



## TRANSCRIPT INVESTORS VIDEOCONFERENCE FINANCIAL RESULTS 2021

Adrian Dumitriu: Hello and thank you for joining us. I am Adrian Dumitriu, the Chief Financial Officer of Chimcomplex and in the following half hour I will present the financial results of our company, the preliminary results for 2021. The presentation will be made available on our website, and we will present the Excel files as well, pertaining to statutory financial results.

2021 confirmed the vision of Chimcomplex regarding the acquisition of Oltchim assets, at the end of 2018. In 2021 we confirmed the successful integration of the two platforms, the results also confirming the fact that the main synergies have been integrated. Currently Chimcomplex is a polyol producer, and I will explain briefly what polyols are. Polyols represent about two thirds of polyurethane foams. We are a company with a vertical integration in a backward system, which means that we produce polyols having our own Propenoxide production, the main element in polyol production, and we produce Propenoxide by chlorhydrination, meaning we use Chlorine produced on the two platforms. Polyol manufacture based on Propenoxide with Chlorhydrination gives Chimcomplex a competitive advantage on the polyol market.

From the energy consumption perspective, the other solution for polyol manufacture by hydrogen peroxide, does incur higher energy costs. Polyols are part of the so-called chemical speciality sector, meaning they are products with several uses, and are produced based on client specifications, and in batched, we talk about batch production. From the perspective of financial results, you can see the turnover has almost doubled, in 2021 compared to 2020, at year close the turnover was more than 2.2 billion Lei, a very good gross result, of 543 million Lei, which is almost four times higher than the one of 2020, and obviously this evolution reflects upon in the structure of the net result. We talk about a preliminary net result of 464 million Lei.

In 2021 it is very important to follow the EBITDA evolution, for Chimcomplex we talk about an EBITDA of 687 million Lei, and in sales we talk about a margin of 31%, and this graph shows there has been an evolution compared to 2020, when EBITDA was 22% of sales. This improvement, as you will see, is based on an increase of amounts produced and placed on the market, as well as a positive evolution of the polyol demand and a significant improvement of prices, specially for caustic soda.

Based on the 2020 results, and this is an element we focused on, the indebtedness has reduced significantly, as you well know, the Oltchim assets acquisition was made based on external loans, and at the end of 2021 we have a significant improvement of bank loan levels, pertaining to EBITDA and we talk about a little over 50%, meaning bank loans at the end of 2021 are in amount of 345 million Lei, while EBITDA is at 687 million Lei.

Here is a brief explanation of what EBITDA consists of, we can see that there has been a significant improvement of the mark-up for material costs, so, the margin of material costs, including power and utilities, are, from our perspective, the expenses with the highest degree of variability, is for 2021 somewhere around 45%.



This was a year when we benefited from good prices, in the first half of the year, for gas and power, we had long term contracts, and we managed to avoid negative evolutions from the gas and electricity market, recorded from the beginning of 2021.

From the perspective, there was a question coming from our investors regarding our intentions with the Cogeneration project that was announced, seeing what is happening on the electricity market, we have made the decision and we will implement, we are implementing the building of a cogeneration gas-operated plant in Vâlcea, that will allow us to cover power and steam consumption from our own production. It is interesting to notice if we look at the Other income entry, where in 2020 we talk about an amount of 45 million Lei, I need to say that these 45 million Other income in 2020, include the effect of CO2 compensation certificates for 2019 and 2020.

From the sales perspective, we have an increase of sales volume, from the polyol perspective. It can be easily noted that 63% from the company sales are generated by this sector, this product, polyols. When we talk about polyols we have four important categories, flexible, draft, special and rigid polyols. All these polyols can be found in the polyurethane foams, the most well-known flexible polyurethane foam being the sponge, this being the most common example.

From the flexible polyols' perspective, we had an increase of sales volume of 4,5% it is important, from our perspective the 30% increase in special polyols. When we talk about special polyols, we talk about polyols that are used in insulation, that is polyurethane foams used in insulation, surface covering, adhesives, and elastomers, these are rubbery coverings.

From the perspective of rigid polyols, we are, volume wise, at almost the same level as in 2020. I would like to mention, about this product, which represents the main product of Chimcomplex, the polyols manufactured by us, are part of the decarbonating solution in process of implementation in the European Union.

Documents and official data show that 40% of the energy consumption in the European Union and 36% of greenhouse gas emissions, where the most important are the CO2 emissions are generated by the building sector.

From the perspective of the Resilience and Recovery Program, as well as from the Fit for 55 Program and Strategy of the European Union, you can see that there a special chapter allocated to increasing the energy efficiency level of buildings. Polyurethane foams have a direct effect in this sector, meaning that they are the most efficient solution for the thermal insulation and rehabilitation of buildings, this being the reason why we see on the market an important increase of demand for this activity segment.

I mentioned before that we manufacture polyols by chlorhydrination, Propenoxide is obtained by chlorhydrination, respectively Chlorine, we are Chlorine producers, when we produce Chlorine there is always a by-product, even two. The first one is caustic soda, the second is hydrogen, and from the perspective of increased polyol volume, we have as a consequence, an increase in caustic soda volume, and for 2021 we talk about an increase with 17% of the sales which amount to over 213 thousand tons, as opposed to 182 thousand tons in the previous year.



We could increase the production capacity, we could increase the production volume for polyols by improving the operating range of production capacities in 2021, so we have recorded for polyols an operating range of about 91%, and I remind you, actually I inform you, because this is the first time we have organized such a conference, that in our production process, every year there is an overhaul campaign scheduled for the Vâlcea platform, as well as on the Onești platform, by which all operation equipment is shut down for a period of two weeks.

From the sales perspective as geographical destination, we have stated, and our reports have shown that Chimcomplex is an exporter of chemical products, somewhere around 80% from our sales are direct sales, and there is also a small segment of indirect sales, and our main market is represented by Europe, mainly the European Union, where we have about 85% of our sales. From the perspective of product structure, polyols represent 64% from what we sell, 16% represent the caustic soda, 12% are the plasticizers, actually some forerunners of plasticizers, because we talk about oxo-alcohols and 8% are the rest of chlorosodic products: Sodium hypochlorite, Hydrochloric acid, Ferric chlorine, these are the classical products that we have been selling for years on the market.

There is a small note I need to make relating to this 12% segment, where we talk about oxo-alcohols, where the most important is the octanol, and I need to inform you that when we speak about octanol, we speak about a product that absorbs CO<sub>2</sub> emissions, so by manufacturing of this product we capture carbon dioxide emissions and integrate them in this product, octanol, which is a forerunner of the plasticizers. The plasticizer is the substance that gives plastic its flexibility.

From the perspective of the profit and loss account, we have in our presentation the IFRS report, at the moment we report a statutory system as per OMFPE 1802, because as of January 17, the Chimcomplex shares are traded on the regulated market, we will begin starting from 2022 to have reporting made exclusively on IFRS, but each time we will also present, in this year, beside the statutory results, the IFRS results as well.

From the IFRS reporting perspective there is a difference connected specially to depreciation, meaning that on the IFRS reporting depreciation is a 110 million Lei, while, on the statutory reporting, you will see that depreciation is at about 47 million Lei, normally this difference comes from the different values of fixed assets, where we have high value on fixed assets on IFRS, versus the statutory admitted value, so that is the main difference between the two reports. This is the reason why from EBITDA perspective, you will see that the differences between IFRS and statutory are insignificant.

On the IFRS reporting you can see that the operating results are very good, we talk about an operational profit of about 593 million Lei, and from the net result perspective we also have a very good result, of about 483 million Lei.

The year, you have on the presentation the IFRS report in Lei, for the profit and loss account, as well as the Euro equivalent. I will speak about the cash flow situation, the good results from the operational area, obviously have reflected on the operational cash flow. For 2021 we have positive flows of 610 million Lei, a solid free cash flow, of 538 million Lei, and the main item on which we focused in 2021 from the cash flow perspective was, beside consolidating the cash inflows was the reduction of indebtedness, as you well know from the company briefings,



in 2021 Chimcomplex refinanced entirely the loan balance contracted at the moment of the Oltchim's assets acquisition.

We will have a positive impact here in the future, following the refinancing, the financing costs have improved. The good results from 2021 have reflected in the cash structure, the company closed from a cash position of more than 30 million Euro.

From the financial position perspective, on the balance sheet it can be seen that we have a solid financial position, with equity of more than 1,3 billion Lei, and the whole solidity of the balance sheet represents a direct reflection of the company results of 2021, as well as of 2020. From the point of view of changes in working capital, you have the disclosure, which is related to the cash flow part, we have as of December 31, 2021, a working capital of 95 million Lei. The logical question here is why when there is an increase in the fiscal value, we have a smaller amount for working capital than in 2020. The main positive aspect is that, you see the entry here, as of December 31 2020 we have other receivables of 96 million that have been reduced to 46 million at the end of 2021, here we have included the compensation for the CO2 certificates for 2020, which we have discussed earlier when I presented the profit and loss account.

That was the information we have prepared for you, if you have questions, I am ready to answer them. I will now unmute the microphones, which were muted at some point.

**MC: Hello, can you hear me?**

AD: That is good, yes.

MC: Marius C is my name, retail investor. Mr. Dumitriu, I have sent you yesterday four questions, you have answered to the one concerning the cogeneration plant, if you can answer the other three, if not I will repeat them once again.

**Adrian Dumitriu: Let's see. When will the new polyol plant be launched into operation?**

MC: Exactly.

AD: Yes, the polyol plant. I don't know where you have the information that it will be launched into operation at the end of 2021, part of the polyol factory will be finished this year, and another component somewhere in 2023. From our perspective, and to understand the issue, we stated that we are polyol producers, vertically integrated, we produce our own Propenoxide, which is the main element, and the Propenoxide factory is different from the polyol factory, we will have the polyol factory, meaning supplementary reactors for the polyol production, part of the supplementary reactors will be finished in 2022, another part in 2023, and in 2023 we envisage increasing the Propenoxide capacity, so that according to our strategy, sometime in 2024 we can go from 110 thousand tons polyols sold at the present time, to go to 200 thousand tons, so almost double the polyol production.

**MC: So you say that in 2024?**



AD: Yes.

MC: You will have double capacity. You see the external market increasing as well, right now the context is a bit volatile.

AD: The situation now is a bit complex, but this product, I keep repeating, we are a polyol producer mainly, this is our main activity, these polyols are part of the decarboning process in the European Union. I talked about buildings, I will give you another example, the most efficient windmill is made out of rigid polyurethane foam, which allows the manufacture of a very big wing, with big dimensions and a low weight. There is talk about the pro-summer concept, on every building, house, office building, doesn't matter, to place photo voltaic panels, so that each can produce part of the power needed. Likewise, for the photo voltaic panels we need polyols, these are insulating substances, means of transport, globally, they are responsible for 14% of emissions, in any means of transport, regardless if it is a ship, locomotive, passenger car wagon, or even cars, not to mention electric cars, in all the insulation systems they use polyols, the most lightweight insulation material, which reduces the weight of the means of transport, reducing fuel costs and implicitly emissions. This is why we keep saying that the polyol production has a drive generated by the decarbonated process in the European Union. Meanwhile Mr. Vuza has come into the office.

Stefan Vuza: Hello, invest with us!

MC: Hello, hello!

SV: I have come from another meeting, I hope everything goes well here, if you have questions I will be here, I need to go back to my other meeting. Thank you, carry on.

AD: Mr. C you had another question.

**MC: Yes, concerning the income and expenditure balance.**

AD: It is not available yet; we will make it public.

**MC: You will communicate it to the BVB?**

AD: Absolutely.

**MC: Yes, and I wanted to ask you about the net profit for Q4, which was about ANRE.**

AD: Energy.

**MC: Electrical power?**

AD: Electrical power and gas. Up until September we had a contract that expired for gas, we had public interventions, beginning with August we couldn't find gas on the Romanian market, even if Romania is the second largest gas producer in the European Union and we buy gas BASED ON TTF, from DAM at the present moment, for a time we bought from TTF now we buy gas connected to the BRM. What is happening at BRM, or at DTF, will immediately reflect on BRM. The same thing happens with electrical power, our contracts expired at the end of 2021, and we buy power at current prices on the market. We are not in the same situation as Alro



or Azomures, we also had all sorts of questions in the last few months, taking into account the fact that Also as well as Azomures, have ceased activity in many sectors, at Azomures from the gas perspective, at Alro because of electrical power. For us gas and electrical power are utilities, not raw materials, but they affect us as well, and this is the main explanation for the decrease in Q4. We think this will not last forever, the chaos we have today I mean, and that we will get to a new normal life.

MC: Another question, which I haven't written, but I will ask it now. At the meetings you had last year with the investors, last fall you mentioned that that there will be a new production capacity for PVC, an investment of about 40 million Euro, if I am not mistaken, that could bring sales of hundreds of million Euro.

AD: Yes, we are analysing this, we do have a PVC plant, that can not be operated from the moment the refinery in Pitesti was shut down, due to the lack of one raw material, ethylene, a fraction obtained from the oil refinery, and which unfortunately can be transported only by means of a pipe system, and until we can find solutions to produce ethylene, we could not produce PVC. There is a study, there is a good market, Romania is a net importer of PVC, meaning all PVC consumed in Romania has been imported, we are studying all kinds of solutions to obtain this raw material.

**MC: You think you can find a solution this year?**

AD: We will release the information the moment we have finalised the budget, we will mention it. I tell you I don't think we will start operating the PVC plant in 2022.

MC: I understand. Thank you very much for the information.

AD: If there are other questions? If not, thank you very much for your time, should there be further questions send them to us by email and we will try to answer. Thank you very much have a great day.