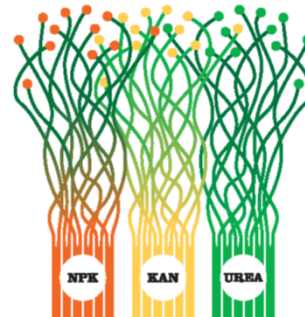


NON-AUDITED  
NON-CONSOLIDATED



# QUARTERLY REPORT PETROKEMIJA Plc. KUTINA

REPORT FOR PERIOD January to March 2015



Kutina, April 2015

# Key indicators for Petrokemija, Plc. for January - March 2015 period



- ❑ Total income HRK 699.8 million, 17.4% higher than in the same period of 2014,
- ❑ Profit in business operations HRK 3.9 million, loss in financial operations HRK 19.8 million, total loss HRK 15.9 million,
- ❑ Earnings before interest, taxes, depreciation and amortization (EBITDA) HRK 27.2 million,
- ❑ Actual production of fertilizers 260 thousand tons. Despite the overhaul conducted in January 2015, production was only 2.4% lower than in the same period of 2014, when the overhaul was not conducted,
- ❑ Compared to the same period of 2014, production of NPK fertilizers increased by 61.1%, while because of the overhaul the production of Urea was by 27.3% and CAN by 7.7% lower.
- ❑ Yield of currently installed plant capacities up to 100% (taking into account the month of overhaul),
- ❑ Actual sales of fertilizer 302 thousand tons, increased by 11.1% compared to the same period last year,
- ❑ The share of fertilizers sales volumes in the domestic market was 40%,
- ❑ Domestic sales 121 thousand tons; exports 181 thousand tons of fertilizer,
- ❑ Capital and reserves on 31.03.2015 for Petrokemija, Plc. HRK 310 million,
- ❑ Invested in Petrokemija, Plc. HRK 32.6 million,
- ❑ Employed on 31.03.2015: Petrokemija, Plc. 1,629 employees; Petrokemija Group 1,783 employees.

# Management Board Report on the Company Status for January–March 2015 period:



- In Jan-March 2015 period, Petrokemija, Plc. had total income of HRK 699.8 million and total expense of HRK 715.7 million. The Company reported loss in business operations of HRK 15.9 million or 2.3% of the total revenues. **It should be noted that for the first time since 2011, the Company reported profit from business operations of HRK 3.9 million.**
- In the reporting period, there was a very high increase of USD, which is due to 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 6.8 in the quarter caused additional negative financial impact on the result of HRK 32.7 million. Without this negative impact, Petrokemija Plc. would have reported a profit of HRK 16.8 million in the first quarter.
- In the structure of income, domestic sales accounts for 39.4% or HRK 275.4 million, which is 25.3% higher compared to the same period of 2014, while exports account for 58.1% or HRK 406.6 million, which is 9.7% higher compared to the same period of 2014.
- Higher sales volumes by 11.1% and higher average sales prices by 3.4% compared to the same period of 2014
- In assortment, higher realized sales of NPK fertilizers by 94.1% in 1st quarter 2015 compared to the same period 2014, while there was lower realization compared to 2014 for CAN 3.4% (available volumes) and Urea 20.7% (unfavorable price).
- Domestic sales by 34.4% higher than realized in the same period of 2014,
- Export sales 0.4% lower by than in the same period of 2014,
- Sales of clay-based products and liquid fertilizers was 30.5% higher than realized in the same period 2014.

## Management Board Report on the Company Status for January–March 2015 period (cont):

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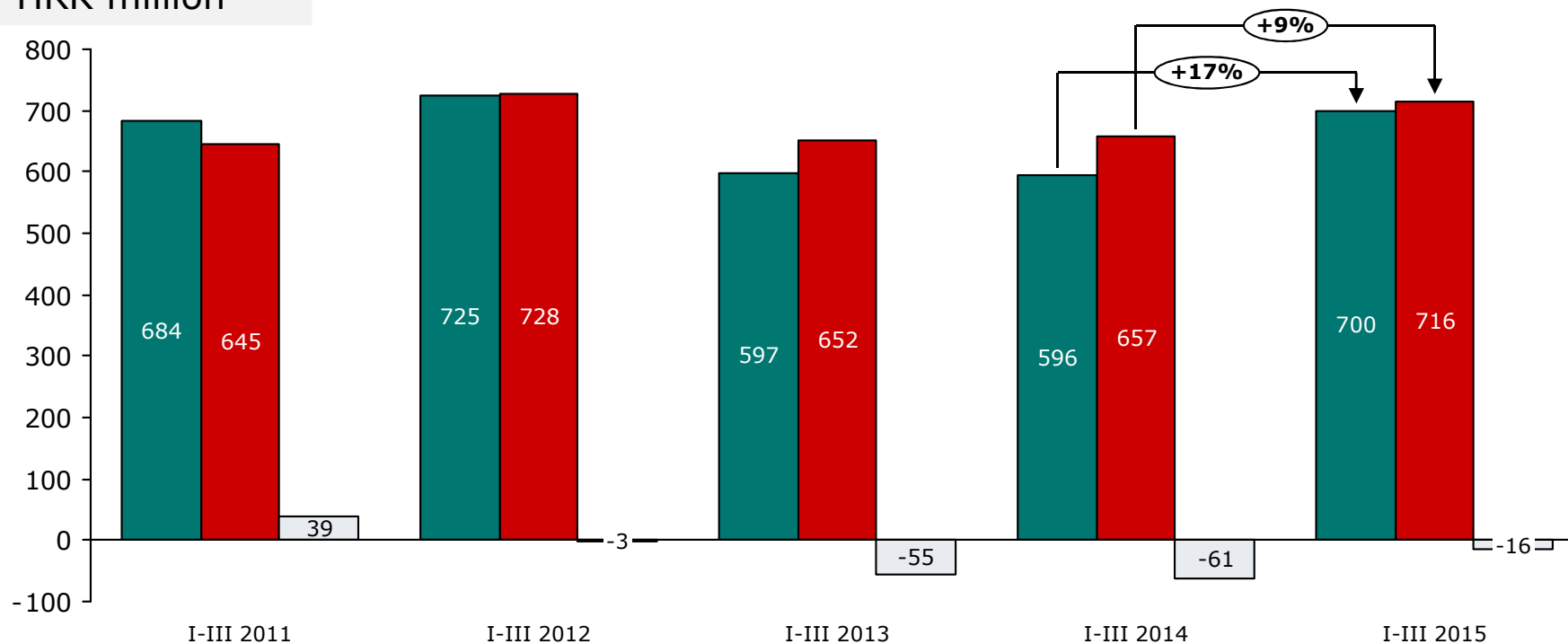
- ❑ Despite collected HRK 253 million in the process of capital increase, current ratio is below recommended levels, with deterioration in comparison to the same period of 2014 (negative working capital of HRK 352.7 million),
- ❑ Short-term assets decreased by 12.3% compared to the same period of 2014, while short-term liabilities decreased by 4.0%,
- ❑ 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 5.9% higher in HRK and 15.9% lower in USD compared to the same period of 2014
- ❑ Total number of employees 1,629, decrease of 10 compared to December 31, 2014,
- ❑ Achieved level of investment HRK 32.6 million, increase of HRK 19.2 million compared to the same period of 2014 because most of maintenance operations were carried out as investments.

# Profit and Loss in the period January – March 2011 - 2015

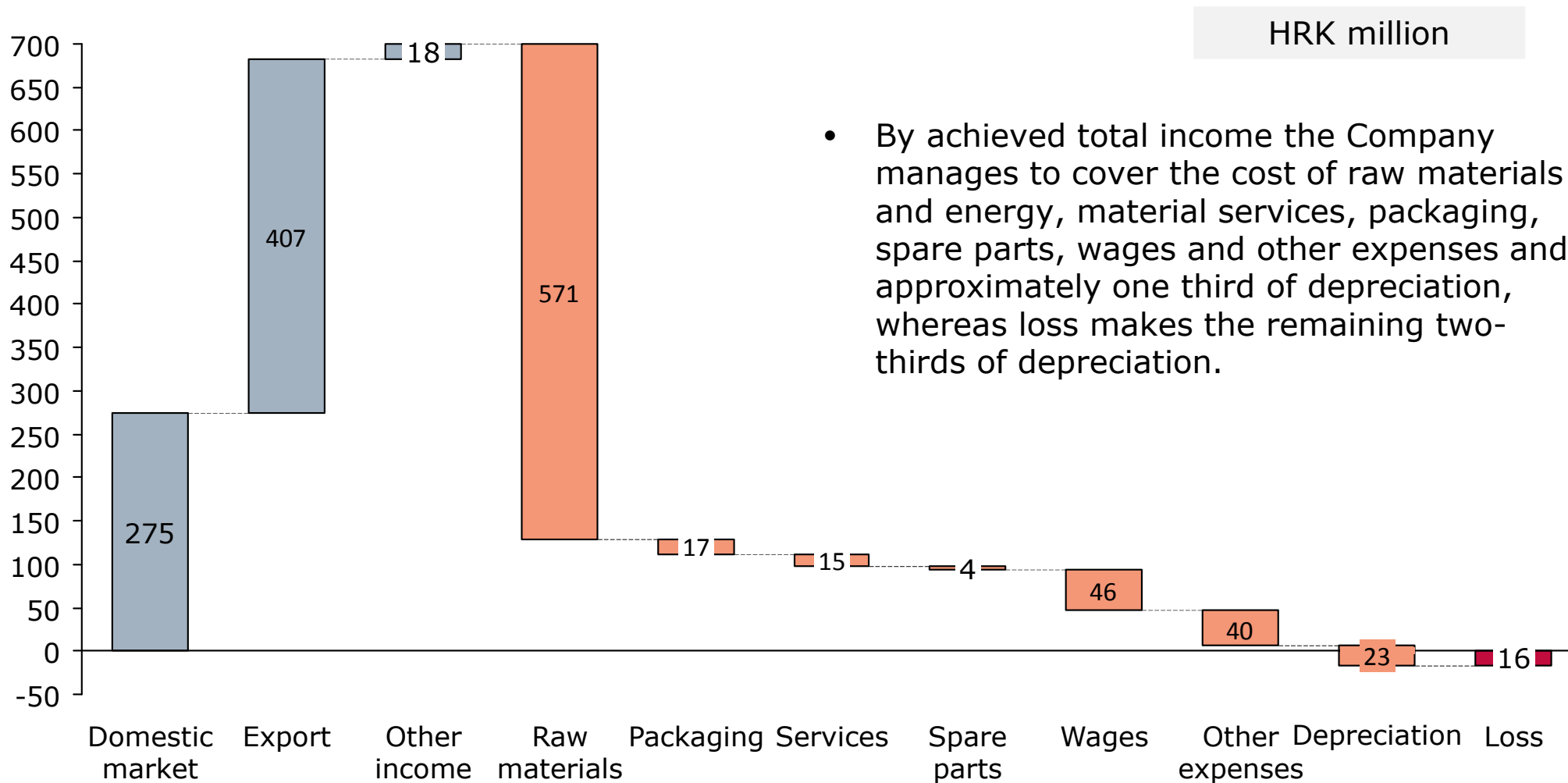
■ Total income	HRK 699.8 mln,
■ Total expense	HRK 715.7 mln,
■ Loss before taxation	HRK -15,9 mln,

■ TOTAL INCOME  
■ TOTAL EXPENSE  
 PROFIT / LOSS

HRK million

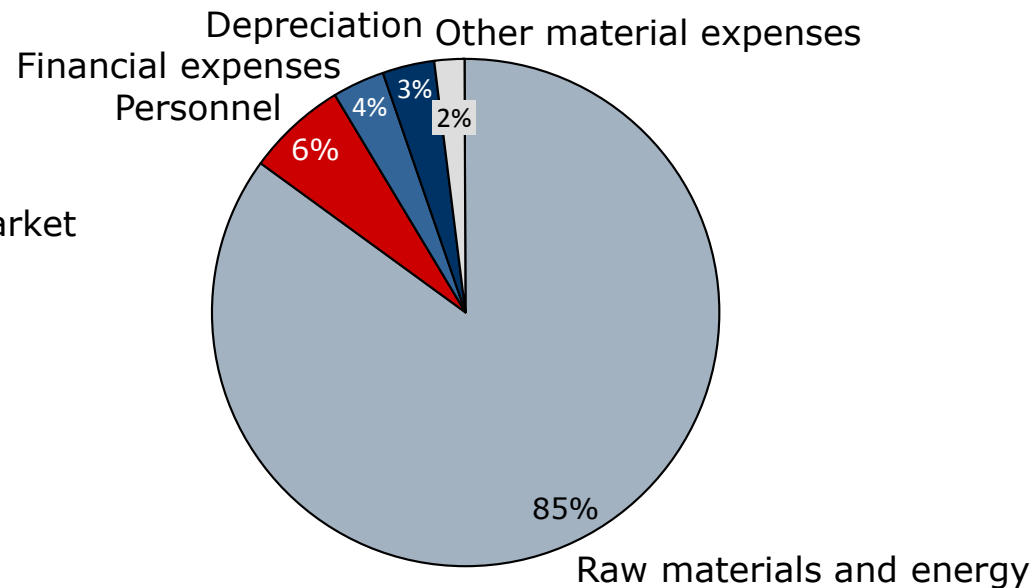
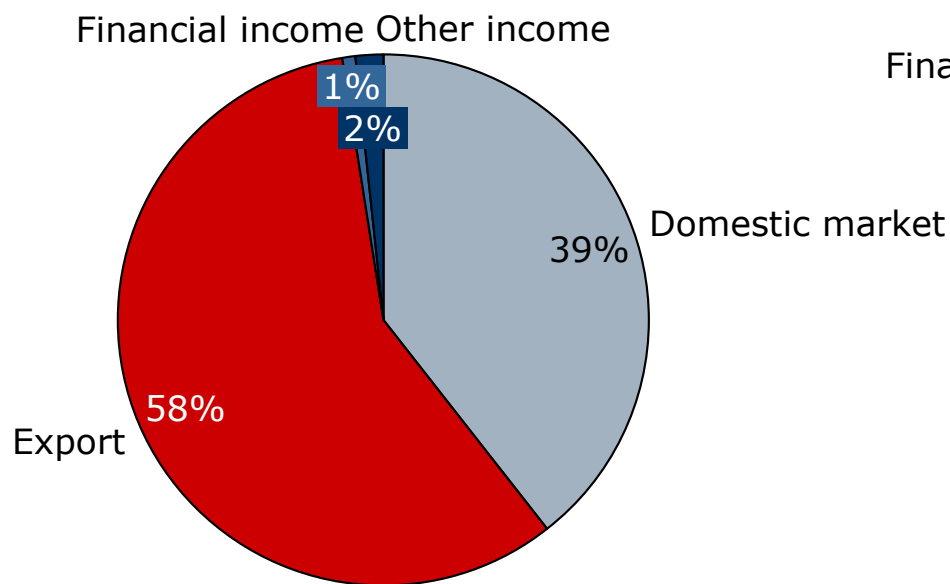


# Structure of Profit and Loss in the period January – March 2015.



# Structure of Profit and Loss in the period January – March 2015

- In period January – March 2015 Petrokemija, Plc. achieved 39% of income from domestic market, 58% income from export, and financial and other income account for 3.0% of total income
- In structure of total expenses the dominant 85% account for raw materials and energy; personnel costs for 6%, while all other costs make 9%.



# Key financial indicators for period January – March 2015



(HRK 000)

	<b>I-III 2015</b>	I-III 2014	Difference	% change
Operating income	<b>694.352</b>	594.623	99.729	16,77%
Operating expense	<b>690.472</b>	647.644	42.828	6,61%
EBITDA *	<b>27.151</b>	-29.132	56.283	-193,20%
Amortization	<b>23.271</b>	23.889	-618	-2,59%
Net financial income /(expenses)	<b>-19.816</b>	-7.601	-12.215	160,70%
Net extraordinary income / (expenses)	<b>0</b>	0	0	
Profit / loss / before taxation	<b>-15.936</b>	-60.622	44.686	-73,71%
	<b>31.III 2015</b>	31.XII 2014.		
Fixed assets	<b>688.176</b>	685.791	2.385	0,35%
Current assets	<b>759.245</b>	891.146	-131.901	-14,80%
Capital and reserves	<b>310.354</b>	326.833	-16.479	-5,04%
Long-term liabilities + provisions	<b>25.094</b>	25.144	-50	-0,20%
Current liabilities + provisions	<b>1.111.973</b>	1.224.960	-112.987	-9,22%

\* Earnings before interest, taxes, depreciation and amortization

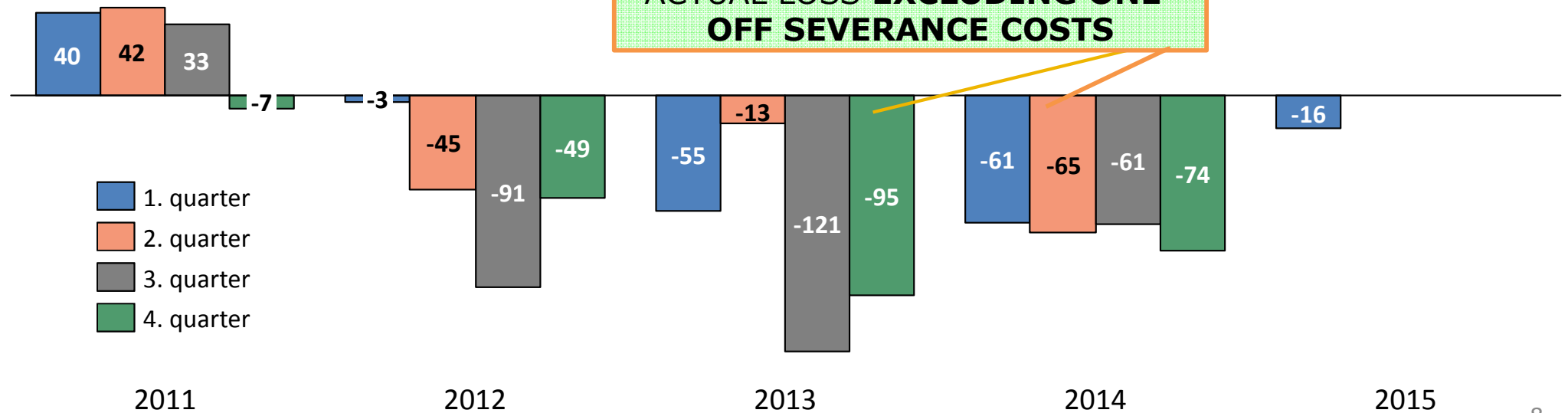


# Quarterly losses 2011 - 2015

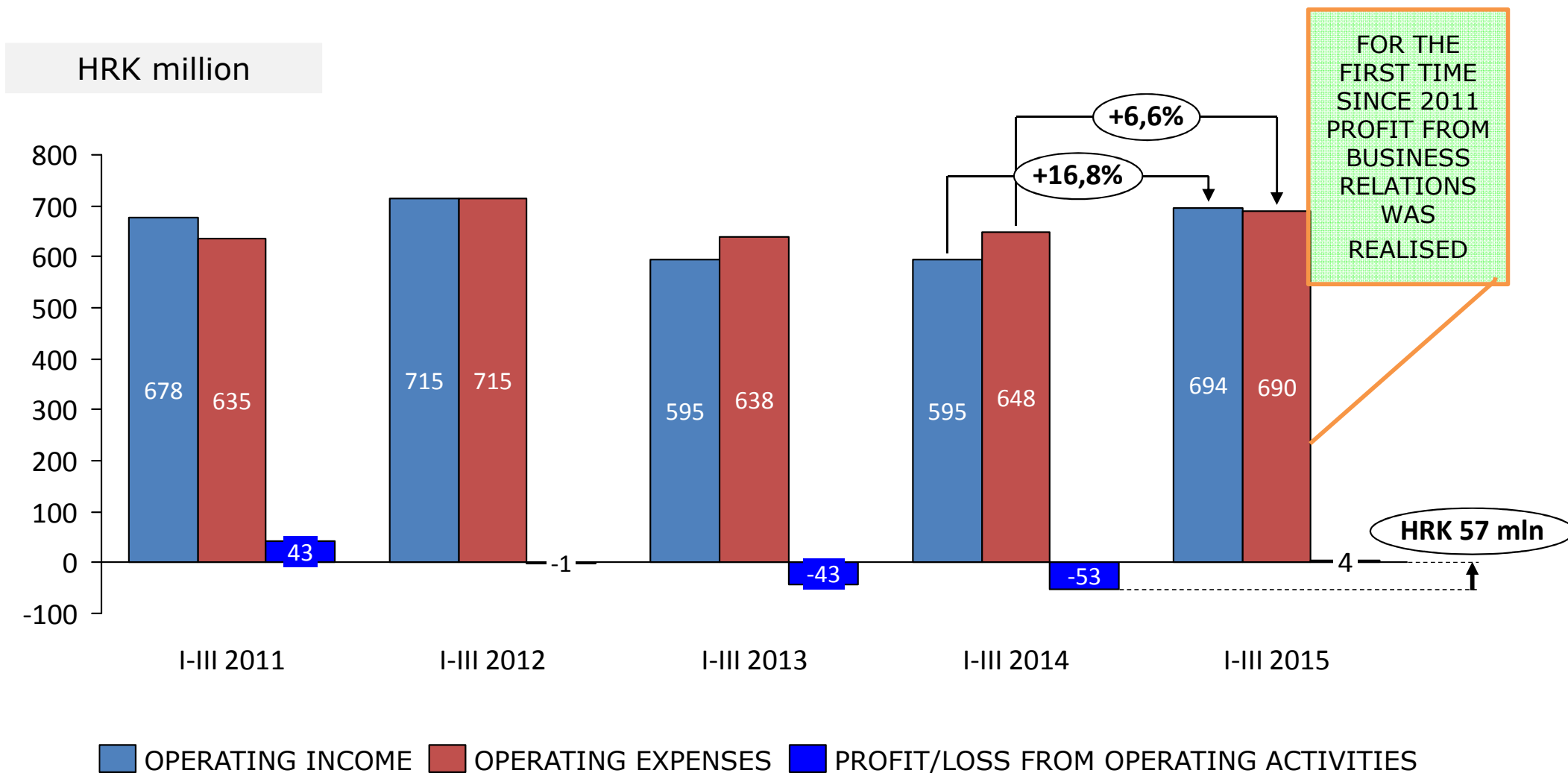
HRK million



ACTUAL LOSS EXCLUDING ONE-OFF SEVERANCE COSTS

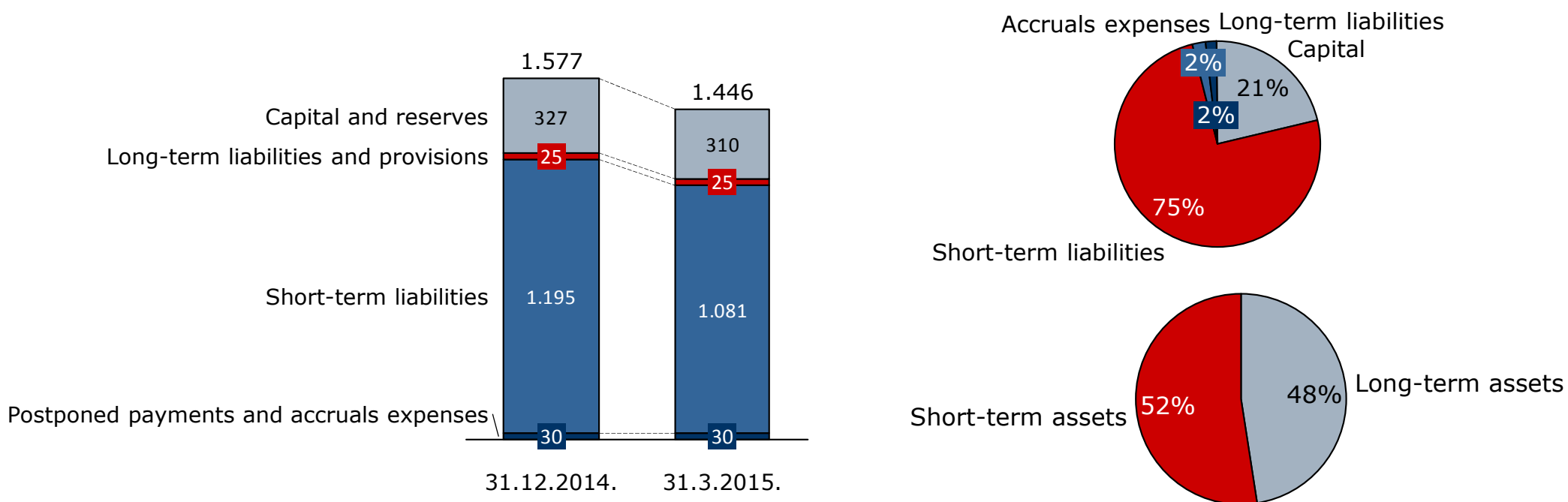


# Profit and loss from operating activities in Q1 2011 - 2015



# Structure of assets and liabilities at 31 March 2015

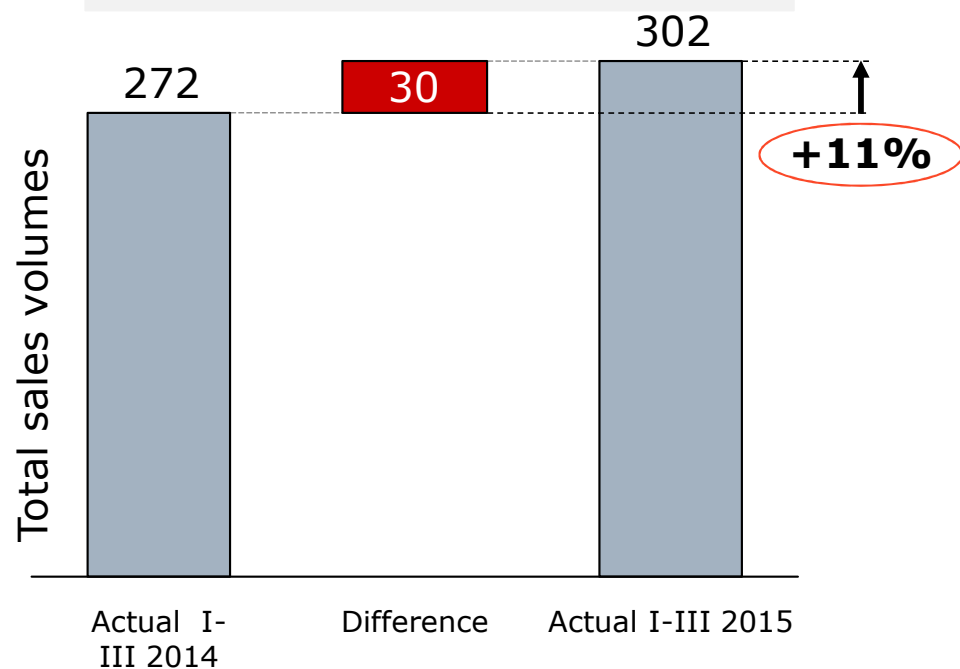
- At 31 March 2015, Petrokemija, Plc. had 52% in value of short-term and 48% in long-term assets, which can be interpreted by relatively high depreciation and the age of production and auxiliary facilities.
- The level of capital and reserves with the share before incorporation in the register reflects 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 dominating by short-term sources, due to failure to obtain long-term loans in domestic financial market (losses, ownership structure).



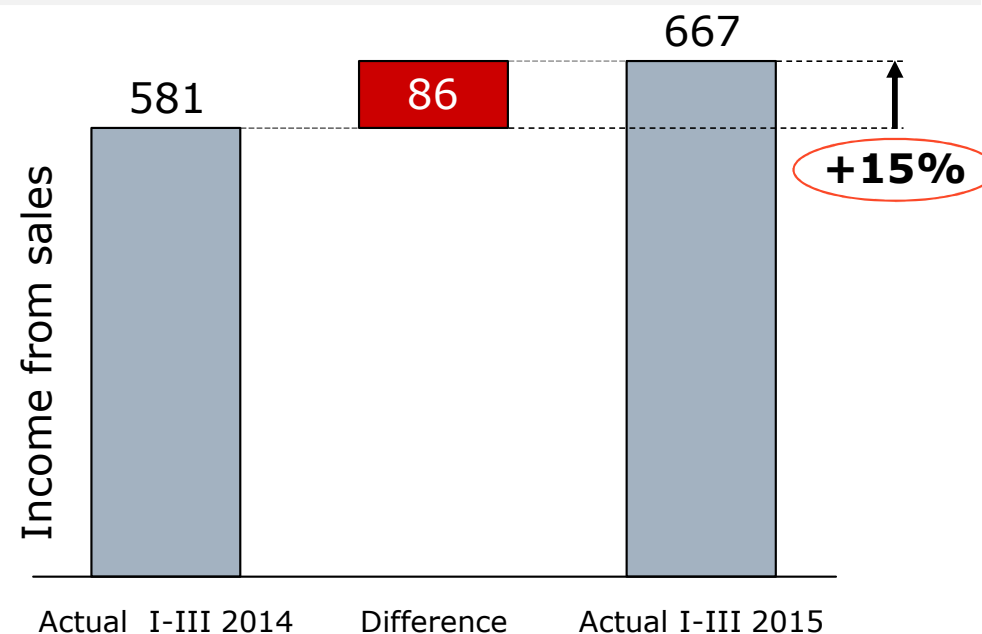
# Total fertilizer sales



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



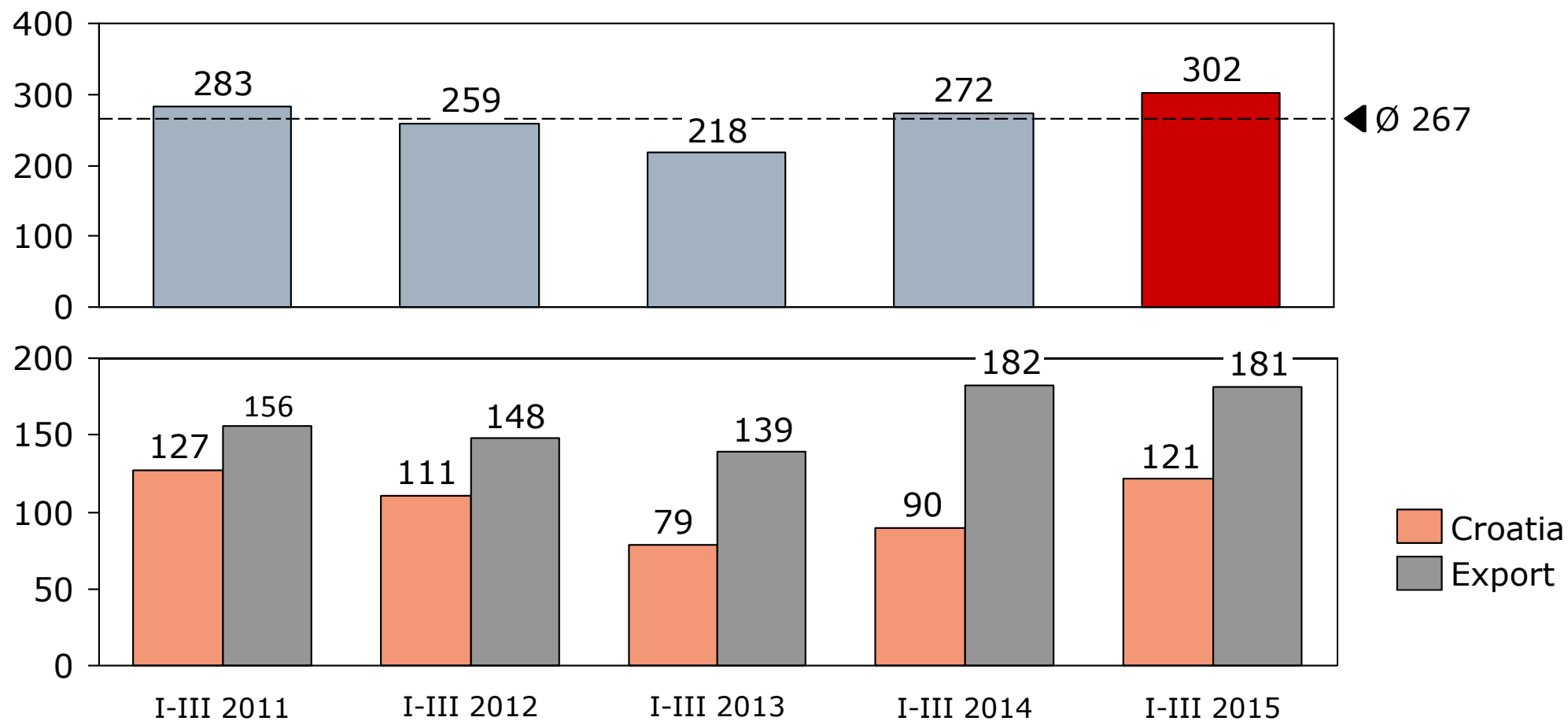
**INCOME FROM SALES** (mln HRK)  
2015 / 2014



Actual fall in sales volumes of fertilizers of 11% and increase in income from sales of fertilizers 13%, which indicat a slight increase in average selling prices.

# Actual fertilizer sales in the period January – March 2011 - 2015

total **sales** (000 tons)



# Business Results of Petrokemija Group for Q1 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-March 2015 are as follows:

■ Total revenues	HRK 699.69 mln,
■ Total expenses	HRK 718.44 mln,
■ Loss before tax	HRK -18.75 mln,

- EBITDA (earnings before interest, taxes and depreciation) was HRK 26.8 million in the positive.
- Petrokemija Ltd. Novi Sad made profit of HRK 281.6 thousand, Restoran Petrokemija Ltd. made profit HRK of 23.5 thousand, while Luka Šibenik operated with loss of HRK 1.1 million due to reduced volume of traffic and high fixed costs.
- The report on the Petrokemija Group's business includes detailed information on the operations of the subsidiaries.

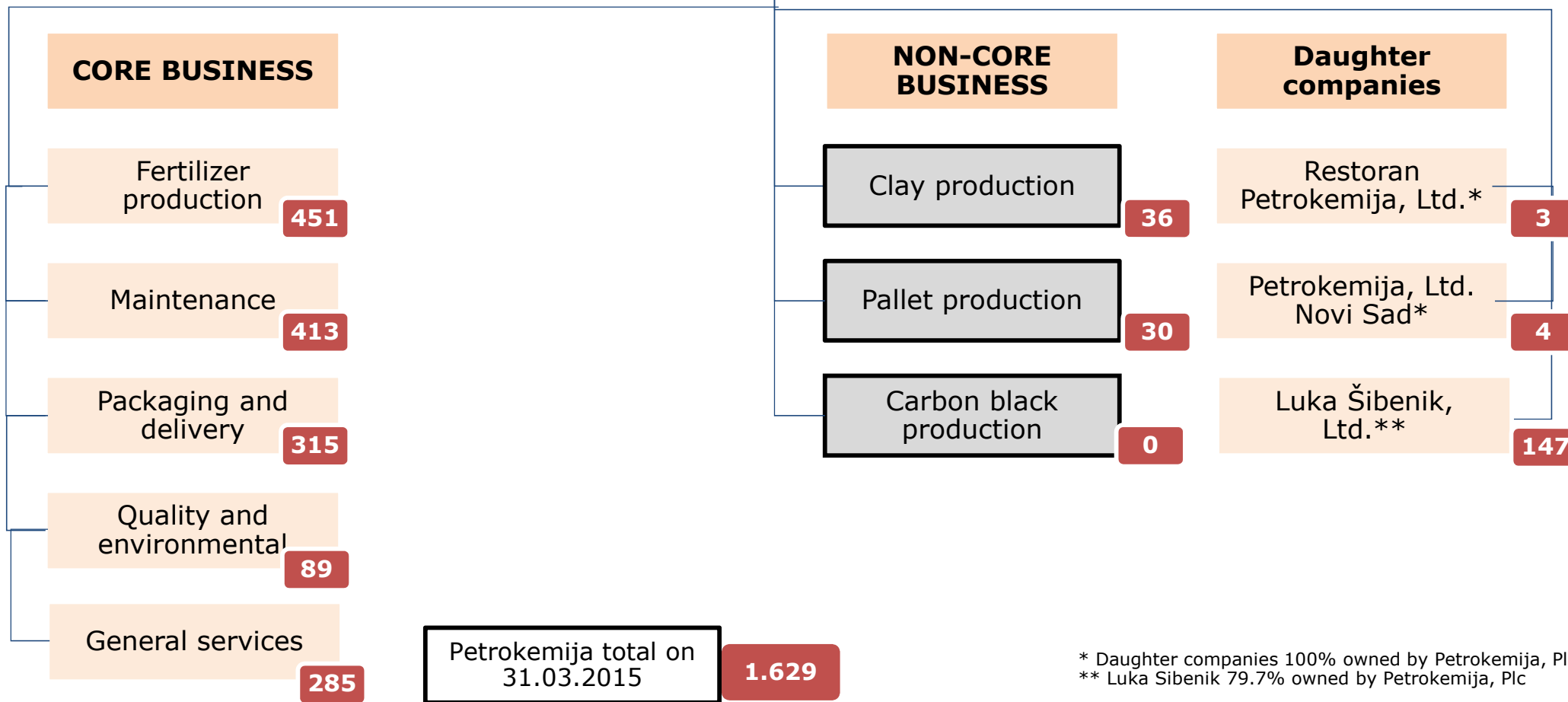
# Organization chart of Petrokemija, Plc. and Petrokemija Group



**MANAGEMENT BOARD OFFICE**

**10**

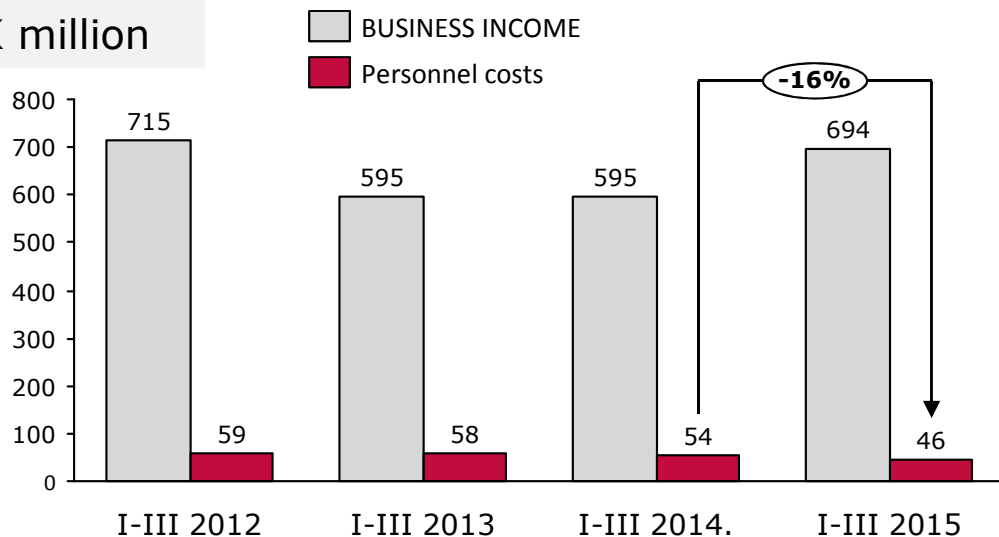
Employment on 31 March 2015



\* Daughter companies 100% owned by Petrokemija, Plc  
 \*\* Luka Sibenik 79.7% owned by Petrokemija, Plc

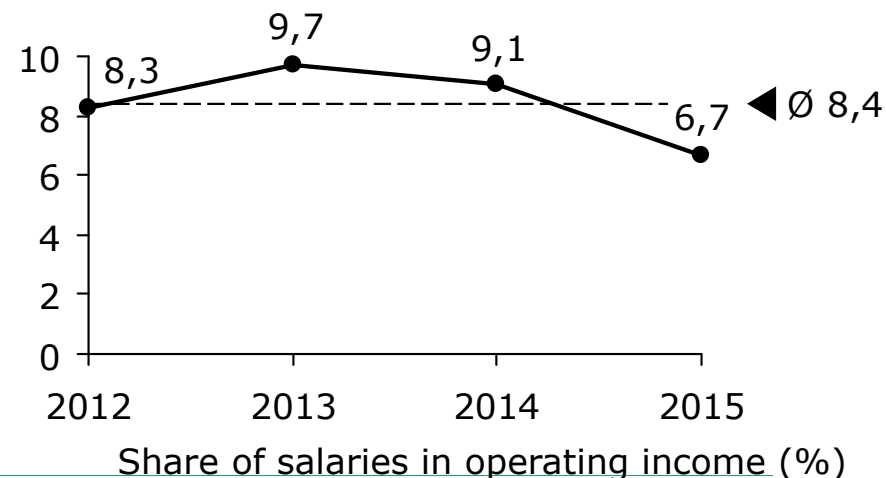
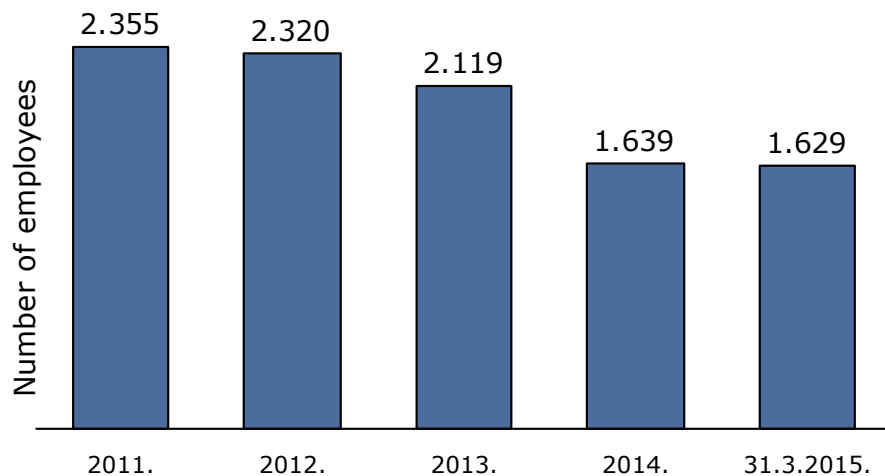
# Operational income, personnel costs, number of employees

HRK million



As at **31.03.2015** Petrokemija, Plc. had **1.629** employees, and daughter companies - members of Petrokemija Group - had 154 employees, which is a total of **1.783** employees.

Personnel costs share in operating revenues was 6.7%, and operating expenses 6.6%

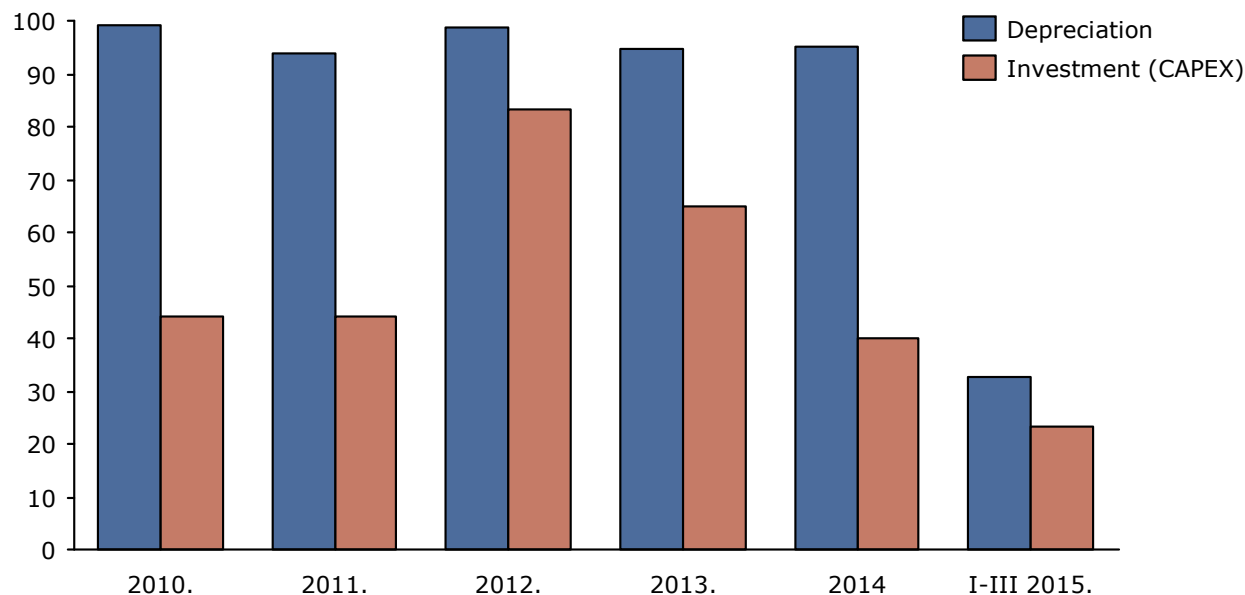




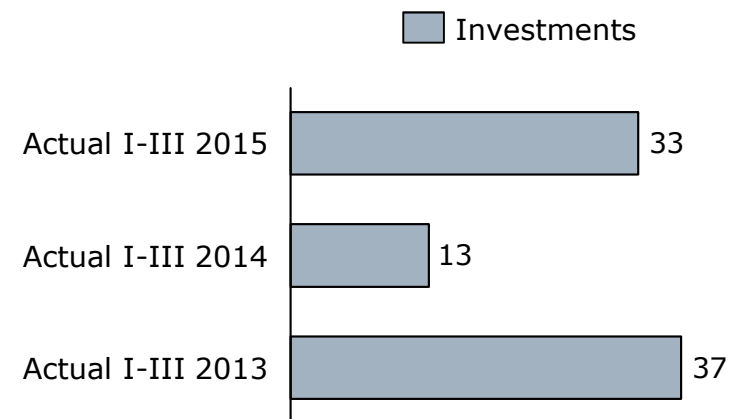
# Realized investment

- Investment realized in Q1 2015 amounted to 32.6 million, which is HRK 19.2 million or 143.4% higher than in 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

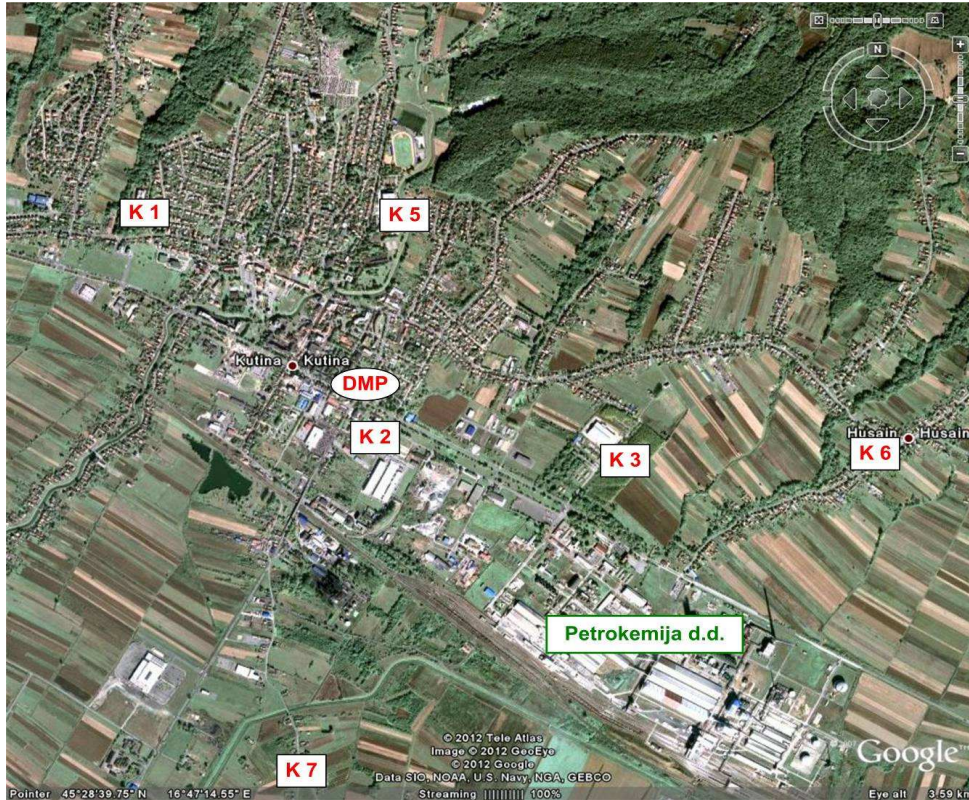
HRK million



HRK million



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



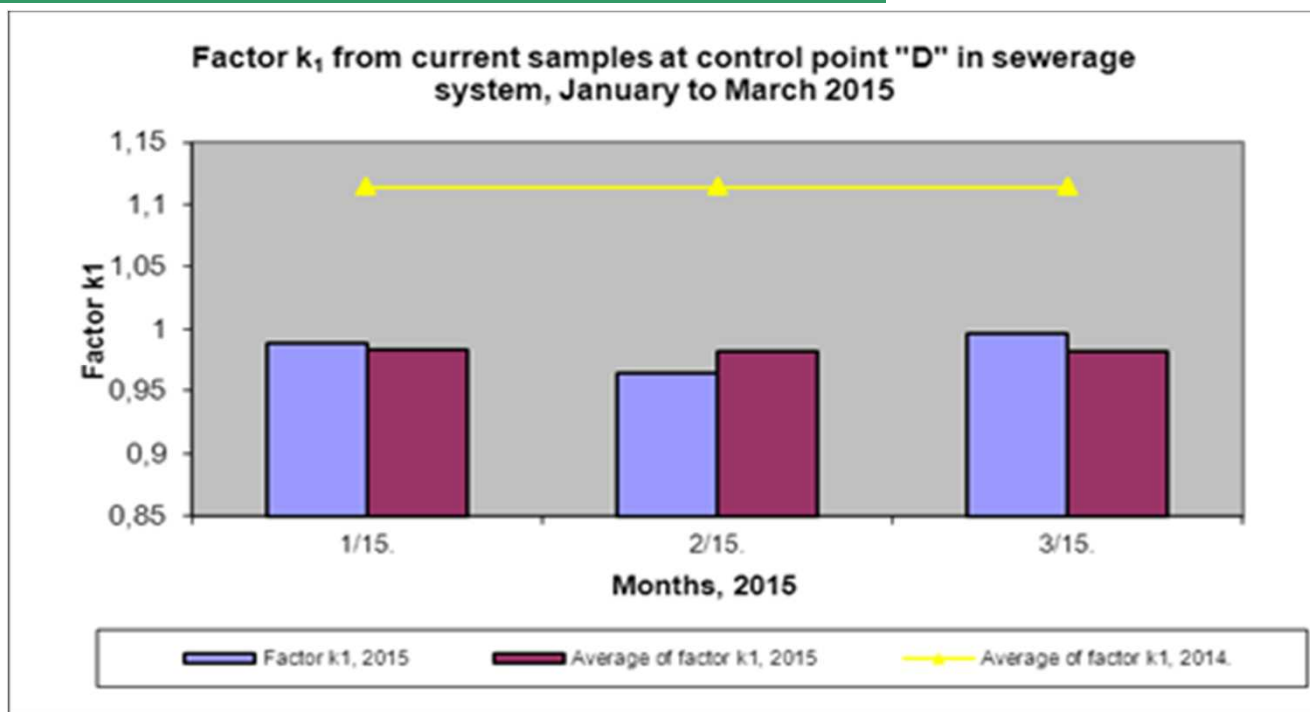
Clean or slightly polluted air	Polluted air	Pollutants
1 <sup>st</sup> category C<LV	2 <sup>nd</sup> category C>LV	
K2,K7, DMP		Sulphur dioxide (SO <sub>2</sub> )
K1,K2,K3,K6,K7		sediment
K1,K2,K3,K5, K6, K7, DMP		Ammonia (NH <sub>3</sub> )
K1,K2,K3,K5, K6,K7, DMP		Nitrogen dioxide (NO <sub>2</sub> )
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 in the *January to March 2015* period (local network)

Measuring station	<i>The number of limit value (LV) exceedances in the <u>January to March 2015</u> period/ permitted exceedance number</i>
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 the period from January to March 2015 is lower compared to average achieved in 2014.

Average consumption of raw water in period from January to March 2015 was 570.271 m<sup>3</sup>, which is 5,85% less than average achieved in 2014.

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

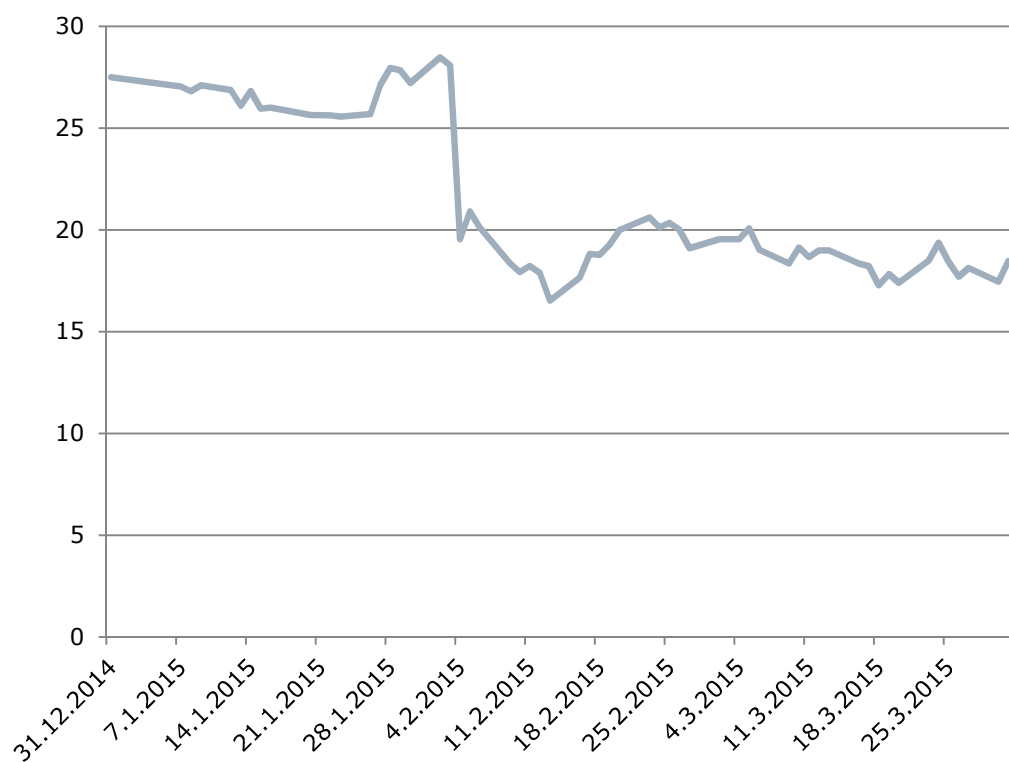


- General Meeting of Petrokemija, Plc. of 20 May 2014 adopted a Decision on simplified reduction of the share capital for loss coverage by reduction of the nominal amount of the ordinary shares (ticker: PTKM-R-A) of HRK 170.00 by HRK 140.00 to the amount of HRK 30.00.
- Therefore, the Company share capital was reduced from HRK 754,195,990.00 by HRK 621,102,580.00 to the amount of HRK 133,093,410.00 and is 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 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.
- 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. Company's share capital after the increase of amounts to HRK 386,135,400.00 and is divided into 4,436,447 ordinary shares marked PTKM-R-A, with a nominal amount of HRK 30.00 and 8,434,733 ordinary shares marked as PTKM-R-C, with a nominal amount of HRK 30.00.
- On 31 December 2014 the share value was HRK 27.50, while on 31 March 2015 its average price was HRK 18.48 (down 32.8 %)
- During 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).

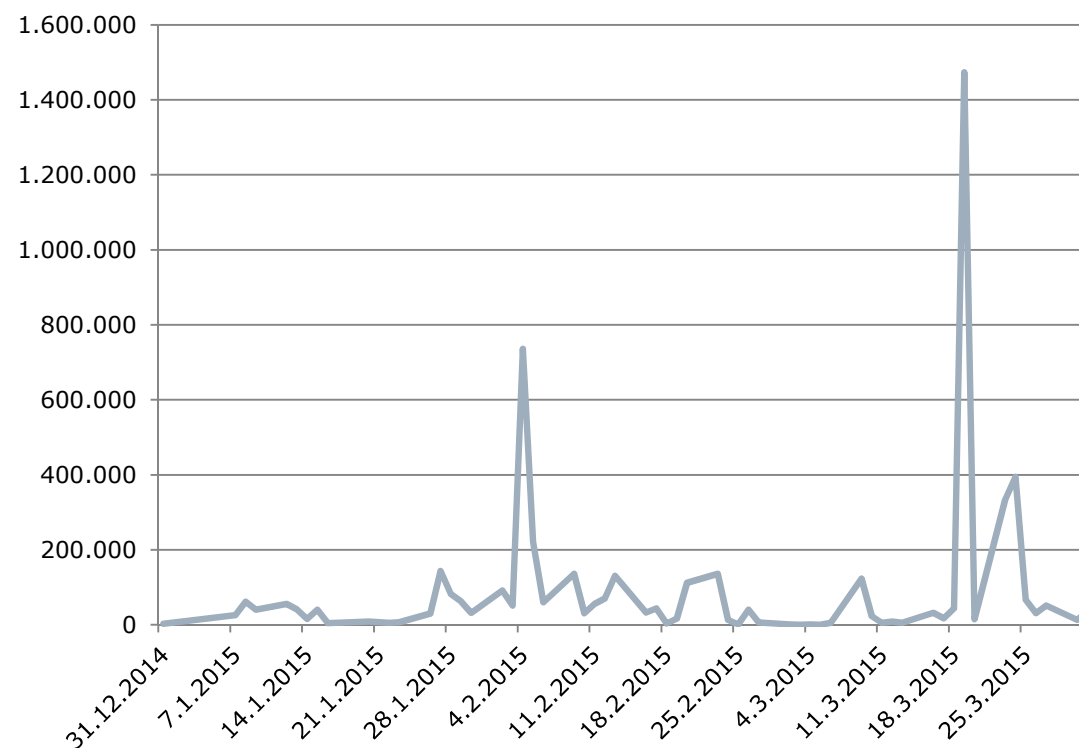
# Petrokemija, Plc. share price and daily turnover movements



The movement of the share price Petrokemija Plc. for Jan-Mar 2015



The movement of daily turnover of the share price Petrokemija Plc. for Jan-Mar 2015

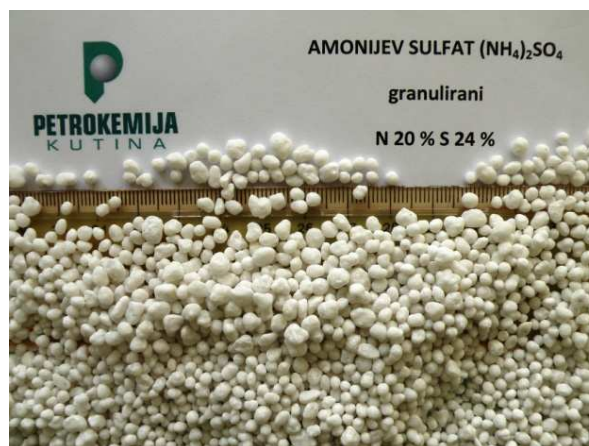


# Key events in 2015

- In the process of choosing a strategic partner in 2014 the partner was not found, so the Management Board and Supervisory Board initiated Program of Restructuring and Financial Consolidation for 2014-2018. The Program involves capital increase and reschedule of short-term debt, because in the meantime there was a deterioration of the financial position of the Company to a level which jeopardizes the continuity of its business. In the first two rounds of the process of the Company capital increase 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 capital in the amount of HRK 253 million, and not HRK 500 million as planned.
- Due to the partial failure to achieve the assumptions of the Program of Restructuring and Financial Consolidation for 2014-2018, at the end of 2014 a Revision of the Program was made for the planning period 2015-2019. In the Revision, key changes were made in the assumptions in terms of changes in assortment and the re-start of plants that had been stalled. The amounts of planned investment were also reduced, and thus 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 saving 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 "PETROKEMIJas" 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.





# Significant financial risks in 2015

Overall, the business position of Petrokemija, Plc. 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, 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 and nitrogen fertilizer Urea is at a very low 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 quarter of 2015 in the amount of HRK 61.0 million, and the remaining 5.0 million is due in the second quarter of the current year.
- ❑ The trend of growth in debt to gas suppliers that was carried over from 2014 was continued in the first quarter of 2015. Debt to banks and gas suppliers as at 31 March 2015 was HRK 601.7 million (+ 18% compared to 31.12.2014).
- ❑ In the next period, positive developments in negotiations with gas suppliers are expected, also finding sources of long-term financing, as well as the positive effects of the activities of the majority owner to find a solution in changing the ownership structure of the Company, 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



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In line with Articles 407 through 410 of Capital Market Act (OG 88/08, 146/08, 74/09, 54/13 and 159/13), 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 March 31, 2015 period, make an exact and true account of the Company 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:



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

**Attachment 1.**

Reported period:

01.01.2015.

to

31.03.2015.

**Quarterly financial statements TFI-POD**

Registration number (MB): 03674223

Registration number of subject  
(MBS): 080004355Personal identification  
number (OIB): 24503685008

Issuer company: PETROKEMIJA d.d.

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: 1.629  
(at the end of the year)

Consolidated Report: NO

Code of NKD: 20.15

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

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.maric@petrokemija.hr](mailto:marina.maric@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 31.03.2015.

<b>Petrokemija d.d.</b>			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
<b>A) RECVABLES 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>685.791.426</b>	<b>688.175.532</b>
I. INTANGIBLE ASSETS (004 do 009)	003	8.060.392	7.480.611
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	4.126.070	3.546.078
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	3.934.322	3.934.533
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	653.489.935	656.478.428
1. Land	011	49.482.151	49.482.151
2. Buildings	012	255.758.904	252.111.497
3. Plant and equipment	013	264.490.841	279.987.905
4. Tools, plant inventory and transportation assets	014	24.241.491	23.095.736
5. Biological assets	015		
6. Advances for tangible assets	016	8.481.540	1.490.696
7. Tangible assets in progress	017	50.552.801	49.827.712
8. Other tangible assets	018	482.207	482.731
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	24.200.525	24.200.525
1. Investments (shares) in related companies	021	24.192.988	24.192.988
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	40.574	15.968
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032	40.574	15.968
V. DIFERRED TAX ASSETS	033		
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>890.840.500</b>	<b>759.202.798</b>
I. INVENTORIES (036 do 042)	035	519.656.798	353.646.404
1. Raw and other material	036	269.100.524	201.114.095
2. Work in progress	037	42.922.688	18.020.440
3. Finished products	038	206.519.234	133.412.968
4. Merchandise inventory	039	733.771	689.674
5. Advances for inventories	040	380.581	409.227
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)	043	292.970.295	270.097.980
1. Receivables from related companies	044	26.375.193	6.035.514
2. Receivables from customers (buyers)	045	83.303.467	107.794.241
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	13.346	16.644
5. Receivables from state and other institutions	048	53.121.883	51.067.836
6. Other receivables	049	130.156.406	105.183.745
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	70.066.075	117.884.442
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053	43.227.765	44.900.077
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	26.838.310	71.984.365
6. Loans given, deposits and similar assets	056		1.000.000
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	8.147.332	17.573.972
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>305.647</b>	<b>43.089</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.576.937.573</b>	<b>1.447.421.419</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>963.867.837</b>	<b>1.369.018.477</b>

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>326.833.551</b>	<b>310.353.744</b>
I. SUBSCRIBED CAPITAL	063	133.093.410	386.135.400
II. CAPITAL RESERVES	064	554.488.994	300.903.005
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	-360.748.853	-360.748.853
1. Retained earning	073		
2. Loss carried forward	074	360.748.853	360.748.853
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	0	-15.935.808
1. Profit for the year	076		
2. Loss for the year	077		15.935.808
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>9.311.039</b>	<b>9.261.039</b>
1. Provisions for pensions, severance pay and similar liabilities	080	8.329.911	8.329.911
2. Provisions for tax liabilities	081		
3. Other provisions	082	981.128	931.128
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>15.833.333</b>	<b>15.833.333</b>
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	15.833.333	15.833.333
3. Liabilities to banks and other financial institutions	086		
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>1.194.869.065</b>	<b>1.081.640.963</b>
1. Liabilities to related companies	094	8.105.708	5.802.238
2. Liabilities for loans, deposits and similar	095	187.412.038	299.129.311
3. Liabilities to banks and other financial institutions	096	289.950.321	270.200.321
4. Liabilities for advances	097	112.185.262	48.051.378
5. Liabilities to suppliers	098	480.400.459	381.590.756
6. Liabilities for securities	099	13.421.301	13.406.301
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	10.732.944	10.432.084
9. Liabilities for taxes, contributions and other payments	102	9.934.955	9.001.069
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	82.726.077	44.027.505
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>30.090.585</b>	<b>30.332.340</b>
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.576.937.573</b>	<b>1.447.421.419</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>963.867.837</b>	<b>1.369.018.477</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		
2. Credited to minority interest	110		

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 31.03.2015.

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>594.623.576</b>	<b>594.623.576</b>	<b>694.352.361</b>	<b>694.352.361</b>
1. Sales revenues	112	590.383.900	590.383.900	681.953.199	681.953.199
2. Other operating revenues	113	4.239.676	4.239.676	12.399.162	12.399.162
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>647.644.219</b>	<b>647.644.219</b>	<b>690.472.327</b>	<b>690.472.327</b>
1. Changes in value of work in progress and finished products	115	37.110.574	37.110.574	98.008.514	98.008.514
2. Material costs (117 do 119)	116	517.847.038	517.847.038	509.816.709	509.816.709
a) Cost of raw and production materials	117	501.302.443	501.302.443	494.319.608	494.319.608
b) Cost of goods sold	118	609.044	609.044	466.872	466.872
c) Other external costs	119	15.935.551	15.935.551	15.030.229	15.030.229
3. Employees costs (121 do 123)	120	54.195.572	54.195.572	45.525.819	45.525.819
a) Net salaries and wages	121	34.230.530	34.230.530	28.595.132	28.595.132
b) Costs for taxes and contributions from salaries	122	12.798.206	12.798.206	10.271.027	10.271.027
c) Contributions on salaries	123	7.166.836	7.166.836	6.659.660	6.659.660
4. Depreciation	124	23.889.420	23.889.420	23.271.056	23.271.056
5. Other costs	125	14.600.941	14.600.941	13.849.455	13.849.455
6. Value adjustments (127+128)	126	674	674	774	774
a) of long-term assets (except for financial assets)	127				
b) of short-term assets (except for financial assets)	128	674	674	774	774
7. Provisions	129				
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>1.231.744</b>	<b>1.231.744</b>	<b>5.410.774</b>	<b>5.410.774</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	20.903	20.903	2.150.896	2.150.896
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	1.210.841	1.210.841	3.259.878	3.259.878
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>8.833.216</b>	<b>8.833.216</b>	<b>25.226.616</b>	<b>25.226.616</b>
1. Interest, exchange rate fluctuations and other costs with associated companies	138	56.787	56.787	151.027	151.027
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	8.776.429	8.776.429	25.075.589	25.075.589
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. EXTRAORDINARY - 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>595.855.320</b>	<b>595.855.320</b>	<b>699.763.135</b>	<b>699.763.135</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>656.477.435</b>	<b>656.477.435</b>	<b>715.698.943</b>	<b>715.698.943</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>-60.622.115</b>	<b>-60.622.115</b>	<b>-15.935.808</b>	<b>-15.935.808</b>
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	60.622.115	60.622.115	15.935.808	15.935.808
<b>XII. PROFIT TAX</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-60.622.115</b>	<b>-60.622.115</b>	<b>-15.935.808</b>	<b>-15.935.808</b>
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	60.622.115	60.622.115	15.935.808	15.935.808



APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	155				
2. Credited to minority interest	156				
<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>-60.622.115</b>	<b>-60.622.115</b>	<b>-15.935.808</b>	<b>-15.935.808</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>-60.622.115</b>	<b>-60.622.115</b>	<b>-15.935.808</b>	<b>-15.935.808</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				
2. Credited to minority interest	170				

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2015. to 31.03.2015.

<b>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	505.105.957	707.793.246
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	1.188.754	1.778.283
4. Cash increase from tax return	004	67.944.206	58.517.724
5. Other cash increase	005	501.720	629.687
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>574.740.637</b>	<b>768.718.940</b>
1. Expenses to suppliers	007	497.643.794	510.488.375
2. Expenses for employees	008	59.620.725	49.014.956
3. Expenses for insurance compensations	009	3.547.527	2.428.490
4. Expenses for interest	010	7.168.813	7.934.016
5. Expenses for taxes	011	25.959.803	29.651.389
6. Other cash decrease	012	800.957	1.086.654
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>594.741.619</b>	<b>600.603.880</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>0</b>	<b>168.115.060</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>20.000.982</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	10.469	
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		2.614.629
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>10.049.845</b>	<b>2.614.629</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	14.983.873	19.625.170
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>14.983.873</b>	<b>19.625.170</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>4.934.028</b>	<b>17.010.541</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	432.000.000	
3. Other inflows from financial activities	030	132.381.406	19.941.890
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>564.381.406</b>	<b>19.941.890</b>
1. Cash outflows for repayment of loan principal and bonds	032	502.593.848	58.032.727
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		102.587.042
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>502.593.848</b>	<b>160.619.769</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>61.787.558</b>	<b>0</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>0</b>	<b>140.677.879</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>36.852.548</b>	<b>10.426.640</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the begining of the period</b>	<b>042</b>	14.802.277	8.147.332
<b>Increase of cash and cash equivalents</b>	<b>043</b>	36.852.548	10.426.640
<b>Decrease of cash adn cash equivalents</b>	<b>044</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	51.654.825	18.573.972

\*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 31.3.2015

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	300.903.005
3. Reserves from profit	003		
4. Retained profit or loss carried forward	004		-360.748.853
5. Profit or loss for the year	005	-360.748.853	-15.935.808
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		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>326.833.551</b>	<b>310.353.744</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		
17 b. Creadited to minority interest	019		

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, Plc.

In the period Jan-March 2015, Petrokemija, Plc. had total income of HRK 699.8 million and total expense of HRK 715.7 million; therefore the Company reported loss of HRK 15.9 million or 2.3% of total revenues. It should be pointed out that for the first time since 2011 the Company has achieved operating profit, that of HRK 3.9 million, while the loss was due to the high cost of interest on short-term debt and foreign exchange losses caused by the growth of USD. The EBITDA (earnings before interest, taxes, depreciation and amortization) was positive for HRK 27.2 million.

On a quarterly basis, total revenues increased by 17.4% compared to the same period of 2014, while total expenses were by 9.0% higher. The downward trend in the price of fertilizers has stopped, as evident from the figures that 16.8% higher operating income was achieved with 11.1% increase in fertilizer sales volumes. The revenue growth is partly due to the growth of USD. Compared to the same period of the year before, the loss was reduced by HRK 44.7 million, and compared to the last quarter of 2014 by HRK 58.0 million. These data indicate a gradual improvement in market position and balance of the in- and output prices, which can partly be interpreted as a seasonal phenomenon.

In the loss breakdown, HRK 19.8 million was from financial operations, and the generated profit from operating activities was HRK 3.9 million, resulting in a total loss of HRK 15.9 million. In the same period of 2014, the loss from financial activities was HRK 7.6 million (down by 12.2 million) and the loss from operating activities was HRK 53.0 million (positive development in the first quarter of 2015 of HRK 56.9 million). EBITDA was positive amounting to HRK 27.2 million. In the same period of 2014, EBITDA was HRK 29.1 million negative, which indicates a positive shift in the result of HRK 56.3 million. This can be partly attributed to increased seasonal sales of fertilizers in the domestic market and in the region.

The trend of prices and supply and demand in the global market of mineral fertilizers did not significantly change when compared to 2014 except for a more pronounced fall of Urea prices. Petrokemija tried to respond to the low price of fertilizers in the world market by cutting the costs, but with partial success only. In very limited circumstances, the Company 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 year. 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. The main export product of Petrokemija – nitrogen fertilizer Urea – had a price fall of 17% in the first three months of 2015, suggesting caution in predicting financial results later in the year.

The level of actual sales in the domestic market was higher than for the comparable period in the previous three years, but still relatively low in relation to 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 range of fertilizers. 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 undeveloped domestic gas market. For the first time since the opening of the Croatian gas market, in the summer of 2014, terms were contracted for supplied gas at the level of gas prices on the European spot market.

Natural gas as the most important raw material is supplied in 2015 from the domestic market

Natural gas as the most important raw material is supplied in 2015 from the domestic market according to contracts concluded with two suppliers - Natural Gas d.o.o. Zagreb (INA Oil Industry, Zagreb) and Prvo plinarsko društvo d.o.o. from Vukovar. At the time of publication of these reports, the concept of procurement of gas is being determined for the rest of 2015, i.e. for the gas year 2015/2016.

During the first quarter of 2015, production and sales of NPK fertilizer significantly increased (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 market, which 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 on the whole they are higher than in the same period of the year before, partly due to the growth of the US dollar, which was on average 22% higher than in the same period of 2014.

In the reporting period, the operating income was by 16.8% 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 11.1% higher – the sales of fertilizers in domestic market increased by 34.4%, while exports decreased by 0.4% – compared to the previous year.

The actual operating expenses increased by 6.6%, compared to the previous year, which is reflection of the changes in the product range, and higher average input prices of raw materials. 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 three months of 2015 was by 15.9% lower, denominated in US dollars, while realized in HRK it increased by 5.9% from the same period in 2014.

In the first three months of 2015, as compared to the same period previous year, Petrokemija had a 2.4% reduction in the overall level of production since a complete overhaul of the facilities was carried out in January (conducted every two years). In the structure of production there were changes as follows: 27.3% lower production of Urea and 7.7% of CAN (shut down due to overhaul), while there was 61.1% 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 second quarter of 2015, with open assumptions 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 producing carbon black and phosphoric acid. The crisis caused by the misbalance of in- and output prices in the carbon black market is still present, 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 operated very small number of days in a year. The changes in assortment 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.

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 its 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 at the beginning of 2015 through change of structure of short-term liabilities (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), 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.

Adverse liquidity situation, and the 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, Plc. and its relationships with banks. The entire debt due under recourse factoring for Gorup d.o.o. was charged and collected from Petrokemija as recourse debtor in 2014 and the first quarter of 2015 in the amount of HRK 61.0 million, and the remaining 5.0 million is due in the second quarter of the current year.

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 March 2015.

In the balance-sheet positions, they are included in current assets in the amount of HRK 104.2 million and HRK 43.2 million in short-term liabilities. The difference in the previous and the current reporting period was charged to and collected from Petrokemija, Plc. by commercial banks. Compared to 31 Dec 2014, the state of receivables based on these transactions is by HRK 25.3 million or 19.5% lower, while the liabilities arising from recourse factoring decreased by HRK 38.8 million or 47.3%. In the cash flow statement, the receipts from the collection of customer receivables through factoring are indicated in revenues from financial activities for the first three months of 2015 for HRK 19.9 million, while in the same period previous year they amounted to HRK 132.4 million.

For HRK 97.8 million, which is 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 Plc. 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. Besides 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 completion of the process of selecting a strategic partner in which a suitable partner was not 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. 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 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 particularly in the domestic and regional markets where the payment is carried out in HRK and EUR.

Actual market and financial results for 2014 and 1<sup>st</sup> quarter 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 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.