
2017 annual report

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1. Introduction

1.1 Company's business name and registered office

Name: Chemko, a. s. Slovakia
Registered office: Pribinova 25, 811 09 Bratislava
Org. ID: 36 210 625

1.2 Business activities

The company's primary line of business is the production and sales of organic and inorganic chemistry products, and specifically phenol-formaldehyde resins and novocol.

1.3 Company bodies

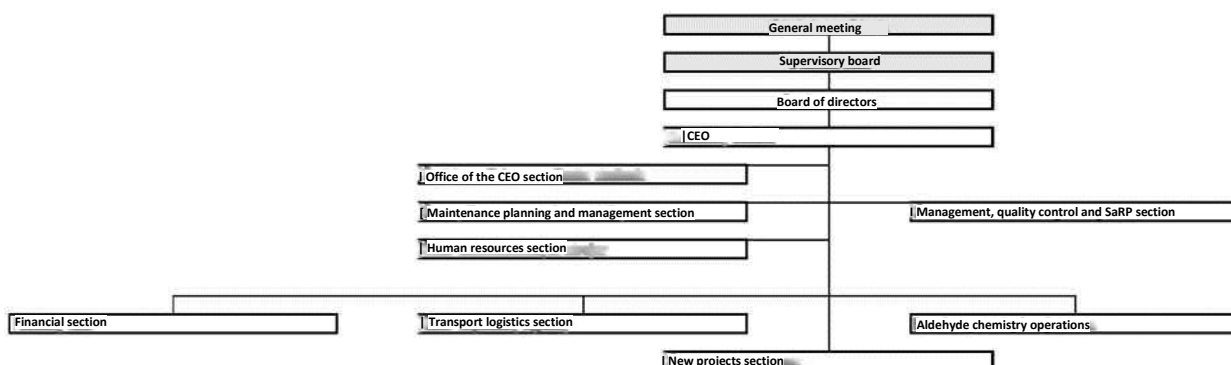
BOARD OF DIRECTORS

Ing. Ondrej Macko	chairman of the board of directors
Ing. Michal Bočko	member of the board of directors
Ing. Igor Plitko	member of the board of directors

SUPERVISORY BOARD

Ján Hrinko	member of the supervisory board
Ing. Boris Krehel	chairman of the supervisory board
Ing. Martin Bartoš	member of the supervisory board

1.4 Organisational structure



1.5 Other important information

The company has not established any organisational units abroad.

The company did not acquire any of its own shares in the reporting period.

2. Report on the company's activities

2.1 General economic development

The production of phenolic resins became the company's primary product. A slight increase was observed in demand for the company's products in the reporting period, and there was a change in the product line with the introduction of new types of adhesives and an increased effort to break into other areas of sales for these adhesives by contacting customers and offering them products from our portfolio.

2.2 Market developments

Resole-type phenol-formaldehyde resins were only sold on the European market in 2017, which is related to the durability of resole resins themselves.

A total of 37.3% of production was placed on the domestic market. The remaining 62.7% of production was placed on the foreign European market. Only resole-type resin used in the manufacturing of sound and thermal insulation materials for the construction industry was placed on the domestic market. Comparatively, the only product placed on the foreign European market was resole-type resin used as an adhesive in water-resistant plywood products and other materials layered under pressure and heat.

Foreign sales were primarily focused on the Balkans, which accounted for 90.5%. The remaining 9.5% of sales volume was directed towards the Baltics.

The sale of novolac phenol-formaldehyde resin was largely focused on the Slovak market in 2017, which accounted for 53.8% and the remaining 46.2% was placed on the Czech market.

All production of novolac resins placed on the domestic market was used to produce refractory materials for the metallurgical industry. Nearly 98.1% of the novolac resins placed on the Czech market was used in the production of sealing materials for blast furnaces. The remainder was used in the production of refractory materials for the metallurgical industry.

Ecological oils were sold primarily on the domestic market in 2017. These oils were used as sacrificial bar oil on chainsaws.

2.3 Management of the company

2.3.1 Production and sales

Overview of group revenues in EUR

Indicator	2017	2016	change in %
revenues from sales of own products	3,831,244	4,740,598	-19.18%
revenues from sales of services	2,889,392	1,006,237	+187.15%
revenues from goods	4,490	27,027	-83.39%

The reduction in sales of the company's own products in 2017 compared to 2016 involved a reduction in the sale of phenolic resin products

2.3.2 Costs

Account code	Account name	2017	2016	change in %
501	Consumed materials	2,824,711	3,300,147	-14.41%
502	Consumed utilities	579,318	563,244	+2.85%
511	Maintenance and	218,716	215,334	+1.57%
518	Other services	1,888,733	1,578,144	19.68%
521	Payroll costs	1,483,746	1,620,565	-8.44%

Changes occurred year-on-year in production and provided services, which was reflected in increases or decreases in year-on-year cost items.

2.3.3 Personnel

	2017	2016	change in %
Average headcount	116	133	-12.78%
of which, women	42	43	-2.33%
men	74	90	-17.78%
of which, labourers	80	87	-8.05%
technical and administrative	36	46	-21.74%

Given that employee development and training are among the most important factors conditioning the success and growth of the company, activities in these areas continued in 2017.

Technical and administrative personnel participated in various seminars, classes, conferences, symposiums, business trips and company presentations.

Training for labourers at Chemko, a.s. Slovakia primarily included in the following over the reporting period:

- basic and repeated training concerning occupational health and safety for the operation of restricted pressurised, gas and hoisting technical equipment
- basic and repeated training and practical instructions for forklift drivers

The company also provides and finances reconditioning stays for its employees. Healthcare is provided a contracted physician. The company also pays increased attention on preventing injury and illness and improves working conditions based on recommendations and suggestions.

Chemko, a. s. Slovakia contributes to the supplemental pension savings of its employees. The company has no significant impact on employment in the given region.

2.3.4 Financial performance and financial and operating results

The company's pre-tax earnings for 2017 were a loss of EUR -1,088,217.

Added value was EUR 1,156,197 and EBITDA was EUR -899,340.

The decrease in non-circulating assets was caused by a reduction in its long-term financial assets.

The decrease in circulating assets was the result of a reduction of inventory levels, an increase in trade receivables, especially with respect to affiliated accounting units, and a reduction in cash reserves.

Accruals are deferred expenses and accrued income.

The company's equity is composed of its registered capital of EUR 19,334,000, funds generated from profits in the amount of EUR 95,171, retained earnings in the amount of EUR -15,800,744 and earnings from the current accounting period of EUR -1,091,099.

The company did not record any transactions involving its own shares in 2016.

The decrease in liabilities was the result of a decrease in trade liabilities and liabilities to affiliated accounting units.

An agreement was signed in December 2014 between ENERGOCHEMICA TRADING, a.s. as the creditor and Chemko, a.s. Slovakia as the debtor recognising the creditor's commitment to provide the debtor with a loan for EU 18,900,000, which the debtor is obliged to repay with interest by 30 June 2018 at the latest.

The company signed an agreement on 26 October 2016 with Light Stabilizers on a EUR 1,000,000 line of credit with a repayment term of two years from the provisioning of the initial tranche with a fixed interest rate of 3.0% p.a.

The principal balance on this line of credit was EUR 183,043 as at 31 December 2017.

The company signed a loan agreement on 20 December 2016 with ENERGOCHEMICA SE on a EUR 1,042,000 line of credit with a repayment term of two years from the provisioning of the initial tranche with a fixed interest rate of 5.0% p.a.

This line of credit was repaid in full as of 31 December 2017.

The sole shareholder's decision on 28 June 2017 approved the ordinary individual financial statements for the company and the settlement of the loss from 2016 against the account of unpaid losses from past years.

2.4 Proposal to cover losses

The ordinary financial statements of Chemko, a.s. Slovakia for 2017 show earnings as follows:

Pre-tax:	loss of EUR 1,088,216.14
Income tax:	EUR 2,882.80
After-tax:	loss of EUR 1,091,098.94

We propose charging this loss
to account 429 - Unpaid losses from past years.

2.5 Research and development

Research and development activities in 2017 were focused on innovating products and technical procedures in the group (in the area of phenol-formaldehyde resins), analytical service for Chemko, a.s. Slovakia production facilities and analytical services for companies in the group and for external customers.

In the area of innovations of phenol-formaldehyde resins, research and development activities were focused on maintaining production volumes by improving the useful properties of the resins, developing new types of resins using production by-products (lignin), making production more environmentally friendly and reducing production costs.

Tasks were resolved using external services (phenol-formaldehyde resins and analytical service) as well as in-house employees (lignin used for phenol-formaldehyde resins). Costs associated with resolving these tasks in 2017 were covered using internal funds in the amount of EUR 189.74 thousand, which includes personnel costs, other costs for expert cooperation and additional costs associated with the operation of the R&D centre (rentals, fire service, ancillary materials and the like).

Costs were also covered by external funds, including EUR 21.93 thousand (APVV) and EUR 20.43 thousand (Bioskoh).

2.6 Environment

Safety, health and environmental protection and product and service quality all form integral parts of the business philosophy at Chemko, a.s. Slovakia.

Chemko, a.s. Slovakia has deployed a certified integrated management system incorporating an ISO 9001:2015 quality management system, along with an ISO 14001:2015 environmental management system and an OHSAS 18 001:2007 occupational health and safety management system.

These systems are integrated and the company has obtained and defended its integrated management system based on managing the processes of the above-specified systems.

System functionality is verified at regular intervals by internal audits, a certification company and external audits conducted by customers.

2.7 Significant events occurring after annual closing

No other significant events that could have an impact on these financial statements occurred after the date of the financial statements.

Based on a merger agreement, Chemko, a.s. Slovakia, with registered office at Pribinova 25, 811 09 Bratislava, Slovakia, Org. ID: 36 210 625, registered in the Commercial Register at Bratislava I District Court, section: Sa, file no.: 4694/B (“Chemko, a. s. Slovakia”) as the successor company merged with the expiring company Light Stabilizers, s. r. o., with registered office at Priemysel'na 720, 072 22 Strážske, Slovakia, Org. ID: 43 852 670, registered in the Commercial Register at Košice I District Court, section: Sro, file no.: 27957/V.

3. Company outlook

The company expects a reduction in negative impacts affecting sales and purchasing activity in 2018 through the stabilisation of customer and supplier relationships and the gradual expansion of sales into other market segments through the process of identifying alternative uses for the company's products.

The production process will also be streamlined, with new types of adhesives introduced and cost levels stabilised by introducing stabilisation measures, which should reduce utility and material costs.

In Bratislava, date 11 May 2018.

Ing. Michal Bočko
member of the board

Ing. Igor Plitko
member of the board