Petrokemija d.d., Kutina

Consolidated and separate Annual Report
for the year 2020

This version of the annual report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.

Petrokemija d.d.
Consolidated and separate Annual Report for the year 2020

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Petrokemija d.d.
Management Report on the Group and Company for the year 2020
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Petrokemija Group and Petrokemija d.d. (ZB: PTKM-R-A; petrokemija.hr) announced its 2020 results today. This report contains audited financial statements for the period ending on 31th of December 2020 as prepared by the management in accordance with the International Financial Reporting Standards.

Petrokemija Group and Petrokemija d.d. financial results. [(1)] *(MSFI)*

PETROKEMIJA GROUP	2019		2020		%	
	mln. HRK	mln. EUR	mln. HRK	mln. EUR	HRK	EUR
Sales revenues	2,120	286	1,803	239	(15)	(16)
EBITDA (2)	263	35	373	50	42	40
EBITDA excl. special items (3)	331	45	400	53	21	19
Profit/(loss) from operations	162	22	288	38	77	75
Operating profit excl. special items (3)	231	31	315	42	36	34
Net result from financial activities	(22)	(3)	(21)	(3)	(4)	(6)
Net profit/loss	141	19	267	35	90	87
Net profit/loss for the period excl. special items (3)	209	28	294	39	41	38
Simplified Free Cash Flow (4)	308	42	344	46	12	10
Net debt (5)	396	53	96	13	(76)	(76)
Net gearing (%) (6)	52	52	13	13	(75)	(75)
CAPEX	23	3	55	7	140	136

PETROKEMIJA d.d.	2019.		2020.		%	
	mil. HRK	mil. EUR	mil. HRK	mil. EUR	HRK	EUR
Sales revenues	2,107	284	1,788	237	(15)	(16)
EBITDA (2)	265	36	368	49	39	37
EBITDA excl. special items (3)	334	45	394	52	18	16
Profit/(loss) from operations	167	22	286	38	71	69
Operating profit excl. special items (3)	235	32	311	41	32	30
Net result from financial activities	(26)	(4)	(21)	(3)	(21)	(22)
Net profit/loss	140	19	265	35	89	86
Net profit/loss for the period excl. special items (3)	209	28	290	39	39	37
Simplified Free Cash Flow (4)	311	42	338	45	9	7
Net debt (5)	396	53	99	13	(75)	(75)
Net gearing (%) (6)	52	52	13	13	(74)	(74)
CAPEX	23	3	55	7	140	136

*[(1)] At the end of 2019 Petrokemija Group adjusted its accounting policy for the treatment of the fee for greenhouse gas emission and related items of assets and liabilities adopting the gross principle. According to the new policy and gross reporting principle liabilities for the purchase of allowances are shown separately from the amounts of allowances purchased as of the reporting date. Those liabilities are recorded within current assets. Further, changes in pricing are demonstrate in the Profit and Loss under the operating cost, whereas previously they have been demonstrated in the financial expenses[(2)] EBITDA = EBIT + Depreciation and amortization[(3)] In 2020 EBITDA, operating and net profit of **Petrokemija Grupe** were negatively impacted by HRK 24 mln of special items related to the value adjustment of liabilities for CO2 emission charges and HRK 2 mln for severance payments, in 2019 EBITDA, operating and net profit were negatively impacted by HRK 2 mln value adjustment of liabilities for CO2 emission charges and HRK 66 mln for severance payments. In 2020 EBITDA, operating and net profit of **Petrokemija d.d.** were negatively impacted by HRK 24 mln of special items related to the value adjustment of liabilities for CO2 emission charges and HRK 1 mln for severance payments, in 2019 EBITDA, operating and net profit were negatively impacted by HRK 2 mln value adjustment of liabilities for CO2 emission charges and HRK 66 mln for severance payments [(4)] Simplified free cash flow = EBITDA excluding special items - capital expenditures[(5)] Net debt = Long and short term financial loans + Liabilities for received advances + Accruals + Provisions – Cash and cash equivalents – Given loans and deposits – Other financial assets[(6)] Net gearing = Net debt / (net debt plus equity)[(7)] In converting HRK figures into EUR, the following average CNB (HNB) rates were used: for Q4 2019 – 7.41 EUR/HRK; Q4 2020 – 7.53 EUR/HRK; as at December 31th 2019 – 7.44 EUR/HRK; as at December 31th, 2020 – 7.54 EUR/HRK*

Petrokemija d.d.
Management Report on the Group and Company for the year 2020
Group and Company Status report for the year 2020

The COVID 19 pandemic did not have a negative impact on the demand for mineral fertilizers in 2020 due to the expected inelasticity of food consumption and agricultural production. The production of mineral fertilizers worked steadily while logistics worked with minor disruptions in the supply chains caused by the COVID 19 crisis.

In 2020 Petrokemija Group reduced its sales revenue by 15% to HRK 1,803 mln, while Petrokemija d.d. reduced its sales revenue to HRK 1.788 mln, the decrease in revenue was mainly caused by somewhat lower prices of mineral fertilizers (consequence of the significantly lower price of natural gas on the European market) and slightly lower sales quantities. Sales quantities are declining in Q4 2020 due to winter turnaround and the need to increase inventory ahead of the spring season. Lower sales resulted in worsened Q4 result.

EBITDA excluding special items of Petrokemija Group amounted in 2020 to HRK 400 mln, EBITDA excluding special items of Petrokemija d.d. amounted in 2020 to HRK 394 mln. It increased compared to 2019 due to stable production, continuous sales and low natural gas price.

Management discussion
Production and sales

Fertilizers production (kt)	2019	2020	%
Fertilizers	1,135	1,113	(2)
Fertilizers sales (kt)	2019	2020	%
Domestic market	340	373	10
Export	788	714	(9)
Total fertilizers sales (kt)	1,128	1,087	(4)

Main external parameters

	2019	2020	%
Natural gas price* (EUR/MWh)	14.75	9.98	(32)
CO2 European Emission Allowances-EUA** (EUR/unit)	24.93	32.04	29
USD/HRK average	6.62	6.61	(0)
USD/HRK closing	6.65	6.14	(8)
EUR/HRK average	7.41	7.53	2
EUR/HRK closing	7.44	7.54	1

**CEGH market data – period average*

*** EEX market data – period closing*

Performance 2020 vs. 2019

KEY DRIVERS

- Plant operated with high utilization of all units, achieving total production slightly lower (2%) compared to 2019
- Sales volume on domestic market higher (10%), while on export markets lower (9%)
- Significantly lower natural gas price as a result of lower gas prices in European markets
- Significant price increase (29%) of CO2 Emissions allowances (EUA)

Group and Company Status report for the year 2020

In 2020 Petrokemija Group posted one of the strongest results in its history, net profit amounted of HRK 267 mln compared to HRK 141 mln net profit in the same period last year. Considering the result without special items, net profit for 2020 amounted to HRK 294 mln as opposed to HRK 209 mln net profit in 2019. Special items imply HRK 24 mln negative effect of value adjustment of liabilities for CO2 emission charges and HRK 2 mln for severance payments in 2020. In 2019 special items were HRK 2 mln negative effect of value adjustment of liabilities for CO2 emission charges and HRK 66 mln for severance payments.

Net profit of Petrokemija d.d. amounted to HRK 265 mln compared to HRK 140 mln net profit in the same period last year. Considering the result without special items, net profit for 2020 amounted to HRK 290 mln as opposed to HRK 209 mln net profit in 2019. Special items imply HRK 24 mln negative effect of value adjustment of liabilities for CO2 emission charges and HRK 1 mln for severance payments in 2020. In 2019 special items were HRK 2 mln negative effect of value adjustment of liabilities for CO2 emission charges and HRK 66 mln for severance payments

The COVID 19 pandemic did not have a negative impact on the demand for mineral fertilizers, which combined with Company's ability to maintain continues production resulted in high volume of production and sales in 2020. The performance of Petrokemija Group in 2020 was also positively impacted by significantly lower natural gas price and implemented efficiency measures in previous periods.

Petrokemija Group planned a major turnaround during summer of 2020. However, as a consequence of COVID 19 pandemic, the timing of the turnaround has been shifted to January of 2021 due to inability from some contractors to deliver spare parts until initially planned deadlines and due to then valid restrictions on travel.

The management closely monitors the development of the COVID 19 situation and implements relevant recommendations of the Croatian National Institute of Public Health for maintaining the health and safety of the Company's employees and is also continuously working to assess the impact of the pandemic on the Company's operations.

Petrokemija Group Consolidated Statement of Profit or Loss
For the period ended 31 December 2019 and 2020
(HRK millions)

HRK mln	Note	2019	2020	%
Sales revenue	1	2,120	1,803	(15)
Income from own consumption of products and services		3	5	77
Other operating income		22	10	(52)
Total operating income		2,145	1,818	(15)
Inventory change of finished prod. and work in progress		67	(1)	n.a.
Cost of raw materials and consumables	2	1,335	1,022	(23)
Depreciation and amortization	5	100	85	(15)
Other material costs	2	52	49	(7)
Staff costs	6	188	178	(5)
Cost of other goods sold		20	19	(1)
Other costs	4	203	161	(21)
Impairment and charges		11	14	27
Provisions for charges and risks	3	5	3	(30)
Operating expenses		1,982	1,531	(23)
Profit/(Loss) from operations		162	288	77
Finance income		3	4	31
Finance costs		25	25	(0)
Net (loss) / profit from financial activities	7	(22)	(21)	(4)
Profit/(Loss) for the year		141	267	90

Petrokemija d.d. Unconsolidated Statement of Profit or Loss
For the period ended 31 December 2019 and 2020
(HRK millions)

HRK mln	Note	2019	2020	%
Sales revenue	1	2.107	1.788	(15)
Income from own consumption of products and services		3	5	77
Other operating income		21	9	(58)
Total operating income		2.131	1.802	(15)
Inventory change of finished prod. and work in progress		67	0	(99)
Cost of raw materials and consumables	2	1.333	1.024	(23)
Depreciation and amortization	5	99	83	(16)
Other material costs	2	59	50	(15)
Staff costs	6	177	163	(8)
Cost of other goods sold		15	20	35
Other costs	4	200	156	(22)
Impairment and charges		11	17	52
Provisions for charges and risks	3	4	3	(32)
Operating expenses		1.965	1.516	(23)
Profit/(Loss) from operations		167	286	71
Finance income		3	4	17
Finance costs		29	24	(17)
Net (loss) / profit from financial activities	7	(26)	(21)	(21)
Profit/(Loss) for the year		140	265	89

Petrokemija Group Consolidated Statement of Financial Position
At 31 December 2019 and 31 December 2020
(HRK millions)

HRK mln	Note	31 Dec 2019	31 Dec 2020	%
Assets				
Non-current assets				
Intangible assets		2	1	(40)
Property, plant and equipment	9	625	592	(5)
Investment in subsidiaries		0	0	0
Other investments		0	0	0
Long-term receivables		0	0	0
Deferred tax		0	0	0
Total non-current assets		627	594	(5)
Current assets				
Inventories	10	226	204	(10)
Trade receivables net	11	40	10	(74)
Other receivables		36	31	(16)
Given loans and deposits		343	165	(52)
Other current assets		98	56	(43)
Prepaid expenses and accrued income		38	52	36
Cash and cash equivalents		42	120	184
Total current assets		823	638	(23)
Total assets	8	1,450	1,231	(15)
Equity and liabilities				
Capital and reserves				
Share capital		550	550	0
Capital reserves		(0)	(0)	0
Other reserves		(0)	(0)	0
Retained earnings / (Deficit)		(321)	(182)	(43)
Current earnings / (Deficit)		141	267	90
Non-controlling interests		1	2	48
Total equity		371	638	72
Non-current liabilities				
Long-term loans		183	95	(48)
Other non-current liabilities		0	0	0
Employee benefits provisions		13	12	(6)
Other provisions		10	10	4
Total non-current liabilities		205	117	(43)
Current liabilities				
Bank loans and other creditors		384	15	(96)
Trade payables	13	145	123	(15)
Taxes and contributions		21	7	(66)
Other current liabilities	14	66	36	(45)
Accruals and deferred income		233	279	20
Employee benefits obligation		25	18	(29)
Total current liabilities		875	477	(45)
Total liabilities	12	1,080	594	(45)
Total equity and liabilities		1,450	1,231	(15)

Petrokemija d.d. Unconsolidated Statement of Financial Position
At 31 December 2019 and 31 December 2020
(HRK millions)

HRK mln	Note	31 Dec 2019	31 Dec 2020	%
Assets				
Non-current assets				
Intangible assets		2	1	(42)
Property, plant and equipment	9	613	582	(5)
Investment in subsidiaries		23	20	(12)
Other investments		0	0	0
Long-term receivables		0	1	n.a.
Deferred tax		0	0	0
Total non-current assets		638	605	(5)
Current assets				
Inventories	10	218	196	(10)
Trade receivables net	11	39	8	(79)
Other receivables		37	31	(16)
Given loans and deposits		343	166	(52)
Other current assets		98	56	(43)
Prepaid expenses and accrued income		38	52	37
Cash and cash equivalents		39	115	195
Total current assets		812	623	(23)
Total assets	8	1,450	1,228	(15)
Equity and liabilities				
Capital and reserves				
Share capital		550	550	0
Capital reserves		(0)	(0)	0
Other reserves		(0)	(0)	0
Retained earnings / (Deficit)		(317)	(177)	(44)
Current earnings / (Deficit)		140	265	89
Non-controlling interests		0	0	0
Total equity		373	638	71
Non-current liabilities				
Long-term loans		182	95	(48)
Other non-current liabilities		0	0	0
Employee benefits provisions		12	11	(6)
Other provisions		9	10	4
Total non-current liabilities		203	115	(43)
Current liabilities				
Bank loans and other creditors		383	14	(96)
Trade payables	13	145	122	(16)
Taxes and contributions		20	7	(68)
Other current liabilities	14	68	36	(47)
Accruals and deferred income		233	278	20
Employee benefits obligation		24	17	(29)
Total current liabilities		873	475	(46)
Total liabilities	12	1,077	590	(45)
Total equity and liabilities		1,450	1,228	(15)

Petrokemija Group Consolidated Statement of Cash Flow
For the period ended 31 December 2019 and 2020
(HRK millions)

HRK mln	Note	2019	2020	%
Profit for the year		141	267	90
Adjustments for:				
Depreciation and amortization		100	85	(15)
Gain on sale of property, plant, equipment and impairment		2	0	0
Other finance expense/(income) recognized in profit		21	14	(33)
(Decrease)/increase in provisions		2	(0)	n.a.
Foreign exchange loss/(gain)		(2)	(4)	144
Other non-cash items		7	0	n.a.
Operating cash flow before working capital changes	15	271	361	33
Movements in working capital	16	(106)	13	n.a.
Decrease/(increase) in inventories		67	22	(68)
Decrease/(increase) in receivables and prepayments		2	21	945
(Decrease)/increase in trade and other payables		(175)	(30)	(83)
Cash generated from operations		165	374	127
Interest expense (net)		(17)	(21)	26
Net cash inflow from operating activities		148	353	138
Cash flows used in investing activities				
Capital expenditures, exploration and development costs		(26)	(51)	100
Interest on loans, net		0	0	0
Investments and loans to third parties, net		2	0	n.a.
Net cash used for investing activities	17	(24)	(51)	115
Cash flows from financing activities				
Issuing of own and debt financial instruments		0	0	0
Repayment borrowings, net		(28)	(444)	1.484
Other financing activities		0	0	0
Net cash used in financing activities		(28)	(444)	1.500
Net (decrease)/increase in cash and cash equivalents		97	(142)	n.a.
At 1 January		386	483	25
Effect of foreign exchange rate changes		0	0	0
At the end of period		483	341	(29)

** Cash equivalents include short-term deposits (under 3 months)*

Petrokemija, d.d. Unconsolidated Statement of Cash Flow
For the period ended 31 December 2019 and 2020
(HRK millions)

HRK mln	Note	2019	2020	%
Profit for the year		140	265	89
Adjustments for:				
Depreciation and amortization		99	83	(16)
Gain on sale of property, plant, equipment and impairment		7	0	0
Other finance expense/(income) recognized in profit		20	14	(32)
(Decrease)/increase in provisions		2	(0)	n.a.
Foreign exchange loss/(gain)		(2)	(4)	149
Other non-cash items		7	3	(60)
Operating cash flow before working capital changes	15	273	359	32
Movements in working capital	16	(105)	28	n.a.
Decrease/(increase) in inventories		63	23	(64)
Decrease/(increase) in receivables and prepayments		6	22	268
(Decrease)/increase in trade and other payables		(174)	(17)	(90)
Cash generated from operations		168	387	131
Interest expense (net)		(17)	(21)	25
Net cash inflow from operating activities		151	366	143
Cash flows used in investing activities				
Capital expenditures, exploration and development costs		(25)	(51)	106
Interest on loans, net		0	0	0
Investments and loans to third parties, net		1	(0)	n.a.
Net cash used for investing activities	17	(23)	(51)	124
Cash flows from financing activities				
Issuing of own and debt financial instruments		0	0	0
Repayment borrowings, net		(33)	(458)	1.274
Other financing activities		0	0	0
Net cash used in financing activities		(33)	(458)	1.285
Net (decrease)/increase in cash and cash equivalents		95	(143)	n.a.
At 1 January		385	481	25
Effect of foreign exchange rate changes		0	0	0
At the end of period		480	337	(30)

[*] *Cash equivalents include short-term deposits (under 3 months)*

Financial overview and notes

PETROKEMIJA GROUP – CONSOLIDATE STATEMENT OF PROFIT OR LOSS

Notes 2020 RESULTS [(1)]

1 **Total sales revenues** in 2020 amounted to HRK 1,803 million and were 15% lower compared to 2019, triggered mainly by lower sales prices and slightly lower sales quanties.

2 **Costs of raw materials, consumables and other material costs** were 23% lower than in 2019, at HRK 1,071 million, mainly due to lower cost of natural gas, mono ammonium and diammonium phosphate.

3 In 2020 provisions for staff payments and legal process amounted to HRK 3 million , while in 2019 provisions for staff payments and for remediation of carbon black production amounted to HRK 5 million.

4 Other **operating costs** realized in 2020 are under the level of 2019, mainly because of lower cost for severance payments and lower cost for business travel.

5 **Depreciation** in the amount of HRK 85 million was 15% lower compared to 2019.

6 **Staff costs** in the amount HRK 178 million were 5% lower compared to 2019.

7 **Net result from financial activities** is negative in 2020 and amounts to HRK 21 million which is lower comparead to 2019 loss in the amount of HRK 22 million.

- Net foreign exchange loss was HRK 4 million in 2020, while in 2019 loss amounted to HRK 2 mln
- Net interest payable amounted HRK to 14 million in 2020, while net interest payable in 2019 amounted to HRK 20 mln.
- Other negative items amounted to HRK 3 million in 2020.

PETROKEMIJA d.d – UNCONSOLIDATE STATEMENT OF PROFIT OR LOSS

Notes 2020 RESULTS [(1)]

1 **Total sales revenues** in 2020 amounted to HRK 1,788 million and were 15% lower compared to 2019, triggered mainly by lower sales prices and slightly lower sales quantities.

2 **Costs of raw materials, consumables and other material costs** were 23% lower than in 2019, at HRK 1,074 million, mainly due to lower cost of natural gas, mono ammonium and diammonium phosphate.

3 In 2020 provisions for staff payments and legal process amounted to HRK 3 million, while in 2019 provisions for staff payments and for remediation of carbon black production amounted to HRK 4 million.

4 Other **operating costs** realized in 2020 are under the level of 2019, mainly because of lower cost for severance payments and lower cost for business travel.

5 **Depreciation** in the amount of HRK 83 million was 16% lower compared to 2019.

6 **Staff costs** in the amount HRK 163 million were 8% lower compared to 2019.

7 **Net result from financial activities** is negative in 2020 and amounts to HRK 21 million which is lower compared to 2019 loss in the amount of HRK 26 million.

- Net foreign exchange loss was HRK 4 million in 2020, while in 2019 loss amounted to HRK 2 mln
- Net interest payable amounted to HRK 14 million in 2020, while net interest payable in 2019 amounted to HRK 20 mln.
- Other negative items amounted to HRK 3 milion in 2020, while in Q1-Q4 2019 other items amounted to HRK 4 mln.

PETROKEMIJA GROUP - STATEMENT OF FINANCIAL POSITION

Notes

8 As at 31[th] December 2020 Petrokemija Group **total assets** amounted to HRK 1,231 million, 15% lower compared to 31[st] December 2019.

9 In the period ended 31[th] December 2020, Petrokemija invested HRK 55 million in **property, plant and equipment**. The effect of depreciation reduced net book value of property, plant and equipment to amount of HRK 592 million.

10 **Inventories** amounted to HRK 204 million, and have decreased by 10% compared to 31[st] December 2019.

11 **Trade receivables** decreased to HRK 10 million.

12 As at 31[th] December 2020 **total liabilities** amounted to HRK 594 million which is 45% or HRK 486 million lower compared to 31[st] December 2019. Petrokemija **net debt** [(2)] decreased by 76% compared to 31[st] December 2019 and amounted to HRK 96 million. **Gearing ratio** decreased from 52% as at 31[st] December 2019, to 13% as at 31[th] December 2020.

13 **Trade payables** decreased by 15% to HRK 123 million, as a result of lower liabilities for raw materials and consumables.

14 **Other current liabilities** decreased by 45% to HRK 36 million, out of which liabilities for advance payments decreased from HRK 57 million to HRK 27 million.

PETROKEMIJA d.d. - STATEMENT OF FINANCIAL POSITION

Notes

8 As at 31[th] December 2020 Petrokemija d.d. **total assets** amounted to HRK 1,228 million, 15% lower compared to 31[st] December 2019.

9 In the period ended 31[th] December 2020, Petrokemija invested HRK 55 million in **property, plant and equipment**. The effect of depreciation reduced net book value of property, plant and equipment to amount of HRK 582 million.

10 **Inventories** amounted to HRK 196 million, and have decreased by 10% compared to 31[st] December 2019.

11 **Trade receivables** decreased to HRK 8 million.

12 As at 31[th] December 2020 **total liabilities** amounted to HRK 590 million which is 45% or HRK 487 million lower compared to 31[st] December 2019. Petrokemija **net debt** [(2)] decreased by 75% compared to 31[st] December 2019 and amounted to HRK 99 million. **Gearing ratio** decreased from 52% as at 31[st] December 2019, to 13% as at 31[th] December 2020.

13 **Trade payables** decreased by 16% to HRK 122 million, as a result of lower liabilities for raw materials and consumables.

14 **Other current liabilities** decreased by 47% to HRK 36 million, out of which liabilities for advance payments decreased from HRK 57 million to HRK 27 million.

PETROKEMIJA GROUP - CASH FLOW

Notes

15 The **operating cash-flow before changes in working capital** amounted to HRK 361 million in 2020 representing an increase of HRK 90 million compared to 2019, which is in line with the change in EBITDA performance compared to the previous year.

16 **Changes in working capital** affected the operating cash flow positively by HRK 13 million in 2020, due to:

- decreasead value of inventories by HRK 22 million
- decrease in receivables by HRK 21 million
- decrease in trade and other payables by HRK 30 million as a result of lower liabilities for raw materials and consumables

17 **Net outflows from investing activities** amounted to HRK 51 million, which is by HRK 27 million higher compared to 2019.

PETROKEMIJA d.d. - CASH FLOW

Notes

15 The **operating cash-flow before changes in working capital** amounted to HRK 359 million in 2020 representing an increase of HRK 87 million compared to 2019, which is in line with the change in EBITDA performance compared to the previous year.

16 **Changes in working capital** affected the operating cash flow positively by HRK 28 million in 2020, due to:

- decreasead value of inventories by HRK 23 million
- decrease in receivables by HRK 22 million
- decrease in trade and other payables by HRK 17 million as a result of lower liabilities for raw materials and consumables

17 **Net outflows from investing activities** amounted to HRK 51 million, which is by HRK 28 million higher compared to 2019.

Restatement

(1) At the end of 2019, Petrokemija adjusted its accounting policy for the treatment of greenhouse gas emission allowances and related items of assets and liabilities, adopting the gross presentation principle. According to the new policy and a gross basis presentation, obligation to buy emission allowances are reported separately from the amount of purchased allowances that are on standby at the reporting date, which is shown as short-term assets. Furthermore, changes in the unit prices of emission units are recorded in the Profit and Loss account within operating costs while previously shown within the financial costs.

(2) Petrokemija adjusted in 2019 its Net debt methodology to better align the reporting to standard of company owners and other listed companies, with Net debt now being calculated as Long and short term financial loans + Liabilities for received advances + Accruals + Provisions – Cash and cash equivalents – Given loans and deposits – Other financial assets.

Special items in EBITDA, operating and net profit

In addition to international accounting standards, international reporting standards and regulatory requests the company discloses special items to achieve a higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having significant effect on operations and results are considered as special items. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, Petrokemija d.d. performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant.

In 2020 EBITDA, operating and net profit **Petrokemija Grupe** were negatively impacted by HRK 24 mln of special items related to the value adjustment of liabilities for CO2 emission charges and HRK 2 mln for severance payments, in 2019 EBITDA, operating and net profit were negatively impacted by HRK 2 mln value adjustment of liabilities for CO2 emission charges and HRK 66 mln for severance payments.

In 2020 EBITDA, operating and net profit **Petrokemija d.d.** were negatively impacted by HRK 24 mln of special items related to the value adjustment of liabilities for CO2 emission charges and HRK 1 mln for severance payments, in 2019 EBITDA, operating and net profit were negatively impacted by HRK 2 mln value adjustment of liabilities for CO2 emission charges and HRK 66 mln for severance payments.

Financial instruments and risks

Risks are described in detail in audited Petrokemija d.d. Financial Statements for the year ended on 31st of December 2019.

As of 31th December 2020 Petrokemija, had credit debt of HRK 108 million, out of which HRK 14 million is related to short-term debt toward banks and HRK 94 million is related to long term debt toward banks.

Management representation

Petrokemija financial statements for 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows.

Mr. Goran Pleše's mandate as Management Board member ceased on December 31st of 2019. Mr. Juraj Kojundžić, has been appointed member of the Management Board in charge of finance as of January 1st, 2020.

Mr. Željko Marić's mandate as Management Board member ceased on December 2nd of 2020. Mr. Krešimir Rendeli, has been appointed member of the Management Board in charge of production as of December 3rd, 2020.

Davor Žmegač
President of the Management Board

Krešimir Rendeli
Member of the Management Board

Juraj Kojundžić
Member of the Management Board

Peter Suba
Member of the Management Board

PETROKEMIJA, d. d.
KUTINA, Aleja Vukovar 4 (1)

14 April 2021
Aleja Vukovar 4
Kutina, Croatia

Petrokemija d.d.
Corporate Governance Statement

General information

The Company and its subsidiaries adhere to the objectives and guidelines of the corporate governance code and the principles contained therein in accordance with laws and regulations of the Republic of Croatia and national best practices. The aim of such corporate governance is to ensure effective and transparent distribution of the roles and responsibilities of its corporate bodies, proper balance of strategic supervision, management and control functions with emphasis on risk management, protection of assets and reputation. The business strategy, corporate policy, key corporate regulations and business practice are all geared towards creating a transparent and efficient operations while forging solid bonds with the local community.

The Company’s shares are listed on the official market of the Zagreb Stock Exchange, and the Group has complied with the Zagreb Stock Exchange Corporate Governance Code. The Group adheres to and implements the prescribed corporate governance measures (as reported in detail in the published annual questionnaire of the Zagreb Stock Exchange). The major shareholders according to the Central Depository and Clearing Company data are listed in the table “Ownership structure” in the Share capital note.

The Companies Act and the Company’s Articles of Association define the General Assembly’s authority and prescribe how it meets and works. The meeting invitation, proposed and adopted resolutions are made public according to the provisions of the Company’s Articles of Association, Companies Act, Capital Market Act and the Zagreb Stock Exchange Rules. There is a time limit related to the voting right at the General Assembly: pursuant to the provisions of the Companies Act, shareholders are required to register their participation within the prescribed time limit in order to attend the General Assembly. Under no circumstances can the rights arising from securities be separated from holding the securities. There are no securities with special rights nor are there any limitations to voting rights (one share, one vote).

The Company’s Articles of Association comply with the Croatian Companies Act and they define the procedure of appointing and recalling members of the Management Board and Supervisory Board. There are no limitations based on gender, age, education and profession or similar. The Management Board’ authority fully complies with the Companies Act.

Corporate governance structure

In accordance with the Companies Act and the Company's Articles of Association, the bodies of the Company are the General Assembly, the Supervisory Board, and the Management Board. The mentioned acts also regulate their duties and responsibilities.

General Assembly

The Company’s General Assembly decides on issues stipulated by law and by the Company's Articles of Association and, inter alia, it adopts the Articles of Association, decides on the allocation of profits, decides on the increase and reduction of share capital, appoints and relieves of duty members of the Supervisory Board, relieves of duty members of the Management Board and of the Supervisory Board, appoints the external auditor of the Company, and also performs other tasks in compliance with the law and the Company's Articles of Association.

Petrokemija d.d.
Corporate Governance Statement (*continued*)

Supervisory Board

The Supervisory Board of the Company supervises the conduct of business affairs in the Group. With this end in view, it reviews and examines the Group's business accounts and documentation. The Supervisory Board submits to the General Assembly a written report on the supervision exercised with respect to the conduct of business affairs in the Group. The Supervisory Board consists of seven members. As a general rule, regular Supervisory Board meetings are held quarterly. In 2020, the Supervisory Board held 15 meetings. The Supervisory Board may decide on important and urgent matters in meetings held by letter. As at the date of preparation of this report and as at 31.12.2020, Members of the Supervisory Board are as follows:

Sandor Fasimon, President

Sabina Škrtić, Vice-president

Gabor Horvath, Member

Pavao Vujnovac, Member

Tomislav Pokaz, Member

Mijo Šepak, Member

Željko Klaus, Member

During 2020 there have been no changes to the Supervisory Board membership structure.

Audit Committee

In line with the Company's Articles of Association, the Company’s Supervisory Board established the Audit Committee whose work is governed by the Audit Committee Charter.

The Audit Committee, appointed in accordance with the law, consisted of three members during the previous year, all of whom were also members of the Supervisory Board. During 2020, five meetings of the Audit Committee were held. The Audit Committee assisted the Supervisory Board in carrying out its duties related to the supervision of the financial reporting process, the audit process (including the recommendation of the General Assembly for the election of the external auditor), as well as compliance with laws, regulations, rules and the code of ethics.

The Supervisory Board, with the help of the Audit Committee, monitored the adequacy of the internal control system, which is achieved through three independent control functions (internal audit, risk control, compliance), and in order to establish such a system of internal controls that will enable early detection and monitoring of all risks to which the Group is exposed in its operations.

During the whole year 2020, the Audit Committee had the following membership:

Sabina Škrtić	President
Gabor Horvath	Member
Tomislav Pokaz	Member

Management Board

The Management Board conducts business operations of the Company. The Management Board consists of four members. Members are generally appointed to office for up to five years and entrusted with the responsibility for a specific business area. The Management Board regularly meets to reach management decisions. Members of the Management Board as at the date of this Annual Report and during the reporting period are as follows:

Davor Žmegač	President
Juraj Kojundžić	Member from 1 January 2020
Željko Marić	Member until 2 December 2020
Krešimir Rendeli	Member from 3 December 2020
Peter Suba	Member

Petrokemija d.d.
Corporate Governance Statement (*continued*)

Key elements of the systems of internal controls and risk management relating to financial reporting for the Company and the Group

The Company's and the Group's overall control systems include:

- appropriate organizational structure at all levels with segregation of duties and defined authority limits and reporting mechanisms to higher levels of management;
- internal controls integrated into business processes and activities;
- accounting and administrative policies and procedures within the scope of the control functions relating to key risks;
- corporate governance model consisting of a Management Board and Supervisory Board;
- Management Board with responsibility for policies in core business areas;
- reconciliation of data, consolidated into the Group's financial statements, giving a true and fair view of the financial position of the Company and the Group. A review of the consolidated data is undertaken by the Management Board to ensure that the financial statements have been prepared in accordance with relevant legislation and approved accounting policies;
- Code of Conduct establishing the basic standards of conduct of the members of the Management Board and supervisory bodies, as well as employees and external collaborators who are, within their roles, obliged to perform their duties in the interest of the Company and the Group, and their shareholders in a diligent, proper, just and professional manner.

The basis of the Company's and the Group's internal control system is the internal policy that defines the basic principles and structure of internal control and duties of those responsible for internal control, which contributes to proper corporate governance and improved business transparency ensuring safe and stable operations in accordance with regulatory requirements.

The main features are as follows:

- comprehensive set of accounting policies and procedures relating to the preparation of the annual financial statements in line with International Reporting Standards adopted by the EU;
- the Group's Internal Audit that oversees the overall operations in order to assess the adequacy of the established system of internal controls;
- Department for Administrative and Financial Management that ensures the reliability of accounting and financial reporting, and of controlling and protecting the system of internal controls for the preparation of financial information;
- Annual Report subject to detailed review and approval through a structured governance process involving senior and executive finance personnel.

The Group has identified the process of preparing and publishing financial statements in a detailed internal document. In order to monitor and minimize these risks, the Group uses the measures described in the note *Risk management* within the financial statements.

Davor Žmegač
President of the Management Board

Krešimir Rendeli
Member of the Management Board

Juraj Kojundžić
Member of the Management Board

Peter Suba
Member of the Management Board

14 April 2021
Aleja Vukovar 4

PETROKEMIJA, d. d.
KUTINA, Aleja Vukovar 4 1

Petrokemija d.d.
Statement of Management's responsibility

The Management Board of Petrokemija d.d. ("the Company") is required to prepare the financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group (the Company and its subsidiaries and associates form the Group) and of the standalone and consolidated results of its standalone and consolidated operations and its cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform to applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent and prepare the financial statements of the Company and the Group on a going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

After making enquiries the Management Board expects that the Company and the Group will ensure adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board adopts the going concern basis in preparing consolidated financial statements.

The Management Board is also responsible for the preparation and content of the Management Report and the Statement on the implementation of corporate governance code, as required by the Croatian Accounting Act.

Statement of management's responsibility and Corporate Governance Statement, together with the consolidated and separate financial statements were authorised for issue and signed by the Management Board on 14 April 2021 and submitted to the Supervisory Board for adoption. The annual consolidated financial statements were then submitted to the General Assembly for approval.

Davor Žmegač *President of the Management Board*	**Krešimir Rendeli** *Member of the Management Board*
Juraj Kojundžić *Member of the Management Board*	***Peter Suba*** *Member of the Management Board*

PETROKEMIJA, d. d.
KUTINA, Aleja Vukovar 4 (1)

14 April 2021
Aleja Vukovar 4
Kutina, Croatia

![KPMG]

Independent Auditors' report to the shareholders of Petrokemija d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Petrokemija d.d., Kutina ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together referred to as "the Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group, respectively, as at 31 December 2020, and their respective separate and consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereinafter "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company and of the consolidated financial position of the Group as at 31 December 2020, and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors' report to the shareholders of Petrokemija d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of property, plant and equipment

The carrying amount of property, plant and equipment (PPE) as at 31 December 2020 is HRK 592,191 thousand for the Group and HRK 582,435 thousand for the Company with related depreciation charge for the year of HRK 83,821 thousand for the Group and HRK 81,280 thousand for the Company (2019: HRK 625,065 thousand, HRK 613,065 thousand, HRK 99,224 thousand and HRK 97,606 thousand, respectively).

Refer to accounting policy 3.5 *Property, plant and equipment* and note 14 Property, plant and equipment to the financial statements.

Key audit matter	How we addressed the matter
The reported property, plant and equipment with a total carrying amount of HRK 592 million for the Group and HRK 582 million for the Company are carried at cost less accumulated depreciation and any accumulated impairment losses, and consist primarily of the main production facility in Kutina. Given the magnitude of these assets, one of the key aspects of accounting in the area is the determination of the useful lives of these assets, and consequently the depreciation rates applied. After initial determination, the useful lives of PPE are reviewed annually, and judgement is applied primarily in relation to technical factors which may affect the useful life expectancy of the assets. Additionally, during the year ended 31 December 2020, additions to PPE of HRK 51 million included HRK 4 million relating to capitalized internal costs. Determination of whether such costs satisfy the capitalization criteria generally involves some complex judgments. Depending on its nature, expenditure is either capitalised or expensed as incurred. In making this distinction, management has to consider, inter alia, whether the expenditure will generate future economic benefits; this involves judgment in determining, for example, whether related activities or items are adding value or only maintaining value of existing assets.	Our audit procedures in this area, included, amongst others: ▪ Assessment of the capitalisation policies for compliance with relevant accounting standards; ▪ On a sample of items, tracing the capitalised amounts to underlying supporting documentation (e.g. purchase invoices); ▪ Assessing the reasonableness of useful lives applied by the Group and Company by reference to useful lives applied by companies in the same industry, as well as through corroborative inquiries with relevant technical personnel; ▪ Inspection on a sample basis, transactions for disposal of PPE in order to assess whether any significant gains or losses on disposal were recognised and whether such gains or losses are indicative of the depreciation rates not reflecting the actual useful lives of those assets; ▪ Challenging on a sample basis the amounts of internal costs capitalised by reference to timesheets as well as the assessment of their overall reasonableness in relation to relevant budgets and our understanding of the nature of the work performed;

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Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Carrying amounts of property, plant and equipment *(continued)*	
Key audit matter	**How we addressed the matter**
Furthermore, the volatility of the industry segment the Group and the Company operate in, and its significant dependence on changes in several key factors (such as market prices of fertilizers and natural gas), increases uncertainty in assessing whether the carrying amounts of the property, plant and equipment are recoverable. As required by relevant financial reporting standards, individual items of property, plant and equipment or cash generating units ("CGUs") for which impairment indicators exist are required to be tested for potential impairment. Any such impairment would be recognised in the amount by which the carrying amount of the asset (or a related CGU) exceeds its recoverable amount. The estimation of the recoverable amount of these assets, which is higher of their value in use (based on discounted cash flow models) or fair value less costs to sell, relies on significant judgments and assumptions about the future, including: forecast sales volumes, market prices of fertilizers and natural gas in the forthcoming period, capital expenditure, and the most appropriate discount rate. These assumptions are exposed to significant variability due to changing market conditions. Due to the above factors, we considered this area to be a key audit matter.	▪ Evaluation of the design and implementation of the Group's and Company's controls over the identification of impairment indicators including, but not limited to, evaluation of management's analysis of relevant market trends (prices of natural gas, CO_2 emission units and fertilizers); ▪ Assessment of the appropriateness of allocation of assets to CGUs; ▪ Challenging, with the assistance from our own valuation specialists, the Group's and Company's assumptions and judgments applied in determination of the recoverable amounts of property, plant and equipment. This included: - challenging management's assessment of the projected financial performance by comparing actual results to the prior periods' budgeted figures as well as to forecasts for future periods; - testing the integrity of the model, including its mathematical accuracy, and evaluating the key assumptions applied (such as forecast sales volumes, market prices of fertilizers and natural gas in the forthcoming period as well as the discount rate) for reasonableness compared to both externally derived data and historical financial performance; - compared management's key assumptions with respect to expected capital expenditure included in the model with the existing capital commitments and historical capital expenditure levels; ▪ Evaluation of the Group's and Company's analysis of the sensitivity of the impairment tests' results, in particular in respect of the assumptions with the greatest potential effect on the test results, e.g. those related to discount rate; ▪ Evaluation of the adequacy and completeness of PPE – related disclosures against the relevant requirements of the financial reporting standards.

Independent Auditors' report to the shareholders of Petrokemija d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Statement included in the Annual Report of the Company and the Group but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and the Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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Independent Auditors' report to the shareholders of Petrokemija d.d. (continued)

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors’ report to the shareholders of Petrokemija d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 2 June 2020 to audit the financial statements of the Company and the Group for the year ended 31 December 2020. Our total uninterrupted period of engagement is two years, covering the periods ending 31 December 2019 and 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 14 April 2021;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the Group and Company in conducting the audit.

The engagement partner on the audit resulting in this independent auditors’ report is Igor Gošek.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
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Croatia

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14 April 2021

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Petrokemija d.d.

Statement of comprehensive income

for the year ended 31 December 2020

(in thousands of HRK)	*Note*	Group **2020**	Group 2019	Company **2020**	Company 2019
Revenue from sales	*7*	**1,803,487**	2,120,455	**1,788,056**	2,107,301
Other income	*8*	**12,598**	24,315	**11,284**	23,951
Total operating income		**1,816,085**	2,144,770	**1,799,340**	2,131,252
Change in inventory of finished goods and work in progress		**1,341**	(66,979)	**(371)**	(66,979)
Raw materials, consumables and services used	*9*	**(1,090,206)**	(1,407,209)	**(1,093,822)**	(1,406,122)
Staff costs	*10*	**(178,153)**	(188,362)	**(163,274)**	(177,295)
Depreciation and amortisation	*14, 15*	**(85,161)**	(100,474)	**(82,620)**	(98,856)
Other operating expenses	*11*	**(176,080)**	(219,464)	**(173,549)**	(215,401)
Total operating expenses		**(1,528,259)**	(1,982,488)	**(1,513,636)**	(1,964,653)
Operating profit/(loss)		**287,826**	162,282	**285,704**	166,599
Finance income	*12*	**794**	766	**819**	1,101
Finance expenses	*12*	**(21,612)**	(22,518)	**(21,522)**	(27,299)
Net finance costs		**(20,818)**	(21,752)	**(20,703)**	(26,198)
Profit/(loss) before tax		**267,008**	140,530	**265,001**	140,401
Income tax	*13*	**(188)**	5	**-**	-
Profit/(loss) for the period		**266,820**	140,535	**265,001**	140,401
Other comprehensive income:					
Exchange differences on translation of foreign operations		**(135)**	-	**-**	-
Total comprehensive profit/(loss)		**266,685**	140,535	**265,001**	140,401
Profit/(loss) attributable to:					
Equity holders of the parent		**267,296**	141,203		
Non-controlling interests		**(476)**	(668)		
Total comprehensive profit/(loss) attributable to:					
Equity holders of the parent		**267,161**	141,203		
Non-controlling interests		**(476)**	(668)		
Profit/(loss) per share (in HRK):					
- Basic and dilluted	*23*	**4.86**	2.57		

The accompanying notes form an integral part of these financial statements.

Petrokemija d.d.

Statement of financial position

as at 31 December 2020

(in thousands of HRK)	***Note***	Group **31/12/2020**	Group 31/12/2019	Company **31/12/2020**	Company 31/12/2019
ASSETS					
Non-current assets					
Property, plant and equipment	*14*	**592,191**	625,065	**582,435**	613,099
Intangible assets	*15*	**1,313**	2,182	**1,266**	2,182
Investment in associate	*16*	**-**	-	**20,092**	22,849
Deferred tax assets		**147**	150	**-**	-
Trade and other receivables		**168**	-	**168**	-
Non-current financial assets	*17*	**10**	10	**881**	10
		593,829	627,407	**604,842**	638,140
Current assets					
Inventories	*18*	**203,852**	225,579	**195,535**	218,193
Trade and other receivables	*19*	**41,367**	77,067	**39,384**	76,132
Current financial assets	*17*	**221,319**	440,808	**222,317**	441,208
Other current assets	*20*	**51,520**	37,556	**51,520**	37,556
Cash and cash equivalents	*21*	**119,591**	42,054	**114,568**	38,773
		637,649	823,064	**623,324**	811,862
Total assets		**1,231,478**	1,450,471	**1,228,166**	1,450,002
EQUITY AND LIABILITIES					
Equity					
Share capital	*22*	**550,287**	550,287	**550,287**	550,287
Reserves		**(319)**	(238)	**(364)**	(364)
Accummulated losses		**85,698**	(180,450)	**88,129**	(176,872)
Attributable to owners of the Company		**635,666**	369,599	**638,052**	373,051
Non-controlling interest		**1,898**	1,280	**-**	-
		637,564	370,879	**-**	-
Non-current liabilities					
Loans and borrowings	*24*	**94,505**	182,579	**94,505**	182,374
Provisions	*25*	**22,111**	22,423	**20,806**	21,125
		116,616	205,002	**115,311**	203,499
Current liabilities					
Loans and borrowings	*24*	**14,523**	383,789	**14,318**	383,126
Trade and other payables	*26*	**191,708**	266,565	**189,418**	266,090
Other current liabilities	*27*	**271,067**	224,236	**271,067**	224,236
		477,298	874,590	**474,803**	873,452
Total equity and liabilities		**1,231,478**	1,450,471	**1,228,166**	1,450,002

The accompanying notes form an integral part of these financial statements.

Petrokemija d.d.

Statement of changes in equity
for the year ended 31 December 2020

GROUP

(in HRK thousands)	**Share capital**	**Other reserves**	**Retained earnings /(accumulated losses)**	**Foreign currency translation reserve**	**Attributable to owners of the Company**	**Non-controlling interest**	**Total equity**
As at 1 January 2019	**550,287**	**153,508**	**(475,088)**	**39**	**228,746**	**1,948**	**230,694**
Comprehensive income							
Loss for the period	**-**	-	141,203	-	**141,203**	(668)	**140,535**
Other comprehensive income	-	-	(87)	87	**-**	-	**-**
Total comprehensive income	**-**	**-**	**141,116**	**87**	**141,203**	**(668)**	**140,535**
Transfers	-	(153,522)	153,522	-	-	-	-
Capitalisation cost	-	(350)	-	-	(350)	-	(350)
As at 31 December 2019	**550,287**	**(364)**	**(180,450)**	**126**	**369,599**	**1,280**	**370,879**
As at 1 January 2020	**550,287**	**(364)**	**(180,450)**	**126**	**369,599**	**1,280**	**370,879**
Comprehensive income							
Profit for the period	**-**	**-**	**267,296**	**-**	**267,296**	**(476)**	**266,820**
Other comprehensive income	**-**	**-**	**(54)**	**(81)**	**(135)**	**-**	**(135)**
Total comprehensive income	**-**	**-**	**267,242**	**(81)**	**267,161**	**(476)**	**266,685**
Transfers	-	-	(1,094)	-	(1,094)	1,094	-
As at 31 December 2020	**550,287**	**(364)**	**85,698**	**45**	**635,666**	**1,898**	**637,564**

The accompanying notes form an integral part of these financial statements.

Petrokemija d.d.

Statement of changes in equity
for the year ended 31 December 2020

COMPANY

(in HRK thousands)	**Share capital**	**Other reserves**	**Retained earnings / (accumulated losses)**	**Total**
As at 1 January 2019	**550,287**	**153,509**	**(470,796)**	**233,000**
Comprehensive income				
Profit for the period	-	-	140,401	140,401
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**140,401**	**140,401**
Transfers	-	(153,523)	153,523	-
Recapitalisation costs	-	(350)	-	(350)
As at 31 December 2019	**550,287**	**(364)**	**(176,872)**	**373,051**
As at 1 January 2020	**550,287**	**(364)**	**(176,872)**	**373,051**
Comprehensive income				
Profit for the period	-	-	265,001	265,001
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**265,001**	**265,001**
As at 31 December 2020	**550,287**	**(364)**	**88,129**	**638,052**

The accompanying notes form an integral part of these financial statements.

Petrokemija d.d.

Statement of cash flows

for the year ended 31 December 2020

(in thousands of HRK)	***Note***	**Group 2020**	Group 2019	**Company 2020**	Company 2019
Profit/(loss) before tax		**267,008**	140,530	**265,001**	140,401
Depreciation and amortization	*14, 15*	85,161	100,474	82,620	98,856
Gains and losses on sale and impairment of tangible and intangible assets		(60)	1,945	(60)	1,944
Gains and losses on sale and impairment of financial assets	*12*	18	55	2,775	4,784
Impairment of inventory		11,961	6,935	11,961	6,935
Interest and dividend income	*13*	333	(125)	358	(813)
Interest expense	*13*	14,440	20,745	14,440	20,830
Net increase/(reversal) of provisions		208	1,770	201	1,633
Foreign exchange differences - net		1,367	(1,772)	1,502	(1,741)
Other adjustments for non-cash transactions and unrealized profits and losses		-	-	-	21
Changes in working capital:		**380,436**	270,557	**378,798**	272,850
Decrease / (increase) in inventories		9,766	67,335	10,697	62,730
Decrease/(increase) in trade and other receivables		35,512	1,993	36,562	5,927
Increase in trade and other payables		(35,715)	(174,940)	(37,347)	(173,379)
Cash generated from operations		**389,999**	164,945	**388,710**	168,128
Interest paid		(21,418)	(16,718)	(21,418)	(16,805)
Net cash from operating activities		**368,581**	148,227	**367,292**	151,323
Cash flows from investing activities					
Purchase of property, plant, equipment and intangibles	*15,16*	(51,322)	(25,734)	(50,932)	(24,781)
Interest and dividend received		(333)	460	(358)	812
Cash receipts from given loans		-	-	(1,469)	(400)
Incorporation of a subsidiary		-	-	-	(200)
Proceeds from sale of property, plant, equipment		98	1,655	86	1,655
Net cash from investing activities		**(51,557)**	(23,619)	**(52,673)**	(22,914)
Cash flows from financing activities					
Repayment of borrowings		(458,976)	(28,041)	(458,313)	(33,759)
Other cash inflows from financing activities		-	288		288
Net cash from financing activities		**(458,976)**	(27,753)	**(458,313)**	33,471
Net increase /(decrease) of cash and cash equivalents		**(141,952)**	96,855	**(143,694)**	94,938
Cash and cash equivalents at beginning of year		42,054	10,872	38,773	9,508
Short term deposits at beginning of the year		440,808	375,135	440,808	375,135
Cash and cash equivalents at beginning of year		**482,862**	386,007	**479,581**	384,643
Cash and cash equivalents at end of year		119,591	42,054	114,568	38,773
Short term deposits at end of the year		221,319	440,808	221,319	440,808
Cash and cash equivalents at the end of year	*20*	**340,910**	482,862	**335,887**	479,581

The accompanying notes form an integral part of these financial statements.

1 General information

The Petrokemija d.d. Fertilizers Factory (hereinafter "the Company") was founded in 1965, although the beginning of the sooth production dates back to 1926. Today the Group is registered at the Commercial Court in Zagreb under registration number 080004355 and personal identification number 24503685008. As at 31 December 2020, the Company's share capital amounts to HRK 550,287 thousand and it is divided into 55,028,701 non-materialized ordinary shares at a nominal value of HRK 10 each. The Company's shares are listed on the official market of the Zagreb Stock Exchange. The shareholder structure is shown in Note 22.

The Company and its subsidiaries as disclosed in note 16 together form the Group. The principal activities of the subsidiaries relate to port related services (Luka Šibenik d.o.o.), sale of fertilizers (Petrokemija Novi Sad d.o.o.), sale of clay produce (Tvornica Gline d.o.o.) and sale of industrial palettes (Tvornica paleta d.o.o.). Pursuant to the national classification of activities and along with the basic activity of producing mineral fertilizers registered at the Commercial Court Register in Sisak, the Group's main activities are: production of feed additives, production of chemicals and chemical products, production of other rubber products, metal products, supply of electricity, gas, steam and hot water, collecting, purifying and distributing water, research and development in natural, technical and technological sciences. As at 31 December 2020, the Group employed 1,381 employees *(31 December 2019: 1,432 employees)*.

The Group and the Company bodies

The Group and the Company bodies are the Management Board, Supervisory Board and General Assembly.

Management Board

Members of the Management Board during the reporting period and up to the date of approval of these financial statements were:

Davor Žmegač	President
Juraj Kojundžić	Member from 1 January 2020
Željko Marić	Member until 2 December 2020
Krešimir Rendeli	Member from 3 December 2020
Peter Suba	Member

Supervisory Board

Members of the Supervisory Board of the Company are the following:

Sandor Fasimon,	President
Sabina Škrtić,	Vice-president
Gabor Horvath,	Member
Pavao Vujnovac,	Member
Tomislav Pokaz,	Member
Mijo Šepak,	Member
Željko Klaus,	Member

The General Assembly is the Company body in which shareholders realize their rights in the Company's operations unless regulated differently under the law or the Company's Articles of Association. The General Assembly members are shareholders with voting rights.

2 Basis of preparation

2.1 Statement of compliance

The separated and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

These financial statements represent those of the Group and the Company. The financial statements comprise the consolidated financial statements of the Group and its subsidiaries and the separate financial statements of the Company and are prepared in line with EU IFRSs.

These financial statements were authorised for issue by the Management Board on 14 April 2021.

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis except where otherwise stated.

2.3 Functional and presentation currency

The financial statements are presented in the Croatian currency kuna ("HRK"), which is the Group's and Company's functional currency. All financial information presented is rounded to the nearest thousand.

3 Significant accounting policies

The Group and the Company have applied the accounting policies set out below consistently to all periods presented in these financial statements.

3.1 Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiaries (together "the Group").

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Negative goodwill that arises in case of a bargain purchase is recognised immediately in the profit and loss account. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control was transferred to the Group until the date on which control ceases.

In its separate financial statements, the Company accounts for its investments in subsidiaries at cost less any impairment.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests in subsidiaries are included in the total equity of the Group.

3 Significant accounting policies *(continued)*

3.1 Basis of consolidation(continued)

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity and reserves. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment loss, if any. For the purposes of impairment testing, goodwill is allocated to each cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are retranslated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates prevailing at the dates the fair values were determined.

Group companies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Income and expense items and cash flows of foreign operations are translated into the Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of transactions (average exchange rates for the year) and their assets and liabilities are translated at the exchange rates ruling at the year end. All resulting exchange differences are recognised in equity.

3 Significant accounting policies *(continued)*

3.4 Intangible assets

(i) Software licences and project documentation

Licences and project documentation are depreciated over their estimated useful lives. Estimated useful lives are reviewed annually and impairment reviews are undertaken if events occur which call into question the carrying values of the assets.

(ii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when they increase the future economic benefits embodied in the specific asset to which it relates and if these benefits will flow to the Group. All other expenditure is recognised in the profit or loss as an expense is incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of assets. Intangible assets are depreciated from the date on which they are available for use. The estimated useful lives of intangible assets are as follows:

Software and project documentation	3 – 5 years

3.5 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use, including the proportion of the related borrowing costs for property, plant and equipment incurred during the period of their construction.

Subsequent expenditure is recognised in the carrying amount of items of property, plant and equipment only when it increases the future economic benefits embodied in the item and if these benefits will flow to the Group. All other expenditure is recognised in the profit or loss as an expense is incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Land and assets under construction are not depreciated. The estimated useful lives as follows:

Buildings	15 – 50 years
Plants and equipment	5 – 25 years
Tools and fittings	5 – 25 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually.

3 Significant accounting policies *(continued)*

3.6 Financial instruments

Financial assets and financial liabilities disclosed in the accompanying financial statements consist of cash and cash equivalents, trading securities, trade and other receivables, trade and other payables, non-current receivables, loans, borrowings and investments. The accounting methods for the recognition and valuation of these items are disclosed in relevant accounting policies. Investments are recognised or derecognised on the transaction date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at depreciated cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the depreciated cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and deposits and securities payable on demand or at the latest within a period of three months.

3 Significant accounting policies *(continued)*

3.7 Inventories

Inventories of raw materials and finished goods are stated at the lower of cost, determined using the weighted average cost method, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Trading goods are carried at the lower of purchase cost and selling price (less applicable taxes and margins). Small inventory and tools are expensed when put into use.

Spare parts which are considered strategic are held as inventory until the date of installation when they are recognised as subsequent expenditure relating to respective items of plant and equipment and depreciated over their estimated useful life.

3.8 Impairment losses

(i) Financial assets

The Group recognises the allowance for expected credit losses for trade receivables. The amount of expected losses needs to be updated for every reporting date in line with the changes in credit risk in relation to those originally reported.

The expected credit losses for those financial assets are estimated with the help of a provision matrix based on the experience of credit loss from the previous period, while complying with the debtor-specific factors, general economic conditions and assessment of current and expected trend of conditions as at the reporting date, including, where appropriate, the time value of money.

When assessing whether the asset credit risk significantly increased, the Group considers both qualitative and quantitative appropriate and founded future-oriented information.

The financial asset's carrying amount is reduced following impairment through the use of an allowance account. In case of inability to collect trade receivables, these are written off against an allowance account. When receivables previously written off are collected, they are credited to income for the period.

(ii) Property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. If it is impossible to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash-generating unit the relevant amount belongs to. If it is possible to establish a real and consistent basis for allocation, the Group’s assets are also allocated to individual cash-generating units or, if this is not the case, to the smallest group of cash-generating units for which a real and consistent basis for distribution can be established.

3 Significant accounting policies ***(continued)***

3.9 Employee benefits

(i) Defined pension fund contributions

In the normal course of business through salary deductions, the Group makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits.

(ii) Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards and regular retirement benefits) evenly in the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary at the end of each reporting period using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investments in government bonds.

(iii) Bonus plans

A liability for employee benefits is recognised in provisions based on the Group's formal plan and when past practice has created a valid expectation by the Management Board that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months of the reporting date and are recognised at the amounts expected to be paid when they are settled.

3.10 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.11 Revenue

Revenue from the sale of goods is recognised when the material risks and rewards of ownership are transferred to the buyer. Revenues are stated net of taxes, discounts, and volume rebates. Provisions for rebates to customers are recognised in the same period that the related sales are recorded, based on contract terms.

Revenue from services is recognised in the period in which services are provided in proportion to the stage of completion of the transaction at the reporting date.

3.12 Financial income and expenses

Financial income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains.

Interest income is recognised as it accrues, using the effective interest method.

Financial expenses comprise interest expense on borrowings, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses from financial assets.

3 Significant accounting policies *(continued)*

3.13 Accounting for leases – where the Group is the lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT and other office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Significant accounting policies *(continued)*

3.14 Share capital

Share capital consists of ordinary shares. Costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

3.15 Dividends

Dividends are recognised in the statement of changes in equity and recorded as liabilities in the period in which they are approved by the Group's owners.

3.16 Segment information

A segment is a distinguishable component of the Group and the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group and the Company does not report segment information as internal reporting is not based on segmental information other than revenues per geographic market and products which is disclosed within Note 7.

3.17 CO_2 emission allowances

Emission allowances are classified as other current assets when they are intended for the settlement of current CO_2 emission obligations or are held as current assets held for trading if designated as such. Both purchased and granted emission units are recognised at fair value at initial purchase/grant date and are subsequently measured at amortised cost less impairment.

For emission units purchased on the ETS market are (EU's trading System for CO_2 emission allowances), the ETS market price at the purchase date represents their fair value at initial recognition. For emission units granted by the government, the ETS market closing price at the grant date is deemed as their fair value at initial recognition. Granted emission units are treated as a government grant and recognised at fair value at initial recognition with a corresponding entry recognised as deferred income. Deferred income in respect of emission units granted is released to profit and loss, on a straight-line basis throughout the compliance period for which the units are granted, an set-off against operating expenses related to the recognition of for emission liabilities.

Emission allowances are tested for impairment at each reporting date whereby an impairment loss is recognised if the carrying amount of emission allowances held exceeds their fair value measured by reference to the closing ETS market price at the reporting date. Impairment losses are recognised as a deduction in the carrying amount of the asset with a corresponding entry recognised as operating costs within profit or loss.

At the date of settlement of emission liabilities, the emission units recognised as current assets are derecognised with a corresponding derecognition of the emission liability. Any losses or gains upon derecognition of emission units is recognised in profit and loss within operating expenses related to emissions.

The liability for CO_2 emissions is recognised during the reporting period on a monthly basis whereby the amount of the liability recognised is equal to the amount of CO_2 units emitted, measured at the ETS market price at each month end. The liability for CO_2 emissions presented within other current liabilities while the corresponding expense is recognised within operating expenses. The liability for CO_2 emissions is remeasured at each reporting date at the current ETS market price except to the extent that it is expected to be settled with emission units already held by the entity in which case it is measure at the cost of purchase of any such units held.

3 Significant accounting policies *(continued)*

3.18 Taxation

Current tax

Income tax is based on taxable income for the year and comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the date of the statement of financial position, and any adjustments to tax payable in respect of previous years. In 2020, the corporate income tax rate amounts to 18% (2019: 18%).

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, as well as differences which refer to investing into subsidiaries and joint undertakings when it is probable that the relevant situation will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax benefit. Each reporting date the Group reassesses the unrecognised tax assets potential and the carrying amount of deferred tax assets recognised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4 Key accounting judgements and estimates

Key judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and related assumptions are continuously reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by the Management Board in the application of accounting policies that have significant effect on the amounts recognised in the financial statements are discussed in a separate note. Key assumptions concerning the future on which significant estimates are based and other key sources of estimation uncertainty, which involve a significant risk of causing a material adjustment in the following year are disclosed below.

(i) Actuarial estimates used in determining liabilities for employee benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty (see Accounting policy 3.9 and Note 25).

(ii) Consequences of certain legal actions

There are a number of legal actions which have arisen from the regular course of operations. The Management Board makes estimates of probable outcomes of these legal actions, and recognises provisions for the Group's liabilities that may arise from these legal actions on a consistent basis.

The Group recognises a provision in the total expected amount of outflows of economic benefits as a result of the legal action, which is generally the claim amount plus the estimated related legal costs and penalty interest (if applicable), if it is more likely than not, based on the opinion of the Management Board after consultation with legal advisers, that the outcome of the court proceedings will be unfavourable for the Group. The Group does not recognise provisions for legal actions or the expected related legal costs and penalty interest (if applicable) in cases where the Management Board estimates that an unfavourable outcome of the court proceedings is less likely than a favourable outcome for the Group.

Where indications exist of a possible settlement in relation to a particular legal action, a provision is recognised, based on the best estimate of the Management Board made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular legal action.

Where the Group is a plaintiff in a particular legal action, any economic benefits expected to flow to the Group as a result are recognised only when virtually certain which is generally as at the date of inflow of these economic benefits.

Provisions for the Group's obligations arising from legal actions are recognised on a consistent basis and estimated on a case by case principle.

4 Key accounting judgements and estimates *(continued)*

(iii) Accounting for capital expenditure under the concession arrangement as part of consolidated financial statements

The Group, through its subsidiary Luka Šibenik d.o.o., has a long-term service concession arrangement for the provision of port services. As part of the concession arrangement, the local port authority of Šibenik ("Grantor") transferred the operational rights over a number of assets comprising the port infrastructure to the Group ("Operator") which is entitled to use these assets in the course of providing the services defined in the concession arrangement. In addition to fixed and variable concession fees payable by the Group, the concession arrangement also defines obligations of the Group to incur capital expenditure relating to the maintenance and replacement of port infrastructure and investments into equipment required for port operations in the concession area. The contract determines the conditions for the transfer of port infrastructure to the local port authority or a successor at its expiry.

The Group and the Company has considered relevant financial reporting standards and interpretations in determining the appropriate approach to accounting for the concession arrangement. As part of the analysis, management considered the applicability of IFRIC 12 *Service Concession Arrangements* (an interpretation governing the accounting for public-to-private service concession arrangements) and the applicability of the new standard for leases, IFRS 16 *Leases*.

Management has concluded that the current arrangement does not fall under the scope of IFRIC 12 as a result of the price regulation mechanism stipulated by the contract not being considered substantive.

On the other hand, management concluded that the concession arrangement contains both lease and non-lease components and would therefore fall under scope of IFRS 16. In this context, management concluded that the obligations relating to payment of fixed concession fees and infrastructure-related expenditure represent lease components under the standard while the remaining obligations relating to expenditure for own assets (equipment) and maintenance costs as well as payments of variable concession fees do not represent lease components.

However, since management expects to re-negotiate and align the terms of the concession agreement in the foreseeable future (including the duration of the concession period and capital expenditure requirements) with market conditions, it does not expect to incur any significant capital expenditure until that time. The concession arrangement currently in place does not prescribe penalties for early termination or non-compliance with contract terms. As a result, the Group has not recognised any right-of-use assets and liabilities with respect to the contract. Further, capital expenditure incurred thus far under the concession arrangement related to equipment while any future capital expenditure in the period up to the re-negotiation of the arrangement is expected to be minimal and also related to equipment. Such expenditure was and will continue to be accounted for as part of property, plant and equipment as specified in accounting policy 3.5 as it does not represent a lease component. Maintenance costs related to the concession arrangement are also considered a non-lease component and continue to be recognised as expenses in profit or loss as incurred. All of the above has no effect on the Company's separate financial statements.

(iv) Impairment losses on trade receivables

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date.

Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

The Group regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods (generally above 120 days) are identified, the Group reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions until the outstanding balance is repaid either entirely or in part.

In the process of regulating the collection of overdue debts, the Group actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets etc.

Each customer is valuated separately based on its status (i.e. customer is blocked and is cash only customer, legal procedure have been commenced), the ageing of the amount due, stage of legal case and security of payment (e.g. bill of exchange).

4 Key accounting judgements and estimates *(continued)*

(v) Impairment of non-financial assets

The Group annually reviews non-financial assets for potential indicators of impairment. Where such indicators exist, the Group performs impairment tests in order to assess whether the carrying amount of respective assets is recoverable. For the purposes of performing impairment tests, the Group has identified one cash generating unit (CGUs) which comprises the main production facility in Kutina.

For the main production, the calculation of the recoverable amount is based on a five year projection of financial performance with the primary assumption being that the Group will continue as a going concern. The calculation of the recoverable amount implies a terminal growth rate for cash flows after the projected five year period of 2%. Cash flows are discounted using the discount rate which reflects the risk of the underlying asset, and which has been approximated for the purposes of the impairment test as the weighted average cost of capital for the relevant industry segment and amounts to 8.3%. Apart from the discount rate, key variables used in the value in use model relate to expected fertilizer prices and natural gas prices obtained from relevant external sources.

The Group also has two side facilities for which, based on low value of assets, the Group did not perform impairment tests in the current period.

Based on impairment tests performed, Management considers the carrying amount of non-financial assets to be recoverable.

5 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the financial statements of the Group and the Company.

6 Determination of fair value

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect to the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Management Board and the finance department assess whether the evidence collected from third parties support the conclusion that such fair valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair values estimates are reported to the Supervisory Board and the Audit Committee.

Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows:

- *Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- *Level 3* – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the fair value estimate is included in Level 3.

In preparing these financial statements, the Group and the Company has made the following significant fair value estimates as further explained in detail in the following notes:

- Note 17: Financial assets

7 Revenue from sales

	Group 2020 HRK '000	Group 2019 HRK '000	**Company 2020 HRK '000**	Company 2019 HRK '000
Revenue from sale of products and merchandise	**1,781,840**	2,097,817	**1,783,739**	2,100,633
Revenue from services	**21,647**	22,638	**4,317**	6,668
	1,803,487	2,120,455	**1,788,056**	2,107,301

Overview of revenue from sales per market:

	Group 2020 HRK '000	Group 2019 HRK '000	**Company 2020 HRK '000**	Company 2019 HRK '000
Croatia	**725,864**	689,417	**710,433**	676,263
Slovenia	**113,757**	99,022	**113,757**	99,022
Bosnia and Herzegovina	**112,109**	101,373	**112,109**	101,373
Serbia, Montenegro and Noth Macedonia	**190,477**	198,169	**190,477**	198,169
Italy	**154,629**	204,549	**154,629**	204,549
Other countries	**506,651**	827,925	**506,651**	827,925
	1,803,487	2,120,455	**1,788,056**	2,107,301

8 Other income

	Group 2020 HRK '000	Group 2019 HRK '000	**Company 2020 HRK '000**	Company 2019 HRK '000
Own consumption	**4,553**	2,564	**4,553**	2,564
Sale of manufactured packaging	**-**	4,967	**-**	4,967
Manufacture of spare parts	**105**	364	**105**	364
Sale of raw materials	**51**	320	**51**	320
Insurance reimbursements	**1,366**	6,028	**1,366**	6,028
Inventory surplus	**991**	3,888	**991**	3,888
Reversal of provisions	**-**	1,531	**-**	1,531
Sale of plant and equipment	**84**	186	**84**	186
Other income	**5,448**	4,467	**4,134**	4,103
	12,598	24,315	**11,284**	23,951

Own consumption mostly relates to staff and other expenses that have been included in the capital expenditure.

9 Raw materials, consumables and services used

	Group 2020 HRK '000	Group 2019 HRK '000	**Company 2020 HRK '000**	Company 2019 HRK '000
Raw materials and consumables used	**1,022,145**	1,335,275	**1,023,752**	1,332,538
Cost of production services	**48,574**	52,249	**50,361**	59,024
Cost of wholesale and retail goods sold	**19,487**	19,685	**19,709**	14,560
	1,090,206	1,407,209	**1,093,822**	1,406,122

10 Staff costs

	Group 2020 HRK '000	Group 2019 HRK '000	**Company 2020 HRK '000**	Company 2019 HRK '000
Salaries	**113,445**	119,402	**103,749**	111,974
Contributions on salaries	**24,259**	26,306	**22,202**	24,818
Other staff costs	**40,449**	42,654	**37,323**	40,503
	178,153	188,362	**163,274**	177,295

As at 31 December 2020, the Group had 1,381 employees *(2019: 1,432)* while the Company had 1,232 employees (2019: 1,262).

11 Other operating expenses

	Group 2020 HRK '000	Group 2019 HRK '000	**Company 2020 HRK '000**	Company 2019 HRK '000
Other fees and taxes	**114,681**	94,817	**114,681**	94,817
Impairment of inventories	**11,961**	6,935	**11,961**	6,935
Impairment of tangible assets	**-**	2,038	**-**	2,038
Depreciated value of expensed non-current tangible assets	**24**	93	**24**	93
Other employee costs	**14,685**	79,590	**14,685**	79,590
Insurance	**9,615**	9,517	**9,615**	9,517
Increase in provision	**1,035**	4,846	**674**	4,434
Bank charges	**1,871**	2,346	**1,871**	2,346
Inventory loss	**4,816**	1,960	**4,816**	1,960
Impairment of trade receivables	**18**	55	**18**	55
Intellectual services	**3,371**	3,763	**3,371**	3,763
Travel expenses	**232**	702	**232**	702
Other	**13,771**	12,802	**11,601**	9,151
	176,080	219,464	**173,549**	215,401

Other taxes, fees and charges include HRK 92,933 thousand (2019: HRK 60,358 thousand) of fees for greenhouse gas emissions.

The Group and the Company regularly reviews the state of its short-term spare parts and raw materials and performs regular write offs each year. During 2020 the amount of impaired spare parts and raw materials was HRK 11,961 thousand (2019: HRK 5,951 thousand) forming part of the total amount of inventories impaired.

The Group and the Company continued to restructure its workforce and carry out its labour surplus support scheme in the course of which, in 2021, it also expects to pay incentive termination benefits. In 2020, termination benefits were paid in the amount of HRK 8,725 thousand (2019: HRK 51.476 thousand), which were included in other employee costs.

Included within intellectual services are audit expenses in the amount of HRK 375 thousand.

12 Financial income and financial expenses

	Group	Group	**Company**	Company
	2020 HRK '000	2019 HRK '000	**2020 HRK '000**	2019 HRK '000
Interest income	**333**	125	**358**	460
Other finance income	**461**	641	**461**	641
Total finance income	**794**	766	**819**	1,101
Interest expense	**(14,485)**	(20,745)	**(14,440)**	(20,830)
Foreign exchange losses	**(4,371)**	(1,773)	**(4,328)**	(1,741)
Other financial expenses	**(2,756)**	-	**(2,754)**	(4,728)
Total finance costs	**(21,612)**	(22,518)	**(21,522)**	(27,299)
Net finance costs	**(20,818)**	(21,752)	**(20,703)**	(26,198)

13 Income tax

Recognised in statement of comprehensive income:

	Group	Group	**Company**	Company
	2020	2019	**2020**	2019
	HRK '000	HRK '000	**HRK '000**	HRK '000
Current income tax	**183**	3	**-**	-
Deferred tax, net	**5**	(8)	**-**	-
	188	(5)	**-**	-

Effective tax rate reconciliation

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	Group	Group	**Company**	Company
	2020	2019	**2020**	2019
	HRK '000	HRK '000	**HRK '000**	HRK '000
Gain / (loss) before taxation	**267,008**	140,530	**265,001**	140,401
Tax calculated at 18% *(2019: 18%)*	**48,061**	25,295	**47,700**	25,272
Non-deductible expenses and non-taxable income	**1,771**	1,754	**2,324**	2,518
Temporary differences for which no deferred tax was recognised	**-**	5,875	**-**	5,875
Utilisation of temporary differences previously not recognised as deferred tax assets	**(50,050)**	(33,665)	**(50,024)**	(33,665)
Tax losses not recognised as deferred tax assets	**427**	698	**-**	-
Effect of different tax rates	**(21)**	38	**-**	-
Income tax expense	**188**	(5)	**-**	-
Effective tax rate	**-%**	-%	**-%**	-%

Temporary tax differences for which no deferred tax asset was recognised relate to a demerger of assets from the parent company to newly formed subsidiaries during the year, which for tax purposes have been performed at fair value, that the management does not expect to be utilised.

At the reporting date, carry forward gross tax losses of the Group amounted to HRK 512.646 thousand *(31 December 2019: HRK 786,223 thousand)* have not been recognised as a deferred tax asset as the Management Board believes it is not certain that a trend of realisation of the future taxable profits will continue to utilise these accumulated tax losses. Taking into account the volatility of the industry (gas/fertilizer price/CO_2 emission fee) the Group did not recognise deferred tax assets on temporary tax differences.

The tax value of tax losses carried forward is as follows:

	Group	**Group**	**Group**	**Group**
	2020	**2019**	**2019**	**2019**
	HRK '000	**HRK '000**	**HRK '000**	**HRK '000**
Tax loss from 2015 - expires on 31 December 2020	**-**	15,992	**-**	15,992
Tax loss from 2016 - expires on 31 December 2021	**252**	15,735	**-**	15,735
Tax loss from 2017 - expires on 31 December 2022	**8,133**	26,327	**8,076**	26,373
Tax loss from 2018 - expires on 31 December 2023	**82,883**	82,883	**82,387**	82,387
Tax loss from 2019 - expires on 31 December 2024	**583**	583	-	-
Tax loss from 2020 - expires on 31 December 2025	**425**	-	-	-
	92,276	141,520	**90,463**	140,487

14 Property, plant and equipment

GROUP

(in thousands of HRK)	Land	Buildings	Plant and equipment	Equipment and fittings	Spare parts	Assets under construction	Prepayments	Total
Cost								
As at 1 January 2019	44,376	583,811	1,572,590	74,649	16,061	54,861	4,117	2,350,465
Additions	-	-	-	1,858	-	-	-	1,858
Brought from intangible assets	-	303	6	-	1,684	23,884	2,960	28,837
Transfers	-	5,914	67,983	522	(6,331)	(68,088)	-	-
Disposals	-	-	(1,935)	(1,680)	-	-	(2,762)	(6,377)
As at 31 December 2019	**44,376**	**590,028**	**1,638,644**	**75,349**	**11,414**	**10,657**	**4,315**	**2,374,783**
Accumulated depreciation								
As at 1 January 2019	-	397,070	1,194,069	56,111	4,306	-	-	1,651,556
Charge for the year	-	16,983	77,112	4,121	1,008	-	-	99,224
Disposals	-	-	-	(1,935)	(1,680)	-	-	(3,615)
Impairment loss	-	810	1,743	-	-	-	-	2,553
As at 31 December 2019	-	**414,863**	**1,272,924**	**58,297**	**3,634**	**-**	**-**	**1,749,718**
Carrying amount								
As at 31 December 2019	**44,376**	**175,165**	**365,720**	**17,052**	**7,780**	**10,657**	**4,315**	**625,065**
Cost								
As at 1 January 2020	44,376	590,028	1,638,644	75,349	11,414	10,657	4,315	2,374,783
Rright of use asset	-	-	-	134	-	-	-	134
Additions	-	-	169	423	1,534	48,144	581	50,851
Transfers	-	3,795	28,179	3,792	(774)	(30,139)	(4,853)	-
Disposals	-	(49)	(2,266)	(3,282)	-	-	-	(5,597)
As at 31 December 2020	**44,376**	**593,774**	**1,664,726**	**76,416**	**12,174**	**28,662**	**43**	**2,420,171**
Accumulated depreciation								
As at 1 January 2020	-	414,863	1,272,924	58,297	3,634	-	-	1,749,718
Charge for the period	-	16,672	61,605	4,292	1,252	-	-	83,821
Disposals	-	(24)	(2,019)	(3,281)	(235)	-	-	(5,559)
As at 31 December 2020	**-**	**431,511**	**1,332,510**	**59,308**	**4,651**	**-**	**-**	**1,827,980**
Carrying amount								
As at 31 December 2020	44,376	**162,263**	**332,216**	**17,108**	**7,523**	**28,662**	**43**	**592,191**

14 Property, plant and equipment (continued)

COMPANY

(in thousands of HRK)	Land	Buildings	Plant and equipment	Tools and fittings	Spare parts	Assets under construction	Advances	Total
Cost								
As at 1 January 2019	44,376	583,514	1,573,577	73,967	16,061	55,257	4,081	2,350,833
Right of use asset	-	-	-	1,858	-	-	-	1,858
Additions	-	303	6	-	1,684	23,024	2,960	27,977
Transfers	-	5,914	67,983	522	(6,331)	(68,088)	-	-
Disposals	-	-	(1,935)	(1,680)	-	-	(2,762)	(6,377)
Transfer to investment in subsidiaries	(429)	(4,519)	(19,846)	(3,221)	-	-	-	(28,015)
As at 31 December 2019	**43,947**	**585,212**	**1,619,785**	**71,446**	**11,414**	**10,193**	**4,279**	**2,346,276**
Accumulated depreciation								
As at 1 January 2019	-	397,054	1,196,677	58,038	4,703	-	-	1,656,472
Charge for the year	-	16,983	75,494	4,121	1,008	-	-	97,606
Disposals	-	-	(1,848)	(1,676)	-	-	-	(3,524)
Impairment losses	-	810	1,743	-	-	-	-	2,553
Transfer to investment in subsidiaries	-	(3,305)	(13,560)	(3,065)	-	-	-	(19,930)
As at 31 December 2019	**-**	**411,542**	**1,258,506**	**57,418**	**5,711**	**-**	**-**	**1,733,177**
Carrying amount								
As at 31 December 2019	**43,947**	**173,670**	**361,279**	**14,028**	**5,703**	**10,193**	**4,279**	**613,099**
Cost								
As at 1 January 2020	43,947	585,212	1,619,785	71,446	11,414	10,193	4,279	2,346,276
Right of use asset	-	-	-	134	-	-	-	134
Additions	-	-	-	423	1,534	47,970	581	50,508
Transfers	-	3,765	28,081	3,792	(774)	(30,011)	(4,853)	-
Disposals	-	(49)	(2,254)	(3,282)	-	-	-	(5,585)
As at 31 December 2020	**43,947**	**588,928**	**1,645,612**	**72,513**	**12,174**	**28,152**	**7**	**2,391,333**
Accumulated depreciation								
As at 1 January 2020	-	411,542	1,258,506	57,418	5,711	-	-	1,733,177
Charge for the year	-	16,561	59,175	4,292	1,252	-	-	81,280
Disposals	-	(24)	(2,019)	(3,281)	(235)	-	-	(5,559)
As at 31 December 2020	**-**	**428,079**	**1,315,662**	**58,429**	**6,728**	**-**	**-**	**1,808,898**
Carrying amount								
As at 31 December 2020	**43,947**	**160,849**	**329,950**	**14,084**	**5,446**	**28,152**	**7**	**582,435**

Assets under construction relate primarily to equipment for reconstruction and overhaul of production facilities. The Group's and Company's property amounting to HRK 5,056 thousand *(2019: HRK 37,190 thousand)* is mortgaged as security for loans and borrowings.

15 Intangible assets

GROUP

(in thousands of HRK)	**Assets under construction**	**Software and project documentation**	**Total**
Cost			
As at 1 January 2019	1,634	27,020	28,654
Additions	57	-	57
Transfers	(1,691)	1,691	-
As at 31 December 2019	**-**	**28,711**	**28,711**
Accumulated amortisation			
As at 1 January 2019	-	25,279	25,279
Charge for the year	-	1,250	1,250
As at 31 December 2019	**-**	**26,529**	**26,529**
Carrying amount			
As at 31 December 2019	**-**	**2,182**	**2,182**
Cost			
As at 1 January 2020	-	28,711	28,711
Additions	471	-	471
Transfers	(424)	424	-
As at 31 December 2020	**47**	**29,135**	**29,182**
Accumulated amortisation			
As at 1 January 2020	-	26,529	26,529
Charge for the year	-	1,340	1,340
As at 31 December 2020	**-**	**27,869**	**27,869**
Carrying amount			
As at 31 December 2020	**47**	**1,266**	**1,313**

15 Intangible assets (continued)

COMPANY

(in thousands of HRK)	**Assets under construction**	**Software and project documentation**	**Total**
Cost			
As at 1 January 2019	1,634	27,020	28,654
Additions	57	-	57
Transfer from tangible assets	(1,691)	1,691	-
Disposals	-	-	-
As at 31 December 2019	**-**	**28,711**	**28,711**
Accumulated amortisation			
As at 1 January 2019	-	25,279	25,279
Charge for the year	-	1,250	1,250
Disposals	-	-	-
As at 31 December 2019	**-**	**26,529**	**26,529**
Carrying amount			
As at 31 December 2019	**-**	**2,182**	**2,182**
Cost			
As at 1 January 2020	-	28,711	28,711
Additions	424	-	424
Transfers	(424)	424	-
As at 31 December 2020	**-**	**29,135**	**29,135**
Accumulated amortisation			
As at 1 January 2020	-	26,529	26,529
Charge for the year	-	1,340	1,340
As at 31 December 2020	**-**	**27,869**	**27,869**
Carrying amount			
As at 31 December 2020	**-**	**1,266**	**1,266**

16 Subsidiaries

As at the reporting date, the Company holds ownership interests in subsidiaries consolidated in this statement:

	Ownership interest in %		**Investment (separate financial statements)**	
Name of subsidiary	**31/12/2020**	31/12/2019	**31/12/2020 HRK '000**	31/12/2019 HRK '000
Tvornica paleta Kutina d.o.o.	**100%**	100%	**2,259**	2,259
Tvornica gline Kutina d.o.o.	**100%**	100%	**11,861**	11,864
Luka Šibenik d.o.o.	**80%**	80%	**5,713**	8,467
Petrokemija d.o.o., Novi Sad	**100%**	100%	**259**	259
			20,092	22,849

During 2019 the Company started the process of liquidation for one of its subsidiaries Petrokemija d.o.o., Novi Sad. As at 1 November 2019 the Company demerged two independent business units and in doing so founded two new companies Tvornica paleta Kutina d.o.o. and Tvornica gline Kutina d.o.o.

17 Financial assets

	Group	Group	**Company**	Company
	31/12/2020 HRK '000	31/12/2019 HRK '000	**31/12/2020 HRK '000**	31/12/2019 HRK '000
Non-current financial assets				
Investments in other equity instruments	**10**	10	**10**	10
Loans given	**-**	-	**871**	-
	10	**10**	**881**	**10**
Current financial assets				
Deposits				
	165,298	343,133	**165,298**	343,133
Financial assets held for trading	**56,021**	97,675	**56,021**	97,675
Loans given	**-**	-	**998**	400
	221,319	440,808	**222,317**	441,208

Financial assets held for trading relate to investments in money market funds. Investment in other equity instruments relates to a minority share in TV Moslavina, Kutina and acquired shares of the company Pounje d.d., Hrvatska Kostajnica. Deposits relate to deposits in banks with original maturity up to 3 months and an interest rate of 0,03% per annum.

18 Inventories

	Group	Group	**Company**	Company
	31/12/2020	31/12/2019	**31/12/2020**	31/12/2019
	HRK '000	HRK '000	**HRK '000**	HRK '000
Finished goods	**87,259**	76,368	**84,761**	74,737
Raw materials and supplies	**66,667**	89,304	**61,702**	83,615
Work in progress	**13,871**	27,059	**13,026**	27,059
Trade goods	**1,083**	3,458	**1,083**	3,458
Spare parts	**30,820**	27,111	**30,820**	27,111
Prepayments	**4,152**	2,279	**4,143**	2,213
	203,852	225,579	**195,535**	218,193

19 Trade and other receivables

	Group	Group	**Company**	Company
	31/12/2020	31/12/2019	**31/12/2020**	31/12/2019
	HRK '000	HRK '000	**HRK '000**	HRK '000
Current receivables				
Trade receivables	**113,691**	144,479	**111,485**	143,043
Less: Provisions for impairment	**(103,229)**	(104,085)	**(103,229)**	(104,085)
Net trade receivables	**10,462**	40,394	**8,256**	38,958
Related party trade receivables	**-**	-	**841**	712
Receivables for taxes and contributions	**28,738**	34,416	**28,674**	34,268
Prepaid expenses	**277**	391	**259**	329
Receivables from employees	**24**	7	**21**	7
Other receivables	**1,866**	1,859	**1,333**	1,858
	41,367	77,067	**39,384**	76,132

Of the total amount of receivables and impairment of receivables, the amount of HRK 99,997 thousand relates to one customer corrected in 2014.

Movement in the impairment allowance for trade receivables during the year was as follows:

	Group	Group	**Company**	Company
	31/12/2020	31/12/2019	**31/12/2020**	31/12/2019
	HRK '000	HRK '000	**HRK '000**	HRK '000
At 1 January	**104,085**	104,148	**104,085**	104,148
Increase	**10**	55	**10**	55
Foreign exchange, net	**-**	(4)	**-**	(4)
Amounts collected	**(49)**	(41)	**(49)**	(41)
Written off as uncollectible	**(817)**	(73)	**(817)**	(73)
At 31 December	**103,229**	104,085	**103,229**	104,085

19 Trade and other receivables (continued)

The ageing analysis of trade receivables at the reporting date is as follows:

	Group	Group	**Company**	Company
	31/12/2020 HRK '000	31/12/2019 HRK '000	**31/12/2020 HRK '000**	31/12/2019 HRK '000
Not yet due	**9,843**	33,965	**7,799**	33,265
Overdue 0-60 days	**1,570**	6,410	**1,293**	6,387
Overdue 61-120 days	**429**	61	**24**	61
Overdue 121-180 days	**1**	2	**1**	1
Overdue 181-360 days	**54**	7	**-**	7
Overdue over 1 year	**101,794**	104,034	**103,209**	104,034
	113,691	144,479	**112,326**	143,755

Of the total amount of receivables and impairment of receivables, the amount of HRK 99,997 thousand relates to one customer corrected in 2014.

Trade receivables are denominated in following currencies:

	Group	Group	**Company**	Company
	31/12/2020 HRK '000	31/12/2019 HRK '000	**31/12/2020 HRK '000**	31/12/2019 HRK '000
Croatia (HRK)	**110,262**	137,523	**110,271**	136,799
European Union (EUR)	**3,358**	3,018	**1,984**	3,018
USA (USD)	**71**	3,938	**71**	3,938
	113,691	144,479	**112,326**	143,755

20 Other current assets

	Group and Company 31/12/2020 HRK '000	Group and Company 31/12/2019 HRK '000
Acquired emission unites	**51,520**	37,556
	51,520	37,556

21 Cash and cash equivalents

	Group 31/12/2019 HRK '000	Group 31/12/2018 HRK '000	**Company 31/12/2019 HRK '000**	Company 31/12/2018 HRK '000
Cash with banks	**119,586**	42,048	**114,563**	38,767
Cash in hand	**5**	6	**5**	6
Cash and cash equivelents in the statement of financial position	**119,591**	42,054	**114,568**	38,773
Deposits with maturity date less than 3 months	**165,298**	343,133	**165,298**	343,133
Financial assets held for trading	**56,021**	97,675	**56,021**	97,675
Cash and cash equivalents as presented in the statement of cash flows	**340,910**	482,862	**335,887**	479,581

Cash at bank relates to cash accounts with commercial banks and bears an average interest rate of 0.01% per annum.

22 Share capital

	Group and Company	Group and Company
	31/12/2020	31/12/2019
	HRK '000	HRK '000
Share capital	**550,287**	550,287

The ownership structure as at the reporting date was as follows:

Structure of ownership	**31/12/2020** Number of shares	**31/12/2020** % of ownership	31/12/2019 Number of shares	31/12/2019 % of ownership
TERRA MINERALNA GNOJIVA d.o.o.	30,000,000	54.52%	30,000,000	54.52%
CERP/RH	9,852,828	17.90%	9,852,828	17.90%
HPB d.d./Fond za financiranje razgradnje NEK	7,006,592	12.73%	7,006,592	12.73%
JANAF d.d.	5,000,000	9.09%	5,000,000	9.09%
PRIVREDNA BANKA ZAGREB D.D./SKRBNIČKI ZBIRNI RAČUN KLIJENTA	3,000,430	5.45%	3,000,430	5.45%
Tomas Miro	8,064	0.01%	-	-
Gudić Ivica	7,759	0.01%	-	-
OTP BANKA D.D./ OTP INDEKSNI FOND - OIF S JAVNOM PONUDOM	5,379	0.01%	-	-
Parunov Ozren	4,905	0.01%	-	-
Pavelić Ivan	4,318	0.01%	3,284	0.01%
Baretić Bojan	3,168	0.01%	2,955	0.01%
Pleše Damir	3,139	0.01%	-	-
PT drvo d.o.o.	3,000	0.01%	3,000	0.01%
Rešić Krešimir	2,649	0.00%	-	-
Ćorić Božo	2,600	0.00%	4,400	0.01%
Ribičić Jasna	2.441	0.00%	3,219	0.01%
Other shareholders	121,429	0.23%	151,993	0.28%
Total	**55,028,701**	**100.00%**	55,028,701	100.00%
Paid but unregistered shares	-		-	
Total share capital	**55,028,701**		55,028,701	

The Company’s share capital comprises 55,028,701 ordinary shares *(31 December 2019: 55,028,701 shares*) of a nominal value of HRK 10 *(31 December 2019: HRK 10)* per share.

23 Earnings / (loss) per share

Basic and diluted earnings / (loss) per share

Basic and diluted earnings / (loss) per share is determined by dividing the Group's net earnings or losses with the weighted average number of ordinary shares, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares.

	Group and Company 31/12/2020	Group and Comapny 31/12/2019
Loss attributable to equity holders of the parent (in thousands of HRK)	**267,296**	141,203
Weighted average number of registered shares	**55,028,701**	55,028,701
Basic and dilluted earnings / (loss) per share in HRK	**4.86**	2.57

24 Loans and borrowings

	Group 31/12/2019 HRK '000	Group 31/12/2018 HRK '000	**Company 31/12/2019 HRK '000**	Company 31/12/2018 HRK '000
Non-current borrowings				
Banks	**93,658**	106,620	**93,658**	106,620
Related party loans	**-**	74,401	**-**	74,401
Lease liabilities	**847**	1,558	**847**	1,353
	94,505	182,579	**94,505**	182,374
Current borrowings				
Banks	**14,313**	18,634	**14,313**	18,634
Related party loans	**-**	364,383	**-**	364,383
Lease liabilities	**210**	676	**5**	13
Other loans	**-**	96	**-**	96
	14,523	383,789	**14,318**	383,126
Total borrowings	**109,028**	566,368	**108,823**	565,500

The maturity of loans and borrowings as at the reporting date was as follows:

	Group 31/12/2020 HRK '000	Group 31/12/2019 HRK '000	**Company 31/12/2020 HRK '000**	Company 31/12/2019 HRK '000
Up to 1 year	**14,523**	383,789	**14,318**	383,126
Between 1 and 2 years	**29,473**	89,182	**29,473**	88,977
Between 2 and 5 years	**28,627**	43,313	**28,627**	43,313
Over 5 years	**36,405**	50,084	**36,405**	50,084
	109,028	566,368	**108,823**	565,500

Bank loans

The interest rates for bank loans included in the table above ranged from 4% to 5,50% per annum.

Related party loans

Loans from related parties relate to loan’s from INA d.d. PPD d.o.o. and HEP d.d. carrying a fixed interest rate of 3% per annum.The Company has repaid all outstanding debt towards related companies during 2020.

24 Loans and borrowings (continued)

Debt movement

GROUP

	Balance at 31/12/20119	Increase in loans and borrowings	Repayment of borrowings	Foreign exchange differences for bank loans	**Balance at 31/12/2020**
Bank loans	125,254	-	(18,785)	1,502	**107,971**
Suppliers (Ina d.d., PPD d.o.o. and HEP d.d.)	438,784	-	(438,784)	-	**-**
Other loans(HEPESCO d.o.o.)	96	-	(96)	-	**-**
Lease liabilities	2,234	134	(1,311)	-	**1,057**
	566,368	134	(458,976)	1,502	**109,028**

COMPANY

	Balance at 31/12/20119	Increase in loans and borrowings	Repayment of borrowings	Foreign exchange differences for bank loans	**Balance at 31/12/2020**
Bank loans	125,254	-	(18,785)	1,502	**107,971**
Suppliers (Ina d.d., PPD d.o.o. and HEP d.d.)	438,784	-	(438,784)	-	**-**
Other loans (HEPESCO d.o.o.)	96	-	(96)	-	**-**
Lease liabilities	1,366	134	(648)	-	**852**
	565,500	134	(458,313)	1,502	**108,823**

As at 31 December 2020, the total debt to banks amounts to HRK 107,971 thousand, with HRK 25,927 thousand indebted to the creditor Hrvatska banka za obnovu i razvitak d.d. (HBOR), HRK 82,044 indebted to HBOR and Hrvatska poštanska banka (HPB).

25 Provisions

GROUP

(in thousands of HRK)	**Jubilee awards**	**Retirement benefits**	**Court cases**	**Decommissioning provision for "Soot plant"**	**Total**
As at 31 December 2019					
Non-current	8,256	4,470	897	8,800	22,423
At 1 January 2020	**8,256**	**4,470**	**897**	**8,800**	**22,423**
Increase in provisions	257	39	531	-	827
Release of provisions	-	(308)	-	-	(308)
Utilised	(658)	(51)	(122)	-	(831)
As at 31 December 2020	**7,855**	**4,150**	**1,306**	**8,800**	**22,111**
As at 31 December 2020					
Non-current	7,855	4,150	1,306	8,800	22,111

COMPANY

(in thousands of HRK)	**Jubilee awards**	**Retirement benefits**	**Court cases**	**Decommissioning provision for "Čađara"**	**Total**
As at 31 December 2019					
Non-current	6,983	4,669	673	8,800	21,125
At 1 January 2020	**6,983**	**4,669**	**673**	**8,800**	**21,125**
Increase in provisions	184	-	391	-	575
Release of provisions	-	(308)	-	-	(308)
Utilised	(570)	(16)	-	-	(586)
As at 31 December 2020	**6,597**	**4,345**	**1,064**	**8,800**	**20,806**
As at 31 December 2020					
Non-current	6,597	4,345	1,064	8,800	20,806

Decommissioning provision for the soot plant

The Group has ceased the use of the soot plant located near the main operations facility. Based on that decision a decommissioning provision has been recognised in the amount of the expenses required for plant decommissioning and site restoration. This provision is revaluated at each reporting date.

Legal actions

There are a number of legal actions initiated against the Group for minor amounts as well as those initiated by the Group against others. A provision amounting to HRK 1,306 thousand was recognised in relation to legal actions. (Company: HRK 1,306 thousand)The Group's Management Board believes that no significant costs exceeding those provided for at the reporting date will occur as a result of ongoing legal actions.

25 Provisions (continued)

Jubilee awards and termination benefits

According to the Collective Agreement, the Group has an obligation to pay jubilee awards, retirement and other benefits to employees. In accordance with the respective agreement, employees are entitled to a regular retirement benefit (without incentive retirement benefit) in the net amount of HRK 8 thousand. No other post-retirement benefits are provided.

The liability for these long-term employee benefits is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds. Input variables for actuarial calculation of provisions for jubilee awards and retirement benefits:

	Group and Company 31/12/2020	Group and Company 31/12/2019
Discount rate	**1.50%**	1.50%
Fluctuation rate	**6.50%**	6.30%

26 Trade and other payables

	Group 31/12/2020 HRK '000	Group 31/12/2019 HRK '000	**Company 31/12/2020 HRK '000**	Company 31/12/2019 HRK '000
Trade payables	**122,884**	138,740	**121,882**	138,110
Related party payables	**-**	-	**634**	2,663
Contract liabilities (advances received from customers)	**27,496**	57,062	**27,491**	57,005
Salaries and other benefits to employees	**23,960**	33,843	**23,136**	32,775
Accrued interest	**8,245**	15,223	**8,245**	15,223
Taxes, contributions and other duties	**6,353**	20,093	**5,713**	19,232
Other	**2,770**	1,604	**2,317**	1,082
	191,708	266,565	**189,418**	266,090

27 Other current liabilities

	Group and Comapny 31/12/2020 HRK '000	Group and Company 31/12/2019 HRK '000
Liability for the acquisition emission allowances	**271,067**	224,236
	271,067	224,236

After the reporting ate, the Company purchased the missing amount of CO2 emission units in the amount of HRK 270 million and will settle the remaining liability on the reporting date with the purchased units in the following period.

28 Risk management

Financial risk management

Categories of financial instruments are as follows:

	Group	Group	**Company**	Company
	31/12/2020 HRK '000	31/12/2019 HRK '000	**31/12/2020 HRK '000**	31/12/2019 HRK '000
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**
Short-term financial assets	221,319	440,808	222,317	441,208
Trade receivables	10,462	40,394	8,256	38,958
Cash and cash equivalents	119,591	42,054	450,455	518,354
Total loans and receivables	**351,372**	**523,256**	**681,028**	**998,520**
Total financial assets	**351,372**	**523,256**	**681,028**	**998,520**
Loan liabilities	109,028	566,368	108,823	565,500
Trade payables	122,884	138,740	121,882	138,110
Total financial liabilities at amortised cost	**231,912**	**705,108**	**230,705**	**703,610**
Total financial liabilities	**231,912**	**705,108**	**230,705**	**703,610**

Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices,
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial instruments held to maturity in the ordinary course of business are recorded at the lower of cost and net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation. The fair value of financial instruments is the one quoted on the securities market or obtained using the discounted cash flow method.

As at 31 December 2020, the carrying amounts of cash and cash equivalents, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair value due to the short-term nature of those assets and liabilities and due to the fact that a majority of short term assets and liabilities are at variable interest rates.

As at the reporting dates, the carrying amounts of borrowings arising from bank and other loans approximates their fair values as the majority of these borrowings bear variable interest rates or fixed interest rate approximating current market interest rates.

28 Risk management (continued)

Financial risk management *(continued)*

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework to manage the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the net current asset position and by addressing any expected current liquidity deficits. Management monitors but does not separately disclose the liquidity analysis at the standalone level as it is considered to be approximate to that at the consolidated level due to relative insignificance of operations in subsidiaries.

Liquidity risk analysis

The following tables detail the contractual maturity of the Group's financial liabilities and financial assets presented in the consolidated statement of financial position at each reporting period end. The tables have been drawn up based on the undiscounted cash flows until maturity and include cash flows from both interest and principal. Ultimate responsibility for liquidity risk management rests with the Management Board which has built an appropriate liquidity risk management framework to manage the short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the net current asset position and by addressing any expected current liquidity deficits.

GROUP

as at 31 December 2020	**Carrying amount**	**Contractual cash flows**	up to 1 year	1 - 2 years	2 - 5 years	over 5 years
(in thousands of HRK)						
Non-interest bearing assets:						
Trade receivables	**10,462**	**10,462**	10,462	-	-	-
	10,462	**10,462**	**10,462**	**-**	**-**	**-**
Interest bearing assets:						
Current financial assets	**221,319**	**221,385**	221,385	-	-	-
Cash and cash equivalents	**119,591**	**119,627**	119,627	-	-	-
	340,910	**341,012**	**341,012**	**-**	**-**	**-**
	351,372	**351,474**	**351,474**	**-**	**-**	**-**

as at 31 December 2020	**Carrying amount**	**Contractual cash flows**	up to 1 year	1 - 2 years	2 - 5 years	over 5 years
(in thousands of HRK)						
Non-interest bearing liabilities:						
Trade payables	**122,884**	**122,884**	122,884	-	-	-
	122,884	**122,884**	**122,884**	**-**	**-**	**-**
Interest bearing liabilities:						
Loans and borrowings	**109,028**	**109,028**	14,523	29,473	28,627	36,405
	109,028	**109,028**	**14,523**	**29,473**	**28,627**	**36,405**
	231,912	**231,912**	**137,407**	**29,473**	**28,627**	**36,405**

28 Risk management (continued)

Financial risk management *(continued)*

Liquidity risk management (continued)

GROUP (continued)

as at 31 December 2019	**Carrying amount**	**Contractual cash flows**	up to 1 year	1 - 2 years	2 - 5 years	over 5 years
(in thousands of HRK)						
Non-interest bearing assets:						
Trade receivables	**40,394**	**40,394**	40,394	-	-	-
	40,394	**40,394**	**40,394**	**-**	**-**	**-**
Interest bearing assets:						
Current financial assets	**440,808**	**440,940**	440,940	-	-	-
Cash and cash equivalents	**42,054**	**42,067**	42,067	-	-	-
	482,862	**483,007**	**483,007**	**-**	**-**	**-**
	523,256	**523,401**	**523,401**	**-**	-	-

as at 31 December 2019	**Carrying amount**	**Contractual cash flows**	up to 1 year	1 - 2 years	2 - 5 years	over 5 years
(in thousands of HRK)						
Non-interest bearing liabilities:						
Trade payables	**138,740**	**138,740**	138,740	-	-	-
	138,740	**138,740**	**138,740**	**-**	**-**	**-**
Interest bearing liabilities:						
Loans and borrowings	**566,368**	**617,561**	405,219	97,271	56,867	58,204
	566,368	**617,561**	**405,219**	**97,271**	**56,867**	**58,204**
	705,108	**756,301**	**543,959**	**97,271**	**56,867**	**58,204**

28 Risk management (continued)

Financial risk management *(continued)*

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and variable interest rates. The variable interest rates applicable on the relevant portion of the Group's debt as at the reporting date are based on the Treasury bills of the Ministry of Finance and Euribor. Management monitors but does not separately disclose the liquidity analysis at the standalone level as it is considered to be approximate to that at the consolidated level due to relative insignificance of operations in subsidiaries.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate changes at the reporting date. For variable rate liabilities, the analysis is prepared by calculating the effect of a reasonably possible increase in interest rates on variable rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 100 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents the Management Board's assessment of the reasonably possible change in interest rates.

The estimated effect of the reasonably possible change in interest rates on the Group's and the Company's result before tax for the reporting periods is as follows:

GROUP

as at 31 December 2020 *(in thousands of HRK)*	**Contractual cash flows**	**up to 6 months**	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years
At currently applicable interest rates	**1,040**	52	52	208	208	520
At currently applicable interest rates + 1%	**1,300**	65	65	260	260	650
Effect of increase of interest rate by 1%	**(260)**	**(13)**	**(13)**	**(52)**	**(52)**	**(130)**

as at 31 December 2019 *(in thousands of HRK)*	**Contractual cash flows**	**up to 6 months**	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years
At currently applicable interest rates	**13,745**	1,240	1,240	2,048	4,916	4,301
At currently applicable interest rates + 1%	**14,197**	1,306	1,299	2,150	5,119	4,323
Effect of increase of interest rate by 1%	**(452)**	**(66)**	**(59)**	**(102)**	**(203)**	**(22)**

The above contractual cash flows are presented for interest on loans with variable interest rate.

The Group and the Company does not hedge interest rate risk as the estimate of the possible effect of interest rate changes on the result of operations is not deemed significant.

28 Risk management (continued)

Financial risk management *(continued)*

Currency risk management

The Group and the Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows. Management monitors but does not separately disclose the liquidity analysis at the standalone level as it is considered to be approximate to that at the consolidated level due to relative insignificance of operations in subsidiaries.

	Group 31/12/2020 HRK '000	Group 31/12/2019 HRK '000
	Assets	
European Union (EUR)	60,651	16,339
USA (USD)	10,677	16,010
	71,328	**32,349**
	Liabilities	
European Union (EUR)	112,370	126,101
USA (USD)	-	-
	112,370	**126,101**

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of HRK to EUR and USD, since most of the transactions with international customers are denominated in EUR and USD. Loans and borrowings are partly denominated in EUR and partly in HRK and the Group is in part exposed to EUR currency risk in this respect. The following table shows the applicable exchange rates of HRK against EUR and USD during the reporting period:

	Spot FX rate		**Average FX rate**	
	31/12/2020	31/12/2019	**2020**	2019
EUR	7.536898	7.442580	7.533080	7.413605
USD	6.139039	6.649911	6.610754	6.622347

The following table details the Group's sensitivity to a 1% increase in HRK against the EUR and a 10% increase against the USD as the estimated reasonably possible increase in the exchange rate of the respective currencies. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the period end for a percentage change in FX rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number indicates a decrease in profit where the HRK changes against the relevant currency by the percentage specified above. The weakening of the HRK against the relevant currency in the same percentage would result in an equal and opposite impact on profit.

	Group 31/12/2020 HRK '000	Group 31/12/2019 HRK '000
	(in thousands of HRK)	
	EUR exposure	
Increase/(decrease) in net result	(517)	(1.098)
	USD exposure	
Increase/(decrease) in net result	1,068	1,601

The Group does not currently hedge currency risk with respect to the EUR as the local currency is pegged against the EUR, but is assessing the need for hedging against the USD given the recent volatility of this currency and the exposure to it arising from prices of raw materials, which are partly pegged against the USD.

28 Risk management (continued)

Financial risk management (*continued*)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The demographics of the customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Total exposure to credit risk at the reporting date is as follows:

	Group 31/12/2020. HRK'000	Group 31/12/2019. HRK'000	**Company 31/12/2020. HRK'000**	Company 31/12/2019. HRK'000
Not yet due				
Overdue 0-120 days, but not impaired	**9,843**	33,965	**7,799**	33,265
Overdue over 120 days, but not impaired	**619**	6,429	**457**	6,387
Total trade receivables	**10,462**	40,394	**8,256**	39,652
Cash at bank (including deposits)	**284,884**	385,181	**279,861**	381,900
Total exposure to credit risk	**295,346**	425,575	**288,117**	421,552

Operational risk management

Sales concentration risk

The Group realises *40%* (*2019: 33%*) of its sales revenue from domestic customers, whereas around 60% (*2019: 67%)* of sales revenue are generated from international customers (based on the geographical location of customers). The Group determines selling prices in accordance with the macroeconomic conditions prevailing in each of the markets where the customers are located.

The Group has significant customer concentration whereby approximately 33-35% of revenue is generated by the top five customers. Consequently, the Group's capacity for revenue generation is highly dependent on the quality of its relationships with its key customers, their financial stability or the probability of customers switching suppliers in lieu of increased competitive pressures and inability of the Group to provide competitive pricing terms due to its stressed liquidity position.

The Group manages this risk through active and frequent communication with key customers, acquisitions of new customers, and through monitoring of relevant competitors and market conditions both locally and internationally.

Price risk

The supply of the Group's primary raw material, natural gas, is dependent on two major suppliers and one smaller supplier who are also the Group's largest creditors accounting for 33% of its total liabilities (*2019: 36%*). The Group aims to manage this risk by defining long-term strategic relationships with key suppliers and has contracted the natural gas quantities for the current and following year based on market price at that moment. The Group currently does not use instruments that would hedge market price fluctuation.

The Group also has investments in money market funds, which are subject to price risk. A change in market prices of shares in money market funds of 1% would decrease the Group's profit by HRK 560 thousand (2019: HRK 977 thousand).

29 Contractual and capital commitments

Procurement of natural gas

The Group has a contractual commitment for the purchase of natural gas from the suppliers INA d.d. and Prvo plinarsko društvo d.o.o., Vukovar and MET Croatia Energy Team d.o.o., Zagreba. As per the contracts currently in force, the Group has an obligation to buy the total amount of natural required (640 million S/m3) in its production cycle from these suppliers estimated at approximately HRK 596 million.

Planned capital investments

Investments totalling approximately HRK 124 million are planned for the period up to the end of 2020, where a large portion is reserved for regular investments in production capacities and scheduled maintenance.

Regarding the fulfilment of the environmental requirements for performing the activities of the Group, the modernization of the plant is required to meet the requirements of the relevant environmental laws in the estimated amount of investment from HRK 274,6 million to 2027.

Agreement to invest in relation to the port concession

Based on the annexes of the Agreement on priority concession, concessionaire of Luka Šibenik d.o.o. has an obligation to invest in modernization and capacity of port activities in the total amount of HRK 115,725 thousand as a prerequisite for holding the concession, which expires on 1 January 2029. Dynamics and planned amounts of contractual obligations are as follows:

	31/12/2020
	HRK '000
2016 – 2020	32,745
2020 – 2025	35,780
2025 – 2026	6,000
2026 – 2029	11,100
	85,625

The Group expects to re-negotiate the terms of the concession agreement in the foreseeable future (including the duration of the concession period and capital expenditure requirements) and does not expect to incur any significant capital expenditure until such renegotiation is finalised. The concession agreement currently in place does not prescribe penalties for early termination or non-compliance with contract terms (specifically in relation to capital expenditure requirements). As a result, the Group has not recognised any right-of-use assets and liabilities with respect to the contract while the investment into Luka Šibenik d.o.o. at the Company level has been reduced to its estimated recoverable amount.

30 Related parties

The Group is in a related party relationship with its majority shareholder Terra Mineralna Gnojiva d.o.o. and its related companies (INA d.d. and PPD d.o.o.) as well as other entities under their control or influence (subsidiaries and associates); kay management personnel (see below); close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 *Related Party Disclosures* (“IAS 24”)

The Group is also in a significant part still owned by the Republic of Croatia directly through the Restructuring and Sale Centre (“RSC”) and other companies in control or under significant influence of the Republic of Croatia (Fund for financing the decommissioning of the Krško NPP, JANAF d.d., PLINACRO d.o.o.). In that respect, the Group is in a related party relationship with state institutions and other companies where the State is a majority owner or has a significant influence. For the purpose of related party disclosures, the Company does not consider routine transactions (such as taxes, levies, etc.) with various local communal entities (directly or indirectly owned by the State) or with other state bodies to be related party transactions. More significant transactions of the Company with state-owned companies relate to purchase of gas which is the primary raw material used in the Company’s production cycle, freight rail transport services and supply of electricity. The Company is also in part financed by a bank where the majority owner is the State.

30 Related parties (continued)

Transactions with owners and state-related parties (continued)

During 2020 and 2019, the Group and the Company had the following transactions with owners, subsidiaries and state-related parties:

	2020 HRK '000	2019 HRK '000
PPD d.o.o.		
Purchase of goods and services	**299,480**	454,272
Liabilities as at 31 December	**41,477**	43,981
Loans and borrowings as at 31 December	**-**	60,250
Financial expenses	**1,096**	1,852
INA d.d.		
Purchase of gas, other raw materials and services	**327,743**	451,600
Liabilities as at 31 December	**42,555**	45,955
Loans and borrowings as at 31 December		52,534
Interest expense	**956**	1,596
HBOR		
Loans and borrowings as at 31 December	**25,927**	28,163
Interest expense	**1,124**	1,420
HŽ Cargo d,o,o,		
Purchase of transport services	**26,348**	36,225
Liabilities as at 31 December	**1,832**	6,423
HEP d,d,		
Loans and borrowings as at 31 December	**-**	326,096
Interest expense	**5,931**	9,900
HEP Opskrba d,o,o,		
Purchase of electricity	**16,459**	32,413
Liabilities as at 31 December	**1,560**	3,884
HPB d,d,		
Loans and borrowings as at 31 December	**82,044**	92,591
Interest expense	**4,867**	5,145
Lučka Uprava Šibenik		
Concession liability as at 31 December	**160**	409
Concession expense for the year	**892**	1,141

Transactions with key management personnel and members of the Supervisory Board

Management Board remuneration relates to regular monthly payments for salaries and other benefits in kind, During 2020, remuneration expense to key management personnel amounted to HRK 3,768 thousand *(2019: HRK 3,908 thousand)* and related to 5 persons *(2019: 5 persons)*, Furthermore, during 2020, remuneration expense to Supervisory Board amounted to HRK 118 thousand *(2019: HRK 120 thousand)*.

30 Related parties (continued)

Transactions with subsidiaries – consolidated into the Group

	2020	2019
	HRK '000	HRK '000
Luka Šibenik d.o.o.	794	1,605
Petrokemija d.o.o., Novi Sad	-	28,719
Tvornica gline Kutina d.o.o.	4,657	224
Tvornica paleta Kutina d.o.o	49	45
Purchase of goods and services	**5,500**	30,593
Luka Šibenik d.o.o.	41	-
Tvornica gline Kutina d.o.o.	12	-
Petrokemija d.o.o., Novi Sad	-	18
Petrokemija d.o.o., Novi Sad	-	353
Financial income	**53**	371

	31/12/2020	31/12/2019
	HRK '000	HRK '000
Luka Šibenik d.o.o.	150	334
Tvornica gline Kutina d.o.o.	687	315
Tvornica paleta Kutina d.o.o.	4	63
Receivables as at 31 December	**841**	712

	2020	2019
	HRK '000	HRK '000
Luka Šibenik d.o.o.	9,271	8,967
Petrokemija d.o.o., Novi Sad	-	71
Tvornica gline Kutina d.o.o.	509	76
Tvornica paleta Kutina d.o.o.	5,948	799
Purchase of goods and services	**15,728**	9,913

30 Related parties (continued)

Transactions with subsidiaries – consolidated into the Group (continued)

	2020 **HRK '000**	2019 HRK '000
Luka Šibenik d.o.o.	**-**	108
Petrokemija d.o.o., Novi Sad	**-**	3
Financial expences	**-**	111

	31/12/2020 **HRK '000**	31/12/2019 HRK '000.
Petrokemija d.o.o., Novi Sad	-	-
Luka Šibenik d.o.o.	217	2.242
Tvornica gline Kutina d.o.o.	88	93
Tvornica paleta Kutina d.o.o.	330	328
Liabilities as at 31 December	635	2.663
Tvornica gline Kutina d.o.o.	500	400
Luka Šibenik d.o.o.	1.369	-
Loans as at 31 December	**1.869**	400

31 Contingent liabilities

Legal actions

There are a number of legal actions initiated against the Group for minor amounts as well as those initiated by the Group against others, The Management Board believes that no significant costs exceeding those provided for at the reporting date will occur, as presented in Note 25.

32 Events after the reporting period

CO_2 emission units

After the reporting date, the Company purchased the missing amount of CO_2 emission units in the amount of HRK 270 million and settled the remaining liability on the reporting date with the purchased units in March 2021.

Consequences of the earthquake

As a consequence of repairing the damage caused by the earthquake, the production of ammonium nitrate will not start until the repairs at the AN / KAN 2 plant are completed. The expected effect for 2021, considering the planned quantities, is HRK 60 million.

Petrokemija d.d.
SUPERVISORY BOARD

Number: 1/2020

Kutina, 14 April 2021

Pursuant to Article 21 of the Articles of Association of Petrokemija d.d. and Articles 300.c and 300.d of the Companies Act, at the meeting 5/2020 held on 14 April 2021, the Supervisory Board of Petrokemija d.d. has made the following

DECISION
ON GRANTING APPROVAL FOR THE 2020 ANNUAL FINANCIAL STATEMENTS

I

After reviewing the annual financial statements, the Supervisory Board of Petrokemija d.d. has granted approval for the 2020. Annual Unconsolidated Financial Statements of Petrokemija d.d. prepared by the Company's Management Board.

These financial statements are deemed endorsed by the Management Board and the Supervisory Board under the granted approval from the paragraph above.
The Management Board and the Supervisory Board shall convey the information about these endorsed financial statements to the Annual General Meeting for the adoption thereof.

II

The approval provided for in paragraph **I** refers to the following annual financial statements:

- Balance Sheet
- Profit and Loss Account
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Financial Statements
- Annual Unconsolidated Statement

III

Assets and liabilities **in the amount of HRK 1,228,164,956.74** are recorded in the Balance Sheet.

Operating profit after taxes realised in 2020. amounts to **HRK 265,001,070.15**.

Statements defined in paragraph **II** are enclosed to this Decision thus constituting the integral part thereof.

IV

This Decision shall enter into force on the day of its adoption.

President of the Supervisory Board:

/Sándor Fasimon/

Petrokemija d.d.
SUPERVISORY BOARD

Number: 2/2020

Kutina, 14 April 2021

Pursuant to Article 21 of the Articles of Association of Petrokemija d.d. and Articles 300.c and 300.d of the Companies Act, at the meeting 5/2020 held on 14 April 2021, the Supervisory Board of Petrokemija d.d. has made the following

DECISION
O GRANTING APPROVAL FOR THE 2020 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

I

After reviewing the annual consolidated financial statements, the Supervisory Board of Petrokemija d.d. has granted approval for the 2020 Annual Consolidated Financial Statements of Petrokemija Group.

These consolidated financial statements are deemed endorsed by the Management Board and the Supervisory Board under the granted approval from the paragraph above.
The Management Board and the Supervisory Board shall convey the information about these endorsed consolidated financial statements to the Annual General Meeting for the adoption thereof.

II

The approval provided for in paragraph **I** refers to the following consolidated annual financial statements:

- Consolidated Balance Sheet
- Consolidated Profit and Loss Account
- Consolidated Cash Flow Statement
- Consolidated Statement of Changes in Equity
- Notes to Consolidated Financial Statements
- Annual Consolidated Statement

III

Assets and liabilities **in the amount of HRK 1,231,473,803.87** are recorded in the Consolidated Balance Sheet.

Consolidated operating profit after tax of Petrokemija Group in 2020 amounts to **HRK 266,819,641.63.**
Statements defined in paragraph II are enclosed to this Decision thus constituting the integral part thereof.

IV

This Decision shall enter into force on the day of its adoption.

President ~~of the Supervi~~sory Board:

/Sándor Fasimon/