statements for 2019 are drawn up in accordance with the provisions of the Ordonnance of the Ministry of Public Finances 881/2012, Ordonnance of the Ministry of Public Finances 2844/2016 and of the Ordonnance of the Ministry of Public Finances 10/2019 that are applicable to the trading companies whose securities are transacted on a regulated market.

The management of the company is not informed on the events that might put into question the future continuity of the exploitation, an assertion that is based on the fact that the operation line has been updated and it will entail the quantitative and qualitative increase in the production of benzoic acid, as well as the existence of contracts that will ensure the retail of the production.

PRESIDENT OF THE BOARD OF DIRECTORS
ALEXANDRU SAVIN

**The statement of compliance with the BSE Corporate Governance Code
as of 31 December 2019**

| Governance Code of BSE | Compliance | Non-compliance or partial compliance | Reason for non-compliance |
|---|------------|--------------------------------------|---|
| A. - RESPONSIBILITIES | | | |
| 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 this Section. | | X | Terms of Reference / responsibilities of the Board and key management are contained only in constituent documents of the company, updated in 2012. |
| A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, the members of the Board must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by default, unless that failure would prevent the formation of quorum) and vote for the adoption of a decision on the matter giving rise to this conflict of interest. | | X | Provisions on the management of conflict of interest will be included in the Council Regulation which will be developed by the Board |
| A.3. The Supervisory Board should have at least five members. | | X | The current organizational structure and leadership of the SC Sinteza SA, contained in the foundation document, sets out a number of three members to the Board of Directors. Changing the number of members will be approved by the General Shareholders Meeting and updating foundation document. |
| 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 Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of | X | | All three current members of the Board of Directors are non-executive. Two of the three members of the Board of Directors are independent. |

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| <p>Directors or 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 on which he/she is considered independent in character and judgement in practice and according to the following criteria:</p> <p>A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous 5 years;</p> <p>A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;</p> <p>A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;</p> <p>A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it;</p> <p>A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;</p> <p>A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;</p> <p>A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;</p> <p>A.4.8. Not to have been a non-executive director of the company for more than twelve years;</p> | | | |
| <p>A.5. Alte angajamente și obligații profesionale relativ permanente ale unui membru al Consiliului, inclusiv poziții executive și neexecutive în Consiliul unor societăți și instituții non-profit, trebuie dezvăluite</p> | | X | <p>On the company's website or BSE, professional biographies of Board members are not published.</p> <p>This requirement will be met with reconfiguring the internet site of the Company.</p> |

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| acționarilor și investitorilor potențiali înainte de nominalizare și în cursul mandatului său. | | | |
| A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. | | X | There was no such information deemed necessary by the Council. |
| A.7. The company should appoint a Board secretary responsible for supporting the work of the Board. | X | | There is a nominated person who held the post in the Council |
| 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. | | X | Corporate Governance Statement is being Development and will include such policy |
| 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. | X | | The Board of Directors meets regularly once a month and whenever deemed necessary for the proper development of the company's activity |
| A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board. | X | | The Board of Directors has a total of 3 members of which 2 are independent members |
| A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent. | X | | This requirement does not apply SC Sinteza SA listed on the BSE Standard Category |
| B . RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM | | | |
| B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent. | X | | In the council it works an audit committee which meets the requirements of independence and competence required by BSE Code |
| B.2 The audit committee should be chaired by an independent non-executive member. | X | | |
| B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control. | | X | Annual Audit Report contains references to the Company's internal control system. |

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| B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board. | | X | Internal audit assessment is made in the Annual Report of Board |
| B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties. | X | | Evaluation of conflict of interest is made when deciding such transactions |
| B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system. | X | | There are references in the Annual Report of directors regarding this issue |
| B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team. | X | | Internal audit reports are made available annually to the audit committee |
| B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards | X | | |
| B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties. | X | | There are no such provisions in the foundation document or other internal regulations of the company |
| B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies 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 audit committee. | | X | It will consider the adoption by the Council of such a policy.,And including it in its corporate governance rules |
| B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity. | X | | The internal audit of the company is conducted by an independent third party entity based service contract |
| B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer. | X | | The internal auditor reports functionally to the Board and the administratively by the General Manager. |
| C. FAIR REWARDS AND MOTIVATION | | | |
| 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. | | X | According to the foundation document, the Board members remuneration is the prerogative of the General Meeting of Shareholders . After developing and approving the remuneration policy will be posted on the company website. |

| | | | |
|--|---|---|--|
| <p>Remuneration policy should be formulated so as to allow shareholders understanding principles and arguments underlying the remuneration of Board members and the CEO and the Executive Board in the dual system. It should describe how the management process and making decisions regarding remuneration, detailing the components of the remuneration of executive management (such as salary, annual bonus, long-term incentives linked to shareholder value, benefits in kind, pension and others) and describe purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should specify the length of the contract Executive Director and the period of notice stipulated in the contract, and any compensation for unjust dismissal.</p> <p>Any significant change occurred in the remuneration policy to be timely published on the website of the company.</p> | | | |
| D . BUILDING VALUE THROUGH INVESTORS' RELATIONS | | | |
| 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: | | X | The requirement will be implemented after it is set up the website of the company. |
| D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures. | | X | The requirement will be implemented after it is set up the website of the company. |
| D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; | | X | The requirement will be implemented after it is set up the website of the company. |
| D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) including current reports with detailed information on compliance with this Code; | X | | These reports and information are published on the company website |
| D.1.4. Information related to general meetings of shareholders: agenda and information materials; procedure for electing board members; arguments supporting nominations for election to the Council, together with their professional CVs; Shareholders with questions regarding the items on the agenda and responses from the company, including decisions adopted; | X | | This information is published on the company website |

| | | | |
|--|---|---|---|
| D.1.5. Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of rights of a shareholder, including the deadlines and principles for such operations. This information will be published within a period to allow investors to take investment decisions; | | X | The requirement will be implemented after it is set up the website of the company. |
| D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; | | X | The requirement will be implemented after it is set up the website of the company. |
| D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports. | X | | This information is published on the company website |
| D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website. | | X | Payment of dividends is by resolution of the General Meeting of Shareholders according to the foundation document. Publication on the company's website the annual dividend distribution policy, will be made after the elaboration and approval by the company management . |
| D3. The company will adopt a policy regarding forecasts, whether they are made public or not. The forecast refers to findings quantified studies aimed at determining the overall impact of a number of factors relating to a future period (so-called hypotheses) by its nature, this project has a high level of uncertainty, actual results may differ significantly from forecasts initially presented. Policy regarding projections will determine the frequency and content of the period covered by the forecast. If published, the forecast can only be included in the annual, biannual or quarterly. Policy regarding projections will be published on the website of the company. | | X | Publication on the company's website the annual forecasts, will be made after the elaboration and approval by the company management . |
| D.4. The rules of general meetings of 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 shareholders. | X | | Rules General Meeting of Shareholders will be mentioned every meeting notice published in accordance with legal requirements about 45 days before each meeting. |
| D.5. The external auditors should attend the shareholders' meetings when their reports are presented there. | X | | |
| D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting. | X | | Annual Report Directors, presented the annual General Meeting of Shareholders with the financial statements, contain the Board evaluation of internal control systems management and significant risks. |
| D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the | X | | SC Sinteza SA is open to the participation of specialists, consultants, experts or analysts at shareholders' meetings. A general set of rules and procedures in this |

| | | | |
|--|---|---|---|
| Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise. | | | regard will be submitted for discussion and approval of the Board |
| 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 sales, operating profit, net profit and other relevant financial indicators, both on quarter-onquarter and year-on-year terms. | X | | Starting to 2016, reports will be published both in Romanian and English |
| 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. | X | | SC Sinteza SA organizes twice a year such meetings, according to the annual calendar submitted to BSE |
| D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area | | X | A policy in this regard will be developed by the Council if will considered appropriate |

SINTEZA SA

Individual and consolidated financial statements
on the 31st of December 2019

Drawn up in accordance with the International Financial Reporting Standards
(IFRS) Adopted by the European Union

Content:

Financial statements

Statement of the individual and consolidated financial position

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Statement of the individual financial position
for the accounting period ended on the 31st of December 2019

| INDICATOR | INDIVIDUAL | |
|--|-------------------|-------------------|
| | 31-Dec-2018 | 31-Dec-2019 |
| Tangible assets | | |
| Freehold land and land improvements | 15.220.540 | 14.565.500 |
| Buildings | 14.004.992 | 11.724.640 |
| Technical installations and transport means | 15.817.796 | 14.552.554 |
| Furniture, office automation equipments | 14.314 | 23.789 |
| Tangible assets in progress | 1.803.960 | 1.922.367 |
| Advance payments for tangible assets | 42.403 | 0 |
| Total of tangible assets | 46.904.005 | 42.788.850 |
| Intangible assets | | |
| Concessions, patents, licences, trademarks | 245.294 | 205.062 |
| Investment assets | | |
| Shares owned at branch offices and other fixed securities | 25.702 | 32.113 |
| Rights to use the assets leased | | 74.898 |
| Total of intangible assets | 47.175.001 | 43.100.924 |
| Current assets | | |
| Stocks | 3.157.570 | 3.239.102 |
| Trade receivables and other receivables | 4.606.097 | 3.052.091 |
| Accrued expenses | 353.542 | 225.379 |
| Cash and cash equivalent | 65.477 | 38.444 |
| Assets classified as being held for sale | 3.602.553 | 3.602.553 |
| Total of current assets | 11.785.239 | 10.157.569 |
| Total of assets | 58.960.240 | 53.258.493 |
| Shareholders' equities | | |
| Share capital | 9.916.889 | 9.916.889 |
| Share premiums | | |
| Reserves | 29.836.350 | 27.500.241 |
| Result of the year | -4.607.158 | -4.061.287 |
| Result carried forward | 5.076.161 | 3.300.876 |
| Other elements of shareholders' equities | -540 | -540 |
| Minority interests | | |
| Total of shareholders' equities | 40.221.702 | 36.656.179 |
| Long-term liabilities | | |
| Long-term loans and other liabilities | 2.480.551 | 790.277 |
| Deferred income | | |
| Provisions | | |
| Deferred tax liabilities | 4.328.381 | 3.652.504 |
| Total of long-term liabilities | 6.808.932 | 4.442.781 |
| Current liabilities | | |
| Short-term loans | 4.845.857 | 5.897.336 |
| Trading liabilities and other liabilities, including derivatives | 6.819.922 | 6.124.802 |
| Deferred income | 82.595 | 30.820 |
| Provisions | 181.232 | 106.575 |
| Liabilities classified as being held for sale | | |
| Total of current liabilities | 11.929.606 | 12.159.533 |
| Total of liabilities | 18.738.538 | 16.602.314 |
| Total of shareholders' equities and liabilities | 58.960.240 | 53.258.493 |

Statement of the consolidated financial position
for the accounting period ended on the 31st of December 2019

| INDICATOR | CONSOLIDATED | |
|--|-------------------|-------------------|
| | 31-Dec-2018 | 31-Dec-2019 |
| Tangible assets | | |
| Freehold land and land improvements | 15.220.540 | 14.565.500 |
| Buildings | 14.004.992 | 11.724.640 |
| Technical installations and transport means | 15.771.206 | 14.552.554 |
| Furniture, office automation equipments | 14.314 | 23.789 |
| Tangible assets in progress | 1.803.960 | 1.922.367 |
| Advance payments for tangible assets | 42.403 | 0 |
| Total of tangible assets | 46.857.415 | 42.788.850 |
| Intangible assets | | 0 |
| Concessions, patents, licences, trademarks | 245.294 | 205.062 |
| Investment assets | 0 | 0 |
| Shares owned at branch offices and other fixed securities | 28.602 | 35.013 |
| Rights to use the assets leased | | 74.898 |
| Total of intangible assets | 47.131.311 | 43.103.824 |
| Current assets | | |
| Stocks | 3.161.241 | 3.242.773 |
| Trade receivables and other receivables | 2.839.257 | 1.274.370 |
| Accrued expenses | 353.542 | 225.379 |
| Cash and cash equivalent | 68.222 | 61.916 |
| Assets classified as being held for sale | 3.605.944 | 3.602.553 |
| Total of current assets | 10.028.206 | 8.406.991 |
| Total of assets | 57.159.517 | 51.510.815 |
| Shareholders' equities | | 0 |
| Share capital | 9.916.889 | 9.916.889 |
| Share premiums | | 0 |
| Reserves | 31.275.588 | 28.939.479 |
| Result of the year | -5.284.663 | -4.114.704 |
| Result carried forward | 2.673.334 | 263.744 |
| Other elements of shareholders' equities | -540 | -540 |
| Minority interests | -3.764 | -3.891 |
| Total of shareholders' equities | 38.576.844 | 35.000.977 |
| Long-term liabilities | | 0 |
| Long-term loans and other liabilities | 2.480.551 | 790.277 |
| Deferred income | | 0 |
| Provisions | | 0 |
| Deferred tax liabilities | 4.328.381 | 3.652.504 |
| Total of long-term liabilities | 6.808.932 | 4.442.781 |
| Current liabilities | | |
| Short-term loans | 4.845.857 | 5.897.336 |
| Trading liabilities and other liabilities, including derivatives | 6.661.041 | 6.032.326 |
| Deferred income | 82.595 | 30.820 |
| Provisions | 184.248 | 106.575 |
| Liabilities classified as being held for sale | | 0 |
| Total of current liabilities | 11.773.741 | 12.067.057 |
| Total of liabilities | 18.582.673 | 16.509.838 |
| Total of shareholders' equities and liabilities | 57.159.517 | 51.510.815 |

Statement of the individual overall result
on the 31st of December 2019

| INDICATOR | INDIVIDUAL | |
|---|-------------------|-------------------|
| | 31.12.2018 | 31.12.2019 |
| Continuous activities | | |
| Income | 27.072.366 | 22.494.407 |
| Other income | 1.743.696 | 296.714 |
| Changes in inventories | -423.968 | 1.854.528 |
| Total of operating income | 28.392.094 | 24.645.649 |
| | | |
| Expenses related to inventories | 18.140.144 | 14.827.762 |
| Expenses related to utilities | 3.080.129 | 3.474.186 |
| Expenses with the employees' benefits | 4.325.977 | 4.892.312 |
| Amortization and depreciation of fixed assets | 2.388.645 | 2.154.870 |
| Gains (-)/losses from the assignation of fixed assets (+) | -834.277 | -783.061 |
| Value adjustment of current assets | 1.102.182 | 325.447 |
| Adjustments related to provisions | 181.232 | 106.575 |
| Other expenses | 4.198.855 | 3.367.640 |
| Total of operating expenses | 32.582.887 | 28.365.731 |
| | | |
| Result of the Operating Activities | -4.190.793 | -3.720.082 |
| | | |
| Financial income | 221.488 | 125.637 |
| Financial expenses | 644.724 | 646.955 |
| Net financial result | -423.236 | -521.318 |
| | | |
| Result before the taxation | -4.614.029 | -4.241.400 |
| | | |
| Expense with the current income tax | | |
| Expenses with the deferred income tax | 22.126 | 28.997 |
| Deferred income tax-related income | 28.997 | 209.110 |
| | | |
| Result of the Continuous Activities | -4.607.158 | -4.061.287 |
| Minority interests | | |
| Total of the overall result afferent to the period | -4.607.158 | -4.061.287 |

Statement of the consolidated overall result
on the 31st of December 2019

| INDICATOR | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 31.12.2018 | 31.12.2019 |
| Continuous activities | | |
| Income | 26.773.860 | 22.494.407 |
| Other income | 1.743.957 | 299.730 |
| Changes in inventories | -423.968 | 1.854.528 |
| Total of operating income | 28.093.849 | 24.648.665 |
| | | |
| Expenses related to inventories | 18.411.779 | 14.827.762 |
| Expenses related to utilities | 3.080.129 | 3.474.186 |
| Expenses with the employees' benefits | 4.618.705 | 4.945.940 |
| | | |
| Amortization and depreciation of fixed assets | 2.400.948 | 2.154.870 |
| Gains (-)/losses from the assignation of fixed assets (+) | -834.277 | -783.061 |
| Value adjustment of current assets | 1.187.005 | 325.447 |
| Adjustments related to provisions | 184.248 | 106.575 |
| Other expenses | 3.913.368 | 3.370.571 |
| Total of operating expenses | 32.961.905 | 28.422.290 |
| | | |
| Result of the Operating Activities | -4.868.056 | -3.773.625 |
| | | |
| Financial income | 221.488 | 125.637 |
| Financial expenses | 644.724 | 646.955 |
| Net financial result | -423.236 | -521.318 |
| | | |
| Result before the taxation | -5.291.292 | -4.294.943 |
| | | |
| Expense with the current income tax | | |
| Expenses with the deferred income tax | 23.862 | 28.997 |
| Deferred income tax-related income | 28.997 | 209.110 |
| | | |
| Result of the Continuous Activities | -5.286.157 | -4.114.830 |
| Minority interests | 1.494 | 126 |
| Total of the overall result afferent to the period | -5.284.663 | -4.114.704 |

Statement of the modifications in the individual shareholders' equities
on the 31st of December 2019

| Modification resources of the shareholders' equities | Share capital | Share premiums | Issued capital instruments | Other shareholders' equities | Cumulated value of other elements of the overall result | Result carried forward | Revaluation reserves | Other reserves | (-) Own shares | Profit or loss (-) attributable to the holders of shareholders' equities in the parent company | (-) Interim dividends | Minority interests | | Total |
|---|---------------|----------------|----------------------------|------------------------------|---|------------------------|----------------------|----------------|----------------|--|-----------------------|---|----------------|----------|
| | | | | | | | | | | | | Cumulated value of other elements of the overall result | Other elements | |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Opening balance (before the restatement) | | | | | | | | | | | | | | |
| Effect of errors' correction | | | | | | | | | | | | | | |
| Effect of the modification in the accounting policies | | | | | | | | | | | | | | |
| Opening balance (current period) | 9916889 | | | | -4607158 | 5076161 | 25732516 | 4103834 | 540 | | | | | 40221702 |
| Ordinary bonds issue | | | | | | | | | | | | | | |
| Preference shares issue | | | | | | | | | | | | | | |
| Issue of other capital instruments | | | | | | | | | | | | | | |
| Exercise or expiry of other issued capital instruments | | | | | | | | | | | | | | |
| Conversion of liabilities in shareholders' equities | | | | | | | | | | | | | | |
| Capital reduction | | | | | | | | | | | | | | |
| Dividends | | | | | | | | | | | | | | |
| Purchase of own shares | | | | | | | | | | | | | | |
| Sale or annulment of own shares | | | | | | | | | | | | | | |
| Reclassification of financial instruments from shareholders' equities into liabilities | | | | | | | | | | | | | | |
| Transfer between the components of the shareholders' equities | | | | | 4607158 | -4607158 | | | | | | | | |
| Increases or (-) decreases of the shareholders' equities derived from the combined activities | | | | | | | | | | | | | | |
| Shares-based payments | | | | | | | | | | | | | | |
| Other increases or (-) decreases of the shareholders' equities | | | | | | 2831873 | -2336109 | | | | | | | 495764 |
| Total overall result for the period | | | | | -4061287 | | | | | | | | | -4061287 |
| Closing balance (current period) | 9916889 | | | | -4061287 | 3300876 | 23396407 | 4103834 | 540 | | | | | 36656179 |

**Statement of the modifications in the consolidated shareholders' equities
on the 31st of December 2019**

| Modification resources of the shareholders' equities | Share capital | Share premiums | Issued capital instruments | Other shareholders' equities | Cumulated value of other elements of the overall result | Result carried forward | Revaluation reserves | Other reserves | (-) Own shares | Profit or loss (-) attributable to the holders of shareholders' equities in the parent company | (-) Interim dividends | Minority interests | | Total |
|---|---------------|----------------|----------------------------|------------------------------|---|------------------------|----------------------|----------------|----------------|--|-----------------------|--------------------|----|-----------------|
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Opening balance (before the restatement) | | | | | | | | | | | | | | |
| Effect of errors' correction | | | | | | | | | | | | | | |
| Effect of the modification in the accounting policies | | | | | | | | | | | | | | |
| Opening balance (current period) | 9920639 | | | | -5284662 | 9,514,485 | 2673334 | 5507136 | -540 | | | -3764 | | 38576844 |
| Ordinary bonds issue | | | | | | | | | | | | | | |
| Preference shares issue | | | | | | | | | | | | | | |
| Issue of other capital instruments | | | | | | | | | | | | | | |
| Exercise or expiry of other issued capital instruments | | | | | | | | | | | | | | |
| Conversion of liabilities in shareholders' equities | | | | | | | | | | | | | | |
| Capital reduction | | | | | | | | | | | | | | |
| Dividends | | | | | | | | | | | | | | |
| Purchase of own shares | | | | | | | | | | | | | | |
| Sale or annulment of own shares | | | | | | | | | | | | | | |
| Reclassification of financial instruments from shareholders' equities into liabilities | | | | | | | | | | | | | | |
| Transfer between the components of the shareholders' equities | | | | | 5284663 | -5284663 | | | | | | | | |
| Increases or (-) decreases of the shareholders' equities derived from the combined activities | | | | | | | | | | | | | | |
| Shares-based payments | | | | | | | | | | | | | | |
| Other increases or (-) decreases of the shareholders' equities | | | | | | 2875073 | -2336109 | | | | | -127 | | 538837 |
| Total overall result for the period | | | | | -4114704 | | | | | | | | | -4114704 |
| Closing balance (current period) | 9,916,889 | | | | -4114704 | 263744 | 23432342 | 5507136 | -540 | | | -3891 | | 35000977 |

Individual cash flow statement
on 31st December 2019

Cash flow statement

| | 31.12.2018 | 31.12.2019 |
|--|-------------------|-------------------|
| Cash flows from operating activity | | |
| Receipts from sales to customers | 28.047.739 | 23.393.246 |
| Other receipts (including net VAT refunds) | 566.833 | 2.738.864 |
| Payments to suppliers | 24.396.957 | 21.403.379 |
| Payments of net wages | 2.299.636 | 2.560.618 |
| Payments to budgets | 496.646 | 627.701 |
| Other payments | 3.372.966 | 3.045.052 |
| Net cash from operating activities | -1.951.633 | -1.504.640 |
| Cash flows from investments activities | | |
| Payments for acquisition of fixed assets | 2.005.662 | 772.970 |
| Receipts from sales of tangible fixed assets | 2.792.814 | 3.141.695 |
| Interest received | 36 | |
| Net cash from investment activities | 787.188 | 2.368.725 |
| Net cash from financing activities | | |
| Proceeds from loans | 21.421.326 | 17.543.779 |
| Interest paid and loan refunds | 20.442.669 | 18.434.898 |
| Dividends paid | | |
| Net cash from financing activities | 978.658 | -891.118 |
| Net increase/(decrease) of cash | -185.787 | -27.033 |
| Cash and cash equivalent at the beginning of the period of time | 251.264 | 65.477 |
| Cash and cash equivalent at the end of the period of time | 65.477 | 38.444 |

Consolidated cash flow statement
on 31st December 2019

Cash flow statement

| | 31.12.2018 | 31.12.2019 |
|--|-------------------|-------------------|
| Cash flows from operating activity | | |
| Receipts from sales to customers | 28.324.431 | 23.436.082 |
| Other receipts (including net VAT refunds) | 566.833 | 2.760.008 |
| Payments to suppliers | 24.481.058 | 21.403.621 |
| Payments of net wages | 2.484.088 | 2.601.935 |
| Payments to budgets | 497.980 | 627.701 |
| Other payments | 3.453.776 | 3.046.746 |
| Net cash from operating activities | -2.025.638 | -1.483.913 |
| Cash flows from investments activities | | |
| Payments for acquisition of fixed assets | 2.005.662 | 772.970 |
| Receipts from sales of tangible fixed assets | 2.792.814 | 3.141.695 |
| Interest received | 36 | 0 |
| Net cash from investment activities | 787.188 | 2.368.725 |
| Net cash from financing activities | | |
| Proceeds from loans | 21.421.326 | 17.543.779 |
| Interest paid and loan refunds | 20.366.703 | 18.434.898 |
| Dividends paid | | 0 |
| Net cash from financing activities | 1.054.623 | -891.118 |
| Net increase/(decrease) of cash | -183.826 | -6.306 |
| Cash and cash equivalent at the beginning of the period of time | 252.048 | 68.222 |
| Cash and cash equivalent at the end of the period of time | 68.222 | 61.916 |

Notes related to the financial statements

1. Reporting entity

The parent company SC Sinteza S.A. has its registered office in Oradea, 35 Borsului street, registered with the Trade Register under no. J/05/197/1991. It is a joint stock company, operating in Romania pursuant to the provisions laid down under Companies Law no. 31/1990.

The primary scope of the Company is the production and marketing of organic basic chemicals – NACE Code 2014.

The shares of the company are listed on Bucharest Stock Exchange, Standard category, code STZ.

The parent company, on 31st December 2019, is owned by the following shareholders:

| Crit. No. | Name | Percentage held (%) |
|-----------|--|---------------------|
| 1 | F.I.I. BT Invest 1 managed by BT Asset Management SA | 33,8898 |
| 2 | Tincau Tibor | 28.1346 |
| 3 | Platform ROCA | 18,0000 |
| 4 | Other shareholders | 19.9756 |
| | Total | 100.0000 |

Records of shares and shareholders are kept according to the law by S.C. Depozitarul Central S.A. Bucharest.

Entity attached for consolidation

As regards the financial year 2019, company **S.C. CHIMPROD S.A.** was also included for purpose of consolidation, with the following identification data:

Name of company: S.C. Chimprod S.A.
Registered office: Oradea, 35 Borsului street
Phone/Fax no.: 0259 456 110
Taxpayer identification no. (RO) 67345
Trade Register no. J/05/1984/1992
Share capital: Lei 90,000

The shares of company S.C. Chimprod S.A. are not traded on the regulated market of securities.

The company is managed by a power of attorney by S.C. Sinteza S.A., its permanent representative being Mrs. Coman Dana.

The shareholding of S.C. Sinteza S.A. is of 99.765% and the non-controlling interest holding is of 0.235%.

SC Chimprod S.A. suspended its activity with the Trade Register during the time span: 24th September 2018 – 23rd September 2021.

Approval date of financial statements publication

The Company's financial communication schedule is approved by the executive bodies of the Company in compliance with the statutory provisions and it is made public by being posted on its own website.

2. Basis of preparation

Declaration of conformity

The individual and consolidated financial statements of the Group are drafted in compliance with the International Financial Reporting Standards (IFRS). Starting with the financial year 2012, the Company and the Group are obliged to implement the International Financial Reporting Standards (IFRS).

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company, S.C. Sinteza S.A. and those of the company attached for consolidation (subsidiary company), S.C. Chimprod S.A. as an entity controlled by the parent company.

Submission of financial statements

The individual and consolidated financial statements are submitted pursuant to the IAS 1 requirements "Submission of financial statements", based on liquidity indicated by the Statement on financial position and based on the nature of income and expenditure set out under Statement of comprehensive income.

Reporting and functional currency

The functional currency chosen is the Romanian leu. The individual and consolidated financial statements are submitted in lei.

Basis of evaluation

The individual and consolidated financial statements were drafted based on the historical cost, except the assets – tangible fixed assets – which are measured at fair value, every two years.

The accounting policies were unfailingly applied during the periods of time indicated by these financial statements.

The principle of continuity of activities was observed.

Use of estimates and assessments

The drafting and submission of the individual and consolidated financial statements in compliance with the International Financial Reporting Standards (IFRS) imply the use of certain estimates, assessments and assumptions which affect the implementation of the accounting policies and of the amounts reported. The estimates, the assessments and the assumptions are based on an historical experience. The results of these estimates constitute the basis of the assessments on the book values that cannot be obtained from other sources. When certain elements of the annual financial statement cannot be accurately evaluated, they are estimated.

The estimates are based on the latest credible information possessed.

The original estimate may suffer modifications when the basic circumstances of the estimate changed or as a result of new information or of a better experience.

Any change of the accounting estimates shall be prospectively ascertained by including it in the outcome:

2. Of the period of time when the change occurs, if it affects only the respective time span; or
3. Of the period when the change occurs and of the future period of time, if the change affects them too.

The Group uses estimates to determine:

- Doubtful clients and regulations for impairment of the related receivables;
- Value of the risk provisions and expenditure to establish at the end of the financial year for disputes, for decommissioning the tangible fixed assets, for restructuration, for pensions and similar entitlements, for taxes.
- Lifetime of the depreciated assets for which, when re-evaluated, a fair value and a new time span of economic use are established.

The assessments and the assumptions are periodically reviewed by the Company and they are acknowledged during the periods of time when the estimates are reviewed.

3. Significant accounting policies

The parent company and the subsidiary organize and manage the financial accounting, in compliance with the Accounting Law no. 82/1991 republished, with its subsequent amendments and supplementations.

The financial accounting provides the chronological and systematic registration, the information processing, publication and storage on the financial position, the financial performance and other data regarding the activity carried out.

The accounting policies were established so that they ensure the supply, by means of the annual financial statements, of certain information which need to be intelligible, relevant to meet the users' needs when taking decisions, credible so that they accurately represent the assets, the debts, the financial position and profit or the loss of the company, that they do not contain significant errors, they are not biased, to be precise, complete in all important aspects, comparable so that they users may compare the company's financial statements over time, in order to identify the trends of the financial position and its performance and to compare the financial statements with those of the other companies in order to evaluate the financial position and the performance.

The accounting policies were unfailingly applied as regards all periods referred by the individual financial statements.

The individual financial statements are drafted based on the assumption that the Company shall proceed with its activity in the predictable future.

Transactions in foreign currency

Operations in foreign currencies are recorded in lei, according to the exchange rate posted on the date of the settlement of transactions.

At the end of each month, the liabilities in foreign currency are valued according to the exchange rate of the exchange market, posted by the National Bank of Romania on the last banking day of the month concerned. The exchange differences are ascertained in the accounts recorded under the income or expenditure resulted from foreign exchange differences, if applicable.

The exchange differences resulting during the settlement of the liabilities in foreign currency, based on rates different from those based on which they were originally recorded during the month or to those based on which they are recorded in the accounts should be ascertained in the month when they result, as income or expenditure from exchange differences.

The value differences resulting during the settlement of liabilities calculated in lei, according to an exchange rate different from that based on which they were originally recorded during the month or based on those which are recorded in the

accounts should be ascertained in the month when they result, under other financial revenues and expenditure.

Financial instruments

The parent company and the subsidiary own as non-derivative financial assets: trade receivables, cash and cash equivalents.

The receivables include:

- trade receivables, which are amounts owed by customers for goods sold or services provided in the ordinary course of business;
- trade bill receivable, trade acceptance, third party instruments;
- amounts owed by directors, shareholders, employees and affiliates.

The receivables are outlined on accrual basis, pursuant to the legal or contractual provisions.

The trade bills receivable may be expected receivable before maturity.

At the end of each month, receivables in foreign currency are valued according to the exchange rate of the exchange market, published by the National Bank of Romania on the last banking day of the month concerned. The exchange differences are specified in the accounts under the income or expenditure from exchange differences, if applicable.

At the end of each month, receivables in lei, which are settled based on a foreign exchange, are valued according to the exchange rate of the exchange market, published by the National Bank of Romania on the last banking day of the month concerned. In this case, the differences are indicated in the accounts under other financial revenues or other financial expenditure, as appropriate.

The exchange differences resulting during the settlement of receivables in foreign currency according to rates different from those based on which they were originally recorded during the month or based on those which are recorded in the accounts should be pointed out in the month when they occur as income or expenditure from exchange differences.

The value differences resulting during the settlement of receivables in lei, according to an exchange rate different from the one based on which they were originally recorded during the month or based on those they were recorded in the accounts should be indicated in the month when they occur under other financial revenues or expenditure.

The balances with banks include:

- Amounts receivable (cheques and trade bill lodged to the banks)
- Availabilities in lei and in foreign currency
- Cheques issued by the company
- Short-term bank credits
- Interests for availabilities and loans granted by banks in current accounts.

The interests payable and receivable, for the ongoing financial year are recorded under financial expenditure or financial revenues, as appropriate.

The transactions for the sale and purchase of foreign currency, including those carried out under contracts with a settlement date, are entered in the accounts based on the rate used by commercial bank organizing the auction using foreign currency; they determine exchange differences related to the exchange rate of the National Bank of Romania.

The foreign currency deposits are evaluated monthly based on the rate of the National Bank of Romania for the last business day of the month.

The payment of the foreign currency deposits shall be made using the exchange rate of the National Bank of Romania posted on the payment date.

The exchange differences between the exchange rate of the date of establishment or the rate based on which they are entered into books and the rate of the National Bank of Romania on the payment date of the bank deposits are recorded under revenues or expenditure from exchange differences, if applicable.

Tangible fixed assets

The tangible fixed assets are assets which:

- are owned by a company in order to be used for the manufacture of goods or supply of services, for rental to third parties or for administrative purposes; and
- are used over a period longer than one year.

Tangible fixed assets include:

- land and buildings;
- technical installations and machines;
- machinery and furniture;
- real estate investments;
- advances payments granted to suppliers of tangible fixed assets;
- tangible fixed assets in progress;
- investment property under construction;
- tangible assets for mineral resource use and evaluation.

The tangible fixed assets are initially measured at cost. This is the cost of acquisition or production cost, depending on the way the tangible fixed asset became the company's property.

The trade discounts granted by the supplier and specified on the purchase invoice adjusts by decreasing the purchase cost of the tangible fixed assets.

The production cost of the assets includes direct costs related to production such as direct materials, energy consumption for technological purposes, the costs of salaries, statutory contributions and other related expenses, directly resulting from the construction of the tangible fixed asset, costs of site preparation, initial delivery and handling costs, installation and assembly costs, testing costs for the proper functioning of the asset, professional fees and fees paid in connection with the asset, the cost of product design and implied by the steps undertaken to obtain the necessary permits;

The subsequent expenditure for a tangible asset is entered:

- as expenditure during the period they were incurred if it is construed as damages or if the purpose of those expenses is to ensure a continuous use of the fixed asset preserving the initial technical parameters; or
- as a component of the asset, as subsequent expenses, if the conditions to be construed as investments for fixed assets are satisfied.

The tangible assets are listed by the balance sheet at their fair value.

The tangible assets are revalued every 2 years.

As regards the years when no revaluation is performed, the tangible assets are listed by the annual financial statements at the value indicated by the last revaluation less the accumulated depreciation and the adjustments for an impairment loss.

The depreciation of the tangible fixed assets is calculated starting with the month following the putting into service and till the full recovery of their input value.

The lands are not subject to depreciation.

The economic life is the time span when an asset is expected to be available for use.

The economic lives established by the company for the main types of fixed assets which are part of its assets are those set by the chemical industry.

The depreciation is entered in the books pursuant to the lifetime and to the depreciation method initially set. In respect of the depreciation of the tangible fixed assets, the Company uses straight-line depreciation, by uniformly including the operating costs of fixed amounts, set commensurate with the number of years of their economic life, for the following types of assets:

- construction;
- technical installations and machines;
- machinery and furniture

The lifetime originally set shall be revised (by decrease or increase) whenever the conditions of use initially estimated are changed, when a tangible asset is subject to ageing, when a shelf-life is implied or a technical state is noted, state which permits a use longer than the one initially estimated.

As a result of the re-estimation of the life originally established, the depreciation expenditure shall be recalculated for the remaining period of use.

Intangible assets

The intangible assets include:

- development costs;
- concessions, patents, licenses, trademarks, rights and similar assets and other intangible assets;
- goodwill;
- advance payments for intangible assets;
- intangible assets for mineral resource exploitation and evaluation

An intangible asset should be acknowledged if and only if:

- it is estimated that the future economic benefits attributable to the asset shall be obtained by the company; and
- the cost of the asset may be accurately established.

An intangible asset is initially entered under the production or purchase cost, depending on the way it became part of the company assets.

The development costs are entered under their cost of production.

The production cost of the fixed assets resulting from the development phase includes the direct costs associated with the production as direct materials, energy consumption for technological purposes, the costs of salaries, statutory contributions to testing costs of the correct operation of the asset, the professional fees and fees paid in connection with the asset, the cost covered for the necessary permits.

The development costs which are deemed as intangible assets, development costs are depreciated during validity period of the contract or during the duration of use, where appropriate.

Financial assets

The financial assets include:

- shares held in subsidiaries;
- loans granted to entities part of the group;
- shares in associates and jointly controlled entities;
- loans granted to associated and jointly controlled entities;
- other fixed assets;
- other loans.

The financial assets are specified under the acquisition value when becoming part of the company assets.

The changes of fair value are specified under the profit and loss account.

Assets related to the right of use

Recognition and evaluation

Asset related to the right of use represents the right of a tenant to use a supporting asset during the lease agreement.

The company applies IFRS 16 for operational leasing contracts.

The company applies the exceptions provided by IFRS 16 regarding the recognition of an asset related to the right to use the following contracts: short-term leasing contracts and leasing contracts for which the underlying asset has a low value. The costs related to the performance of these types of exempted contracts are recognized as current expenses for the rents, during the period of use of the good.

Initial valuation of the asset related to the right of use.

At the start date of the lease contract, the asset related to the right of use is evaluated at cost, by summing the following values:

- a. the value of the initial assessment of the debt arising from the lease, representing the present value of the lease payments that are not paid at that time, using the marginal loan rate;
- b. any leasing payments made on or before the start of the lease contract, less any incentives (discounts) received under the contract;
- c. any initial direct costs incurred by the tenant, between the date of initiation and the beginning of the lease contract;
- d. and, as the case may be, an estimate of the costs to be borne by the lessee for the restoration, the place where the underlying asset is located or for bringing it to the condition imposed in the terms and conditions of the lease.

Initial assessment of the debt arising from the lease.

At the date of commencement, the lessee must evaluate the debt arising from the lease at the present value of the lease payments that are not paid at that date.

Leasing payments must be updated using the marginal loan rate.

Further evaluation

After the start date of the lease agreement, respectively the registration of an asset representing the right of use and the related debt, these will be evaluated subsequently by the model of the amortized cost, as follows:

- a. The asset representing the right of use - is amortized on a straight-line basis over the entire duration of the lease;
- b. Debt arising from the leasing contract - is evaluated similar to any other financial obligations, using the effective interest method, so that the balance is diminished based on the amortized cost and the interest expense is allocated during the lease contract.

Items of stocks

The entry into books of the stock is performed on the date of the transfer of risks and benefits.

When they become the company's property, the stocks are evaluated and entered in the books under the entry value, which is set as follows:

- based on the cost of acquisition - for purchased stocks;
- based on the pre-established production cost - for stocks produced within the company;
- the value of the contribution, set based on an evaluation - for stocks representing the company capital;
- at fair value - for stocks obtained free of charge or found to be extra when inventorying.

The discounts granted by the supplier and specified on the purchase invoice reduces the acquisition cost of the goods.

The standard cost method is used to establish the production cost, taking into account the normal levels of materials and the supplies, the labor, the efficiency and the production capacity.

The normal levels of material consumption shall be reviewed within 12 months.

The inventory outflow of stocks is evaluated and recorded by applying the FIFO method, namely the inventory items which were purchased or produced first shall be those that are consumed and sold first. The items remaining in stock at the end of the time interval are those who were purchased or produced most recently.

On the date when drafting the balance sheet, the stocks are evaluated at the lowest value between the cost and the net realizable value.

The net realizable value is the selling price estimated during the ordinary course of business, less the estimated completion costs and the costs necessary to the sale.

When the company decides to change the use of a tangible asset, namely that it will be sold, at the time when taking the decision to change its purpose, the transfer of the asset shall be entered into books from the category of tangible assets into the one of the stocks held for sale.

Revenues

The revenues are increases of economic benefits, occurred during the financial year, which generated an increase in equity in forms different than those which render the new contributions of the company's new owners.

The revenues category includes both the amounts received or receivable in its own name and the gains from any other source.

The revenues are classified as follows:

- Operating revenues;

- Financial revenues;

The revenues are indicated on an accrual basis.

The revenues from sales of goods are recorded when the goods are delivered to the buyers, when they are delivered based on the invoice or in other circumstances provided by the contract, which confirm the transfer of ownership over such goods to customers.

The revenues from sale of goods are acknowledged when the following conditions are met:

- the significant risks and benefits arising from the ownership of the goods have been transferred to the buyer;
- the company no longer manages the goods as it would have done it normally, if ownership over them and no longer actually controls them;
- the revenues may be reliably evaluated;
- it is likely that the company enjoys the economic benefits associated with the transaction; and
- the transaction costs can be reliably assessed.

The revenues from supply of services are entered in the accounts as they are performed, in connection with the stage of work completion.

The stage of work completion shall be determined based on the completion reports attached to the invoices, on the acceptance protocol or other documents attesting the work development and the acceptance of services rendered.

The interest revenues are periodically ascertained, as they are generated.

The revenues from royalties and rents are ascertained pursuant to the maturities of the contract.

The revenues from dividends are ascertained when the shareholder's right to collect them is established.

The revenues from the reduction or cancellation of provisions, from the adjustments made for depreciation or impairment are entered if it turns out they are no longer necessary, if the risk occurs or the expenditure becomes chargeable.

The revenues are assessed at the value determined by the agreement between the seller and buyer, taking into account the amount of any trade discounts granted.

The revenues received before the date of the balance sheet for the subsequent financial year are listed under revenues in advance.

Expenses

The expenses of the parent company and of the subsidiary represent the amounts paid or payable for:

- consumption of stocks;
- works executed and services provided in the benefit of the company;
- expenditure on staff;
- execution of certain statutory or contractual obligations;
- provisions;
- depreciations;
- adjustments for depreciation or loss in value.

The accounts for the expenditure are kept based on the types of expenses, as follows:

- operating expenses;
- financial expenses.

The synthetic accounts of expenditure containing multiple items with different tax deductibility turn into analytical accounts, so that each analytical account show its specific content.

Liabilities

The liabilities are pointed out in the books in relation to third parties.

The accounts of suppliers and of the other liabilities are kept on categories, as well as on each natural and legal person.

The personnel entitlements are entered in books specifying the contributions withheld.

The payable income tax should be ascertained as debt related to the amount unpaid.

The deferred tax is the amount of the income tax payable in the future. The debts concerning the deferred tax constitute of the amounts of income tax payable in future accounting periods of time, as regards the taxable temporary differences.

It is calculated based on tax rates that are expected to be applicable to temporary differences, when they are resumed, pursuant to the legislation in force on the reporting date.

The deferred tax assets are the amounts of the income tax recoverable in future accounting periods of time.

The deferred tax assets and liabilities are compensated only if there is a legal right to offset the current liabilities and debts with the tax.

Provisions

A provision shall be entered in the accounts when:

- the company has a current obligation generated by a previous event;
- it is likely that an outflow of resources shall be required to settle the obligation; and
- a reliable estimate of the value of the obligation may be performed.

The provisions are not recognized for future operating losses.

The provisions are reviewed on the date when the individual financial statements are drafted and adjusted to reflect the current best estimate.

If no outflow of resources is likely in order to settle an obligation, the provision is invalidated by being resumed under revenues.

Commercial and financial discounts

The trade discounts granted by the supplier and indicated by the purchase invoice adjusts decreasing the purchase cost of the goods.

The trade discounts granted to customers adjusts in order to reduce the amount of revenues related to the transaction.

Contingent assets and liabilities

The contingent assets and liabilities are specified by the explanatory notes if it is likely to have inflows of economic benefits.

They are annually evaluated to determine if an outflow of resources including economic benefits has become likely and it is necessary to ascertain a liability or a provision in the financial statements for the period when the change occurred.

Events following the drafting of financial statements

The events following the balance sheet date are those favorable or unfavorable events that occur between the balance sheet date and the date when the publication of the annual financial statements is authorized. They are submitted in notes when they are deemed significant.

New standards and interpretations

During 2019, the Company adopted the policy and procedure application of IFRS 16-Leases. Modification by standard consists in the reflection of a lease agreement with the lessee the form of an asset-as a right to use the asset and a liability-obligation towards the landlord. These balance sheet items also generate expenses with the depreciation of the asset and the interest for the debt arising from the lease agreement.

The company applied IFRS 16 using the transition method retrospective, without restating comparative values for the period previous presented. The right to use the related assets the concession contract previously concluded was evaluated on the date applying the standard, respectively 1.01.2019, to the value of the lease debt adjusted with the payments made. The lease debt was evaluated at the value of the lease payments for the remaining period, updated with the rate of marginal loan. The effects of applying IFRS 16 as of January 1, 2019 are presented in note 7.

Compared to the previous year, there were no policy changes accounting

4. Determination of fair values

The disclosure requirements of the information set out by the financial statements, as well as some of the Company's accounting policies determine the need for their disclosure.

The Company assessed the fair value of property items on the date when it adopted the IFRS and it submitted the financial statements of prior periods at fair value.

The Company uses, as much as possible, observable market information when valuing the assets or the liabilities at fair value. The hierarchy of the fair value classifies the entry data for the valuation techniques used to measure the fair value on three levels, as follows:

- Level 1: (unadjusted) quoted price on the active markets for identical assets or liabilities that the entity may access on the valuation date;
- Level 2: entry data, different than the quoted prices referred by level 1, which are observable for assets or liabilities, either directly or indirectly;
- Level 3: non-observable entry data for assets or liabilities.

If the entry data for the measurements of the fair value of an asset or of a liability may be classified on several levels of the fair value hierarchy, the measurement based on fair value is entirely classified as entry data with the lowest level of uncertainty which is significant for the whole measurement.

Measurement techniques and entry data used to perform measurements IFRS 13.91(1)

The appraiser used in its report on appraisal of buildings and lands:

Market data selected by the appraiser: analysis of real estate market:

- Specific real estate market

- Analysis of the offer existing on the market
- Analysis of demand

- Market balance

b. Information supplied by the proprietor: Documents on the history of fixed assets, repair works performed, degree of use. Presentation of classification level of measurements at fair value in the fair value hierarchy IFRS 13.93 (b)

Based on the entry data used by the valuation technique, the fair value of the buildings and lands on 31st December 2018 was classified at level 3 of the fair value hierarchy, the valuation being performed based on the non-observable data on the active market of lands and real estates.

4. Tangible assets

The parent company's individual statement is the following:

| | Lands | Buildings | Equipment and other | Tangible assets in progress | Advance tangible assets | Total |
|---|------------|------------|---------------------|-----------------------------|-------------------------|------------|
| <i>Value appraised</i> | | | | | | |
| Balance on 1st January 2019 | 15.220.540 | 14.004.992 | 15.832.110 | 1.803.960 | 42.403 | 46.904.005 |
| Increases | | | 254.220 | 360.584 | 7.616 | 622.420 |
| Decreases | 655.040 | 1.679.336 | 96.395 | 242.177 | 50.019 | 2.722.967 |
| Balance on 31st December 2019 | 14.565.500 | 12.325.656 | 15.898.935 | 1.922.367 | 0 | 44.803.458 |
| <i>Depreciation and write-downs</i> | | | | | | |
| Balance on 1st January 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increases | 0 | 663.865 | 1432.167 | 0 | 0 | 2.096.032 |
| Decreases | 0 | 62.849 | 18.575 | 0 | 0 | 81.424 |
| Balance on 31st December 2019 | 0 | 601.016 | 1.413.592 | 0 | | 2.014.608 |
| <i>Net value</i> | | | | | | |
| Balance on 1st January 2019 | 15.220.540 | 14.004.992 | 15.785.520 | 1.803.960 | 42.403 | 46.857.415 |
| Balance on 31st December 2019 | 14.565.500 | 11.724.640 | 14.576.343 | 1.922.367 | 0 | 42.788.850 |

Report at group level:

| | Lands | Buildings | Equipment and other | Tangible assets in progress | Advance tangible assets | Total |
|---|------------|------------|---------------------|-----------------------------|-------------------------|------------|
| <i>Value appraised</i> | | | | | | |
| Balance on 1st January 2019 | 15.220.540 | 14.004.992 | 15.832.110 | 1.803.960 | 42.403 | 46.904.005 |
| Increases | | | 254.220 | 360.584 | 7.616 | 622.420 |
| Decreases | 655.040 | 1.679.336 | 96.395 | 242.177 | 50.019 | 2.722.967 |
| Balance on 31st December 2019 | 14.565.500 | 12.325.656 | 15.898.935 | 1.922.367 | 0 | 44.803.458 |
| <i>Depreciation and write-downs</i> | | | | | | |
| Balance on 1st January 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increases | 0 | 663.865 | 1432.167 | 0 | 0 | 2.096.032 |
| Decreases | 0 | 62.849 | 18.575 | 0 | 0 | 81.424 |
| Balance on 31st December 2019 | 0 | 601.016 | 1.413.592 | 0 | | 2.014.608 |
| <i>Net value</i> | | | | | | |
| Balance on 1st January 2019 | 15.220.540 | 14.004.992 | 15.785.520 | 1.803.960 | 42.403 | 46.857.415 |
| Balance on 31st December 2019 | 14.565.500 | 11.724.640 | 14.576.343 | 1.922.367 | 0 | 42.788.850 |

The tangible assets of the company include the assets allocated to the production. A part of these assets is mortgaged or pledged to guarantee the bank loans.

The tangible assets in progress represent the investments to be completed for the increase of the production capacities.

The depreciation method used by the company for all types of depreciable assets is the linear method.

The service life established when putting into service of the assets were set within the limits provided by the internal regulations as regards the classification of the fixed means and they were not modified in 2019.

6. Intangible assets

It is highlighted in this group of assets which constitute the company's assets the value of the licenses paid to the European regulatory authorities operating in the field of manufacture and sale of chemicals amounting to lei 321.854, depreciable during the use period planned for the manufacturing equipment, as well as licenses for the computer programs amounting to lei 67.805.

| | |
|---------------------------|---------|
| Gross value on 31.12.2019 | 389.659 |
| Depreciation | 184.597 |

| | |
|-------------------------|---------|
| Net value on 31.12.2019 | 205.062 |
|-------------------------|---------|

7. Financial assets

The parent company holds:

1. holding of 99.765% within the subsidiary company S.C. Chimprod S.A. Oradea. The accounting value of the shareholding is of lei 1,265,650, entirely impaired value
2. holding of 0.0999% within SSIF BRK Financial Group SA, located in Cluj-Napoca, accounting value 170,108, impaired up to the market share on 31st December 2019.
3. holding of lei 1,000 at the Employers' Organization in the Chemical and Petrochemical Areas of Bucharest

| | |
|-------------------------------------|-----------|
| Gross value on 31.12.2019 | 1.439.053 |
| Adjustments for impairment recorded | 1.406.940 |
| Net value on 31.12.2019 | 32.113 |

Assets related to the right to use the assets taken into concession (leasing) at the level of debt from the application of IFRS 16

| Cost (lei) | 31.12.2018 | 31.12.2019 |
|---|-------------|--------------|
| Balance on January 1, 2019 | - | - |
| Recognition of assets related to the right to use the assets taken into concession (leasing) at the level of debt from the application of ifrs 16 | - | 85.384 |
| Depreciation related to right of use | - | -10.486 |
| Balance as of December 31, 2019 | - | 74.898 |
| Effect of switching to IFRS 16 | 2018 | 2.019 |
| The cumulative effect of the initial application, recognized on 1.01.2019, as an adjustment of the reported result | - | - |
| Financial expenses interest on the concession contract | - | 2.353 |
| Amortization related to the right of use | - | 10.486 |
| Total cost | - | 12.839 |

The operational lease was concluded in 2019.

8. Stocks

The parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|--------------------------------------|------------|------------|
| Raw materials and other materials | 1.000.047 | 458.395 |
| Finished products | 1.448.052 | 3.339.646 |
| Partly-finished products | 835.012 | 794.089 |
| Merchandise | 23.044 | 23.020 |
| Packages | 70.419 | 51.582 |
| Raw materials to be supplied | 883.178 | 0 |
| Total | 4.259.752 | 4.666.732 |
| Adjustments for write-down of stocks | 1.102.182 | 1.427.630 |
| Total | 3.157.570 | 3.239.102 |

The report at group level:

| | 31.12.2018 | 31.12.2019 |
|--------------------------------------|------------|------------|
| Raw materials and other materials | 1.003.718 | 462.066 |
| Finished products | 1.448.052 | 3.339.646 |
| Partly-finished products | 835.012 | 794.089 |
| Merchandise | 23.044 | 23.020 |
| Packages | 70.419 | 51.582 |
| Raw materials to be supplied | 883.178 | 0 |
| Total | 4.263.423 | 4.670.403 |
| Adjustments for write-down of stocks | 1.102.182 | 1.427.630 |
| Total | 3.161.241 | 3.242.773 |

9. Trade receivables

Parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|--|------------|------------|
| Clients | 2.665.888 | 2.662.031 |
| Doubtful clients and clients subject to disputes | 235.388 | 235.249 |
| Suppliers-debtors | 20.794 | 9.337 |
| Clients-invoices to be drafted | 0 | 0 |
| Advance payments granted | 0 | 0 |
| Adjustments for impairment of receivables | -235.388 | -235.249 |
| Total | 2.686.682 | 2.671.368 |
| Other receivables | 1.919.415 | 380.723 |
| Total | 4.606.097 | 3.052.091 |

The individual trade receivables have a maturity of less than one year.

At group level, the report is:

| | 31.12.2018 | 31.12.2019 |
|--|------------------|------------------|
| Clients | 885.593 | 966.559 |
| Doubtful clients and clients subject to disputes | 320.210 | 235.249 |
| Suppliers-debtors | 20.794 | 9.337 |
| Clients-invoices to be drafted | 0 | 0 |
| Advance payments granted | 0 | 0 |
| Adjustments for impairment of receivables | -320.210 | -320.071 |
| Total | 906.387 | 891.074 |
| Other receivables | 1.932.870 | 383.296 |
| Total | 2.839.257 | 1.274.370 |

The consolidated trade receivables have a maturity of less than one year.

The company's commercial relations continued to be formalized by commercial agreements or firm orders in 2019, the clients being the traditional ones over this year too. Over 90% of products manufactured were delivered abroad, to beneficiaries in the Members States of the European Union or non-EU states.

There definitely exists a certain dependence of the company of the EU Community market where the company delivers about 80% of the production exported.

The Company made specific adjustments for the impairment of the overdue receivables of over 365 days amounting to lei 235.250 lei.

10. Cash and cash equivalents

Parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|-----------------------|---------------|---------------|
| Current bank accounts | 58.718 | 25.096 |
| Cash on hand | 4.637 | 6.188 |
| Other values | 2.122 | 7.160 |
| Total | 65.477 | 38.444 |

Report at group level:

| | 31.12.2018 | 31.12.2019 |
|--|------------|------------|
|--|------------|------------|

| | | |
|-----------------------|---------------|---------------|
| Current bank accounts | 61.457 | 48.479 |
| Cash on hand | 4.643 | 6.277 |
| Other values | 2.122 | 7.160 |
| Total | 68.222 | 61.916 |

11. Other receivables

Parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|---|-------------------|-------------------|
| Suspense account | 1.751 | 0 |
| Other staff-related receivables | 0 | 0 |
| Other receivables related to state budget (VAT to be recovered) | 1.917.664 | 380.723 |
| Total | 1.919.415 | 380.723 |

Report at group level:

| | 31.12.2018 | 31.12.2019 |
|---|-------------------|-------------------|
| Suspense account | 486.624 | 2.558 |
| Other staff-related receivables | 0 | 0 |
| Other receivables related to state budget (VAT to be recovered) | 733.946 | 380.738 |
| Total | 1.220.570 | 383.296 |

All these receivables have a maturity of a less of one year.

12. Assets classified as held for sale

Parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|--|-------------------|-------------------|
|--|-------------------|-------------------|

| | | | |
|---|-----------|---|-----------|
| Gross value of assets classified as held for sale | 4.150.012 | | 3.602.553 |
| Adjustments of assets classified as held for sale | 547.459 | | |
| Net value | 3.602.553 | 0 | 3.602.553 |

Report at group level:

| | 31.12.2018 | | 31.12.2019 |
|---|------------|---|------------|
| Gross value of assets classified as held for sale | 4.150.012 | | 3.602.553 |
| Adjustments of assets classified as held for sale | 547.459 | | |
| Net value | 3.602.553 | 0 | 3.602.553 |

13. Share capital and share premiums

Parent company's shareholding structure (percentage)

| | 31.12.2018 | 31.12.2019 |
|---|------------|------------|
| BT Asset Management S.A.I S.A. - F.I.I. BT Invest 1 | 51,8898 | 33,88980 |
| Tincau Tibor | 28,1346 | 28,13460 |
| PLATFORMA ROCA | | 18,00000 |
| Other shareholders | 19,9756 | 19,97560 |
| Total | 100 | 100 |

No changes in the shareholding structure of Sinteza SA occurred in 2018.

Subsidiary company's shareholding structure (percentage):

| | 31.12.2018 | 31.12.2019 |
|--------------------|------------|------------|
| SC Sinteza SA | 99.765 | 99.765 |
| Other shareholders | 0,235 | 0,235 |
| Total | 100 | 100 |

With regard to the change of the parent company's reserve structure, the decrease of value from lei 29.836.350 to lei 27.500.241 is caused by the following changes:

- the registration in the result reported of the surplus found by the revaluation performed, consisting of the amount of lei (-) 2.831.873, reserve resulted from revaluation of the fixed means sold
- reversing the amounts recorded under deferred income tax amounting to (+) lei 495.764

Loss of the financial year – lei 4.061.287 shall be covered using the outcome reported.

In 2019, the company continued to manage the capital considering all its components as defined by the Romanian legislation. There were no cases of exclusion of quantitative or consideration as a part of its own equity instruments of other the balance sheet items besides those covered by the domestic legislation.

14. Commercial debts and other payables

Parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|---------------------------|------------|------------|
| Commercial suppliers | 4.768.760 | 4.100.001 |
| Suppliers for investments | 833.398 | 263.704 |
| Suppliers - collaborators | 19.500 | 19.500 |
| Debts to the state budget | 211.804 | 207.965 |
| Debts to employees | 176.037 | 166.475 |
| Current income tax | | |
| Other payables | 810.423 | 1.367.157 |
| Total | 6.819.922 | 6.124.802 |

The table below sets out a maturity-based classification of individual liabilities on 31st December 2019:

| | TOTAL DEBT | LESS THAN 1 YEAR | 1-5 YEARS | OVER 5 YEARS |
|---------------------------|------------|------------------|-----------|--------------|
| Commercial suppliers | 4.100.001 | 4.100.001 | | |
| Suppliers for investments | 263.704 | 263.704 | | |
| Suppliers - collaborators | 19.500 | 19.500 | | |
| Debts to the state budget | 207.965 | 207.965 | | |
| Debts to employees | 166.475 | 166.475 | | |
| Current income tax | | | | |
| Other payables | 1.367.157 | 1.367.157 | | |
| Total | 6.124.802 | 6.124.802 | | |

Report at group level:

| | 31.12.2018 | 31.12.2019 |
|---------------------------|------------------|------------------|
| Commercial suppliers | 4.607.977 | 4.004.567 |
| Suppliers for investments | 833.398 | 263.704 |
| Suppliers - collaborators | 19.500 | 19.500 |
| Debts to the state budget | 211.158 | 209.612 |
| Debts to employees | 178.585 | 167.786 |
| Current income tax | | |
| Other payables | 810.423 | 1.367.157 |
| Total | 6.661.041 | 6.032.326 |

The table below sets out a maturity-based classification of consolidated liabilities on 31st December 2019:

| | TOTAL DEBT | LESS THAN 1 YEAR | 1-5 YEARS | OVER 5 YEARS |
|---------------------------|------------------|------------------|-----------|--------------|
| Commercial suppliers | 4.004.567 | 4.004.567 | | |
| Suppliers for investments | 263.704 | 263.704 | | |
| Suppliers - collaborators | 19.500 | 19.500 | | |
| Debts to the state budget | 209.612 | 209.612 | | |
| Debts to employees | 167.786 | 167.786 | | |
| Current income tax | | | | |
| Other payables | 1.367.157 | 1.367.157 | | |
| Total | 6.032.326 | 6.032.326 | | |

15. Loans

Parent company's individual report:

| | 31.12.2018 | 31.12.2019 |
|-------------------------------------|------------------|------------------|
| Amounts owed to credit institutions | 7.326.408 | 6.612.225 |
| Total | 7.326.408 | 6.612.225 |

The table below displays a maturity-based classification of loans on 31st December 2019:

| | TOTAL DEBT | LES THAN 1 YEAR | 1-5 YEARS | OVER 5 WEARS |
|-------------------------------------|------------------|------------------|----------------|--------------|
| Amounts owed to credit institutions | 6.612.225 | 5.880.437 | 731.788 | 0 |
| Total | 6.612.225 | 5.880.437 | 731.788 | 0 |

Report at group level:

31.12.2018

31.12.2019

| | | |
|-------------------------------------|------------------|------------------|
| Amounts owed to credit institutions | 7.326.408 | 6.612.225 |
| Total | 7.326.408 | 6.612.225 |

The table below displays a maturity-based classification of loans on 31st December 2019:

| | TOTAL DEBT | LES THAN 1 YEAR | 1-5 YEARS | OVER 5 WEARS |
|-------------------------------------|------------------|------------------|----------------|--------------|
| Amounts owed to credit institutions | 6.612.225 | 5.880.437 | 731.788 | 0 |
| Total | 6.612.225 | 5.880.437 | 731.788 | 0 |

As regards the loans taken by the Company, it continued to implement the policy of using funds for the financing of the company's working capital and of the investments.

The bank loans in progress at the end of 2019 are contracted only at the level of parent company, Sinteza SA, and they are the following:

- long-term loan for the extension and upgrade of the manufacturing facilities of benzoic acid, guaranteed by the mortgage on land and buildings located in Oradea, 35 Sos. Borsului street and with pledge on current credit balance of the company's accounts opened with the financing bank and the assignment of the insurance policy on the property pledged as collateral, amount of EURO 62.492,59 interest 4,077%, maturity: 21st May 2020
- investment credit for supporting its current activity, guaranteed by the mortgage on land and buildings located in Oradea, 35 Sos. Borsului street and with pledge on current credit balance of the company's accounts opened with the financing bank and the assignment of the insurance policy on the property pledged as collateral, amount of EURO 24.313,40, interest 4.077%, maturity: 10th May 2020
- medium-term loan for working capital, guaranteed by the mortgage on land and buildings located in Oradea, 159 Clujului street, as well as with pledge on current credit balance of the company's accounts opened with the financing bank and the assignment of the insurance policy on the property

pledged as collateral, amount EURO 134.896,98, interest 4,150%, maturity 1st August 2021

- investment credit for the extension and upgrade of the manufacturing facilities of benzoic acid, guaranteed by the mortgage on land and buildings located in Oradea, 35 Sos. Borsului, as well as the pledge on current credit balance of the company's accounts opened with the financing bank and the assignment of the insurance policy on the property pledged as collateral, amount of EURO118.625,70, interest 3%, maturity 30th September 2025
- credit line current account EURO 1.043.184,44 + unused EURO 6.815,56, interest 3%, maturity 15th August 2020

Besides the loans contracted, the company has other financial commitments related to its current activity and investment, namely a letter of bank guarantee in favor of the main supplier of raw material (toluene) amounting to USD 600,000.

16. Provisions

Provisions for risks and expenses have been set up as follows:

- provisions for days of leave not taken amounting to lei 106.575 for SC SINTEZA SA

17. Revenues in advance

In 2019, the company specified in the statement of revenues received in advance from clients under the account for future deliveries. The account balance on 31st December 2019 amounting to lei 30.820 highlights the amounts collected from clients for the goods that shall be delivered and services in advance.

18. The turnover

The turnover of the financial year 2019 is as follows:

The individual situation at the level of parent company is as follows:

| | 31.12.2018 | 31.12.2019 |
|--|------------|------------|
| Incomes from the sale of finished products | 25.822.130 | 21.079.986 |
| Incomes from sale of goods | | 19 |
| Incomes from locations and rents | 1.002.087 | 730.212 |
| Incomes from rendering of services | 215.240 | 570.635 |
| Incomes from waste products | 32.909 | 113.555 |
| Total | 27.072.366 | 22.494.407 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|--|-------------------|-------------------|
| Incomes from the sale of finished products | 25.822.130 | 21.079.986 |
| Incomes from sale of goods | | 19 |
| Incomes from locations and rents | 1.002.087 | 730.212 |
| Incomes from rendering of services | 215.240 | 570.635 |
| Incomes from waste products | 32.909 | 113.555 |
| Total | 27.072.366 | 22.494.407 |

A reportable segment is a component of an entity that engages in business activities from which it can obtain incomes and from which it can incur expenses, whose results are periodically examined and for which distinct financial information is available.

The company did not organize components which should engage separately in business activities, income elements originating from other activity than that of industrial production having an incidental character.

The main share of the activity is represented by the industrial production activity, whose result is examined periodically by the main operational decision-making factor.

Regarding the sales of the company in 2019, these can be divided in two areas as follows:

- sales on foreign market in the amount of 21.079.808 lei
- sales on domestic market in the amount of 1.415.599 lei

19. Expenses with raw materials and consumables

The individual situation at the level of parent company is as follows:

| | 31.12.2018 | 31.12.2019 |
|--------------------------------------|-------------------|-------------------|
| Raw materials | 16.197.985 | 14.025.257 |
| Auxiliary materials | 162.141 | 168.991 |
| Combustible | 119.163 | 45.857 |
| Spare parts | 1.187.341 | 114.119 |
| Labor protection and other materials | 27.355 | 30.938 |
| Other expenses | 446.159 | 442.600 |
| Total | 18.140.144 | 14.827.762 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|--------------------------------------|------------|------------|
| Raw materials | 16.197.985 | 14.025.257 |
| Auxiliary materials | 171.965 | 168.991 |
| Combustible | 119.205 | 45.857 |
| Spare parts | 1.187.341 | 114.119 |
| Labor protection and other materials | 29.289 | 30.938 |
| Other expenses | 705.994 | 442.600 |
| Total | 18.411.826 | 14.827.762 |

20. Other expenses

The individual situation at the level of parent company is as follows:

| | 31.12.2018 | 31.12.2019 |
|----------------------------|------------|------------|
| Packing | 401.523 | 384.927 |
| Material inventory objects | 37.893 | 53.749 |
| Other non-stored materials | 6.743 | 3.924 |
| Total | 446.159 | 442.600 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|----------------------------|------------|------------|
| Packing | 401.523 | 384.927 |
| Material inventory objects | 297.233 | 53.749 |
| Other non-stored materials | 7.238 | 3.924 |
| Total | 705.994 | 442.600 |

21. Expenses with the employees

The individual situation at the level of parent company is as follows:

| | 31.12.2018 | 31.12.2019 |
|--|------------|------------|
| Salaries | 4.197.666 | 4.750.592 |
| Social insurance and social protection | 128.311 | 141.720 |
| Total | 4.325.977 | 4.892.312 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|--|------------|------------|
| Salaries | 4.482.472 | 4.801.748 |
| Social insurance and social protection | 136.233 | 144.192 |
| Total | 4.618.705 | 4.945.940 |

The employees of the company are rewarded with a negotiated salary according to provisions of individual labor contracts with full range of social benefits provided by the Romanian legislation. At company level there is no collective labor contract and therefore no additional benefits are awarded on short term, long term, post-employment benefits or share-based payment. The key management personnel in company's leadership benefits of the same salary rights as the rest of the employees without existing any additional rights or benefits.

The members of the Board of Directors are rewarded with a fixed monthly allowance, established by the General Meeting of the Shareholders. During year 2019, all the expenses with the administrators' allowances were of 430.766 lei.

22. Expenses regarding external services

The individual situation at the level of parent company is as follows:

| | 31.12.2018 | 31.12.2019 |
|---|------------|------------|
| Other expenses with services performed by third parties | | |
| Maintenance and repairs | 435.958 | 98.397 |
| Post and telecommunications | 23.623 | 31.917 |
| Advertisement and publicity | 1.629 | 0 |
| Transport | 588.426 | 534.457 |
| Banking services | 150.036 | 168.594 |
| Trips and delegations | 24.880 | 35.582 |
| Protocol | 10.952 | 4.968 |
| Collaborators | 408.780 | 430.776 |
| Rents | 206.333 | 169.132 |

| | | |
|---|------------------|------------------|
| Fees | 78.747 | 80.566 |
| Insurance premiums | 18.675 | 25.988 |
| Expenditure on studies, research | | 740 |
| Other expenses with services performed by third parties | 520.724 | 768.196 |
| Total | 2.468.763 | 2.349.313 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|---|-------------------|-------------------|
| Other expenses with services performed by third parties | | |
| Maintenance and repairs | 142.238 | 98.397 |
| Post and telecommunications | 23.806 | 32.048 |
| Advertisement and publicity | 1.629 | 0 |
| Transport | 588.426 | 534.457 |
| Banking services | 151.100 | 168.908 |
| Trips and delegations | 24.880 | 35.582 |
| Protocol | 10.952 | 4.968 |
| Collaborators | 408.780 | 430.776 |
| Rents | 206.483 | 169.132 |
| Fees | 78.747 | 80.566 |
| Insurance premiums | 18.675 | 25.988 |
| Expenditure on studies, research | | 740 |
| Other expenses with services performed by third parties | 527.560 | 770.682 |
| Total | 2.183.276 | 2.352.244 |

23. Incomes and financial expenses

The individual situation at the level of parent company is as follows:

| | 31.12.2018 | 31.12.2019 |
|--|-------------------|-------------------|
| Incomes from interests | 36 | 16 |
| Incomes from exchange rate differences | 217.815 | 123.839 |
| Other financial incomes | 3.637 | 1.782 |
| Total | 221.488 | 125.637 |
| Expenses from interests | 230.026 | 262.986 |

| | | |
|---|----------------|----------------|
| Expenses from exchange rate differences | 399.920 | 374.641 |
| Other financial expenses | 14.778 | 9.328 |
| Total | 644.724 | 646.955 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|---|-------------------|-------------------|
| Incomes from interests | 36 | 16 |
| Incomes from exchange rate differences | 217.815 | 123.839 |
| Other financial incomes | 3.637 | 1.782 |
| Total | 221.488 | 125.637 |
| Expenses from interests | 230.026 | 262.986 |
| Expenses from exchange rate differences | 399.920 | 374.641 |
| Other financial expenses | 14.778 | 9.328 |
| Total | 644.724 | 646.955 |

24. Current and deferred income tax

The individual situation at the level of parent company is as follows:

In the financial year ended on the 31.12.2019 the company has recorded an accounting loss in the amount of 4.061.287.

| | 31.12.2018 | 31.12.2018 |
|----------------------------------|-------------------|-------------------|
| <i>Current income tax</i> | | |
| Expenses with current income tax | 0 | 0 |
| <i>Deferred income tax</i> | | |
| Deferred income tax | 4.328.381 | 3.652.504 |

At group level, the situation is:

| | 31.12.2018 | 31.12.2019 |
|----------------------------------|-------------------|-------------------|
| <i>Current income tax</i> | | |
| Expenses with current income tax | 0 | 0 |
| <i>Deferred income tax</i> | | |

25. Earnings per share

SINTEZA SA realized at the end of year 2019 a net accounting loss of 4.061287 lei. There is no intention to distribute funds towards the shareholders in the form of dividends, from the reserves established in the previous years.

In the shareholding structure there are no registered shareholders with distribution rights of some dividends in other parts odds.

No free or preferential shares are distributed in respect of the allocation of dividends.

In a reasonable period of time, there are no intentions of diluting shares through a preferential distribution. This leads to a result of equality between earnings per share basic and the diluted one, as above.

The company has in the dividend payment account amounts representing dividends approved for distribution and not issued until the end of 2019.

26. Affiliated parties

Affiliated parties are considered persons on the Board of Directors and directors (executive management) of parent company:

On 31.12.2019, the members of the Board of Directors are:

Radu Vasilescu – Chairman of the Board

Claudiu Sorin Pasula – member

Cosmin Vasile Turcu – member

On 31.12.2019, executive management consists of:

General Manager Cosmin Vasile Turcu

Sales Manager Ramona Paltin

Financial Manager Doina Ujupan

During the year 2019 there were no transactions between the company and the persons in the management of the company.

27. Transactions between the parent company and subsidiary

The parent company and the affiliated company do not record transactions at 31.12.2019

28. Other liabilities

The parent company and the affiliated company do not record other commitments as of 31.12.2019.

29. Assets and contingent liabilities

In addition to the contracted loans, the company has other financial commitments related to current and investment activity, namely a bank guarantee letter in favor of the principal supplier of raw material (toluene) worth USD 600,000.

SINTEZA SA is a party to litigation in the following cases:

| File number | Court | The subject of the file | Parties in trial and the procedural quality |
|--|---|--|--|
| 4895/111/2014 | Tribunalul Bihor | The insolvency proced. | Creditor SINTEZA SA Debitor Basa Indimex SRL |
| 4274/108/2014 | Tribunalul Arad | The insolvency proced | Creditor SINTEZA SA Debitor Comeso Color SA |
| 1087/111/2018 in conexiune cu 2744/111/2010) | Tribunalul Bihor | The insolvency proced | Creditor SINTEZA SA Debitor Construct Mod SRL |
| 484/111/2010 | Tribunalul Bihor | The insolvency proced | Creditor SINTEZA SA Debitor Flavoia SRL |
| 22419/3/2009 | Tribunalul Bucuresti | The insolvency proced | Creditor SINTEZA SA Debitor Energo Mineral Bucuresti |
| 16503/271/2019 | Judecatoria Oradea | Complaint against the contravention minute | Garda Nationala de Mediu- Comisariatul Judetean Bihor |
| 16873/118/2010 | Tribunalul Constanta | The insolvency proced | Creditor SINTEZA SA Debitor Solanum Com Prod SRL C-ta |
| 6473/111/2013 | Tribunalul Bihor | The insolvency proced | Creditor Sinteza SA Debitor Electrocentrale Oradea SA |
| 2323/E/2018 | Birou Executor Jud. Girdan Marius Oradea | Enforcement | Creditor Sinteza SA Debitor Fundatia Ciore Roma Oradea |
| 407/ E/2019 | Birou Executor Jud. Girdan Marius Oradea | Enforcement | Creditor Sinteza SA Debitor ADES Protectum Oradea |

| | | | |
|---------------|---|---|---|
| 2961/E/ 2019 | Birou Executor Jud. Girdan Marius Oradea | Enforcement | Creditor Sinteza SA Debitor SKY PRINT SHOP SRL Oradea |
| 5610/3/2017 | Curtea de Apel Oradea | Claims | APELANT Sinteza SA INTIMATI NOVI CONSULT SRL si altii |
| 75013/3/2011* | Tribunalul Bucuresti | Patent of invention | Reclamanti Rotaru C-tin prin moștenitori Parata SINTEZA SA |
| 458/35/2019 | Curtea de Apel Oradea | Cancellation Certificate of Certificate of Property Rights M03 NR. 2053/1995 | Reclamant Municipiul Oradea și Consiliul Local al Municipiului Oradea; Parat SINTEZA SA |

The value of the contingent assets can not be estimated at the balance sheet date.

30. Events after the financial statements

There were no events subsequent to the date of the financial statements.

31. Standards and interpretations that entered into force this year

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

IFRS 16 "Leasing Contracts" - adopted by the EU on October 31, 2018 (applicable for annual periods beginning on or after January 1, 2019);

- Amendments to IFRS 9 "Financial Instruments" - Advance payment characteristics through negative compensation - adopted by the EU on March 22, 2019 (applicable for annual periods beginning on or after January 1, 2019);

- IFRIC 23 "Uncertainties regarding the treatments applied for income tax" - adopted by the EU on October 23, 2019 (applicable for annual periods starting on or after January 1, 2019).

- Amendments to IAS 28 "Investments in associates and joint ventures" - Long-term interests in associates and joint ventures (applicable for annual periods beginning on or after January 1, 2019, adopted by the EU in February 2019)

The Company anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the Company's financial statements during the initial application period.

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

At the date of approval of these individual financial statements, the following new standards and amendments to the standards issued by the IASB and adopted by the EU are not yet in force:

- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes of accounting estimates and correction of errors", in order to clarify the term "significant", in order to facilitate the evaluation by the companies of the significant character and to increase the relevance of the information presented in the notes to the financial statements (applicable from 1 January 2020);

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" - Sale or contribution of assets between an investor and his associate or joint venture;

- Modifications of the references to the conceptual framework in IFRS standards. The document contains amendments to: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32 (applicable for annual periods beginning with or after 1 January 2020).

The company estimates that the adoption of these amendments will not have a significant impact on the annual financial statements in the year in which they will be applied for the first time.

32. Financial Risk Management

The Group is exposed to credit risk, liquidity risk and market risk

In order to limit the exposure is being developed risk management policy, so as to ensure the identification and analysis of risks, establishing appropriate limits and controls, and monitoring compliance limits set.

Policies and risk management systems will be revised regularly to adapt to changes occurring in business and market conditions.

The parent company aims to develop an orderly and constructive control environment so that due to standards of training, employees understand their roles and obligations.

Credit risk is the risk that the group may incur a financial loss as a result of non-fulfillment of contractual obligations by a customer. The parent company has established as credit policy the analysis of each new individual client before offering standard payment and delivery terms.

However, concrete conditions of a specific market (chemicals based on a market with specialized suppliers and customers) sometimes requires grant facilities in terms of collection.

The same characteristic of the market requires the company to not require collateral for its receivables.

However, after analyzing individual customers sometimes they are requested payment in advance or upon delivery (extra markets).

Liquidity risk is the risk of the Company or of the Subsidiary to overcome difficulties in meeting its financial obligations or associated with financial, which are settled in cash or cash equivalents.

Addressing parent company in liquidity management is to ensure sufficient liquidity to pay obligations due under normal conditions.

In this regard, the Company shall ensure it has sufficient cash to meet operational needs.

Market risk is the risk that variation in market prices, foreign exchange rate, interest rate and price of equity instruments, to affect the Company's income or the value of financial instruments held.

The objective of market risk management is to manage and control exposure within acceptable parameters.

The parent company is exposed to currency risk due to sales, acquisitions and borrowing in a currency other than the functional.

Exposure is presented below:

Individual situation at the parent company level is presented as follows:

| 31.12.2019 | LEI | EURO (ECHIV.LEI) | USD (ECHIV.LEI) |
|---|-----------|---------------------|--------------------|
| Financial assets | | | |
| Trade receivables and other receivables | 2.397.627 | 654.464 | |
| Cash and cash equivalents | 30.070 | 7.658 | 716 |
| Total | 2.427.697 | 662.122 | 716 |
| Financial liabilities | | | |
| Loans | | 6.612.224 | |
| Commercial debts and other debts | 3.667.874 | 2.532.317 | |
| Total | 3.667.874 | 9.144.541 | |

At the group level the situation is as follows:

| 31.12.2019 | LEI | EURO (ECHIV.LEI) | USD (ECHIV.LEI) |
|---|-----------|---------------------|--------------------|
| Financial assets | | | |
| Trade receivables and other receivables | 619.906 | 654.464 | |
| Cash and cash equivalents | 53.542 | 7.658 | 716 |
| Total | 673.448 | 662.122 | 716 |
| Financial liabilities | | | |
| Loans | | 6.612.224 | |
| Commercial debts and other debts | 3.575.398 | 2.532.317 | |
| Total | 3.575.398 | 9.144.541 | |

Tax risk targeting aspects in certain transactions to be perceived differently by the tax authorities in comparison to treatment Company. This lies in the adoption of EU fiscal regulations from 1 January 2007 to Romania, given that the interpretation of texts and practical implementation procedures may vary. Also, the Government of Romania authorized the operation of a large number of agencies and bodies responsible for carrying out various checks on the companies operating in Romania. The work of these agencies and bodies not only covers tax issues but also issues relating to regulations and procedures in other areas (safety and health at work, civil protection, security and fire protection etc). It is possible that the Company will be subject to checks as issuing new regulations.

GENERAL MANAGER

MIHAIL LAZAROE

FINANCIAL MANAGER

DOINA UJUPAN

DECLARATION

In accordance with art. 30 of law no. 82/1991

They have been prepared annual financial statements for 31.12.2019:

| | |
|---------------------------|---|
| Legal entity: | S.C. Sinteza S.A. |
| County: | 05-Bihor |
| Address: | Oradea, Borsului Road, 35 |
| Trade Register number: | J/05/197/1991 |
| Ownership: | 34-Stock company |
| Activity: | 2014- manufacture of other basic organic chemicals |
| VAT Reg. No.: | 67329 |
| Financial situation type: | According to the Order 881/2012, Order 2844/2016, Order 10/2019 regarding the application of the Accounting Regulations in compliance with the International Financial Reporting Standards (IFRS) applicable to companies whose securities are admitted to trading on a regulated market. |

Mr.Alexandru Savin, Chairman of the Board of Directors of the Company, assumes responsibility for drawing annual financial statements at 31.12.2019 and confirms that, to his knowledge, this was drafted according to the applicable accounting standards, it offers a fair and accurate picture of assets, liabilities, equity, income and expenses, and that the Board Report includes a correct analysis of the development and performance of the company as well as a description of the principal risks and uncertainties specific to the activity.

CHAIRMAN OF THE BOARD OF DIRECTORS

ALEXANDRU SAVIN

ACF Confident SRL
Dimitrie Cantemir Street, no. 24-26
410519 Oradea, Romania

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **SINTEZA SA**

Report on the audit of financial statements

Opinion

We audited the consolidated and individual financial statements of the company **SINTEZA SA** and of **its subsidiary** (the "**Group**"), with its registered office in Oradea, Soseaua Borsului no. 35, identified by the tax identification number 67329, which includes the consolidated and individual statement of the financial position as of December 31st, 2019, the consolidated and individual statement of the overall result, the consolidated and individual statement of changes in equity and the consolidated and individual statement of flows of the treasury related to the financial year ended on this date, and the notes to the financial statements, including a summary of the significant accounting policies.

The consolidated financial statements at December 31st, 2019 are identified as follows:

Total equity: 35,000,977 RON

Net loss for the financial year: (4,114,704) RON

1. In our opinion, the attached consolidated and individual financial statements provide a faithful picture of the Group's financial position as of December 31st, 2019, as well as of the consolidated and individual financial performance and the individual and consolidated cash flows for the year ended on this date, according to the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations in compliance with the International Financial Reporting Standards.

The basis for opinion

1.We have conducted our audit in accordance with International Auditing Standards ("IAS"), EU Regulation no.537 of the Parliament and of the European Council (hereinafter referred to as " Regulation ") and Law no.162 / 2017

Our responsibilities based on these standards are described in detail in the section *"The auditor's responsibilities in an audit of the financial statements"* from our report. We are independent of the Company, according to the Code of Ethics of Accounting Professionals issued by the Board of Accountants (IESBA code), according to the ethical requirements that are relevant for the audit of the financial statements in Romania, including the Regulation and the Law, and we have satisfied our ethical responsibilities, according to these requirements and according to the IESBA Code. We believe that the audit evidences we have obtained are sufficient and adequate to provide a basis for our opinion.

Key audit issues

1.The key audit aspects are those aspects which, based on our professional reasoning, were of the utmost importance for the audit of the financial statements of the current period. These issues have been approached in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not provide a separate opinion on these issues.

For each key issue below, we have presented a description of how our audit has approached the issue in that context.

Recognition, evaluation and presentation in the financial statements of leasing contracts in accordance with IFRS 16

Our audit procedures included:

- evaluation of the accounting procedures regarding the recognition of assets related to the right of use and the debt arising from the leasing contracts;
- carrying out detailed tests for verifying the value of the assets, determining the debts related to the leasing contracts and correctly recording the operations performed under the leasing contracts, as

- a tenant;
- compliance with the disclosure requirements in the financial statements of the information according to IFRS 16.

As a result of our audit work we did not identify unadjusted errors.

Continuity of activity

From Note 2 to the financial statements, it turns out that the company complies with the principle of continuity of activity when preparing the financial statements. The assumption in assessing the company's ability to continue its activity is based on the cash flows that will be generated in the following periods from the operating activity, as well as from the sale of unused assets in the basic activity.

Our audit procedures included:

- the evaluation of the company's management plans regarding future actions in relation to the company's ability to continue its activity;
- the analysis of the financial information forecast for the financial year 2020;
- confirming the existence of some agreements with the affiliated parties to provide financial support.

Other information - The consolidated report of the administrators

1. The administrators are responsible for the preparation and presentation of other information. Those other information include the consolidated Report of the administrators, but do not include the consolidated financial statements and the auditor's report on them.

Our opinion regarding the consolidated financial statements does not cover this other information and, unless explicitly mentioned in our report, we do not express any kind of assurance conclusion regarding them.

In connection with our audit of the consolidated financial statements for the financial year ended on December 31st, 2019, it is our responsibility to read those other information and, in this approach, to assess whether that information is materially inconsistent with the financial statements, or with the knowledge that we have obtained during the audit, or if they appear to

be significantly distorted.

Regarding the consolidated Report of the administrators, we read it and we report whether it has been prepared, in all significant aspects, in accordance with the Order of the Minister of Public Finance no. 2844/2016, points 26-28;

Based exclusively on the activities to be performed during the audit of the financial statements, in our opinion:

a) The information presented in the consolidated Report of the administrators for the financial year for which the consolidated financial statements have been prepared, is in accordance, in all significant aspects, with the consolidated financial statements;

b) The consolidated Report of the administrators was prepared, in all the significant aspects, according to the Order of the Minister of Public Finance no. 2844/2016, points 26-28.

In addition, based on our knowledge and understanding of the Group and of its environment, acquired during the audit of the consolidated financial statements for the financial year ended on December 31st, 2019, we are required to report whether we have identified significant misstatements in the Consolidated Report of administrators. We have nothing to report regarding this aspect.

Responsibilities of the management and of the persons responsible with governance for the consolidated financial statements

1. The management is responsible for drawing up the financial statements that will give a faithful image in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards and for that internal control that the management considers necessary in order to allow the preparation of consolidated financial statements without significant distortions, caused either by fraud or error.

2. In the preparation of the consolidated and individual financial statements, the management is responsible for evaluating the Group's ability to continue its activity, for presenting, if applicable, aspects regarding the continuity of the activity and for using the accounting based on the continuity of the activity, except as the case may be that the

management either intends to liquidate the Group or to cease operations, or has no other realistic alternative than these.

3. The persons responsible for governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities in an audit of financial statements

4. Our objectives consist in obtaining a reasonable assurance regarding the extent to which the consolidated financial statements, as a whole, are devoid of significant distortions, caused either by fraud or error, as well as in issuing an auditor's report that includes our opinion. Reasonable insurance represents a high level of insurance, but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a significant distortion, if this exists. Distortions can be caused either by fraud or error and are considered significant if it can be reasonably expected that they, individually or cumulatively, will influence the economic decisions of the users, based on these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. Also:

- We identify and evaluate the risks of significant misstatement of the consolidated financial statements, caused either by fraud or error, we design and execute audit procedures in response to those risks and obtain sufficient and adequate audit evidences to provide a basis for our opinion. The risk of not detecting a significant distortion caused by fraud is higher than that of not detecting a significant distortion caused by error, because fraud can involve secret understandings, forgery, deliberate omissions, false statements and avoidance of internal control.
- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without having the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the degree of adequacy of the accounting policies used and the reasonableness of the accounting estimates and related presentations made by the management
- We draw a conclusion regarding the degree of adequacy of the management's use of the accounting on the basis of the continuity of the activity and we determine, based on the audit evidence obtained, if there is a significant uncertainty regarding events or conditions that could generate significant doubts regarding the Group's capacity to

continue its activity. In case we conclude that there is a significant uncertainty, we must draw attention in the auditor's report to the related presentations in the financial statements or, if these presentations are inadequate, we change our opinion. Our conclusions are based on the audit evidences obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease its activity based on the principle of continuity of activity.

- We evaluate the presentation, the structure and the content of the consolidated financial statements, including the presentation of information, and the extent to which the financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

5. We communicate to the persons responsible with the government, among other aspects, the planned area and the timely scheduling of the audit, as well as the main findings of the audit, including any deficiencies of the internal control that we identify during the audit.

6. We also provide the persons responsible for governance with a statement regarding our compliance with the ethical requirements regarding independence and we communicate to them all relations and other issues that may reasonably be considered that could affect our independence and where appropriate, the related safety measures.

7. Of the aspects that we have communicated to the persons in charge of governance, we establish those aspects that were of greater importance in the audit of the financial statements of the current period and, therefore, are key audit issues. We describe these issues in our audit report, unless the law or regulation prevents the public presentation of that particular issue or if, in extremely rare circumstances, we consider that an issue should not be disclosed in our report because it is reasonably expected that the benefits of the public interest be surpassed by the negative consequences of this communication.

Report regarding other legal and regulatory provisions

8. We were appointed by the General Meeting of Shareholders on 26.03.2018 to audit the consolidated financial statements of SINTEZA SA and of its subsidiary for the year ended on December 31st, 2019. The total uninterrupted period of our commitment is 3 years, covering the financial year starting with 2017.

We confirm that:

- During the conduct of our audit, we retained our

independence from the audited entity.

- We did not provide for Sinteza SA and its subsidiaries the non-audit services prohibited, mentioned in article 5 paragraph (1) of the EU Regulation no. 537 / 2014.

Consistency with the additional report addressed to the Audit Committee

Our audit opinion on the consolidated and individual financial statements expressed in this report is in accordance with the supplementary report addressed to the Company's Audit Committee, which we issued on the same date that we issued this report.

On behalf of
ACF Confident SRL
Oradea, Dimitrie Cantemir Street 24-26

Urs Parasca – partner
Oradea, 20 March, 2020