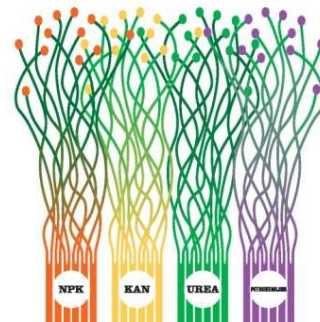


UNAUDITED  
CONSOLIDATED



# SEMI-ANNUAL REPORT PETROKEMIJA GROUP KUTINA

**REPORT FOR PERIOD January to June 2015.**  
**INTERIM REPORT FOR PERIOD April to June 2015.**



Kutina, July 2015.

# Key indicators for Petrokemija Group for January - June 2015 period



- Total income of Petrokemija Group HRK 1,311.0 million, 17.2% higher than in the same period of 2014;
- Profit of Petrokemija Group in business operations HRK 15,9 mln, loss in financial operations HRK 27,5 mln, total loss HRK 11,6 mln;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) of Petrokemija Group HRK 63,0 mln;
- Actual production of fertilizers 579 thousand tons. Despite the overhaul conducted in January 2015, production was 7.8% higher than in the same period of 2014, when there was no overhaul;
- Compared to the same period of 2014, production of NPK fertilizers increased by 75.4 %, whereas the production of Urea was by 12.4 % and CAN by 1.5% lower because of the overhaul;
- Yield of currently installed plant capacities up to 94% (the month of overhaul included);
- Actual sales of fertilizers 565 thousand tons, up 10.1% on the same period last year;
- The share of fertilizers sales volumes in the domestic market was 36%;
- Domestic sales 205 thousand tons; exports 360 thousand tons of fertilizer;
- Capital and reserves on 30.06.2015. for Petrokemija Group HRK 314.4 million;
- Invested in Petrokemija, Plc. HRK 37.3 million;
- Employed on 30.06.2015: Petrokemija, Plc. 1,627 employees; Petrokemija Group 1,779 employees.

# Management Board Report on the Petrokemija Group for January – June 2015 period :



- In Jan-June 2015, Petrokemija Group had total income of HRK 1,311.0 million, total expense of HRK 1,322.6 million. The Company reported loss in business operations of HRK 11,6 million or 0,9% of the total revenues. **It should be noted that for the first time since 2011 on a semi-annual basis, the Group reported profit from business operations of HRK 15.9 million;**
- In the reporting period, there was a very high increase of USD (**22.9% up** on the same period 2014), which is, because of procurement of gas at prices determined in USD individually most significant financial risk in Petrokemija's business. The appreciation to an average exchange rate of **HRK 6.83** in the first six months caused additional negative financial impact on the result of **HRK 105.0 million;**
- In the income structure of Petrokemija Plc., domestic sales account for 37.8 % or HRK 494.4 million (14.4 % up on the same period of 2014), while exports account for 58.5 % or HRK 777.4 million (16.6 % up on the same period of 2014);
- Higher sales volumes 10.1 % and higher average sales prices 6.1 % compared to the same period of 2014;
- In assortment of products, higher realized sales of NPK fertilizers by 90.2 % compared to the same period 2014, while there was lower realization compared to 2014 for CAN 1.5 % (available volumes) and Urea 14.1 % (unfavorable price);
- Domestic sales 15.4 % higher than realized in the same period of 2014;
- Export sales 7.2% higher than in the same period of 2014;
- Sales of clay-based products and liquid fertilizers were 29.0% higher than realized in the same period 2014.

# Management Board Report on the Petrokemija Group for January – June 2015 period :

- ❑ Despite the collected HRK 253 million in the capital increase process, current ratio is below recommended levels, with deterioration in comparison to the same period of 2014 (negative working capital of Petrokemija Group HRK 308,2 million),
- ❑ Short-term assets decreased by 5.2% compared to the same period of 2014, whereas short-term liabilities decreased by 4.1%,
- ❑ Indicator of financial stability is below the recommended values, debt and own funding indicators are significantly exacerbated compared to the same period of 2014
- ❑ Actual average gas price is 4.1 % higher in HRK and 17.3 % lower in USD compared to the same period of 2014;
- ❑ Total number of employees 1,627, 12 down on December 31, 2014;
- ❑ Achieved level of investment HRK 37.3 million, HRK 14.8 million up on the same period of 2014 because most of overhaul works were carried out as investments.

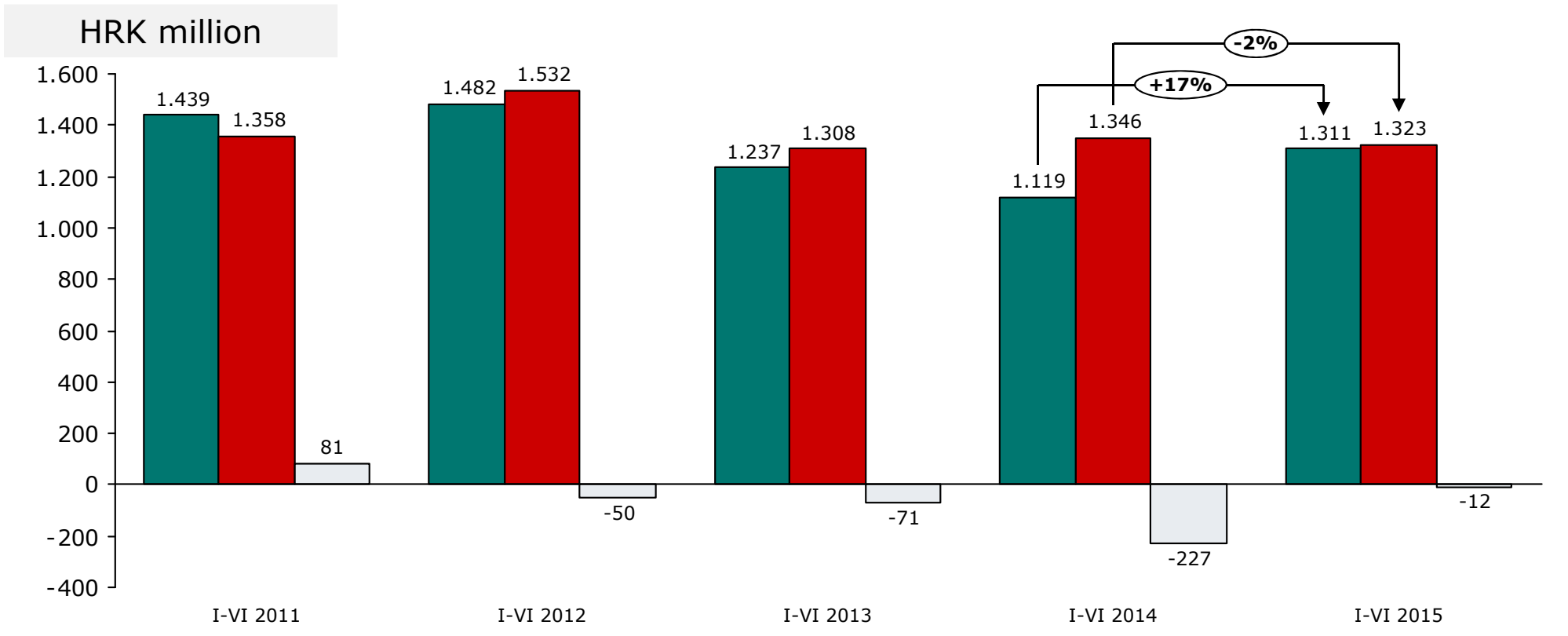


# Profit and Loss of Petrokemija Group in the period January – June 2011 - 2015



■ Total income	HRK 1,311.0 mln,
■ Total expense	HRK 1,322.6 mln,
■ Loss before taxation	HRK -11,6 mln,
■ EBITDA	HRK 63,0 mln

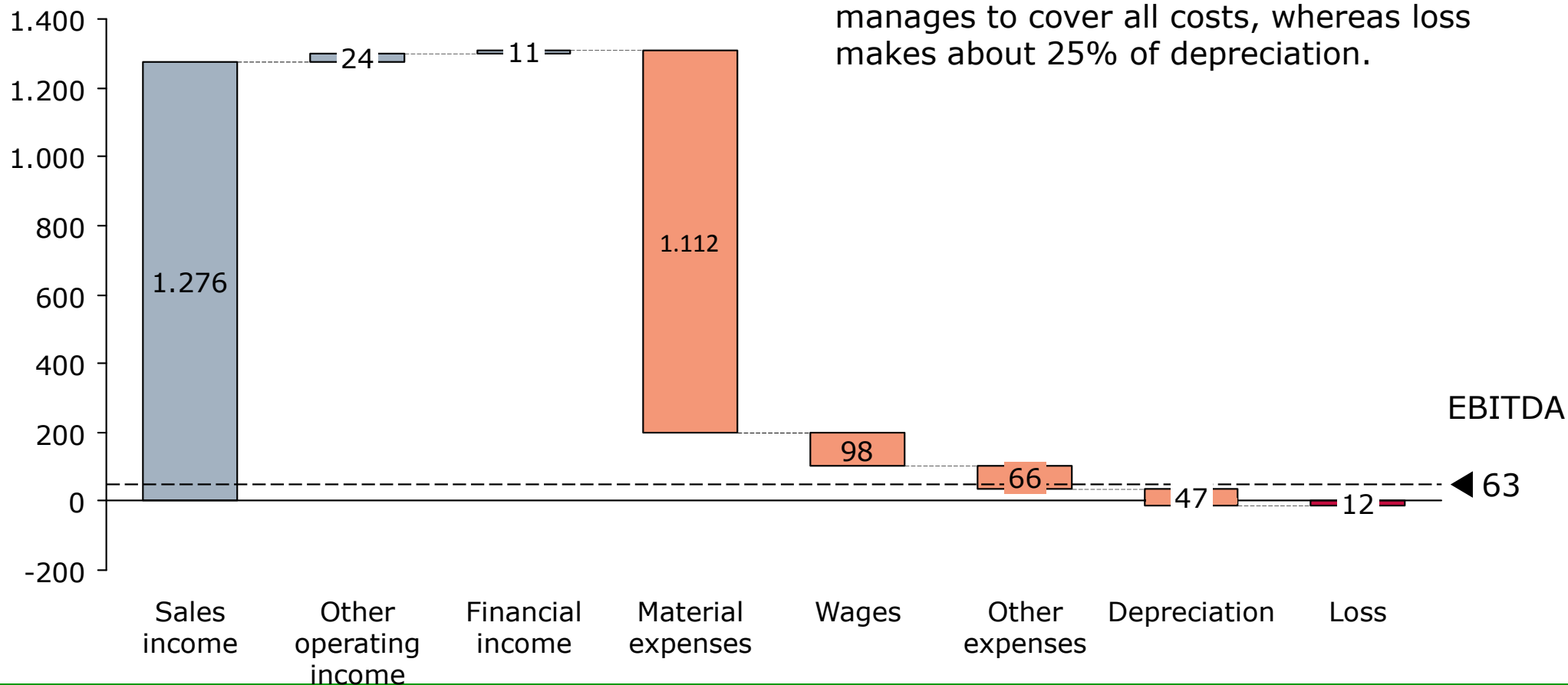
■ TOTAL INCOME  
■ TOTAL EXPENSE  
■ PROFIT / LOSS



# Structure of Profit and Loss of Petrokemija Group

HRK million

- By achieved total income the Group manages to cover all costs, whereas loss makes about 25% of depreciation.



# Actual financial results of subsidiaries in period January – June 2015

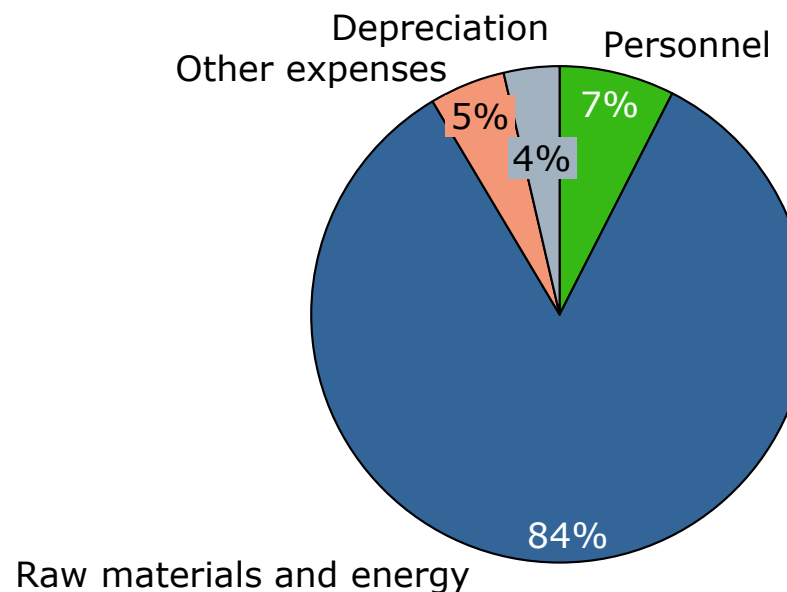
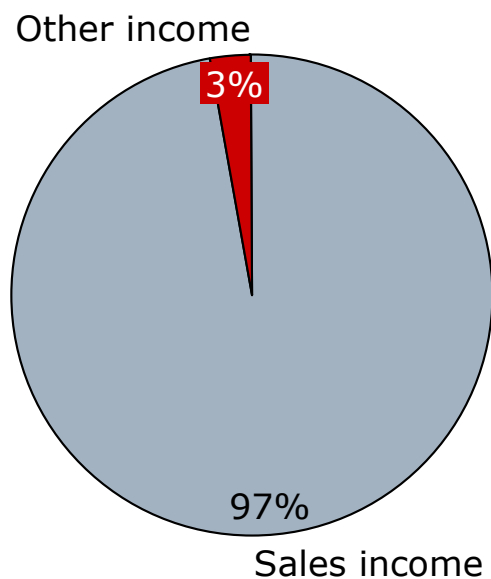


- In the period January to June 2015 Restoran Petrokemija Ltd. and Petrokemija Ltd. Novi Sad made profit, while Luka Šibenik operated with loss of HRK 1.1 million due to reduced volume of traffic and high fixed costs.

Description	(HRK 000)			
	<i>Restoran Petrokemija Ltd</i>	<i>Petrokemija Ltd Novi Sad</i>	<i>Luka ibenik Ltd.</i>	
	1	2	3	
TOTAL INCOME		763	28.384	9.293
TOTAL EXPENSES		734	28.102	10.346
		<i>Therein:</i>		
<i>Material costs</i>		483	27.310	2.977
<i>Depreciation</i>			3	473
<i>Wages</i>		211	142	5.626
<i>Other costs</i>		40	647	1.270
<b>PROFIT OR LOSS BEFORE TAXATION</b>		<b>29</b>	<b>282</b>	<b>-1.053</b>

# Structure of Profit and Loss Petrokemija Group in the period January – June 2015

- In the January–June 2015 period, Petrokemija, Plc. achieved 38 % of income from domestic market, 59% income from export, and financial and other income account for 3.0% of total income. Out of total, 97% of Petrokemija Group income is from sales of products and services and 3% is from other income
- In structure of total expenses of Petrokemija Group the dominant 84% account for raw materials and energy; personnel costs for 7%, while all other costs make 9%





# Key financial indicators for Petrokemija Group for period January – June 2015



(HRK 000)

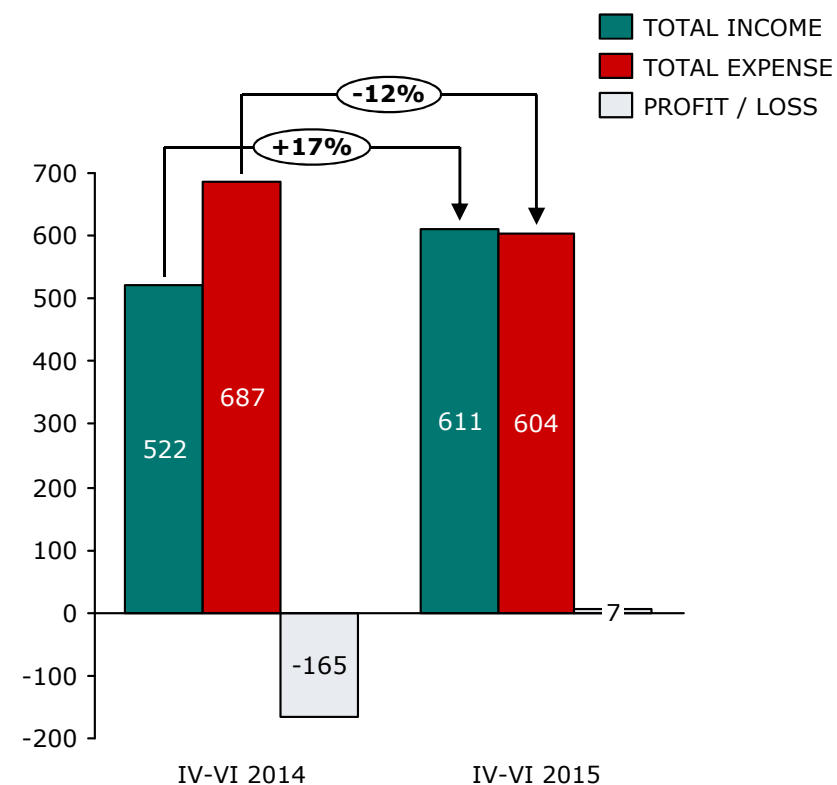
	<b>I-VI 2015</b>	<b>I-VI 2014</b>	Difference	% change
Operating income	1.299.828	1.113.990	185.838	16,68%
Operating expense	1.283.976	1.322.666	-38.690	-2,93%
EBITDA *	63.021	-159.642	222.663	-139,48%
Amortization	47.169	49.034	-1.865	-3,80%
Net financial income / (expenses)	-27.478	-18.783	-8.695	46,29%
Net extraordinary income / (expenses)	0	0	0	
Profit / loss / before taxation	-11.626	-227.459	215.833	-94,89%
	<b>30.VI 2015</b>	<b>31.XII 2014.</b>		
Fixed assets	649.655	666.470	-16.815	-2,52%
Current assets	862.047	908.147	-46.100	-5,08%
Capital and reserves	314.413	326.636	-12.223	-3,74%
Long-term liabilities + provisions	27.019	27.242	-223	-0,82%
Current liabilities + provisions	1.170.270	1.220.739	-50.469	-4,13%

\* Earnings before interest, taxes, depreciation and amortization

# Operating results of Petrokemija Group for period January – June 2015

- In April to June 2015 period, Petrokemija Group had actual total revenues of HRK 611.2 million, total expenses of HRK 604.1 million and reported **operating profit of HRK 7.1 million**.

- On a quarterly basis, total revenues increased by 17.1 % compared to the second quarter of 2014, while total expenses decreased by 12.0 %;
- When in 2014 corrections for reservations for severance payments made in June 2014 (HRK 100 million) are taken into account, the total expenditure in the second quarter of 2015 increased by 2.9% compared to the second quarter of 2014.



# Key financial indicators Petrokemija Group for April-June 2015



(HRK 000)

	I-III 2015.	IV-VI 2015	I-VI 2015.
Operating income	696.017	603.811	1.299.828
Operating expense	692.819	591.157	1.283.976
EBITDA *	26.771	36.250	63.021
Amortization	23.573	23.596	47.169
Net financial income / (expenses)	-21.949	-5.529	-27.478
Net extraordinary income / (expenses)	0	0	0
Profit / loss / before taxation	-18.751	7.125	-11.626

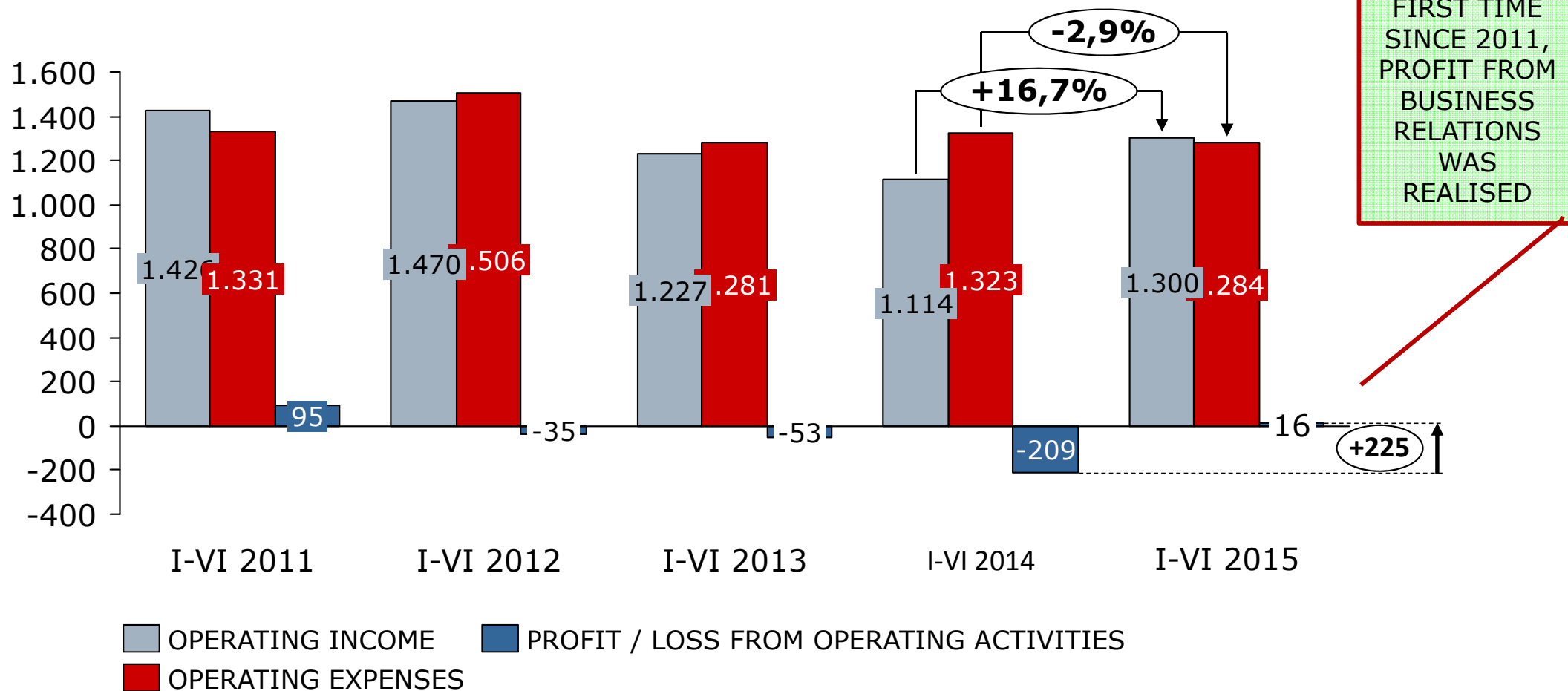
- In the second quarter of 2015, a profit of HRK 7.1 million was realized.
- The EBITDA amounted to HRK 36.3 million.

\* Earnings before interest, taxes, depreciation and amortization

# Profit and Loss from operating activities of Petrokemija Group for January to June 2011-2015

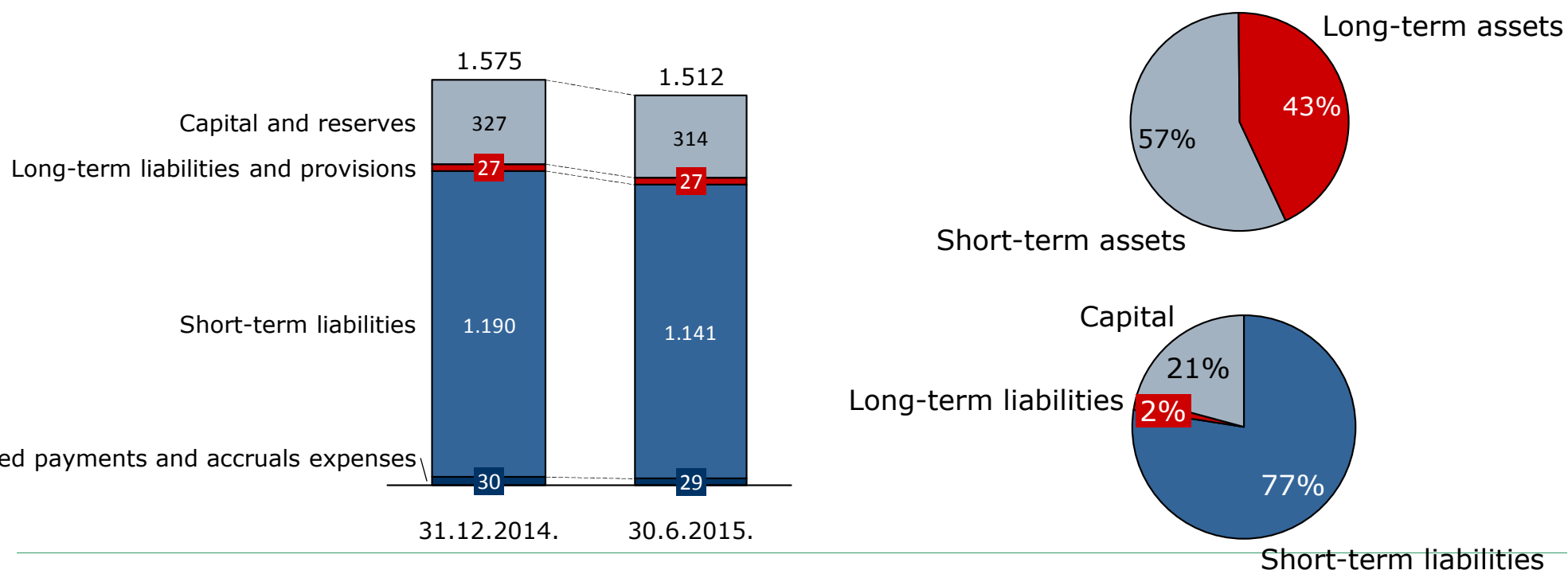


HRK million



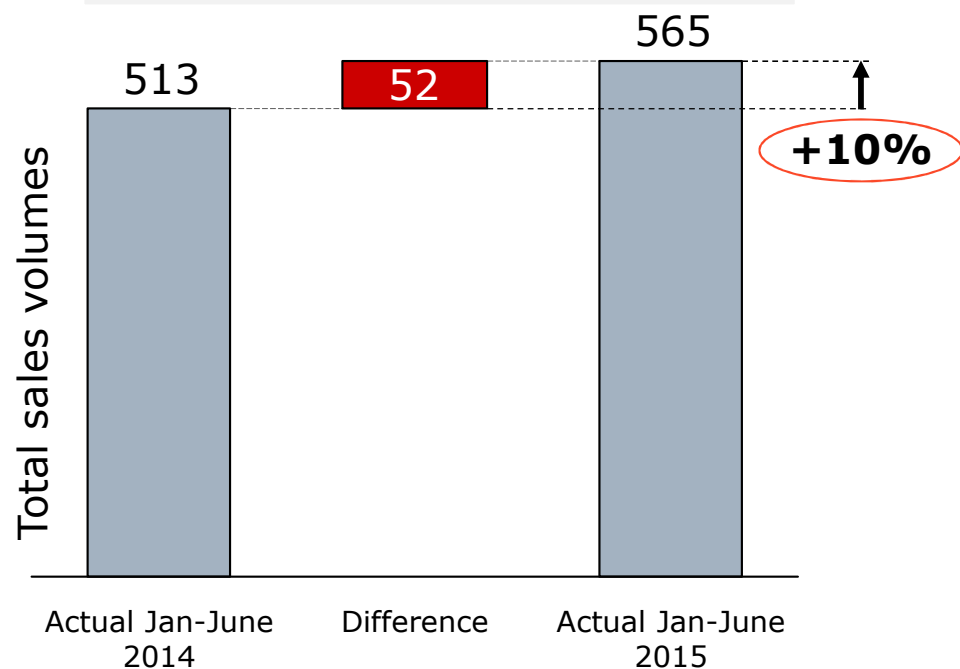
# Structure of assets and liabilities of Petrokemija Group at 30 June 2015

- At 30 June 2015, Petrokemija Group had 57% in value of short-term and 43% in long-term assets, which can be attributed to relatively high depreciation and the age of production and auxiliary facilities
- The level of capital and reserves with the share before incorporation in the register reflects the capital reduction conducted in 2014 and deduction of loss in 2014, and then capital increase of HRK 253 million collected in the recapitalization process. The structure of debt is dominated by short-term sources, due to failure to obtain long-term loans in domestic financial market (losses, ownership structure).

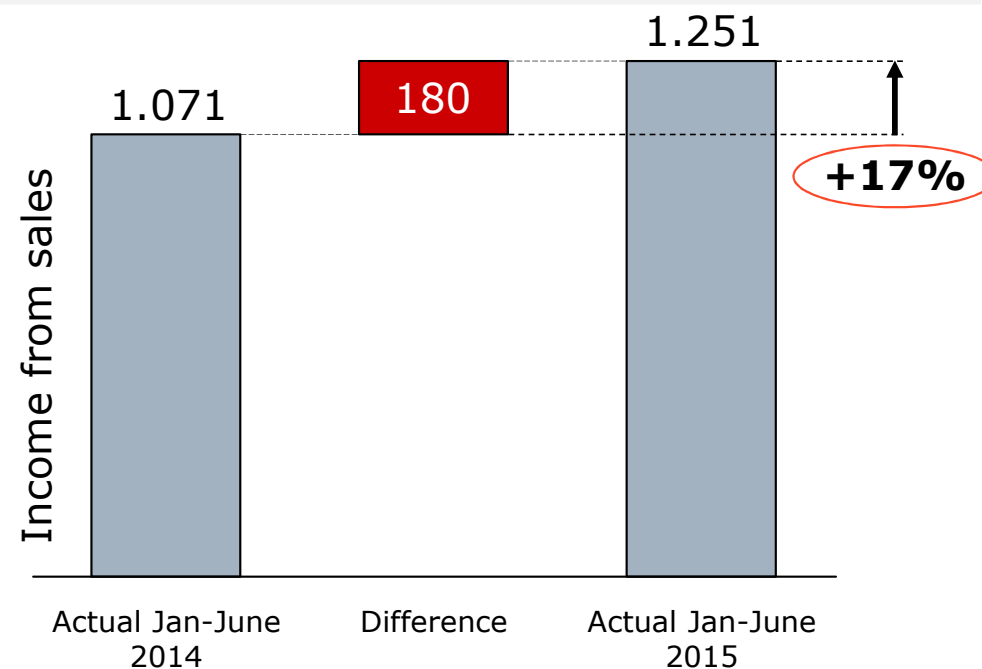


# Total fertilizer sales

**SALES VOLUMES** (000 t)  
2015 / 2014



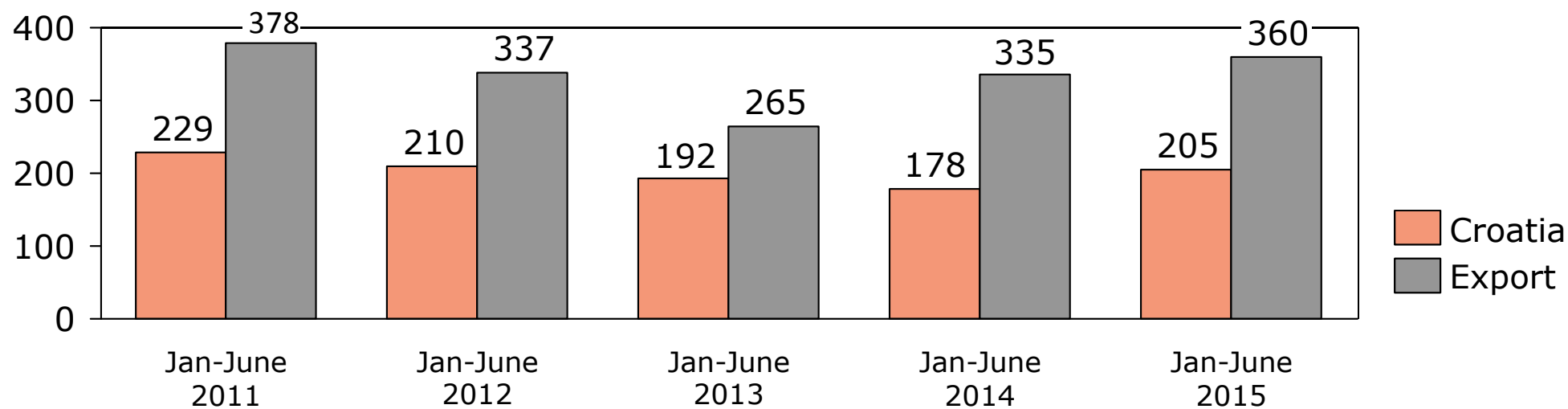
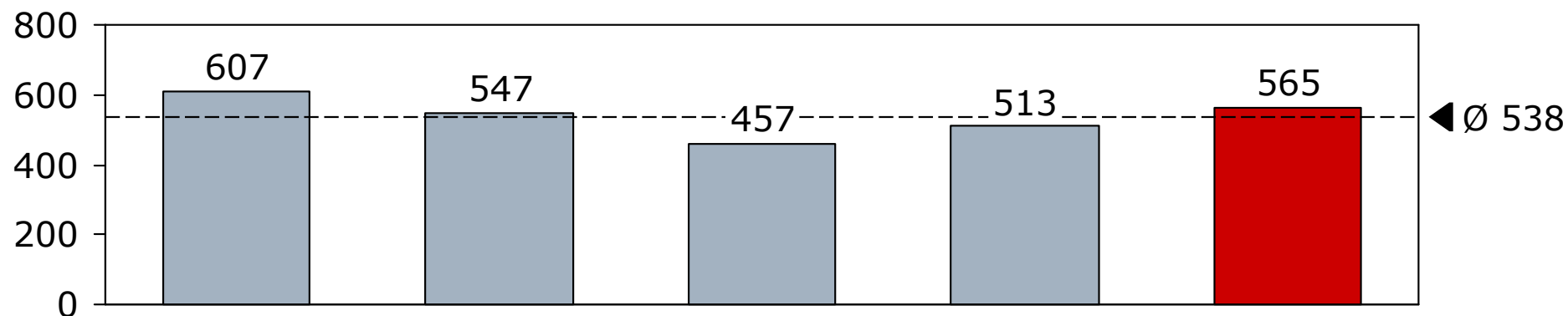
**INCOME FROM SALES** (mln HRK)  
2015 / 2014.G.



Actual fall in sales volumes of fertilizers of 10% and rise in income from sales of fertilizers of 17%, which indicates a slight increase in average selling prices.

# Actual fertilizer sales for January-June 2011-2015

total sales (000 tons)



# Business Results of Petrokemija Group for Jan–June 2015



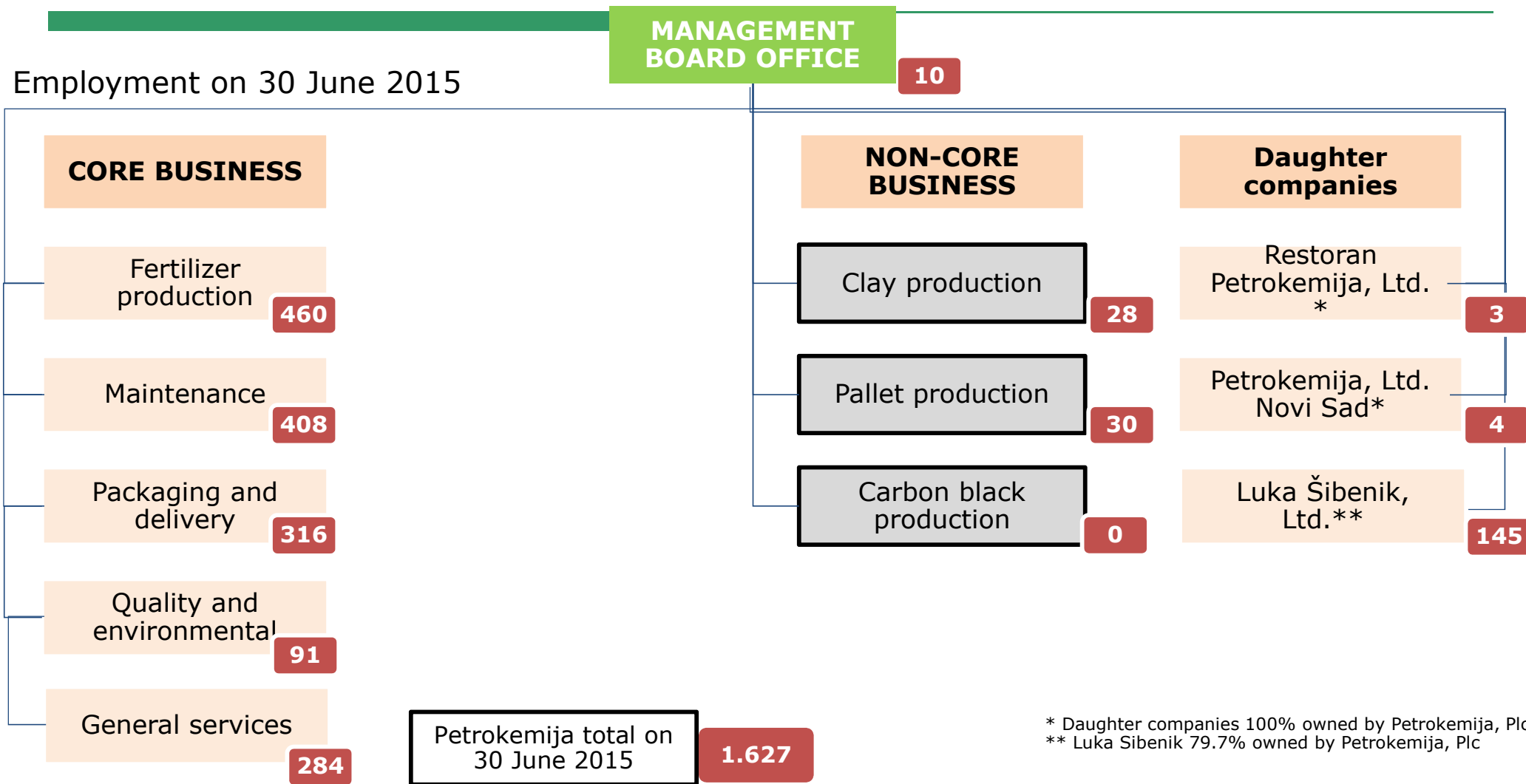
- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries - Restaurant Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad and Luka Šibenik, Ltd. - the financial results of **Petrokemija Group** for the period January-June 2015 are as follows:

■ Total revenues	HRK 1,311.0 mln,
■ Total expenses	HRK 1,322.6 mln,
■ Loss before tax	HRK – 11.6 mln,

- EBITDA (earnings before interest, taxes and depreciation) was HRK 63.0 million in the positive.
- Petrokemija, Ltd. Novi Sad made profit of HRK 282 thousand, Reštoran Petrokemija, Ltd. made profit of HRK 29 thousand, whereas Luka Šibenik operated with loss of HRK 1.1 million due to low turnover and high fixed costs.
- The report on the Petrokemija Group's business includes detailed information on the operations of the subsidiaries.

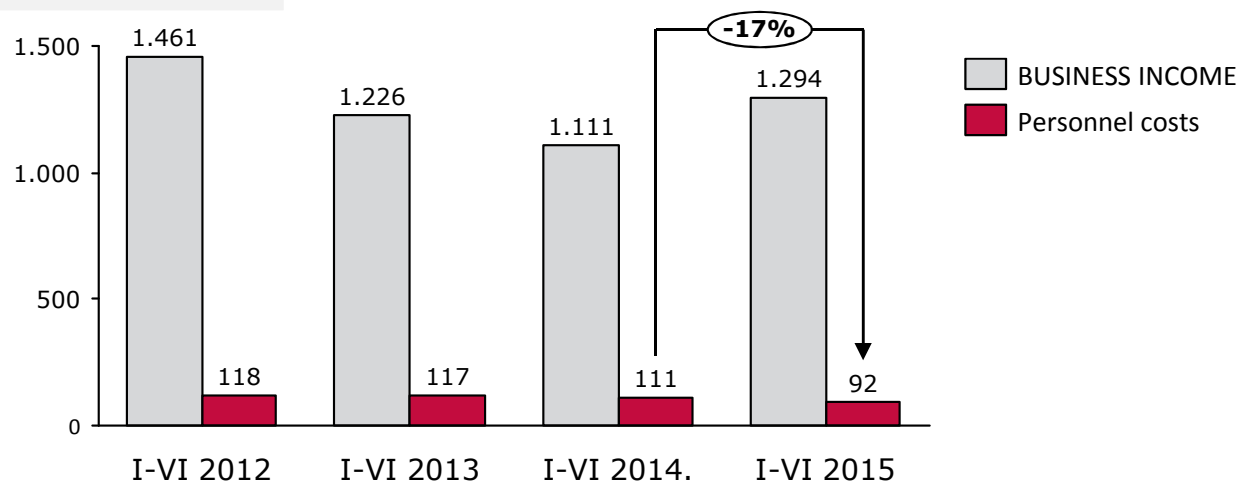


# Organization chart of Petrokemija, Plc. and Petrokemija Group



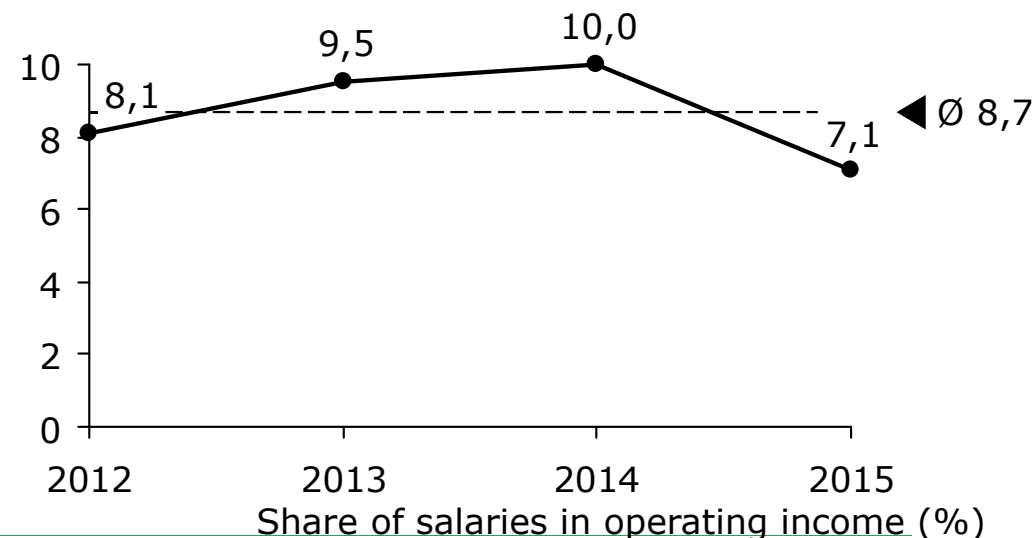
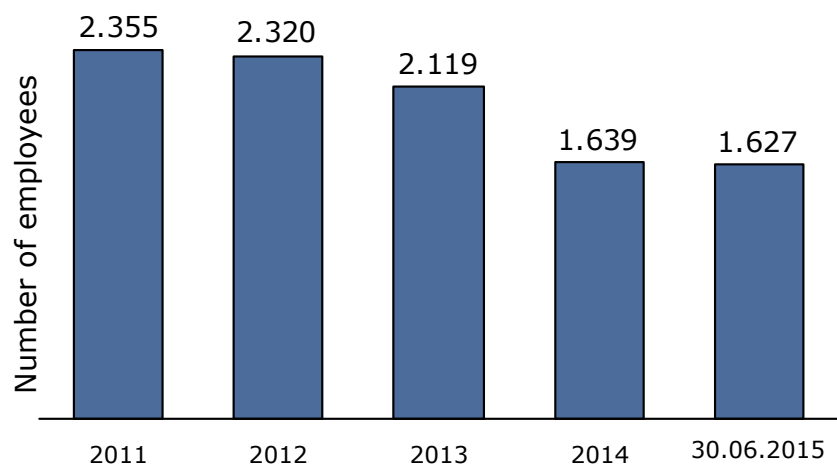
# Operational income, personnel costs and number of employees

HRK million



As at **30 June 2015** Petrokemija, Plc. had **1,627** employees, and its daughter companies - members of Petrokemija Group - had 152 employees, which is a total of 1,779 employees.

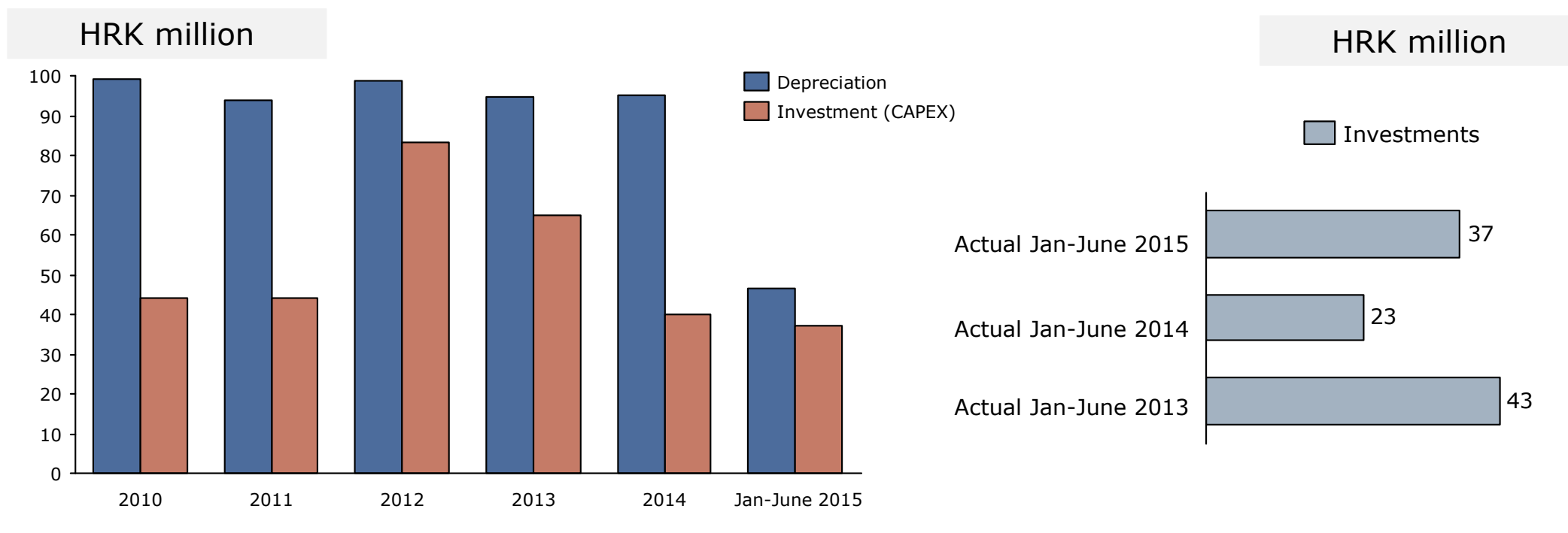
Personnel costs share in operating revenues was 7.1% and operating expenses 7.2%.



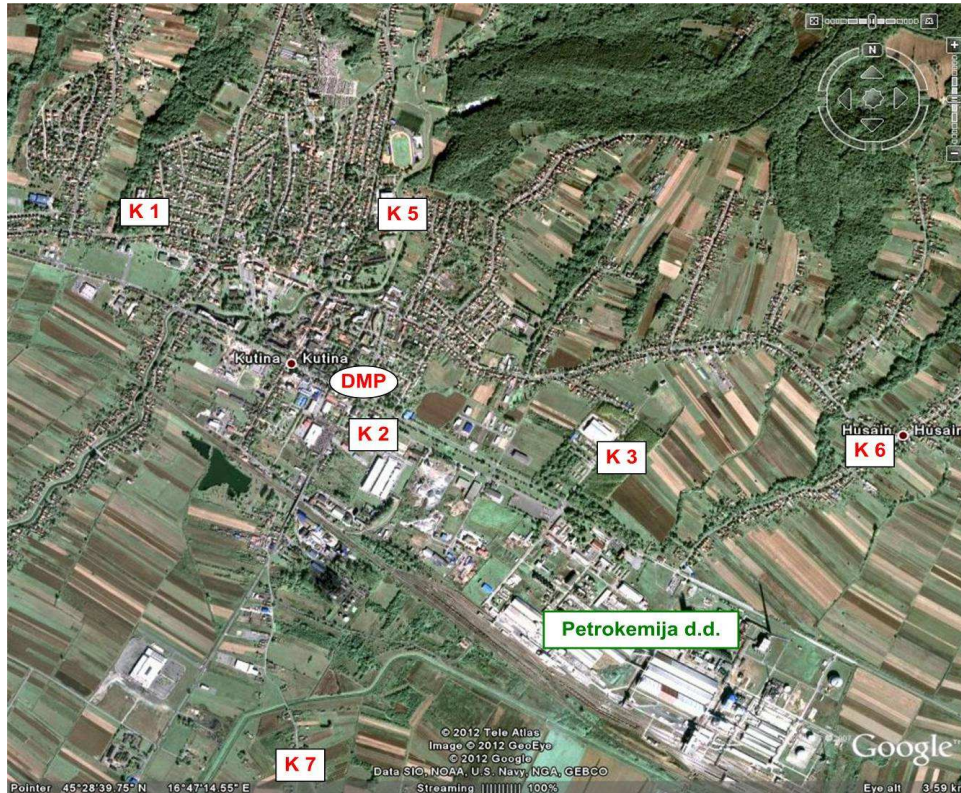
Note: Data for Petrokemija Plc.

# Realized investment

- Investment realized in the reported period amounted to 37.3 million, which is HRK 14.8 million or 65.7 % up on the same time previous year. This is a reflection of conducted overhaul, which is treated as an investment.
- The realization of planned level of investment of HRK 100 million on an annual basis can be brought into question because of the limited availability of funding.



# Air quality in the Kutina area for January to June 2015 at local monitoring station (K1,K2,K3,K5,K6 and K7) and the state monitoring station (DMP)



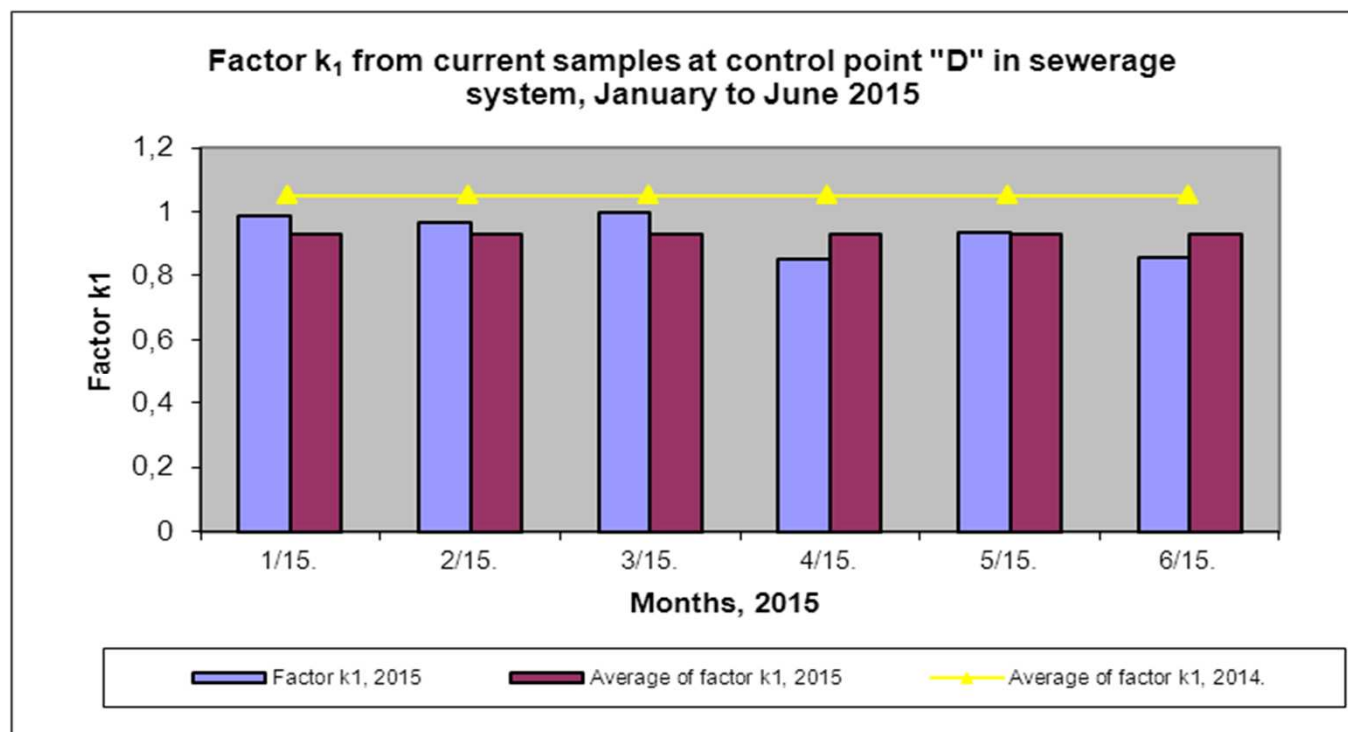
Clean or slightly polluted air	Polluted air	Pollutants
1 <sup>st</sup> category C<LV	2 <sup>nd</sup> category C>LV	
K2,K7, DMP		Sulphur dioxide (SO <sub>2</sub> )
K1,K2,K3,K6,K7		sediment
K1,K2,K3,K5, K6, K7, DMP		Ammonia (NH <sub>3</sub> )
K1,K2,K3,K5, K6,K7, DMP		Nitrogen dioxide (NO <sub>2</sub> )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

**Note:** The official categorization of air quality at local monitoring station and national network will be determined after the validation of data by the end of the year.

# Ambient air limit value (LV) exceedance of AMMONIA for January to June 2015 (local network)

Measuring station	The number of limit value (LV) exceedances in the <u>January to June 2015 period</u> /permitted exceedance number
K 1 - Dom zdravlja	0 / 7
K 2 - Vatrogasni dom	0 / 7
K 3 - Meteorološki krug	0 / 7
K 5 - Dom športova	0 / 7
K 6 - Husain	0 / 7
K 7 - Krč	0 / 7
<b>TOTAL</b>	<b>0</b>

# Water management



The average value of  $k_1$  factor for January to June 2015 is lower compared to average achieved in 2014.

Average consumption of raw water for January to June 2015 was 591,584 m<sup>3</sup>, which is 2.33 % less than the average achieved in 2014.

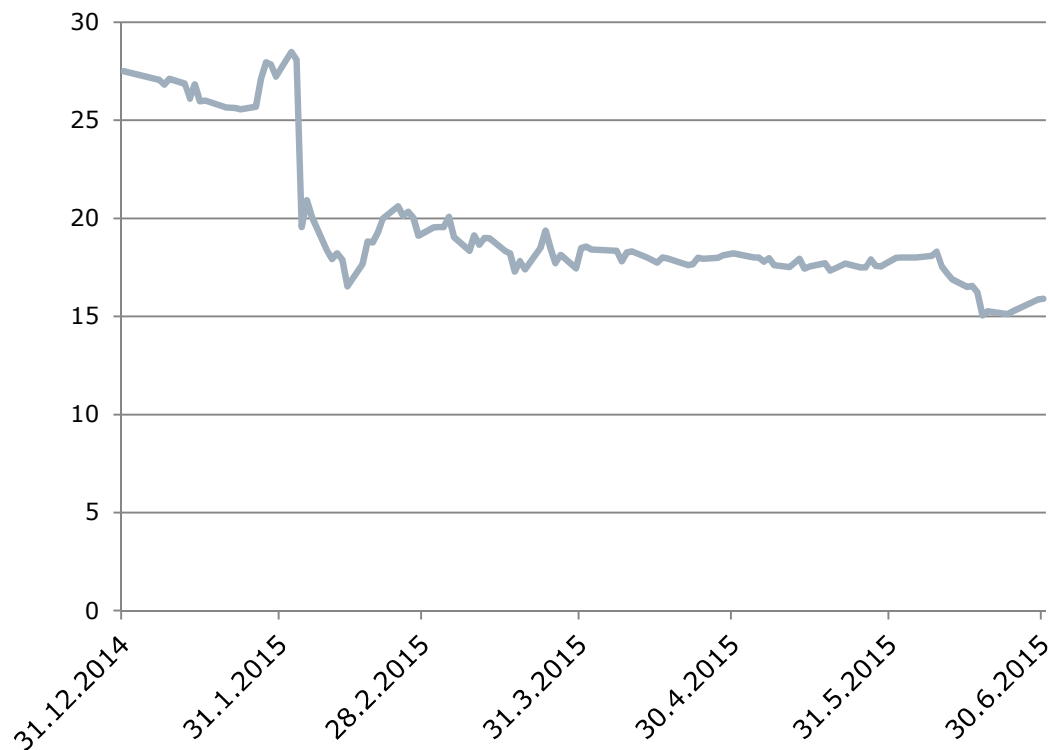
# Company share capital, market value of shares, changes in Supervisory Board

- 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-R-A) of HRK 170.00 by HRK 140.00 to the amount of HRK 30.00.
- Therefore, the Company share capital was reduced from HRK 754,195,990.00 by HRK 621,102,580.00 to the amount of HRK 133,093,410.00 and was divided into 4,436,447 ordinary shares marked PTKM-R-A in the nominal amount of 30.00 HRK.
- 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 new shares issue to be considered successfully completed if at least 8,333,333 new shares were subscribed and paid for within the set deadlines, was met.
- By Decision of the Commercial Court in Zagreb of 18 February 2015, the share capital of the Company was increased from the amount of HRK 133,093,410.00 by HRK 253,041,990.00 to the amount of HRK 386,135,400.00 by issuance of 8,434,733 ordinary shares marked PTKM-R-C, in the nominal amount of HRK 30.00. After the increase, the Company's share capital amounts to HRK 386,135,400.00 and is divided into 12,871,180 ordinary shares marked PTKM-R-A, with a nominal amount of HRK 30.00.
- On 31 December 2014, the average share value was HRK 27.50, whereas on 30 June 2015 its average price was HRK 15.90 (down 42.2 %)
- In the reporting period, the mandate of two members of the Supervisory Board of Petrokemija, Plc. expired: Goran Kralj (9 March 2015) and Željko Klaus (28 March 2015).
- By a decision of the General Meeting of Petrokemija, Plc. of 12 June 2015, the number of Supervisory Board members was reduced from seven to five.

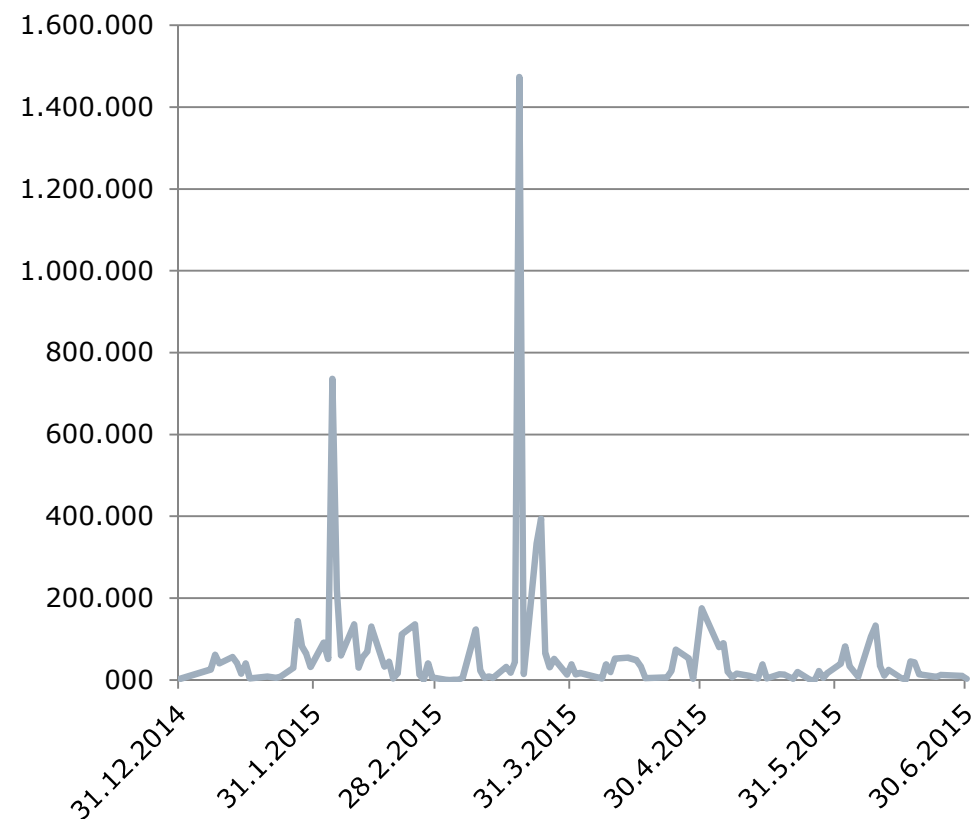
# Petrokemija, Plc. share price and daily turnover movements



PETROKEMIJA'S SHARE PRICE MOVEMENTS  
for Jan-Jun 2015



PETROKEMIJA'S DAILY SHARE TURNOVER MOVEMENTS for  
Jan-Jun 2015



Note: Data for Petrokemija Plc.



# Key events in 2015

- ❑ In the process of choosing a strategic partner in 2014, the actual partner was not found, so the Management Board and Supervisory Board initiated Program of Restructuring and Financial Consolidation for 2014-2018. The Program involved capital increase and reschedule of short-term debt, because in the meantime there had been a deterioration of the financial position of the Company to a level which could jeopardize the continuity of its business. In the first two rounds of the of the Company recapitalization process in 2014, HRK 253 million for 8.4 million shares was paid. In the third round, conducted at the turn of January and February 2015, there were no interested investors, so the process ended with incorporation of HRK 253 million capital, and not HRK 500 million as planned.
- ❑ In June 2015, potential interested investors, Prvo plinarsko društvo, d.o.o Vukovar and MET Holding AG, Switzerland, conducted a due diligence of the Company in accordance with the requirements of the Croatian State Office for State Property Management. At the time of publication of the half-year financial statements, the Management Board has no knowledge of further intentions of the majority of owner or the potential investors.
- ❑ Due to the partial failure of the assumptions of the Program of Restructuring and Financial Consolidation for 2014-2018 to be realized, a Revision Program for 2015-2019 planning period was adopted at the end of 2014. In the Revision, key changes were made in terms of changes in assortment and the re-start of plants that had been stalled (NPK-2 and Sulfuric Acid). The amounts of planned investment were also reduced, and accordingly the need for additional financing of the Program. In the reporting period, the first planned activities have started to be realized - the purchase price of natural gas was reduced and changes in the product range and sales have been made.

# Key events in 2015 (cont)

- ❑ After two years of continuous operation, a comprehensive overhaul of the facilities was carried out in January, which was marked by maximum engagement of own expert resources and austerity measures. After the overhaul, all the plants have started up, and in the first quarter one of the assumptions of the Program of Restructuring was realized: a test quantity of a new product - granular ammonium sulphate - was produced, and what now follows is the market evaluation of the product. If significant sales volumes of the new product, PETROKEMIJA's, are achieved, this will enable the production to move away from the price-unfavorable Urea, which currently has very low price on the spot market. There are also ongoing activities of adapting the composition of NPK fertilizer to the market requirements for adding sulfur.
- ❑ On 10 July 2015, upon request by the operator, Petrokemija, Plc. Fertilizer Company, the Croatian Ministry of Environment and Nature Protection adopted a Decision on Integrated Environmental Protection Requirements for the operation of the existing 14 fertilizer facilities of Petrokemija at Aleja Vukovar 4 in Kutina. Decision on Integrated Environmental Protection Requirements was issued for a period of five years. Decision is published in full on the website of the Ministry of Environment and Nature Protection of Croatia:  
<http://www.mzoip.hr/doc/10072015 - petrokemija dd tvornica gnojiva kutina .pdf>
- ❑ As a result of an international tender, Petrokemija, Plc. has concluded new contracts for the supply of natural gas in the gas year 2015/2016. The contracts were signed with INA d.d. Zagreb and Prvo plinarsko društvo d.o.o. Vukovar, as the most competitive bidding suppliers. Furthermore, agreements have been reached with suppliers INA d.d. and PPD d.o.o. on the repayment of the debt for supplied gas as well as on the revised terms of gas supplies for Feb through Sept 2015.

# Significant financial risks in 2015

Overall, the business position of Petrokemija, Plc. and Petrokemija Group in 2015 will be subject to a number of factors, whose impact is difficult to assess. However, in view of the present market situation, a loss in business is 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 is 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 d.d. Zagreb and Prvo plinarsko društvo d.o.o., Vukovar.
- ❑ Fertilizer sales prices in the world market are still under the influence of cyclical and seasonal changes and the nitrogen fertilizer Urea is at a very low price level.
- ❑ 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.

# Significant financial risks in 2015 (cont)

- ❑ Adverse liquidity situation, and the open procedure of pre-bankruptcy settlement of one of the three largest customers in the domestic market - Gorup Ltd., threatened the well-running mechanism of sales of receivables through factoring and created an additional burden on financial flows of Petrokemija, Plc. and its relationships with banks. The entire debt due under recourse factoring for Gorup Ltd. was charged and collected from Petrokemija as recourse debtor in 2014 and the first half of 2015 in the amount of HRK 65.9 million.
- ❑ Because of the impossibility to find other sources of financing, recourse factoring is still used in 2015 with the largest customer Agrokor trgovina d.o.o., with additional instruments of collateral (pledge on the property).
- ❑ The trend of growth in debt to gas suppliers that was carried over from 2014 was continued in the first half of 2015. Debt to banks and gas suppliers as at 30 June 2015 was HRK 570.5 million (+ 39% compared to 31 December 2014).
- ❑ In the next period, positive developments are expected of the concluded new contracts with gas suppliers.
- ❑ Open questions remain - finding sources of long-term financing, and/or results of activities of the majority owner to find a solution to change the Company ownership structure, or find investors that are ready to complete the initiated process of restructuring of the Company and ensure its long-term existence.

# Statement of management liability

In line with Articles 407 through 410 of Capital Market Act (OG 88/08, 146/08, 74/09, 54/13, 159/13 and 18/15), 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 June 30, 2015 period, make an exact and true account of the Company 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, BSEc

Tamara Pernar, BSEc

Vladimir Fresl, MS

# Attachments:

- 
- **Petrokemija Group Quarterly Financial Report - TFI-POD Petrokemija Group:**
    - **Balance Sheet**
    - **Profit and Loss Account**
    - **Report on Cash Flow**
    - **Report on Capital Change**
    - **Notes**

**Attachment 1.**

Reported period:

1.1.2015.

to

30.6.2015.

**Quarterly financial statements TFI-POD**Registration 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.hr](mailto:fin@petrokemija.hr)Internet address: [www.petrokemija.hr](http://www.petrokemija.hr)Code and city/municipality: **220** **KUTINA**Code and county name: **3** **SISAČKO-MOSLAVAČKA ŽUPANIJA**Number of employees: **1.779**  
(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.hr](mailto:marina.marić@petrokemija.hr)Name 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 30.06.2015.

<b>The Group Petrokemija d.d.</b>			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
<b>A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>666.469.845</b>	<b>649.655.358</b>
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	<b>8.060.392</b>	<b>7.797.988</b>
1. Expense for development	<b>004</b>		
2. Concessions, patents, licences, trade and service marks, software and other rights	<b>005</b>	4.126.070	6.370.025
3. Goodwill	<b>006</b>		
4. Advances for intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	3.934.322	1.427.963
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	<b>658.048.220</b>	<b>641.023.140</b>
1. Land	<b>011</b>	49.482.153	49.482.153
2. Buildings	<b>012</b>	256.096.185	247.610.156
3. Plant and equipment	<b>013</b>	267.358.049	267.889.862
4. Tools, plant inventory and transportation assets	<b>014</b>	24.269.004	21.935.888
5. Biological assets	<b>015</b>		
6. Advances for tangible assets	<b>016</b>	8.481.540	1.562.382
7. Tangible assets in progress	<b>017</b>	51.009.926	51.393.710
8. Other tangible assets	<b>018</b>	1.351.363	1.148.989
9. Investments in real estates	<b>019</b>		
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	<b>7.537</b>	<b>7.537</b>
1. Investments (shares) in related companies	<b>021</b>		
2. Loans given to related companies	<b>022</b>		
3. Participating interest (shares)	<b>023</b>	7.537	7.537
4. Loans given to companies with participating interest	<b>024</b>		
5. Investment in securities	<b>025</b>		
6. Loans given, deposits and similar assets	<b>026</b>		
7. Other long-term financial assets	<b>027</b>		
8. Investments accounted for using the equity method	<b>028</b>		
<b>IV. TRADE RECEIVABLES (030 do 032)</b>	<b>029</b>	<b>40.574</b>	<b>513.571</b>
1. Receivables from related companies	<b>030</b>		
2. Receivables for sales on loan	<b>031</b>		
3. Other receivables	<b>032</b>	40.574	513.571
<b>V. DIFERRED TAX ASSETS</b>	<b>033</b>	313.122	313.122
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>907.602.604</b>	<b>861.932.239</b>
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	<b>523.417.238</b>	<b>439.931.820</b>
1. Raw and other material	<b>036</b>	272.799.333	194.855.056
2. Work in progress	<b>037</b>	42.922.687	30.792.914
3. Finished products	<b>038</b>	206.519.234	212.842.710
4. Merchandise inventory	<b>039</b>	795.403	728.846
5. Advances for inventories	<b>040</b>	380.581	712.294
6. Long-term assets intended for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
<b>II. TRADE RECEIVABLES (044 do 049)</b>	<b>043</b>	<b>294.596.077</b>	<b>289.498.108</b>
1. Receivables from related companies	<b>044</b>		
2. Receivables from customers (buyers)	<b>045</b>	108.001.566	47.965.700
3. Receivables from participating interest	<b>046</b>		
4. Receivables from employees and members	<b>047</b>	14.964	11.707
5. Receivables from state and other institutions	<b>048</b>	56.397.097	75.013.118
6. Other receivables	<b>049</b>	130.182.450	166.507.583
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	<b>78.109.508</b>	<b>126.813.196</b>
1. Investments (shares) in related companies	<b>051</b>		
2. Loans given to related companies	<b>052</b>		
3. Participating interest (shares)	<b>053</b>	43.227.766	30.085.238
4. Loans given to companies with participating interest	<b>054</b>		
5. Investment in securities	<b>055</b>	27.447.774	92.896.912
6. Loans given, deposits and similar assets	<b>056</b>	7.433.968	3.831.046
7. Other financial assets	<b>057</b>		
<b>IV. CASH IN BANK AND ON HAND</b>	<b>058</b>	<b>11.479.781</b>	<b>5.689.115</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>543.800</b>	<b>114.549</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.574.616.249</b>	<b>1.511.702.146</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>963.867.837</b>	<b>1.380.996.029</b>



<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>326.636.096</b>	<b>314.412.762</b>
I. SUBSCRIBED CAPITAL	063	133.093.410	386.135.400
II. CAPITAL RESERVES	064	554.488.994	
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	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		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-879.831	-63.549.122
1. Retained earning	073	827.918	92.390
2. Loss carried forward	074	1.707.749	63.641.512
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-363.732.586	-11.626.114
1. Profit for the year	076		
2. Loss for the year	077	363.732.586	11.626.114
VII. MINORITY INTEREST	078	3.666.109	3.452.598
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>10.226.111</b>	<b>10.176.111</b>
1. Provisions for pensions, severance pay and similar liabilities	080	9.084.249	9.084.249
2. Provisions for tax liabilities	081		
3. Other provisions	082	1.141.862	1.091.862
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>17.015.338</b>	<b>16.843.210</b>
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085		
3. Liabilities to banks and other financial institutions	086	17.015.338	16.843.210
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		
<b>D) SHORT-TERM LIABILITIES (094 do 105)</b>	<b>093</b>	<b>1.190.347.265</b>	<b>1.141.162.436</b>
1. Liabilities to related companies	094		
2. Liabilities for loans, deposits and similar	095	187.412.038	318.486.887
3. Liabilities to banks and other financial institutions	096	289.952.694	225.796.336
4. Liabilities for advances	097	112.185.263	106.233.898
5. Liabilities to suppliers	098	481.954.886	365.284.977
6. Liabilities for securities	099	13.421.301	5.000.000
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	11.480.277	11.268.074
9. Liabilities for taxes, contributions and other payments	102	11.201.378	8.960.171
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	82.739.428	100.132.093
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>30.391.439</b>	<b>29.107.627</b>
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.574.616.249</b>	<b>1.511.702.146</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>963.867.837</b>	<b>1.380.996.029</b>
<b>APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Credited to parent company capital owners	109	322.969.987	310.960.164
2. Credited to minority interest	110	3.666.109	3.452.598

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 01.01.2015. to 30.06.2015.

The Group Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	<b>1.113.989.601</b>	<b>518.748.907</b>	<b>1.299.828.192</b>	<b>603.811.433</b>
1. Sales revenues	112	1.101.182.622	510.261.325	1.275.703.776	592.844.495
2. Other operating revenues	113	12.806.979	8.487.582	24.124.416	10.966.938
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>1.322.666.030</b>	<b>672.434.816</b>	<b>1.283.976.442</b>	<b>591.157.456</b>
1. Changes in value of work in progress and finished products	115	17.885.344	-19.225.230	5.806.087	-92.202.427
2. Material costs (117 do 119)	116	997.581.645	481.991.204	1.106.338.870	598.249.390
a) Cost of raw and production materials	117	970.062.874	467.919.428	1.073.508.544	578.476.142
b) Cost of goods sold	118	1.841.496	830.357	2.558.794	2.284.563
c) Other external costs	119	25.677.275	13.241.419	30.271.532	17.488.685
3. Employees costs (121 do 123)	120	117.250.589	59.752.014	97.702.449	49.184.296
a) Net salaries and wages	121	73.453.887	37.062.152	61.501.154	30.941.467
b) Costs for taxes and contributions from salaries	122	27.454.390	13.932.717	21.955.362	11.074.889
c) Contributions on salaries	123	16.342.312	8.757.145	14.245.933	7.167.940
4. Depreciation	124	49.034.211	24.665.836	47.169.239	23.596.132
5. Other costs	125	40.843.355	25.180.780	26.879.772	12.250.814
6. Value adjustments (127+128)	126	51.896	51.222	80.025	79.251
a) of long-term assets (except for financial assets)	127	10.895	10.895	33.097	33.097
b) of short-term assets (except for financial assets)	128	41.001	40.327	46.928	46.154
7. Provisions	129	100.018.990	100.018.990		
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>4.516.086</b>	<b>3.273.385</b>	<b>11.111.750</b>	<b>7.440.851</b>
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	4.516.086	3.273.385	11.111.750	7.440.851
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135				
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>23.298.316</b>	<b>14.418.146</b>	<b>38.589.614</b>	<b>12.969.488</b>
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	23.298.316	14.418.146	38.589.614	12.969.488
3. Unrealised losses (costs) from financial assets	140				
4. Other financial expenses	141				
<b>V. PORTION IN PROFIT OF ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. PORTION IN LOSS OF ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EKSTRAORDINARY - OTHER REVENUES</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL REVENUES (111+131+142 + 144)</b>	<b>146</b>	<b>1.118.505.687</b>	<b>522.022.292</b>	<b>1.310.939.942</b>	<b>611.252.284</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>1.345.964.346</b>	<b>686.852.962</b>	<b>1.322.566.056</b>	<b>604.126.944</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>-227.458.659</b>	<b>-164.830.670</b>	<b>-11.626.114</b>	<b>7.125.340</b>
1. Profit before taxation (146-147)	149	0	0	0	7.125.340
2. Loss before taxation (147-146)	150	227.458.659	164.830.670	11.626.114	0
<b>XII. PROFIT TAX</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-227.458.659</b>	<b>-164.830.670</b>	<b>-11.626.114</b>	<b>7.125.340</b>
1. Profit for the period (149-151)	153	0	0	0	7.125.340
2. Loss for the period (151-148)	154	227.458.659	164.830.670	11.626.114	0

<b>APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	155	-227.122.810	-164.894.679	-11.412.604	7.118.600
2. Credited to minority interest	156	-335.849	64.009	-213.510	6.740
<b>STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)</b>					
<b>I. PROFIT OR LOSS OF THE PERIOD (= 152)</b>	<b>157</b>	<b>-227.458.659</b>	<b>-164.830.670</b>	<b>-11.626.114</b>	<b>7.125.340</b>
<b>II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Exchange rate differences from translation of foreign currency operations	159				
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				
<b>III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-227.458.659</b>	<b>-164.830.670</b>	<b>-11.626.114</b>	<b>7.125.340</b>
<b>APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	169	-227.122.810	-164.894.679	-11.412.604	7.118.600
2. Credited to minority interest	170	-335.849	64.009	-213.510	6.740

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2015. to 30.06.2015.

<b>The Group Petrokemija d.d.</b>			
Position	AOP code	Previous year	Current year
1	2	3	4
<b>CASH FLOW FROM PERATING ACTIVITIES</b>			
1. Cash increase from buyers	001	1.009.141.521	1.394.777.389
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	1.479.718	2.350.977
4. Cash increase from tax return	004	156.670.670	128.431.878
5. Other cash increase	005	1.399.296	2.000.853
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>1.168.691.205</b>	<b>1.527.561.097</b>
1. Expenses to suppliers	007	895.821.831	1.166.342.329
2. Expenses for employees	008	119.904.127	97.539.514
3. Expenses for insurance compensations	009	7.429.265	5.853.618
4. Expenses for interest	010	15.210.604	15.320.765
5. Expenses for taxes	011	45.605.198	62.521.870
6. Other cash decrease	012	21.504.112	4.981.397
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>1.105.475.137</b>	<b>1.352.559.493</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>63.216.068</b>	<b>175.001.604</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	11.042	28.750
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		4.649.344
5. Other cash proceeds from investing activities	020	10.039.376	
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>10.050.418</b>	<b>4.678.094</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	21.994.018	16.890.509
2. Cash outflow for acquisition of equity and debt financial instruments	023		
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>21.994.018</b>	<b>16.890.509</b>
<b>B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)</b>	<b>027</b>	<b>11.943.600</b>	<b>12.212.415</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash infows from issuance of equity and debt financial instruments	028		
2. Cash inflows from loan principals, debentures, credits and other borrowings	029	589.510.000	2.200.000
3. Other inflows from financial activities	030	204.449.986	105.999.531
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>793.959.986</b>	<b>108.199.531</b>
1. Cash outflows for repayment of loan principal and bonds	032	676.911.776	153.079.136
2. Cash outflows for dividend payment	033		
3. Cas outflow for financial lease	034		
4. Cash outflows for buybackof own shares	035		
5. Other cash outflows for financial activities	036	78.982.884	127.303.173
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>755.894.660</b>	<b>280.382.309</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>38.065.326</b>	<b>0</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>0</b>	<b>172.182.778</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>89.337.794</b>	<b>0</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>0</b>	<b>9.393.589</b>
<b>Cash and cash equivalents at the begining of the period</b>	<b>042</b>	<b>28.433.601</b>	<b>18.913.750</b>
<b>Increase of cash and cash equivalents</b>	<b>043</b>	<b>89.337.794</b>	<b>0</b>
<b>Decrease of cash adn cash equivalents</b>	<b>044</b>		<b>9.393.589</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	<b>117.771.395</b>	<b>9.520.161</b>

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

## STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2015 to 30.6.2015

Position 1	AOP code 2	Previous year 3	Current year 4
1. Suscribed capital	001	133.093.410	386.135.400
2. Capital reserves	002	554.488.994	
3. Reserves from profit	003		
4. Retained profit or loss carried forward	004	-879.831	-63.549.122
5. Profit or loss for the year	005	-363.732.586	-11.626.114
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	3.666.109	3.452.598
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>326.636.096</b>	<b>314.412.762</b>
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		
<b>17. Total increase or decrease of capital (AOP 011 do 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Creadited to parent company capital owners	018	322.969.987	310.960.164
17 b. Creadited to minority interest	019	3.666.109	3.452.598

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.

In the period Jan-June 2015, Petrokemija Group had total income of HRK 1,310.9 million and total expense of HRK 1,322,6 million; therefore, the Company reported loss in operations of HRK 11.6 million or 0.9% of total revenues. For the first time since Q3 2011, a profit was reported for Q2 (April-June 2015) amounting to HRK 7.1 million.

It is noteworthy that for the first time since 2011, the Company has achieved operating profit from business operations in the half year, that of HRK 15.9 million, while the loss was in financial operations due to high cost of interest for short-term debt and foreign exchange losses caused by the growth of USD. For the first half, EBITDA (earnings before interest, taxes, depreciation and amortization) was positive for HRK 63.0 million.

On a semi-annual basis, total revenues increased by 17.2% compared to the same period of 2014, while total expenses were 1.7% down. The downward trend of fertilizer price has stopped, as evident from the figures showing that 16.7% higher operating income was achieved at 10.1% higher fertilizer sales volumes. The revenue growth is partly due to the growth of USD. Compared to the same period of 2014, loss was HRK 215.8 million reduced. Compared to the first quarter of 2015, when the actual loss was HRK 18.8 million, the second quarter came up with a profit of HRK 7.1 million. The figures indicate a gradual improvement in market position and a balance of the in- and output prices, which can partly be attributed to the season.

In the loss breakdown for Jan-June 2015, HRK 27.5 million was from financial operations, and the generated profit from operating activities was HRK 15.9 million, resulting in a total loss of HRK 11.6 million. In the same period of 2014, the loss from financial activities was HRK 18.8 million (HRK 8.7 million less), loss from business operations was HRK 208.7, i.e. HRK 108.7 million without the reservations for employee severances as part of the restructuring process ( the positive shift in the Q1 2015 was HRK 124.6 million). EBITDA was positive for HRK 63.0 million. In the same period of 2014, EBITDA was HRK 56.6 million negative without severance payments), which indicates a positive shift in the result of HRK 119.6 million. This can be partly attributed to increased seasonal sales of fertilizers in the domestic and regional markets.

The trend of prices and supply and demand in the global market of mineral fertilizers has not significantly changed when compared to 2014 except for a more pronounced fall of Urea price. Petrokemija tried to respond to the low price of fertilizers in the world market by cutting the costs, with only partial success. In very limited circumstances, the Company and Petrokemija Group took measures to lower production costs (lower purchase price of gas in USD, rationalization of labor costs, etc.), which should consolidate the trend of reducing the loss in 2015 compared to the previous years. The bulk of disparity in revenues and expenses is generated by the still low prices of fertilizers in the global and regional markets, which have, with minor fluctuations, been at a very low level since June 2013. Petrokemija's main export product – nitrogen fertilizer Urea – had a price fall of 10% in the global market in the first half of 2015, suggesting caution in predicting financial results for the rest of the year.

The level of actual sales in the domestic market was higher than for the comparable periods in the previous three years, but is still relatively low in view of the potential of Croatian agriculture. Sales in Croatia and the region are under pressure from the generally poor condition of agriculture and increased competition from other fertilizer suppliers.

The reporting period is marked by an imbalance of purchase prices of raw materials and sales prices of a part of fertilizer range. The price of gas in this general trend is an isolated case and is under the influence of specific factors on the Croatian gas market and the position of the Company

as one of the two largest customers on the still comparatively underdeveloped domestic gas market.

Natural gas as the most important raw material is supplied in 2015 from the domestic market according to contracts concluded with two suppliers – Prirodni Plin d.o.o. Zagreb (INA Oil Industry, Zagreb) and Prvo plinarsko društvo d.o.o. from Vukovar. At the time of preparation of these reports, contracts on gas procurement were signed for the remaining 2015 and first three quarters of 2016, i.e. for the 2015/2016 gas year.

As a result of an international tender, Petrokemija, Plc. has concluded new contracts for the supply of natural gas in the gas year 2015/2016. The contracts were signed with INA d.d. Zagreb and Prvo plinarsko društvo d.o.o. Vukovar, as the most competitive bidding suppliers. Furthermore, agreements have been reached with suppliers INA d.d. and PPD d.o.o. on the repayment of the debt for supplied gas as well as on the revised terms of gas supplies for Feb through Sept 2015. By signing these contracts, Petrokemija, Plc. has ensured sufficient quantities of gas for a stable planned production in the gas year 2015/2016 and successful implementation of the goals for natural gas from the Revised Program of Restructuring and Financial Consolidation 2015-2019, in accordance with the Strategy of Natural Gas Procurement, which is an integral part of the Program. The achieved terms of gas supply is one of the prerequisites for further restructuring and financial consolidation of the Company. A part of the positive effect achieved by reducing the purchase price of gas will reduce the increase in transportation costs in Croatia in the gas year 2015/2016. The estimated negative impact of the increase on the Company business result is about HRK 25 million.

During the first half of 2015, production and sales of NPK fertilizers have significantly grown (which is not significantly related to the price of gas), the sales of CAN and AN assortment was maximized and sales of Urea were adjusted to the available stocks, market conditions and the maintenance of liquidity. In the observed period, there was an occasional further lowering of prices of finished products in the world fertilizer markets. The low price in some markets cannot even cover the direct costs of raw materials and energy. At the same time, prices of certain raw materials in the production of fertilizers changed differently depending on market forces, however, overall they were higher than in the same period last year, partly due to the growth of the US dollar, which was on average 23% higher than in the same period of 2014.

In the reporting period, the operating income was by 16.7% higher than in the same period of 2014 due to higher prices of fertilizers and larger volumes sold in domestic, global and regional markets. Total sales volumes of fertilizers were 10.1% higher – the sales of fertilizers in domestic market increased by 15.4%, while export sales increased by 7.2% – compared to the previous year. The actual operating expenses were 2.9% down on last year, which is the result of the changes in the product range and up to HRK 100 million for employees' severances reservations in last year's result. Without this effect, operating expenses would be by 5.0% higher than in the same period last year. In the first half of the current year, there was no cost of greenhouse gases fees because free quotas were used (planned cost on an annual basis is HRK 24.5 million). However, it will be charged to the result in the second half of 2015.

There was a growth in purchase prices of almost all key raw materials, partly because of the growth of USD. The average purchase price of gas in the first half of 2015 was by 17.3% lower, denominated in US dollars, while in HRK it increased by 4.1% on the same period of 2014.

In the first six months of 2015, as compared to the same period previous year, Petrokemija had a 7.8% growth of the overall production, despite the complete facilities overhaul carried out in January (conducted every two years). There were changes in the production breakdown as follows: 12.4% lower production of Urea and 1.5% of CAN (shut down for overhaul), whereas there was 75.4% increase of NPK fertilizer production due to the market demand.

For market reasons, some of the facilities have been stalled since mid-2009. This problem was carried over into the third quarter of 2015, with open possibilities to increase the production of sulfuric acid for a new product, Petrokemijaas (granular ammonium sulfate), and improve the properties of NPK fertilizers by adding sulfur. Subsequently, the stalled facilities are still those for production of carbon black and phosphoric acid. The crisis caused by the misbalance of in- and output prices in the carbon black market is still ongoing, and as for phosphoric acid, various solution options are being considered. The Revised Program of Restructuring and Financial Consolidation 2015-2019 envisaged the re-starting of two plants, NPK 2 and Sulfuric Acid, which

had been stalled or had operated a very small number of days in a year. The changes in product range and introduction of new products are expected to improve energy costs and the sales structure. However, this process takes time for technical performance and market adjustments.

On 10 July 2015, upon request by the operator, Petrokemija, Plc. Fertilizer Company, the Croatian Ministry of Environment and Nature Protection adopted a Decision on Integrated Environmental Protection Requirements for the operation of the existing 14 fertilizer facilities of Petrokemija at Aleja Vukovar 4 in Kutina.

Decision on Integrated Environmental Protection Requirements was issued for a period of five years and is published in full on the website of the Ministry of Environment and Nature Protection of Croatia. By obtaining the Decision, a prerequisite was achieved for obtaining all necessary permits related to the technical and technological conditions for operation of Petrokemija's manufacturing facilities in the next five years.

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

The first two rounds of recapitalization process were successfully completed in July and August 2014 (HRK 253 million was subscribed), whereas in the third round at the turn of January and February 2015, there was no interest from investors. A decision may be expected on conducting a possible new process of recapitalization or rescheduling of short-term debt in 2015, which would provide 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, as well as on future decisions of the majority owner.

In June, potential interested investors, Prvo plinarsko društvo, d.o.o Vukovar and MET Holding AG, Switzerland, conducted a due diligence of the Company in accordance with the requirements of the Croatian State Office for State Property Management. At the time of publication of the half-yearly financial statements, the Management Board has no knowledge of further intentions of the majority of owner or the potential investors.

Adverse liquidity situation, and subsequently open procedure of pre-bankruptcy settlement of one of the three largest customers in the domestic market - Gorup d.o.o, threatened the well-running mechanism of sales of receivables through factoring and created an additional burden on financial flows of Petrokemija and its relationships with banks. The entire debt due under recourse factoring for Gorup d.o.o. was charged to and collected from Petrokemija as recourse debtor in 2014 and the first half of 2015 in the amount of HRK 65.9 million.

In reporting the status of current assets (accounts receivable) and current liabilities (contingent recourse obligations to the factoring companies, in case the debtors fail to meet their obligation), Petrokemija included these liabilities and receivables in the Balance Sheet as of 30 June 2015.

In the balance-sheet positions, they are included in current assets in the amount of HRK 165.3 million and HRK 99.3 million in short-term liabilities. The difference was in the previous and the current reporting period charged to and collected from Petrokemija by commercial banks.

For HRK 100.0 million, a receivable from customer Gorup, d.o.o. that Petrokemija failed to collect, no impairment loss was made in the reporting period. Gorup, d.o.o started the process of pre-bankruptcy settlement and there are significant uncertainties regarding the settlement of the above claims by Petrokemija. However, at the time of preparation of the financial statements, there was not enough information to adequately quantify the impairment loss. It is assumed that in the further course of 2015, there will be sufficient information for an adequate assessment of deadlines, form and amount of collectability of receivables, as well as the decision about it.

In addition to the above, the future developments of financial results of Petrokemija Plc. will be



affected by a number of factors. In addition to the gas price, which is predominantly set in the domestic market, most of the future risks come from the international environment, mainly through:

1. Change in price of basic raw materials in the world market (MAP, DAP, phosphate, potassium chloride, sulfur),
2. Changes in demand and sales price of fertilizers,
3. Price fluctuation of energy - gas and heating oil,
4. Price fluctuation of basic agricultural crops,
5. Exchange rate of USD and EUR to the local currency,
6. Financing costs and cross-currency relations.

After the process of selecting a strategic partner had been completed and a suitable partner had not been found, in 2014, the Board made a Program of Restructuring and Financial Consolidation for 2014-2018, which was approved by the Company Supervisory Board. The Program resulted in the process of recapitalization. Due to the partial failure to achieve the assumptions of the Program, in late 2014 a revision of the said Program was made for the planning period 2015-2019. The Revision included key changes in the assumptions with regard to product range and start-up of plants that had been stalled, as well as in reducing the amount of investment.

The exposure of Petrokemija, Plc. and Petrokemija Group to developments in the global market, opens up significant potential price risks and financial fluctuations in 2015. At the turn of 2014/2015, an additional risk appeared that may 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, approximately one third, is neutralized by growth in revenue from exports, but certainly not entirely. A negative impact is expected particularly in the domestic and regional markets where the payment is carried out in HRK and EUR and the room for price increase is limited by competition. The estimated negative impact of the rise of the US dollar in the first half was about HRK 105 million.

Effective management of gas price growth risk (contracted price is in USD, although buying is done on the domestic market) and risk of change of USD exchange rate in the procurement of other imported raw materials, is limited by the lack of own working capital (negative working capital of HRK 327 million) and the lack of support by financial institutions in financing working capital.

The achieved market and financial results for 2014 and first half of 2015, 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 in view 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. The decisions of the majority owner about the process of support to the Company - through the selection of a strategic partner or recapitalization, will significantly affect the reduction of the risk of maintaining business continuity in the future period.