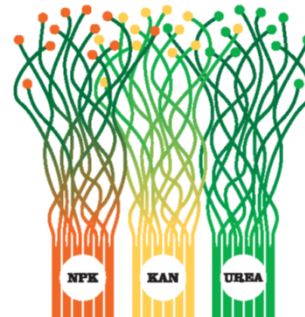


UNAUDITED
CONSOLIDATED



ANNUAL REPORT PETROKEMIJA GROUP KUTINA

REPORT FOR PERIOD January to December 2014
INTERIM REPORT FOR PERIOD October to December 2014



Kutina, February, 2015

Key indicators for Petrokemija Group for 2014



- ❑ Produced fertilizers: 1,086 thousand tons, 0.7% more than the previous year,
- ❑ Yield of currently installed plant capacities: up to 80%,
- ❑ Sales of fertilizers: 1,047 thousand tons, 5% less than the previous year
- ❑ Domestic sales: 271 thousand tons, 13.1% less than the previous year,
- ❑ Exports: 776,000 tons, 1.8% less than the previous year,
- ❑ Actual total revenues of Petrokemija Group: HRK 2,248.9 million,
- ❑ Actual loss of Petrokemija Group 363.4 million (16,2% of total revenues), HRK 263.0 million without severance payments,
- ❑ EBITDA Petrokemija Group HRK -211,5 million, EBITDA without severance HRK - 111,1 million,
- ❑ Equity at 31 December 2014: Group Petrokemija: HRK 326.6 million,
- ❑ Invested in Petrokemija, Plc.: HRK 39.9 million,
- ❑ Number of employees at 31 Dec 2014: Petrokemija, Plc. 1,639 Petrokemija Group 1,793.

Management Board Report on the Petrokemija Group Status for January – December 2014 period



- In Jan-Dec period 2014 Petrokemija Group had total income of HRK 2,248.9 million and total expense of HRK 2,612.3 million. The Group reported loss in business operations of HRK 363.4 million or 16,2% of the total revenues. On an annual basis, total revenues were by 13.0% lower and total expenses by 10.4 % lower than in 2013.
- **The main cause of decline in fertilizer prices is the situation in the global market** - The reporting period was marked by a general downward trend in the purchase prices of raw materials and sales prices of fertilizers. The more rapid decline in revenue compared to the cost reduction was caused by a sharp decline in fertilizer price in the world market. Thereby the negative exposure of Petrokemija to the world market risk was fully revealed. In fact, only 26% of fertilizers was sold in Croatia and the rest was sold in export. As a result of lower sales, the production plants ran below installed capacity which also increased the variable and fixed costs per unit of product.
- **Another key cause of loss in 2014 are still high gas prices.** Gas prices are still for about 20% up on the natural gas prices on the spot market. Following lengthy negotiations with the suppliers an agreement was concluded on the reduction of gas prices in the summer and partially in the fourth quarter as well as on debt rescheduling for current deliveries.
- **A third set of challenges in business that caused the loss are the Company internal inefficiencies** – technological and energy inefficiency due to the low investment in modernization, under-utilization of human resources, and organizational and informational constraints which generate high overheads.

Management Board Report on the Petrokemija Group Status for January – December 2014 period (continued)

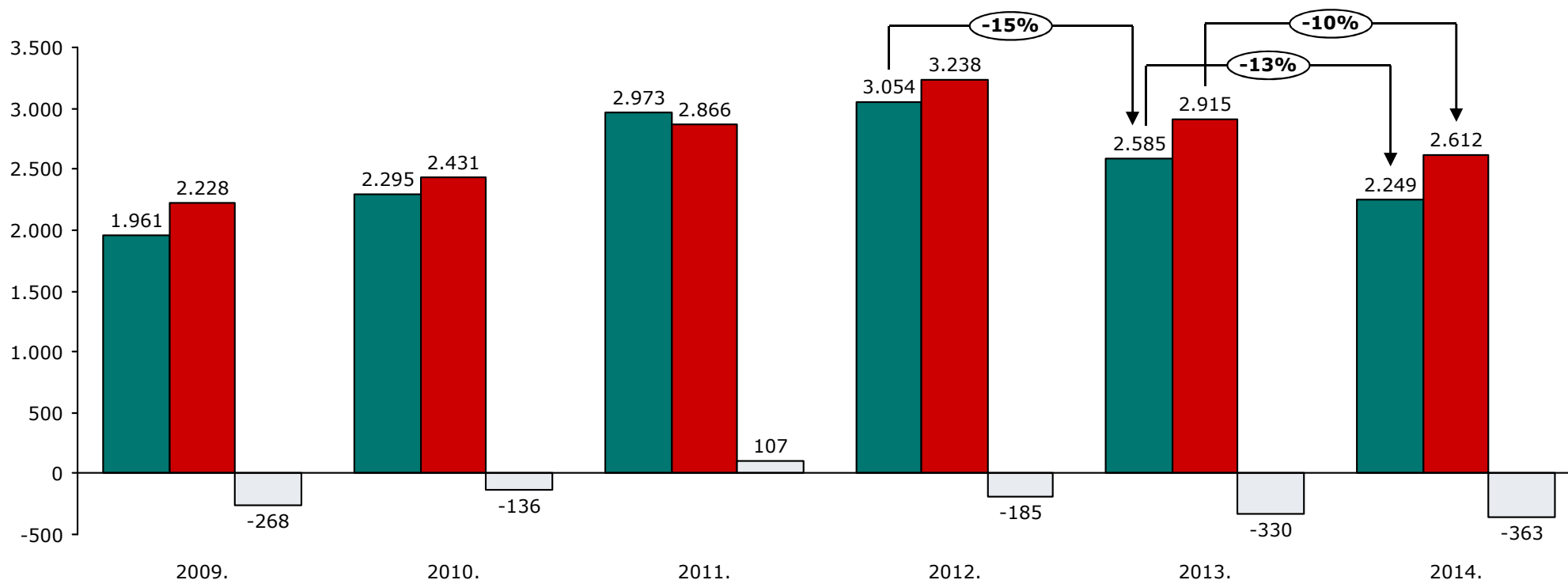


- In the reporting period operating income of Petrokemija Group was 12.7 % lower than in 2013, due to fall of prices of fertilizers in all markets. Total sales volumes of fertilizers was by 5% lower as compared to the previous year.
- Lower operating expenses compared to the previous year, are the result of lower average input prices of raw materials. There was a slight decline in purchase prices of all key raw materials and in natural gas this was somewhat more pronounced. Average actual gas purchase price in 2014, after a long period of continuous growth trend, was 6.7 % lower than in 2013, and 20.7% lower than in 2012
- The yearly loss was increased by redundancy costs in the amount of HRK 100.4 million for the employees who left the Company as part of the restructuring program and rationalization of operations.
- Income from domestic sales decreased by 26.7% in 2014 as compared to 2013 and income from exports decreased by 4.4%.
- EBITDA indicator (earnings before interest, taxes, depreciation and amortization) of Petrokemija Group was HRK 211.5 million negative. In 2013 EBITDA was HRK 203.5 million negative.
- In the structure of loss of Petrokemija Group, HRK 308.5 million or 84.9% was generated from operating activities, and HRK 54.9 million or 15,1% from financial operations.
- Due to the partial failure of achieving the assumptions of the Program of Restructuring And Financial Consolidation for 2014-2018, a Revision Program was made in late 2014 for the planned period 2015-2019. In the Revision, key changes in the assumptions were made with regard to changes in product range and re-start of plants that are now stalled, as well as in reducing the amount of investment.

Profit and Loss of Petrokemija Group 2009-2014

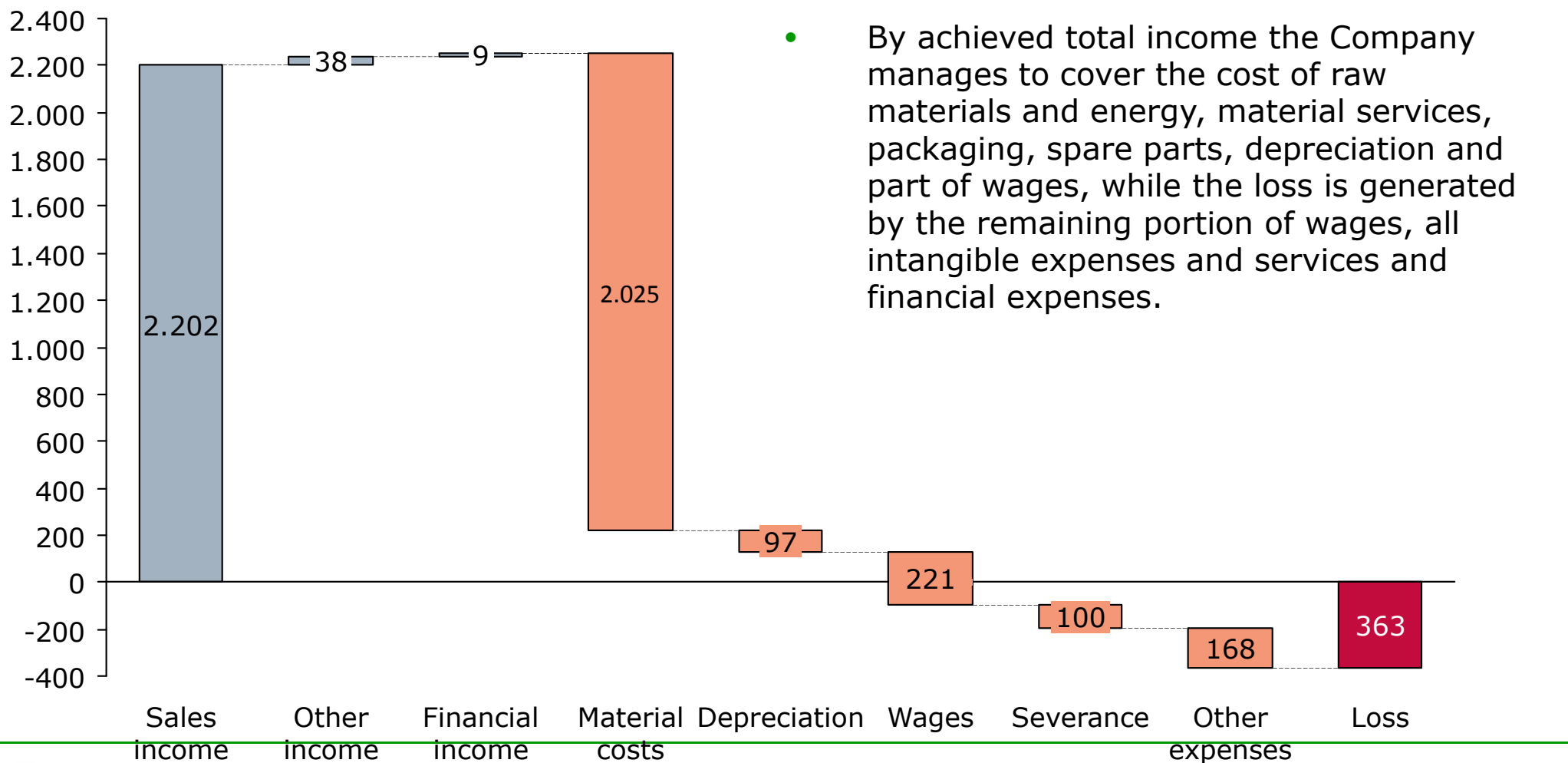


- TOTAL INCOME
- TOTAL EXPENSE
- PROFIT/LOSS



Structure of Profit and Loss in 2014

HRK million



- By achieved total income the Company manages to cover the cost of raw materials and energy, material services, packaging, spare parts, depreciation and part of wages, while the loss is generated by the remaining portion of wages, all intangible expenses and services and financial expenses.

Structure of income and expenses in 2014



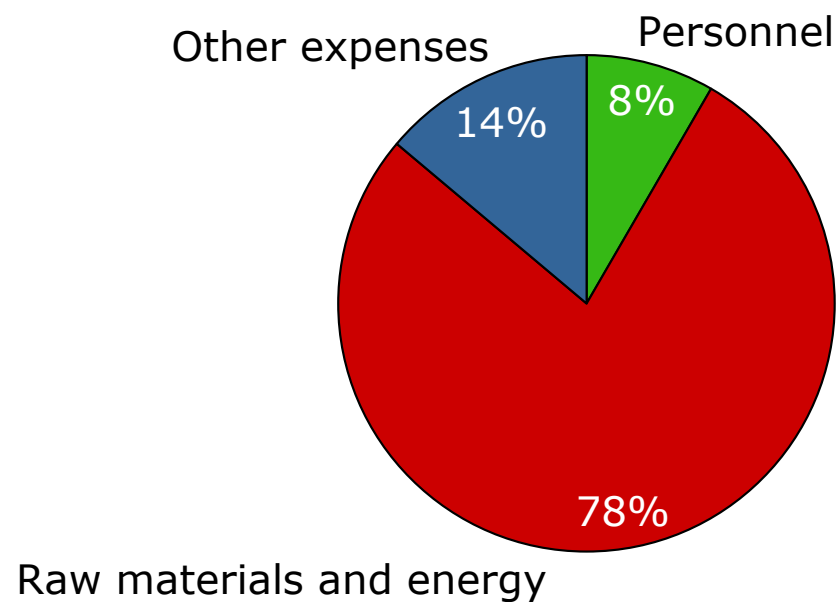
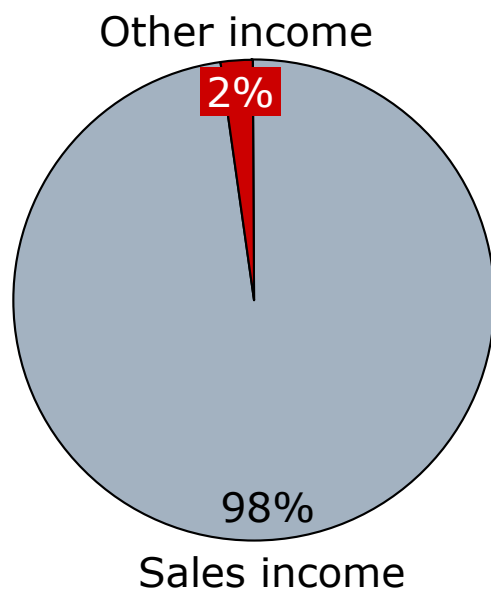
- In the year 2014, only one subsidiaries within the Petrokemija Group operated with profit, while other companies operated with a loss,
- On February 20, 2014 subsidiary Petrokemija, Ltd. Novo Mesto was closed because after Croatian accession to the EU, REACH program operations can be performed in the parent company in Kutina.

(HRK 000)

<i>Description</i>	<i>Restoran Petrokemija Ltd.</i>	<i>Petrokemija Novi Sad Ltd</i>	<i>Petrokemija Novo Mesto Ltd.</i>	<i>Luka ibenik Ltd.</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
TOTAL INCOME	1.831	133.670	0	19.647
TOTAL EXPENSES	1.929	131.176	0	22.039
<i>Therein:</i>			0	
<i>Material costs</i>	1.195	128.344		4.880
<i>Depreciation</i>		22	0	1.779
<i>Wages</i>	472	686	0	11.914
<i>Other costs</i>	262	2.124	0	3.466
PROFIT OR LOSS BEFORE TAXATION	-99	2.494	0	-2.392

Structure of income and expenses in 2014

- In 2014 Petrokemija achieved 29% of income from domestic market, 69% income from export, and financial and other income account for 2% of total income. Out of total, 98% of Petrokemija Group income is from sales of products and services and 2% is from other income.
- In structure of total expenses the dominant 78% account for raw materials and energy; personnel costs for 8%, while all other costs make 14%.



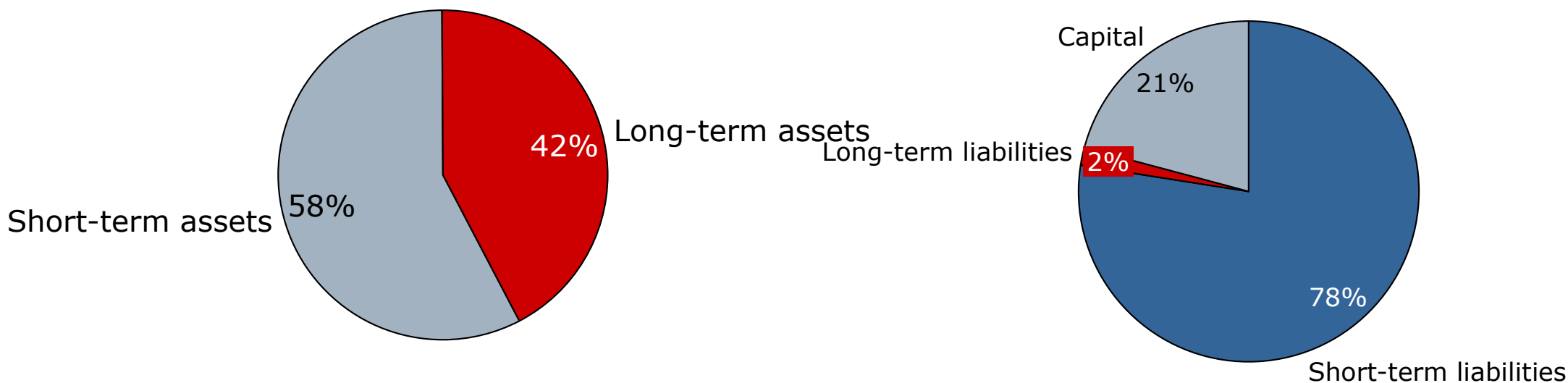
Key financial indicators

(in HRK 000)

	I-XII 2014	I-XII 2013	Difference	% changes
Operating income	2.239.503	2.566.333	-326.830	-12,74%
Operating expense	2.547.997	2.865.566	-317.569	-11,08%
EBITDA *	-211.548	-301.332	89.784	-29,80%
EBITDA without severance	-111.184			
Amortization	96.946	96.483	463	0,48%
Net financial income /(expenses)	-54.868	67.662	-122.530	-181,09%
Net extraordinary income / (expenses)	0	0	0	
Profit / loss / before taxation	-363.362	-330.153	-33.209	10,06%
	31.XII 2014.	31. XII 2013.		
Fixed assets	666.470	719.303	-52.833	-7,35%
Current assets	908.147	890.439	17.708	1,99%
Capital and reserves	326.636	438.063	-111.427	-25,44%
Long-term liabilities + provisions	27.242	77.692	-50.450	-64,94%
Current liabilities + provisions	1.220.739	1.093.987	126.752	11,59%

Structure of assets and liabilities at 31 December 2014

- At 31 Dec 2014, Petrokemija Group had 58% in value of short-term and 42% in long-term assets, which can be interpreted by relatively high depreciation and the age of production and auxiliary facilities.
- In the structure of debt is dominating are short-term sources, due to failure to obtain long-term loans at domestic financial market (global crisis, losses, ownership structure).
- The losses for the Jan-Dec 2014 of Petrokemija Plc reached a level of 52.5% of share capital and reserves, including HRK 253 million from the first two rounds of recapitalization in the capital reserves.



Business results in the period October - December 2014



- In the period of Oct-Dec 2014, Petrokemija Group achieved total income of HRK 625.3 million, total expenses of HRK 701.0 million and reported loss of HRK 75.7 million,
- On a quarterly basis, total income of Petrokemija Group was 12.3 % lower than in fourth quarter 2013, while total expenses were by 17.8% lower.
- The loss was HRK 63.8 million or 45.7% less than in the same period of 2013.
- During the fourth quarter of 2014, there was a simultaneous action of several factors that had a negative impact on the financial performance of Petrokemija, Plc. In the observed period there was again an increase in price of natural gas, a further decline in domestic sales of finished products, and sales on the world market was realized only for maintaining liquidity,
- Due to contractual obligation to hold stocks of finished goods as a security for short-term loans, Petrokemija, Plc. had a comparatively high transferred stocks of finished products, in which the working capital, insufficient in the first place, are additionally frozen and possibilities of effective sales are reduced.

Business results of Petrokemija Group in the period October - December 2014



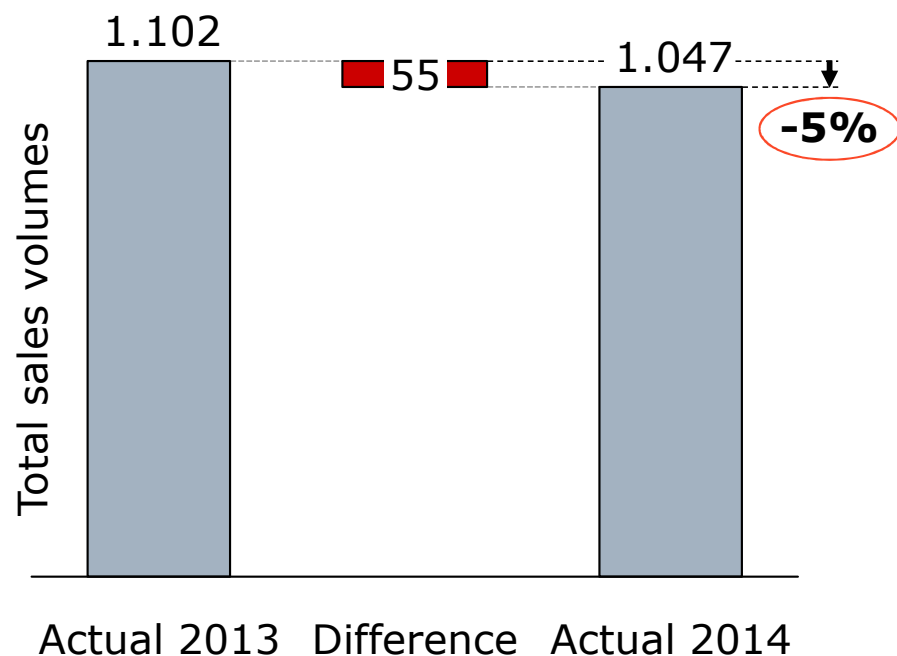
(in 000 HRK)

	I-IX 2014.	X-XII 2014.	I-XII 2014.
Operating income	1.616.193	623.310	2.239.503
Operating expense	1.866.383	681.614	2.547.997
EBITDA *	-176.158	-35.389	-211.548
EBITDA without severance			-111.184
Amortization	74.032	22.915	96.946
Net financial income / (expenses)	-37.443	-17.425	-54.868
Net extraordinary income / (expenses)	0	0	0
Profit / loss / before taxation	-287.633	-75.729	-363.362

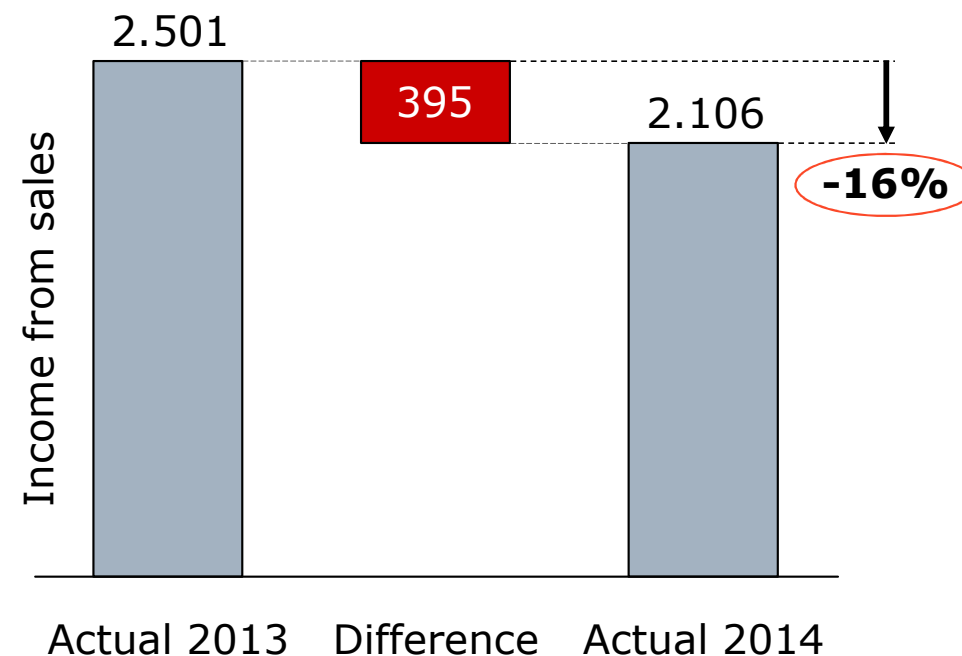
Total fertilizer sales



SALES VOLUMES (000t)
2014 / 2013.



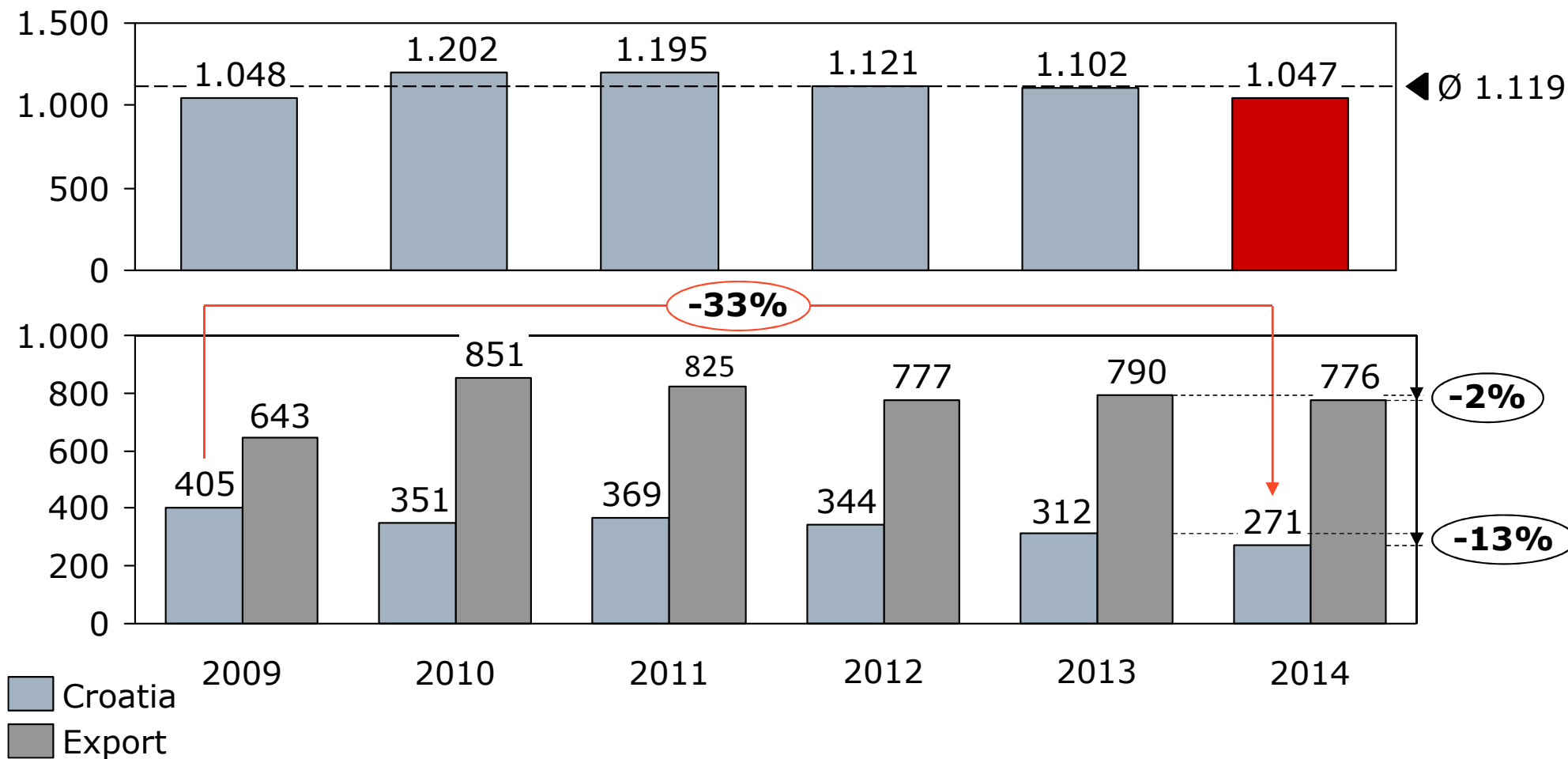
INCOME FROM SALES (mln HRK)
2014 / 2013.



Actual fall in sales volumes of 5% resulted in the fall of income from sales by 16%, which indicates significant fall in average sales prices.

Actual fertilizer sales in 2014

Total sales (000 tons)



Business results of Petrokemija Group for Jan-Dec 2014



- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries Restaurant Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad and Luka Šibenik, Ltd., the financial results of **Petrokemija Group** for the period January-December 2014 are as follows:

■ Total revenues	HRK 2,248.9 million,
■ Total expenses	HRK 2,612.3 million,
■ Loss before tax	HRK -363.4 million,
■ Income tax	HRK 0.3 million,
■ Loss after tax	HRK -363.7 million,

- EBITDA (earnings before interest, taxes and depreciation) was HRK 211.5 million in the negative,
- In the reporting period only Petrokemija, Ltd. Novi Sad made profit (HRK 2.5 million), while other companies operated with a loss,
- On February 20, 2014 subsidiary Petrokemija, Ltd. Novo Mesto was closed,
- The report on the Petrokemija Group's business includes detailed information on the operations of the subsidiaries.

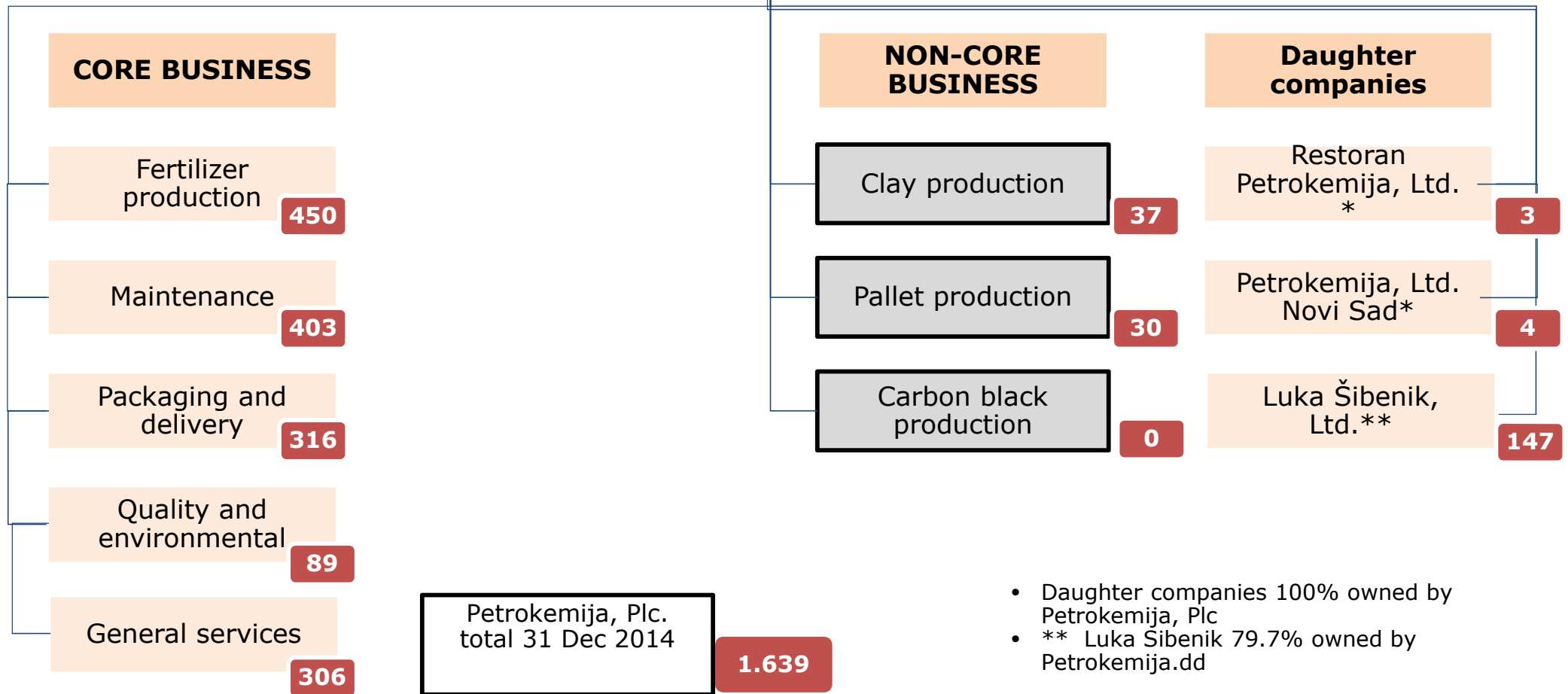
Organization chart of Petrokemija, Plc. and Petrokemija Group



MANAGEMENT BOARD OFFICE

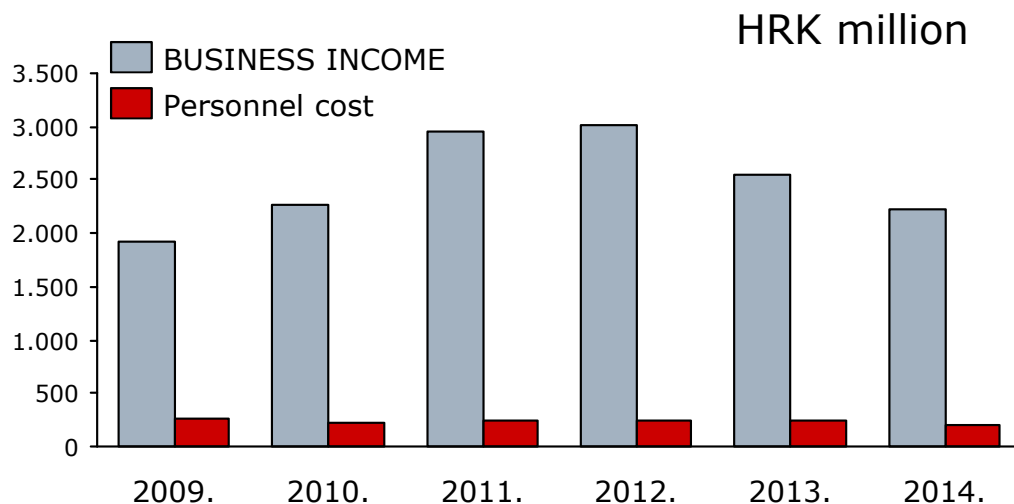
8

Employment on 31 Dec 2014

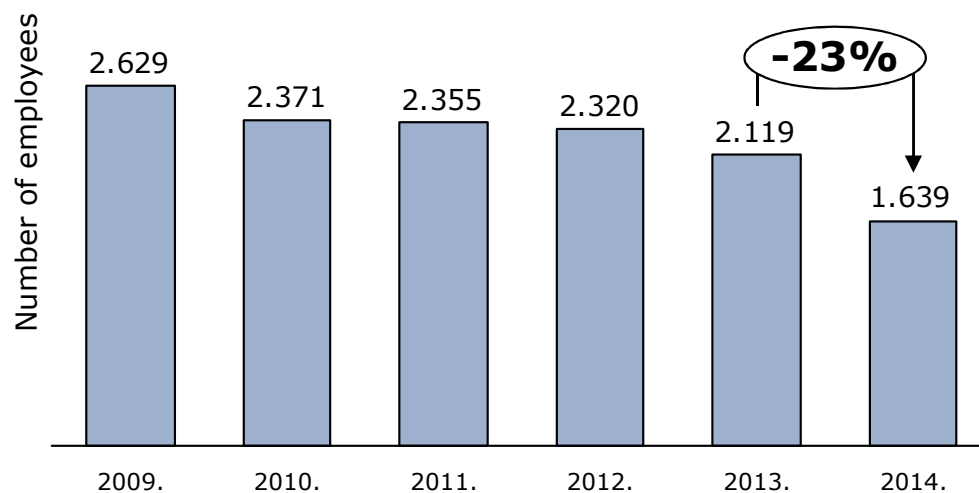


- Daughter companies 100% owned by Petrokemija, Plc
- ** Luka Šibenik 79.7% owned by Petrokemija.dd

Operational income, personnel costs, number of employees

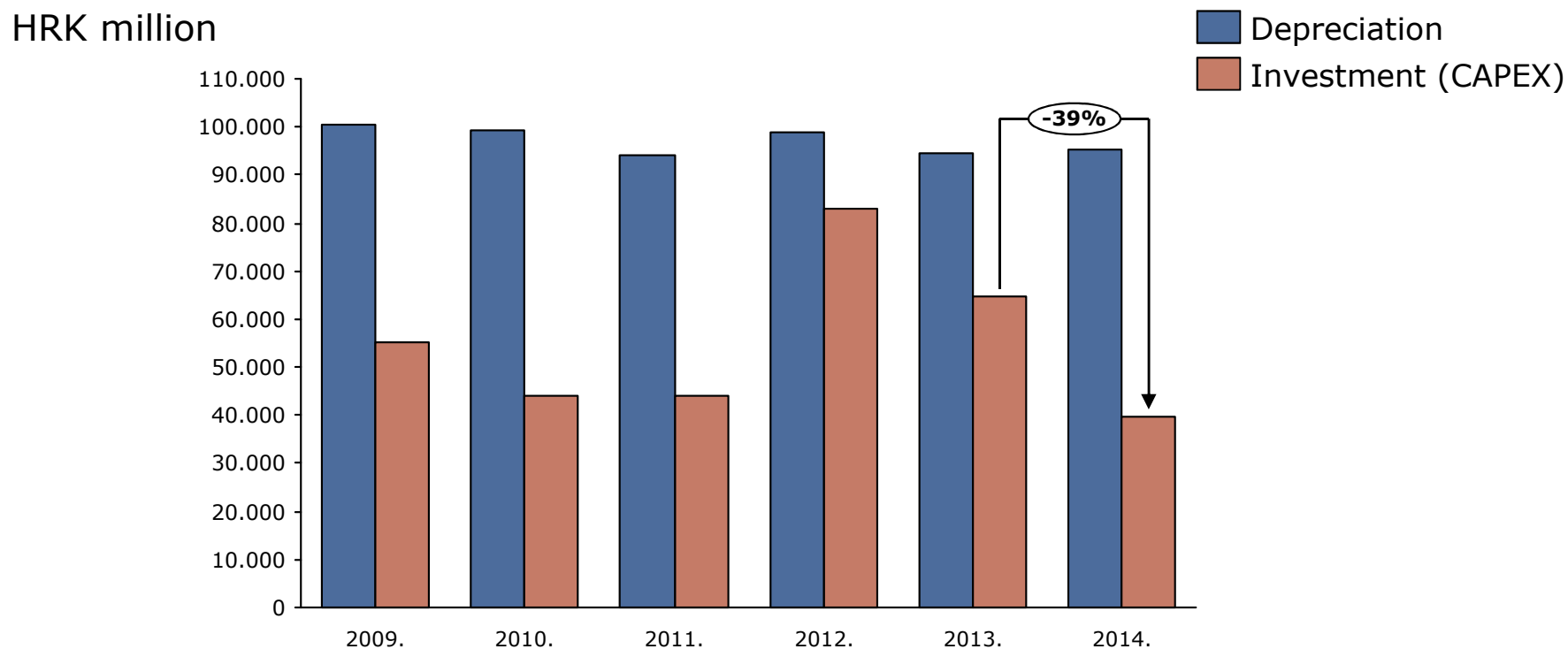


- As at 31.12.2014, Petrokemija, Plc had 1,639 employees, and daughter companies - members of Petrokemija Group - had a total of 154 employees, which makes a total of 1,793 employees.
- During 2014, the number of employees in Petrokemija, Plc. was reduced by 23%.

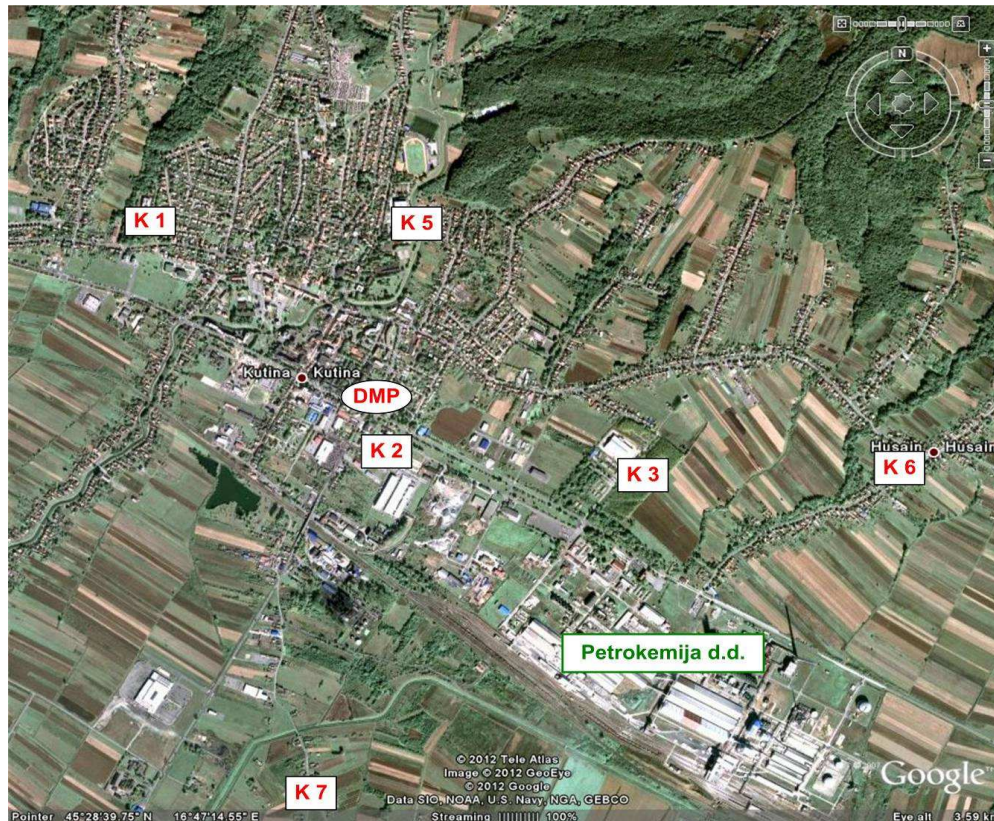


Realized investment

Investment realized in the period January-December 2014 amounted to HRK 39.9. million, which is HRK 25.5 million or 38.6% lower than in the same time previous year



Air quality in the Kutina area in 2014 at local monitoring station (K1,K2,K3,K5,K6 i K7) and the state monitoring station (DMP)



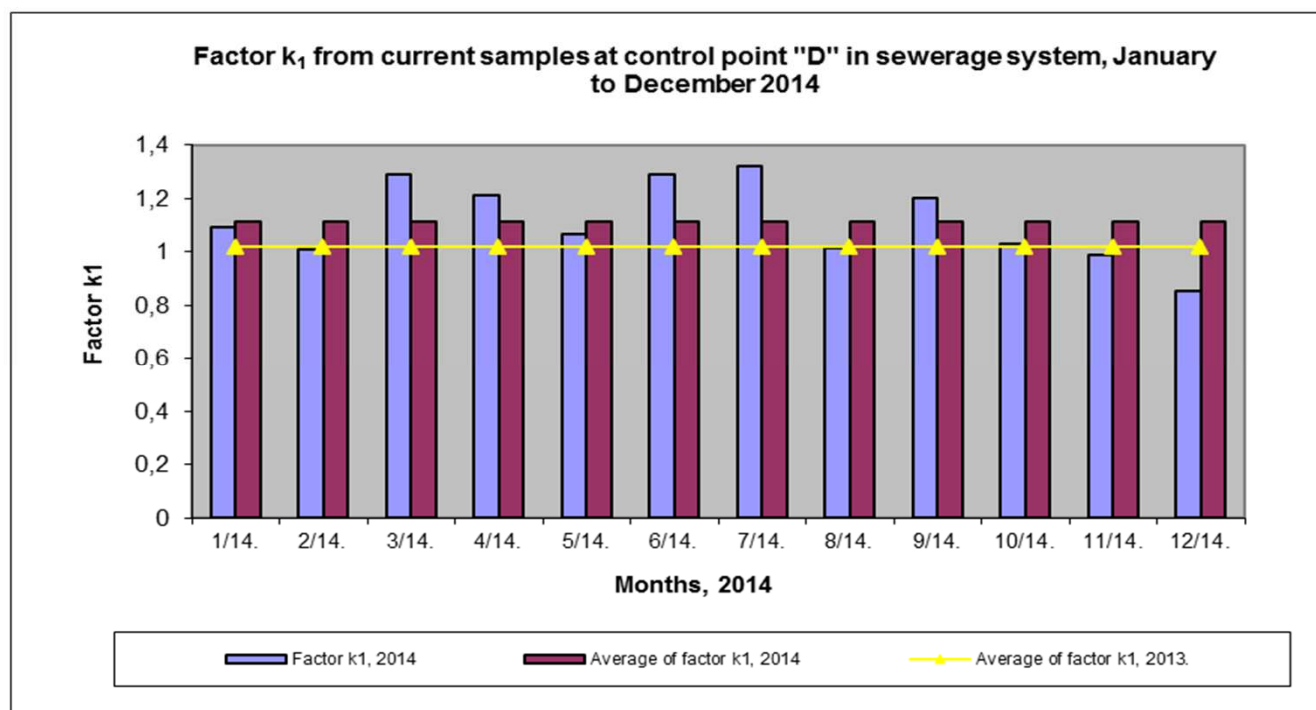
Clean or slightly polluted air	Polluted air	Pollutants
1 st category C<LV	2 nd category C>LV	
K2,K7, DMP		Sulfur dioxide (SO ₂)
K1,K2,K3,K6,K7		Sediment
K1,K2,K3,K5, K6, DMP	K7	Ammonia (NH ₃)
K1,K2,K3,K5, K6,K7, DMP		Nitrogen dioxide (NO ₂)
K2,K7, DMP		Hydrogen sulfide (H ₂ S)
DMP		PM10

Note: The categorization of air quality can be changed at DMP after validation of data that has not yet been made by the competent institution.

Ambient air limit value (LV) exceedance of AMMONIA in 2014 (local network)

Measuring station	<i>The number of limit value (LV) exceedances in 2014 /permitted exceedance number/</i>
K 1 - Dom zdravlja	2 / 7
K 2 - Vatrogasni dom	6 / 7
K 3 - Meteorološki krug	6 / 7
K 5 - Dom športova	1 / 7
K 6 - Husain	1 / 7
K 7 - Krč	9 / 7 (2 nd category)
TOTAL	25

Water management



The average value of k_1 factor for the period from January to December 2014 is slightly higher compared to average achieved in 2013.

Average consumption of raw water in period from January to December 2014 was 605.674 m³, which is 1.92 % less than average achieved in 2013.

The share capital of the Company and the market value of the shares

- General Meeting of Petrokemija, Plc. of 20 May 2014 adopted a Decision on simplified reduction of the share capital for loss coverage by reduction of the nominal amount of the ordinary shares (ticker:PTKM-RA) of HRK 170.00 by an amount of HRK 140.00 to the amount of HRK 30.00. Therefore, the Company share capital was reduced from HRK 754,195,990.00 by the amount of HRK 621,102,580.00 to the amount of HRK 133,093,410.00
- On 31 December 2012 the share value was HRK 214.45, while on 31 December 2013 its average price was HRK 168.38 (down 21.5 %) and on 31 December 2014 its average price was HRK 27.5.



Changes in the Management and the Supervisory Board in 2014

- At the General Meeting held on 20 May 2014, a Decision was made on the appointment of Branimir Fleković, BEc from Zagreb, as member of the Supervisory Board for a term of four years.
- Pursuant to Article 256 of the Companies Act and the provisions of the Articles of Association of Petrokemija, Plc., the State Office for State Property Management (DUUDI) passed a Decision on recall of members of the Supervisory Board, by which Jozo Bilobrk and Dragutin Vajnaht were recalled as Supervisory Board members.
- The decision on the recall was due to changes in the Articles of Association of Petrokemija adopted by the General Meeting of 20 May 2014, whereby the number of Supervisory Board members was reduced from nine to seven and DUUDI's authority to appoint two members was removed.
- At the Supervisory Board meeting of Petrokemija, Plc. of 30 July 2014, its president, Tomislav Radoš resigned from the SB membership to take up a new appointment. Branimir Fleković was elected new President of the Supervisory Board
- At the General Meeting held on 9 September 2014, it was established that the mandate for elected Supervisory member, Tomislav Radoš terminated on 29 July 2014, due to his resignation on grounds of a new appointment, incompatible with his membership in the Supervisory Board. Tomislav Pokaz, BE, from Zagreb, Martićeva 4, was appointed member of the Supervisory Board for a mandate of four years. Mr. Pokaz is Head of Sector for Industrial Competitiveness at the Ministry of Economy.

Changes in the Management and the Supervisory Board in 2014 (cont.)

- At its meeting held on 9 September 2014, the Supervisory Board of Petrokemija, Plc. appointed Tomislav Pokaz as president of the Supervisory Board. The former SB president, Branimir Fleković was appointed vice-president of the Supervisory Board.
- At the time of preparation of the reports, the members of the Supervisory Board are as follows: Tomislav Pokaz, president, Branimir Fleković, vice-president, Goran Kralj, Željko Klaus, Sonja Ivoš, Krešimir Huljev and Davor Rakić.
- At the meeting held on 18 November 2014, the Supervisory Board of Petrokemija, Plc. adopted a decision on mandate termination of the Company Management Board president, Mr. Dragan Marčinko and Board members Mr. Karlo Došen, Mr. Krešimir Kvaternik and Mr. Nenad Zečević as of 18 November 2014. Furthermore, the Supervisory Board appointed Mr. Nenad Zečević, BS from Kutina as president of the Board and Mrs. Antonija Perošević Galović, BS Econ from Kutina, Mrs. Tamara Pernar, BS Econ from Zagreb and Mr. Vladimir Fresl, MS from Kutina, as Board members. The mandate of the appointed members of the Board commences on 19 November 2014 and runs until 18 November 2018.

The process of choosing a strategic partner and capital increase

- At its session held on 30 July 2013, Croatian Government commissioned the competent bodies to initiate the process of choosing a strategic partner for Petrokemija, whereby the state would retain at least 25 percent plus one share of the Company.
- After the implemented procedure, on 31 March 2014 a session of the Government Commission for selection of strategic partner for Petrokemija was held at the Ministry of Economy. No binding offer was received in the required time limit.
- At its 162nd session held on 22 May 2014, the Croatian Government adopted Conclusion and Decision relating to the Commission for the selection of a strategic partner of Petrokemija, Plc.
- After the expiry of the procedure for selecting strategic partner that did not result in the actual finding one, i.e. in the change in ownership structure, Petrokemija has begun a rapid restructuring process in collaboration with its current owners – the Government and pension funds.
- At its meeting held on 9 April 2014, the Supervisory Board of Petrokemija, Plc. approved the Program of Restructuring and Financial Consolidation of Petrokemija for 2014-2018 and in connection with this the proposal and decision on decrease and increase of the share capital to be submitted to the Company General Meeting. In accordance with the adopted decisions, Petrokemija, Plc. convened the General Meeting.
- At its 176th session of 17 July 2014, the Government adopted the Decision on Recapitalization of Petrokemija Fertilizer Company. The Restructuring and Sale Center was commissioned to carry out the subscription and payment of a maximum of 8,333,333 Company shares in the name and for the account of Republic of Croatia at a price ranging from HRK 30.00 to 100.00 per share, pursuant to Public Invitation for subscription and payment of new ordinary Company shares, published on 7 July 2014.
- In the first round, which lasted from 7 July 2014 to 21 July 2014, the existing shareholders, who had their shares registered in dematerialized securities account with the Central Depository and Clearing Company Inc. on the date of the publication of Invitation to the General Meeting in the Official Gazette, subscribed and paid for a total of 434,733 shares

The process of choosing a strategic partner and capital increase (cont.)

- In the second round, the right to subscribe for all outstanding shares (maximum of 16,231,933 shares), belonged only to the existing shareholders of the Company who subscribed for New Shares in the first round. Subscription of shares in 2nd round lasted from 21 August 2014 to 27 August 2014, and 8,000,000 shares worth HRK 240 million were subscribed.
- In the third round, which lasted from 27 January to 3 February 2015, the right of subscription of all remaining shares not subscribed for in first and second round (8,231,933 shares), belonged to all investors. In the third round there were no new subscriptions of shares.
- Results of capital increase - in the 1st, 2nd and 3rd round of capital increase, the investors subscribed and paid for a total of 8,434,733 new shares of the Company in the set deadlines for subscription and payment for the shares. Accordingly, in line with the Decision of the General Meeting on the share capital increase against payments in cash with partial exclusion of pre-emptive rights of existing shareholders and amendments to the Articles of Association of 20 May 2014 (Decision on Capital Increase), the requirement for the issue of new shares to be considered successfully completed if at least 8,333,333 new shares were subscribed and paid for within the set deadlines, was met.
- The Company Board, with the consent of the Supervisory Board and with reference to the Decision on Capital Increase, determined the exact number of new Company shares, i.e. the share capital was increased by issuing 8,434,733 new dematerialized ordinary, registered shares, with a nominal value of HRK 30.00 each at the price that corresponds to the nominal amount the Company shares. The Board also determined the exact amount of the Company share capital increase so that the Company share capital increases from the amount of HRK 133,093,410.00 by the amount of HRK 253,041,990.00 to the amount of HRK 386,135,400.00. After the incorporation of the share capital increase in the court register of the Commercial Court in Zagreb, the share capital will amount to HRK 386,135,400.00 and will be divided into 12,871,180 dematerialized ordinary registered shares, of HRK 30.00 nominal value each.

Significant financial risks in 2015



Overall, the business position of Petrokemija, Plc. in 2015 will depend on a number of factors, whose impact is very difficult to estimate. However, in view of the present market situation, losses in business are expected, whose level will depend on the following risks :

- Petrokemija Plc is highly dependent on the price movements of fertilizers and raw materials for their production in the world market, the exchange rate of the HRK against USD and EUR and their interrelationship. This was particularly evident in the first months of 2015, when the USD exchange has had a prominent growth.
- Natural gas as the most important raw material is supplied in the domestic market under contracts with two suppliers – INA, Plc, Zagreb and Prvo plinarsko društvo, Ltd., Vukovar.
- Fertilizer sales prices in the world market are still under the influence of cyclical and seasonal changes.
- The fluctuations of raw material prices on the world market present so far will continue to have impact on the level of material costs in the next period.
- High cost of working capital - due to lack of own working capital, financing costs will continue to be significant in the following period.
- In the reporting period, a portion of the receivables one of large customers – Gorup Ltd. is (due to their problem in business and insolvency) was, in agreement with commercial banks rescheduled for the following period and part of it was charged to Petrokemija, Plc. as recourse debtor (HRK 47.5 million in the reporting period, and HRK 49.1 million at the date of the financial statements).
- For the amount of HRK 97.8 million, which relates to a receivable from Gorup Ltd. that Petrokemija has failed to collect, no impairment loss was made in the reporting period. Gorup Ltd. Has started the process of pre-bankruptcy settlement and there are significant uncertainties regarding the settlement of above claims by Petrokemija, Plc. However, at the time of preparation of these financial statements there was not enough information to adequately quantify the impairment losses.

Statement of management liability



In line with Articles 407 through 410 of Capital Market Act (OG 88/08, 146/08, 74/09 and 54/13), the Managing Board of Petrokemija, Plc. Kutina, A. Vukovar 4, make a

Statement on Management Liability

Financial reports were made in accordance with International Financial Reporting Standards (IFRS). Financial reports are also compliant to Croatian Accounting Act, effective at the time of issuing of the reports.

Financial reports for the **January 1 to December 31, 2014 period**, make an exact and true account of the Company Petrokemija Plc and Petrokemija Group financial status and the business and cash flow results, in compliance with the applicable accounting standards.

This report may contain certain statements relating to the future business of Petrokemija, Plc. and Petrokemija Group, their strategy, plans and intentions which express a certain degree of uncertainty. They reflect the current position of the Company with regard to risks, uncertainties and assumptions about the future. Currently, the results, effects and achievements of Petrokemija, Plc. or Petrokemija Group are heavily dependent on a large number of factors which may influence their being quite different from the originally set ones.

President of Petrokemija
Management Board

Member of Petrokemija
Management Board

Member of Petrokemija
Management Board

Member of Petrokemija
Management Board

Nenad Zečević, BE

Antonija Perošević Galović, BEc

Tamara Pernar, BEc

Vladimir Fresl, MS

Attachments:

-
- Company quarterly financial report - **TFI-POD Petrokemija Group:**
 - **Profit and Loss Account**
 - **Balance Sheet**
 - **Cash Flow**
 - **Report on Capital Change**
 - **Notes**

Attachment 1.

Reported period:

1.1.2014.

to

31.12.2014.

Quarterly financial statements TFI-PODRegistration number (MB): **03674223**Registration number of subject
(MBS): **080004355**Personal identification
number (OIB): **24503685008**Issuer company: **THE GROUP PETROKEMIJA**Postal code and city: **44320****KUTINA**Street and number: **ALEJA VUKOVAR 4**E-mail: fin@petrokemija.hrInternet address: www.petrokemija.hrCode and city/municipality: **220** **KUTINA**Code and county name: **3** **SISAČKO-MOSLAVAČKA ŽUPANIJA**Number of employees: **1.793**
(at the end of the year)Consolidated Report: **YES**Code of NKD: **20.15**

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

RESTORAN PETROKEMIJA d.o.o.**KUTINA****01335316****PETROKEMIJA d.o.o.****NOVI SAD****08754608****LUKA ŠIBENIK d.o.o.****ŠIBENIK****03037525**

Book-keeping office:

Contact person: **MARINA MARIĆ**

(name and surname of the contact person)

Telephone number: **044-647-829**Fax: **044-682-819**E-mail: marina.marić@petrokemija.hrName and surname: **NENAD ZEČEVIĆ, ANTONIJA PEROŠEVIĆ GALOVIĆ**

(authorized representatives)

Documentation to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Management Board's Report
3. Statement of persons in charge of making Financial Statements

(seal)

(signature of authorized representative)

BALANCE SHEET
as at 31.12.2014.

The Group Petrokemija d.d.			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	719.303.117	666.469.845
I. INTANGIBLE ASSETS (004 do 009)	003	8.212.096	8.060.392
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	2.834.581	4.126.070
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	5.377.515	3.934.322
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	710.518.222	658.048.220
1. Land	011	49.482.153	49.482.153
2. Buildings	012	276.722.239	256.096.185
3. Plant and equipment	013	309.397.663	267.358.049
4. Tools, plant inventory and transportation assets	014	15.626.648	24.269.004
5. Biological assets	015		
6. Advances for tangible assets	016	3.352.925	8.481.540
7. Tangible assets in progress	017	55.434.274	51.009.926
8. Other tangible assets	018	502.320	1.351.363
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	7.537	7.537
1. Investments (shares) in related companies	021		
2. Loans given to related companies	022		
3. Participating interest (shares)	023	7.537	7.537
4. Loans given to companies with participating interest	024		
5. Investment in securities	025		
6. Loans given, deposits and similar assets	026		
7. Other long-term financial assets	027		
8. Investments accounted for using the equity method	028		
IV. TRADE RECEIVABLES (030 do 032)	029	250.168	105.695
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032	250.168	105.695
V. DIFERRED TAX ASSETS	033	315.094	248.001
C) SHORT-TERM ASSETS (035+043+050+058)	034	877.887.496	907.602.604
I. INVENTORIES (036 do 042)	035	448.552.343	523.417.238
1. Raw and other material	036	208.306.972	272.799.333
2. Work in progress	037	42.595.847	42.922.687
3. Finished products	038	194.190.474	206.519.234
4. Merchandise inventory	039	1.237.523	795.403
5. Advances for inventories	040	2.221.527	380.581
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)	043	382.994.741	294.596.077
1. Receivables from related companies	044		
2. Receivables from customers (buyers)	045	185.068.208	108.001.566
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	35.289	14.964
5. Receivables from state and other institutions	048	71.782.384	56.397.097
6. Other receivables	049	126.108.860	130.182.450
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	24.511.788	78.109.508
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053	12.838.576	43.227.766
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	5.068.235	27.447.774
6. Loans given, deposits and similar assets	056	6.604.977	7.433.968
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	21.828.624	11.479.781
D) PREPAID EXPENSES AND ACCRUED INCOME	059	12.550.972	543.800
E) TOTAL ASSETS (001+002+034+059)	060	1.609.741.585	1.574.616.249
F) OFF BALANCE SHEET ITEMS	061	513.934.610	963.867.837

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	438.063.174	326.636.096
I. SUBSCRIBED CAPITAL	063	754.195.990	133.093.410
II. CAPITAL RESERVES	064		554.488.994
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	7.967.248	0
1. Legal reserves	066		
2. Reserve for treasury shares	067		
3. Treasury shares and investment (deductable item)	068		
4. Statutory reserves	069		
5. Other reserve	070	7.967.248	
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	2.006.043	-879.831
1. Retained earning	073	3.858.116	827.918
2. Loss carried forward	074	1.852.073	1.707.749
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-330.259.239	-363.732.586
1. Profit for the year	076		
2. Loss for the year	077	330.259.239	363.732.586
VII. MINORITY INTEREST	078	4.153.132	3.666.109
B) PROVISIONS (080 do 082)	079	14.231.661	10.226.111
1. Provisions for pensions, severance pay and similar liabilities	080	12.659.799	9.084.249
2. Provisions for tax liabilities	081		
3. Other provisions	082	1.571.862	1.141.862
C) LONG-TERM LIABILITIES (084 do 092)	083	63.460.181	17.015.338
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085		
3. Liabilities to banks and other financial institutions	086	63.460.181	17.015.338
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT-TERM LIABILITIES (094 do 105)	093	1.074.607.653	1.190.347.265
1. Liabilities to related companies	094		
2. Liabilities for loans, deposits and similar	095	64.427.181	187.412.038
3. Liabilities to banks and other financial institutions	096	362.388.889	289.952.694
4. Liabilities for advances	097	108.333.045	112.185.263
5. Liabilities to suppliers	098	285.051.764	481.954.886
6. Liabilities for securities	099	91.833.225	13.421.301
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.488.053	11.480.277
9. Liabilities for taxes, contributions and other payments	102	21.560.648	11.201.378
10. Liabilities as per share in result	103		
11. Liabilities as per long-term assets intended for sales	104		
12. Other short-term liabilities	105	126.524.848	82.739.428
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	19.378.916	30.391.439
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.609.741.585	1.574.616.249
G) OFF BALANCE SHEET ITEMS	108	513.934.610	963.867.837
APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Credited to parent company capital owners	109	433.910.042	322.969.987
2. Credited to minority interest	110	4.153.132	3.666.109

Note 1.: The appendix to the balance sheet i to be filled if consolidated financial statements are to be compiled.

PROFIT AND LOSS ACCOUNT
for the period 01.01.2014. to 31.12.2014.

The Group Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	2.566.333.024	708.006.613	2.239.503.344	623.310.272
1. Sales revenues	112	2.518.580.366	692.961.870	2.201.491.335	610.628.119
2. Other operating revenues	113	47.752.658	15.044.743	38.012.009	12.682.153
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.865.566.221	841.939.058	2.547.997.132	681.613.802
1. Changes in value of work in progress and finished products	115	170.888.173	187.006.353	-9.046.082	23.980.353
2. Material costs (117 do 119)	116	2.224.370.068	505.515.797	2.034.402.896	549.262.908
a) Cost of raw and production materials	117	2.114.120.585	464.555.911	1.965.896.286	527.858.539
b) Cost of goods sold	118	28.445.243	16.225.892	6.143.719	1.576.876
c) Other external costs	119	81.804.240	24.733.994	62.362.891	19.827.493
3. Employees costs (121 do 123)	120	249.671.415	63.537.430	221.052.389	50.409.321
a) Net salaries and wages	121	158.388.456	40.269.552	137.645.253	31.336.268
b) Costs for taxes and contributions from salaries	122	58.384.363	14.894.413	51.870.944	11.710.981
c) Contributions on salaries	123	32.898.596	8.373.465	31.536.192	7.362.072
4. Depreciation	124	96.483.482	23.191.642	96.946.437	22.914.855
5. Other costs	125	115.734.117	57.451.292	195.754.876	35.013.389
6. Value adjustments (127+128)	126	4.442.533	4.150.966	2.666.155	2.514.223
a) of long-term assets (except for financial assets)	127	20.318	3.329	29.261	1.441
b) of short-term assets (except for financial assets)	128	4.422.215	4.147.637	2.636.894	2.512.782
7. Provisions	129	3.976.433	1.085.578	6.220.461	-2.481.247
8. Other operating expenses	130				
III. FINANCIAL REVENUES (132 do 136)	131	18.371.299	5.163.805	9.414.556	1.957.531
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132				
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	18.371.299	5.163.805	9.414.556	1.957.531
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135				
5. Other financial revenues	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	49.290.880	10.741.872	64.283.206	19.382.795
1. Interest, exchange rate fluctuations and other costs with associated companies	138				
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	47.462.252	10.498.814	64.253.964	19.353.553
3. Unrealised losses (costs) from financial assets	140	1.828.628	243.058	29.242	29.242
4. Other financial expenses	141				
V. PORTION IN PROFIT OF ASSOCIATED COMPANIES	142				
VI. PORTION IN LOSS OF ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER REVENUES	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL REVENUES (111+131+142 + 144)	146	2.584.704.323	713.170.418	2.248.917.900	625.267.803
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.914.857.101	852.680.930	2.612.280.338	700.996.597
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-330.152.778	-139.510.512	-363.362.438	-75.728.794
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	330.152.778	139.510.512	363.362.438	75.728.794
XII. PROFIT TAX	151	284.461	284.461	370.148	370.148
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-330.437.239	-139.794.973	-363.732.586	-76.098.942
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	330.437.239	139.794.973	363.732.586	76.098.942

APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	155	-329.615.239	-139.558.003	-363.247.445	-76.091.779
2. Credited to minority interest	156	-822.000	-236.970	-485.141	-7.163
STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)					
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	-330.437.239	-139.794.973	-363.732.586	-76.098.942
II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)	158	178.000	102.000	494.000	216.000
1. Exchange rate differences from translation of foreign currency operations	159	178.000	102.000	494.000	216.000
2. Change in revaluation reserves of fixed tangible and intangible assets	160				
3. Gain or loss from revaluation of financial assets held for sale	161				
4. Gain or loss from effective cash flow hedge	162				
5. Gain or loss from effective hedge in net investments in abroad	163				
6. Portion in other comprehensive gain/loss of associated companies	164				
7. Actuarial gains/losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)	167	178.000	102.000	494.000	216.000
V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)	168	-330.259.239	-139.692.973	-363.238.586	-75.882.942
APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)					
VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	169	-329.437.239	-139.456.003	-362.753.445	-75.875.779
2. Credited to minority interest	170	-822.000	-236.970	-485.141	-7.163

CASH FLOW STATEMENT - Direct method

for the period 01.01.2014. to 31.12.2014.

The Group Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash increase from buyers	001	2.293.114.228	2.164.930.978
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	4.994.325	4.727.521
4. Cash increase from tax return	004	344.321.282	345.537.947
5. Other cash increase	005	4.449.827	5.499.808
I. Total increase of cash flow from operating activities (001 do 005)	006	2.646.879.662	2.520.696.254
1. Expenses to suppliers	007	2.781.258.086	2.180.493.336
2. Expenses for employees	008	280.857.462	332.388.012
3. Expenses for insurance compensations	009	14.493.411	12.990.716
4. Expenses for interest	010	29.441.416	37.892.071
5. Expenses for taxes	011	112.355.548	83.066.063
6. Other cash decrease	012	14.311.654	13.648.249
II. Total decrease in cash flow from operating activities (007 do 012)	013	3.232.717.577	2.660.478.447
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	0	0
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	585.837.915	139.782.193
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	9.563	48.530
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment*	018		
4. Cash proceeds of dividend payment*	019	1.005.704	
5. Other cash proceeds from investing activities	020		10.039.376
III. Total cash inflow from investing activities (016 do 020)	021	1.015.267	10.087.906
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	65.213.192	42.729.316
2. Cash outflow for acquisition of equity and debt financial instruments	023		
3. Other cash outflows from investing activities	024		
IV. Total cash outflow from investing activities (022 do 024)	025	65.213.192	42.729.316
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (021-025)	026	0	0
B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)	027	64.197.925	32.641.410
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflows from issuance of equity and debt financial instruments	028	186.206.100	253.041.990
2. Cash inflows from loan principals, debentures, credits and other borrowings	029	2.024.800.000	739.574.046
3. Other inflows from financial activities	030	670.266.143	283.396.524
V. Total cash inflow from financial activities (028 do 030)	031	2.881.272.243	1.276.012.560
1. Cash outflows for repayment of loan principal and bonds	032	2.052.942.394	938.930.905
2. Cash outflows for dividend payment	033		
3. Cash outflow for financial lease	034		
4. Cash outflows for buyback of own shares	035		
5. Other cash outflows for financial activities	036	200.519.561	174.177.903
VI. Total cash outflow for financial activities (032 do 036)	037	2.253.461.955	1.113.108.808
C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)	038	627.810.288	162.903.752
C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)	039	0	0
Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)	040	0	0
Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)	041	22.225.552	9.519.851
Cash and cash equivalents at the beginning of the period	042	50.659.153	28.433.601
Increase of cash and cash equivalents	043		0
Decrease of cash and cash equivalents	044	22.225.552	9.519.851
Cash and cash equivalents at the end of the period	045	28.433.601	18.913.750

*Inflow from interest and dividend can be listed as operating activities (MRS 7 Appendix A)

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2014 to 31.12.2014

The Group Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
1. Suscribed capital	001	754.195.990	133.093.410
2. Capital reserves	002		554.488.994
3. Reserves from profit	003	7.967.248	
4. Retained profit or loss carried forward	004	2.006.043	-879.831
5. Profit or loss for the year	005	-330.259.239	-363.732.586
6. Revaluation of fixed tangeble assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	4.153.132	3.666.109
10. Total capital and reserves (AOP 001 do 009)	010	438.063.174	326.636.096
11. Exchange differences on translationof financial statements of foreign operations	011		
12. Curent and deferred taxes (part))	012		
13. Protektion of cash flow	013		
14. Changes in accounting policies	014		
15. Adjustment of significant errors from previous period	015		
16. Other changes in captal	016		
17. Total increase or decrease of capital (AOP 011 do 016)	017	0	0
17 a. Creadited to parent company capital owners	018	433.910.042	322.969.987
17 b. Creadited to minority interest	019	4.153.132	3.666.109

Items that decrease the capital are entered with a minus sign.

Items under AOP marke 001 to 009 are entered as status on balance sheet date.

Note

PETROKEMIJA GROUP

As can be seen from the data in the tables of the Profit and Loss account and Balance sheet, the subsidiaries have no significant impact on the performance of the Petrokemija Group. Subsidiaries are: Restoran Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, and Luka Šibenik, Ltd. Šibenik.

Summarized results of 2014: 5% lower sales volumes, 0.7% higher production, 22.7% less employees, 9.5% lower sales prices, 12.6% lower income, 15.1% lower operating loss compared to that of 2013 (severance payments for 492 workers who left the Company through the restructuring program excluded).

At the year-end, there was an escalation of liquidity problems due to a partial realization of the Program of Restructuring and Financial Consolidation, so the newly appointed Management Board of the Company adopted the Revised Program for 2015–2019 period, in which the key assumptions for future business were partially changed.

The loss of HRK 134.9 million in the second half of 2014 decreased by 47.6% when compared to the loss of HRK 259.4 million in the same period of 2013, which indicates a downward trend in loss, i.e. overcoming the period of the most severe result crisis. Financing of current business operations became the key problem at the turn of 2014/2015 due to uncovered losses of previous periods and reduced placements of short-term loans by commercial banks.

In the period of Jan-Dec 2014, Petrokemija Group had total actual income of HRK 2,248.9 million and total expense of HRK 2,612.3 million; therefore the Company reported losses in business operations of HRK 363.4 million (16.2% of the total revenues). It should be pointed out that out of the total loss, HRK 100.4 million accounts for the retirement severance payments. Without this one-time cost for funding the already started restructuring process of the Company, the loss would amount to HRK 263.0 million or 11.7% of the total revenues. The loss in the same period of 2013 was HRK 330.2 million and when the severance payments in that year (HRK 20.5 million) are excluded, comparable loss was HRK 309.7 million. Accordingly, the corrected operating loss for 2014 decreased by HRK 46.7 million or 15.1%, compared to that of 2013.

At the annual level, total revenues were by 13.0% lower compared to 2013, while total expenses were lower by 10.4%. With exclusion of the severance costs, total expenses were by 13.2% lower than for the previous year. The intensive fall in the price of fertilizers is evident from the fact that with 5% lower sales volumes of fertilizers, Petrokemija generated 12.7% lower operating income.

In the loss breakdown, HRK 308.5 million or 85.5% was generated from operating activities, and HRK 54.9 million or 15.1% from financial operations. EBITDA (earnings before interest, taxes, depreciation and amortization) was negative, in the amount of HRK 211.5 million, or HRK 111.1 million without severance payment costs. In 2013, EBITDA was HRK 203.5 million negative.

In the Oct-Dec 2014 period, the Company had actual total revenues of HRK 625.3 million, total expenses of HRK 701.0 million and the reported operating losses of HRK 75.7 million (HRK 63.8 million lower compared to the same period of 2013). On a quarterly basis, total revenues were down by 12.3% and total expenditures down by 17.8%, while the loss was down by 45.7% on the fourth quarter of 2013.

The trend of prices and supply and demand in the global mineral fertilizers market did not significantly change compared to 2013. Petrokemija, Plc. tried to respond to the low prices in the global market by reducing costs, wherein only partial success was achieved

prices in the global market by reducing costs, wherein only partial success was achieved, especially in the second half, when HRK 123.5 million lower losses were achieved than in the second half of 2013. In very limited conditions, Petrokemija, Plc. has taken measures to reduce the production costs (lower gas price, rationalization of labor costs, etc.), which should strengthen the trend of loss reduction in 2015 compared to the previous years. The main disparity in revenues and expenses was generated by the low prices of fertilizers in the global and regional markets, which, with minor fluctuations, have been at a very low level since June 2013. The main export product of Petrokemija - Urea nitrogen fertilizer, achieved approximately 20% lower price in the EU in 2013/2014 than in the 2012/2013 agricultural season, the main exporting countries being Egypt and Russia. The average price of Urea in the global market was about 7% lower than the previous year.

The low level of sales achievement in the domestic market is a reflection of poor general condition in agriculture, increased competition, reduction of state subsidies, and adverse weather conditions. An additional negative effect on the fall in domestic sales was the strengthening of import competition and business problems of one of the largest customers in the domestic market – Gorup, d.o.o., which resulted in loss of part of the market and the risk of increased loss of Petrokemija, Plc. due to inability to collect receivables for fertilizer delivered from the previous and current period.

The reporting period is marked by an imbalance in of raw material supply prices and sales prices of fertilizers. In this general trend, the price of gas is an isolated phenomenon and is the result of specific factors on the Croatian gas market and position of Petrokemija, as one of the two largest customers on the still comparatively undeveloped domestic gas market. For the first time since opening of the Croatian gas market, in the summer of 2014 terms were contracted for a part of the gas supply that corresponded to the level of gas prices on the European spot market. This has mitigated the losses resulting from the non-season in the regional market and low price of nitrogen fertilizers in the world market.

Due to the comparatively small sales volumes, which did not allow for optimum use of the capacities for a part of product range, there was an increased fixed cost per unit of product and consequently loss in business. In the course of 2014, due to the crisis on the NPK fertilizer market (which is not significantly related to gas price), the sales of CAN and AN products were maximized, while the sales of Urea were being adjusted to market conditions and the maintenance of liquidity. In the observed period, there was an occasional further lowering of prices of finished products in the global fertilizer market, which in some markets could not even cover the direct costs of raw materials and energy. This effect worked cumulatively with a pronounced decline in demand in the domestic market and in the wider region, so the losses in business exceeded the level of the previous dynamic estimates. At the same time, the prices of some raw materials for fertilizer production changed at a different rate, depending on market influences, but were in general lower than in the same period of the previous year.

It should be noted that, regardless of the business moves of the Company, when the prices in the market keep almost continually falling for a longer period, a third negative effect appears – wholesalers refrain from purchase and farmers delay the purchase of fertilizer to the last minute of application.

An additional negative effect on the fall in demand were the low prices of basic agricultural products and the lack of available funds of farmers. It was the result of the lower yields due to negative effects of the high rainfall in the 2013/2014 season as well as floods in some parts of Croatia and long-term adverse circumstances of agricultural production in the value chain of food production.

In the reporting period, the operating income was 12.7% lower compared to 2013, mostly due to the fall of fertilizer prices in domestic, regional and world markets. Total volumes of fertilizer sales were 5.0% lower - the sales in the domestic market were down by 13.1%, while exports were down by 1.8% on the previous year.

Actual operating expenses were by 10.7% lower compared to the same period of the year before and were the result of changes in product range and lower average input prices of raw materials. There was a slight decline in purchase prices of almost all raw

raw materials. There was a slight decline in purchase prices of almost all key raw materials. The average actual purchase price of gas in 2014 was by 6.7% lower than in 2013.

In 2014, Petrokemija Plc. achieved 0.7% higher overall level of production as compared to the previous year, but with the change in structure: 6.1% increase of Urea, 11.0% of CAN production and 22.3% decrease of the NPK fertilizer production due to the market limitations.

Natural gas as the most important raw material is supplied in the domestic market under contracts with two suppliers – Prirodni plin d.o.o. from Zagreb (INA Industrija nafte d.d. Zagreb) and Prvo Plinarsko društvo d.o.o. from Vukovar. During the summer season, gas was procured at more favorable price terms than those achieved in the first five months. The price of gas in the last quarter was higher than in the third quarter due to higher purchase price and higher average USD exchange rate.

For market reasons, some facilities have been temporarily shut down since the second half of 2009 and this issue was carried over into the 2015. The crisis caused by the disparity of in- and output prices on the carbon black market is still present. The Revised Program of Restructuring and Financial Consolidation 2015-2019, provides for activation of two facilities that are now stalled or operate very small number of days in the year, so improvement is expected in optimizing energy costs and in the sales structure as a result of changes in product assortment and introducing new products. However, this process – technical execution and market adjustments – will take time. Petrokemija is influenced by developments in the global market, which gives space to significant potential price risks and financial fluctuations to be continued in 2015.

Because of losses in previous periods, Petrokemija uses current assets financed by short-term bank loans and by prolonged payment terms for liabilities to gas suppliers. Financing through commercial papers was brought to a minimum in 2014. Furthermore, due to delays in the capital increase process, the Company has rescheduled the maturity of part of its own short-term liabilities to financial institutions, and debts to large suppliers of raw materials (gas) have grown. A part of the short-term liabilities to financial institutions was repaid in 2014 (about HRK 230 million), which at the start of 2015 is manifested through change in the structure of current liabilities (an increase in debt to suppliers).

The first two rounds of recapitalization process were successfully completed in July and August 2014 (HRK 253 million was subscribed), but in the third round (end January - beginning of February 2015), there was no interest from investors. A decision may be expected on the implementation of a potentially new process of capital increase in 2015, which would secure the necessary resources for investment and permanent working capital. The further course of relations with potential financial and/or strategic partners, banks and major suppliers will depend on the results of the restructuring measures of the Company but also on the future decisions of the majority owner.

Due to the long collection time of receivables for fertilizers in the domestic market, liquidity problems of domestic customers and its own lack of working capital, Petrokemija has been using factoring as a means of financing and collection of receivables in the agreed due payment period (with the obligation of the customer to bear all costs and interest associated with the factoring).

In reporting the status of current assets (accounts receivable) and current liabilities (contingent recourse obligations to the factoring companies, in the event that the debtors fail to meet their obligation), Petrokemija included these liabilities and receivables in the Balance Sheet as of 31 December 2014.

In the balance-sheet positions they are included in current assets in the amount of HRK 129.5 million and HRK 82.1 million in short-term liabilities. The difference in the reporting period was charged to Petrokemija, Plc. by the commercial banks. Compared to 31 Dec 2013, the state of receivables based on these transactions is by HRK 94.7 million or 16.7%

lower and the liabilities arising from recourse factoring decreased by HRK 142.1 million or 63.4%. In the cash flow statement, the receipts from the collection of customer receivables through factoring are indicated in revenues from financial activities for 2014 for HRK 253.6 million, while in the previous year they amounted to HRK 459.9 million.

In the reporting period, a part of the receivables of one of large customers – Gorup, d.o.o. (due to their problem in business and insolvency) - was rescheduled in agreement with commercial banks for the following period and another part of it was charged to Petrokemija, Plc. as recourse debtor (HRK 47.5 million in the reporting period and HRK 49.1 million at the time of the financial statements).

For HRK 97.8 million, which relates to a receivable from customer Gorup, d.o.o. that Petrokemija failed to collect, no impairment loss was made in the reporting period. Customer Gorup, d.o.o started the process of pre-bankruptcy settlement and there are significant uncertainties regarding settlement of the above claims by Petrokemija Plc. However, at the time of preparation of financial statements there was not enough information to adequately quantify the impairment loss. It is assumed that in the course of 2015 there will be sufficient information for an adequate assessment of deadlines, form and amount of collectability of receivables.

In addition to the above, the future movements in financial results of Petrokemija Plc. will be affected by a number of factors. Besides the gas price, which is predominantly set in the domestic market, most of the future risks come from the international environment, mainly through:

- Changes in raw material prices in the world market (MAP, DAP, phosphate, potassium chloride, sulfur),
- Changes in demand and selling prices of fertilizers,
- Price trends of energy – gas and fuel oil,
- Price trends of basic agricultural crops,
- The exchange rate of USD and EUR to the local currency,
- Financing costs and cross-currency relations.

In early 2014, the Company prepared a Program of Restructuring and Financial Consolidation of Petrokemija, Plc. for 2014-2018. The Program defines detailed requirements and restructuring measures, as well as the financing requirements necessary to create a basis for the Company's sustainable operations. The mentioned measures include among others, the implementation of a comprehensive restructuring, optimization of procurement costs, refocus of production activities, optimization of working structure, disinvestment of inoperative and non-core assets and the measures of debt refinancing and capital increase.

The above Program of Restructuring and Financial Consolidation of Petrokemija was made by the Management Board and approved by the Supervisory Board after the process of finding a suitable strategic partner had failed. The Program resulted in the Decision on the Company Capital Increase. Due to the partial failure to achieve the prerequisites of the Program of Restructuring and Financial Consolidation for 2014-2018, a Revision of the said Program was made at the end of 2014 for the planned period 2015-2019. In the Revision Program, key changes of the assumptions were made - relevant to the assortment and activation of the facilities that are now stalled and to reducing the amount of investment. The losses for the period Jan-Dec 2014 reached a level of 52.5% of share capital and reserves, whereby the HRK 253 million from the first two rounds of capital increase was included in the capital reserves. At the time of preparation of this report, the procedure of capital increase of the Company was finished, with no interest from investors in the third round.

At the turn of 2014/2015, an additional risk appeared that could partly jeopardize the planned result improvement. This refers to the growth of the USD exchange rate to the

local currency, which directly affects the growth of the gas cost and a part of other basic raw materials. A part of this growth can be neutralized by growth in revenue from exports, but certainly not entirely. A negative impact is expected especially in the domestic and regional market where the payment is carried out in HRK and EUR.

Actual market and financial results for 2014, as well as the rating of the market position at the time of preparation of these financial statements, indicate caution in predicting future trends in business, particularly from the aspect of threatened liquidity and solvency of the Company, with the possibility of occasional downtime of parts of the facilities and significant changes in the Company and Petrokemija Group organization.