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QUARTERLY REPORT PETROKEMIJA Plc. KUTINA

REPORT FOR PERIOD January to September 2015
INTERIM REPORT FOR PERIOD July to September 2015



Kutina, October 2015

Key indicators for Petrokemija, Plc. for January to September 2015



- ❑ Actual total revenues of Petrokemija, Plc. HRK 1,920.1 million, 18.8% up on the same period of 2014;
- ❑ Operating loss HRK 13.4 million, financial loss HRK 38.4 million, total loss HRK 51.8 million;
- ❑ Earnings before interest, taxes, depreciation and amortization (EBITDA) HRK 56.5 million;
- ❑ Actual production of fertilizers 888 thousand tons. Despite the overhaul conducted in January 2015, production was 9.0% 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 72.0%, whereas the production of Urea was by 9.9 % and CAN by 0.2% lower because of the overhaul;
- ❑ Yield of currently installed plant capacities 90% (the month of overhaul included);
- ❑ Actual sales of fertilizers 852 thousand tons, up 12.7% on the same period last year;
- ❑ The share of fertilizers sales volumes in the domestic market 27%;
- ❑ Domestic sales 232 thousand tons; exports 620 thousand tons of fertilizer;
- ❑ Capital and reserves on 30 September 2015 for Petrokemija, Plc. HRK 175.0 million;
- ❑ Invested in Petrokemija, Plc. HRK 44.4 million;
- ❑ Employed on 30 September 2015: Petrokemija, Plc. 1,621 employees; Petrokemija Group 1,767 employees.

Management Board Report for January-September 2015

- In Jan-Sept 2015, Petrokemija, Plc. had total actual revenues of HRK 1,920.1 million and total expense of HRK 1,971.9 million. The Company reported loss in business of HRK 51.8 million or 2.7% of the total revenues.
- In the reporting period, there was a very high increase of USD (21.4% 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 6.82 in the first three quarters caused an additional negative financial impact on the result of **HRK 155 million**;
- In the income structure, domestic sales account for 29.8 % or HRK 572.5 million (14.4 % up on the same period of 2014), while exports account for 67.8 % or HRK 1,301.6 million (20.0 % up on the same period of 2014);
- Higher sales volumes by 12.7% and higher average sales prices by 6.7% compared to the same period of 2014;
- In assortment of products, higher actual sales of NPK fertilizers by 80.7 % and CAN fertilizers (available volumes) by 3.4% compared to the same period 2014, while there was lower realization compared to 2014 for Urea 10.1 % (unfavorable price);
- Domestic sales 13.0 % higher than realized in the same period of 2014;
- Export sales 12.6% higher than in the same period of 2014;
- Sales of clay-based products and liquid fertilizers were 22.5% higher than realized in the same period 2014.

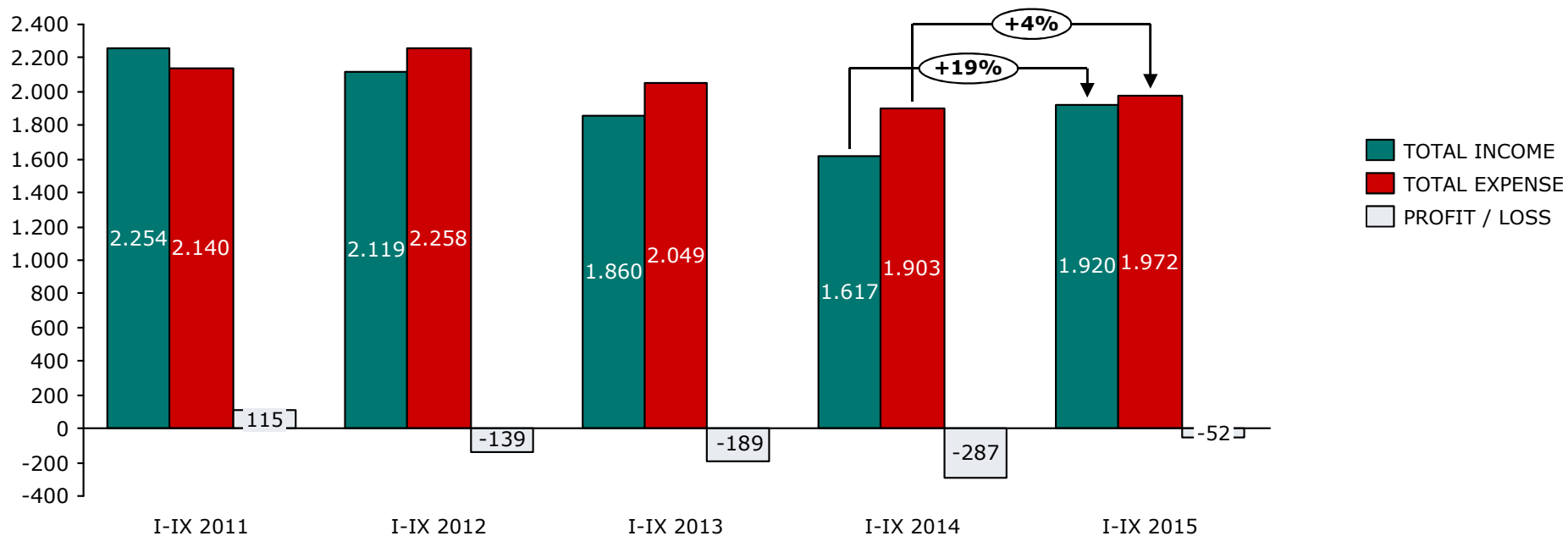
Management Board Report for January-September 2015 (cont)

- ❑ Despite the collected HRK 253 million in the capital increase process, the current liquidity ratio is below recommended levels, with slight improvement in comparison to the same period of 2014 (negative working capital of HRK 457.0 million);
- ❑ Short-term assets decreased by 21.3 %, whereas short-term liabilities increased by 17.0 % compared to the same period of 2014;
- ❑ 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 5.6 % higher in HRK and 13.3 % lower in USD compared to the same period of 2014;
- ❑ Total number of employees 1,621, 18 down on December 31, 2014;
- ❑ Achieved level of investment HRK 44.4 million, HRK 8.3 million up on the same period of 2014 because most of overhaul works were carried out as investments.
- ❑ CORRECTION OF FINANCIAL RESULTS FOR 2014 IN ACCORDANCE WITH IAS 8 - After the adoption of Resolution of Settlement Council of 11 September 2015 on suspension of the pre-settlement over the debtor Gorup, d.o.o., Klanjec, the Management Board has assessed that conditions have been created for impairment incurred in previous periods. Based on the assessment that these receivables in the future will not be collectible, a correction of value of the receivables was made in the amount of HRK 99.439 million charged to the results of 2014 and HRK 0.558 million charged to 2015.

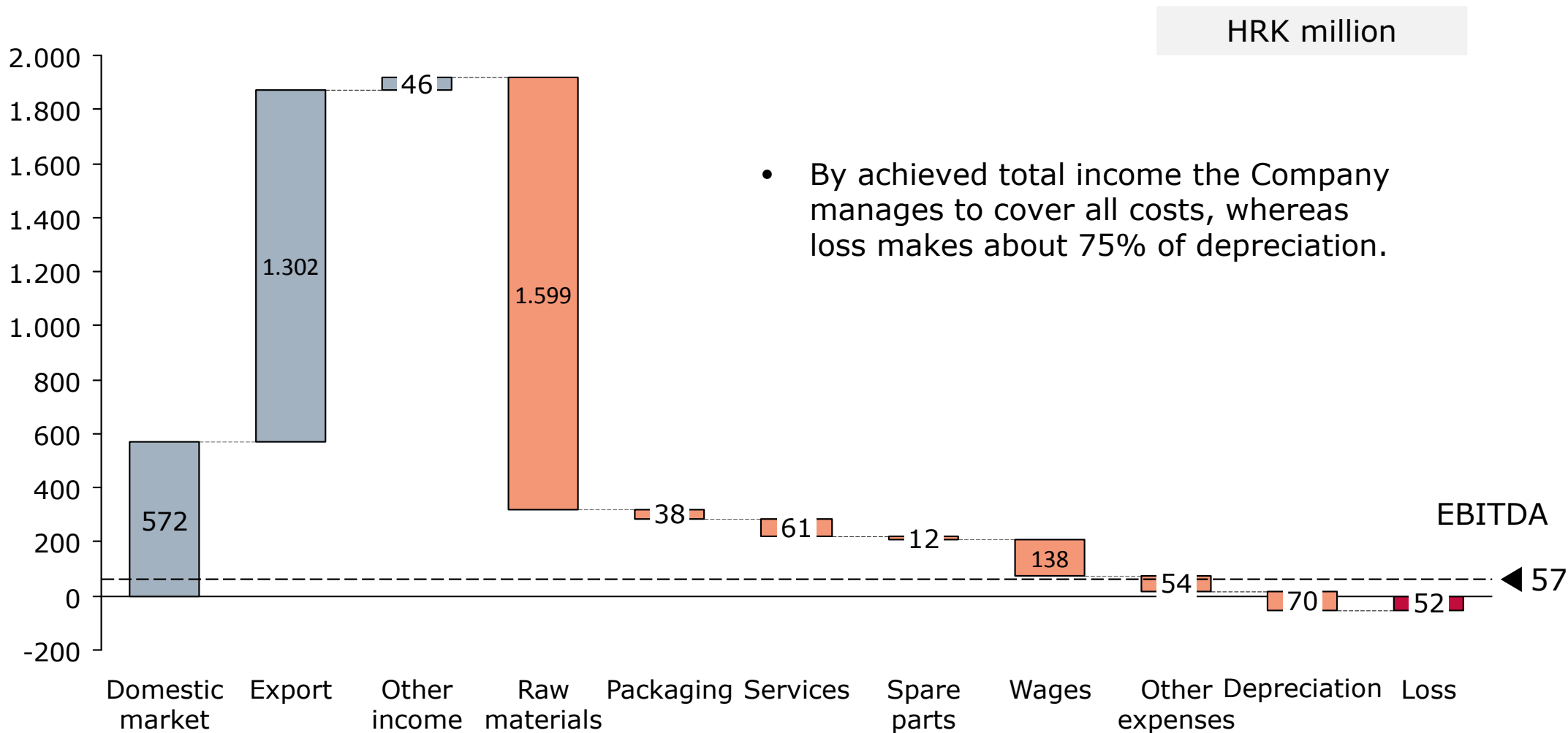
Profit and Loss for January-September 2011-2015

■ Total income	HRK 1,920.1 mln,
■ Total expense	HRK 1,971.9 mln,
■ Loss before taxation	HRK -51.8 mln,
■ EBITDA	HRK +56.5 mln

HRK million

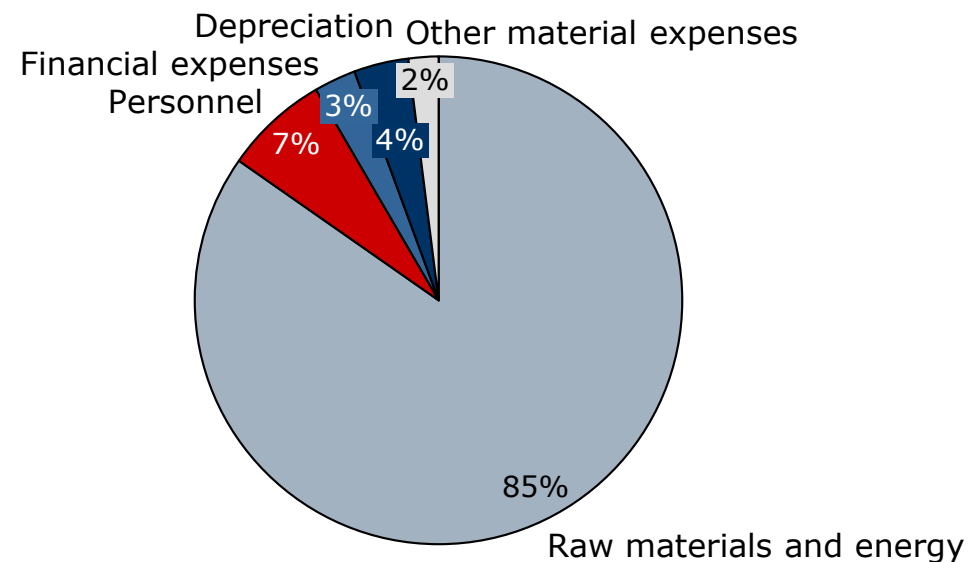
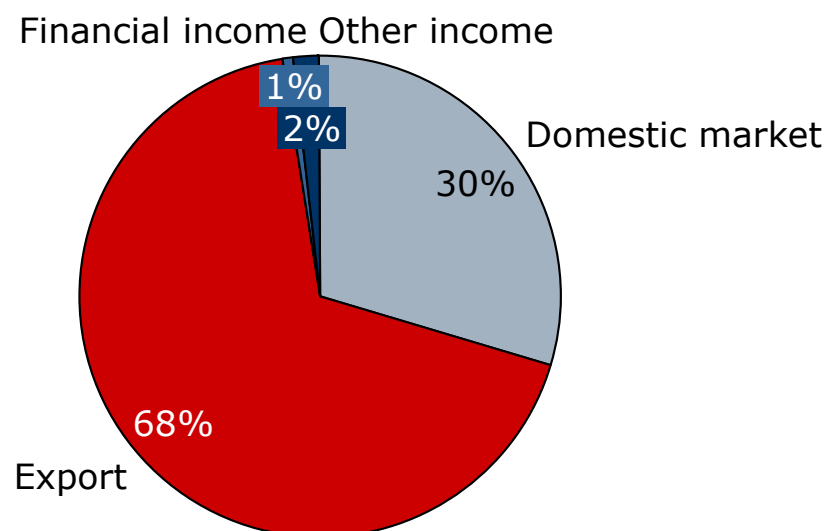


Structure of Profit and Loss for January-September 2015



Structure of Profit and Loss for January - September 2015

- In the January – September 2015 period, Petrokemija, Plc. achieved 30 % of income from domestic market, 68% income from export, and financial and other income account for 2% of total income;
- In the structure of total expenses, the dominant 85% account for raw materials and energy; personnel costs for 7%, while all other costs make 8%.



Key financial indicators for January - September 2015



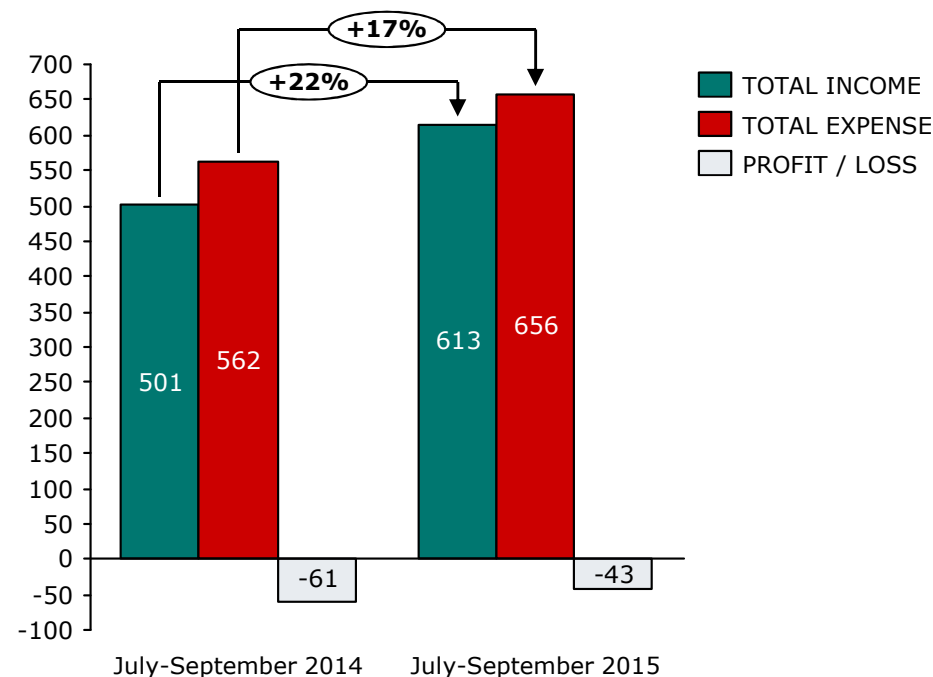
(HRK 000)

	Jan-Sept 2015	Jan-Sept 2014	Difference	% change
Operating income	1.904.184	1.609.580	294.604	18,30%
Operating expense	1.917.641	1.859.307	58.334	3,14%
EBITDA *	56.519	-177.085	233.604	-131,92%
EBITDA without reservations for severance				
Amortization	69.976	72.642	-2.666	-3,67%
Net financial income / (expenses)	-38.358	-37.094	-1.264	3,41%
Net extraordinary income / (expenses)	0	0	0	
Profit / loss / before taxation	-51.815	-286.821	235.006	-81,93%
	30 Sept 2015	31 Dec 2014		
Fixed assets	657.159	685.792	-28.633	-4,18%
Current assets	708.148	791.707	-83.559	-10,55%
Capital and reserves	175.036	227.395	-52.359	-23,03%
Long-term liabilities + provisions	25.049	25.144	-95	-0,38%
Current liabilities + provisions	1.165.222	1.224.960	-59.738	-4,88%

* Earnings before interest, taxes, depreciation and amortization

Operating results for July-September 2015

- In July to September 2015 period, Petrokemija, Plc. had actual total revenues of HRK 613.2 million, total expenses of HRK 655.7 million and reported **operating loss of HRK 42.5 million.**
- On a quarterly basis, total revenues increased by 22.3% compared to the third quarter of 2014, while total expenses increased by 16.6 %;
- The third quarter is usually a period of non-season in the domestic market and in the narrow region, so the majority sales of fertilizer takes place in remote markets, leading to lower prices and higher shipping costs.



Key financial indicators for July-September 2015



(HRK 000)

	Jan-June 2015	July-Sept 2015	Jan-Sept 2015
Operating income	1.294.178	610.006	1.904.184
Operating expense	1.277.967	639.673	1.917.641
EBITDA *	62.901	-6.382	56.519
Amortization	46.690	23.286	69.976
Net financial income / (expenses)	-25.549	-12.809	-38.358
Net extraordinary income / (expenses)	0	0	0
Profit / loss / before taxation	-9.338	-42.477	-51.815

- In the third quarter of 2015, a loss of HRK 42.5 million was realized.
- The EBITDA amounted to HRK -6.4 million.

* Earnings before interest, taxes, depreciation and amortization

Quarterly losses/profits for 2011-2015

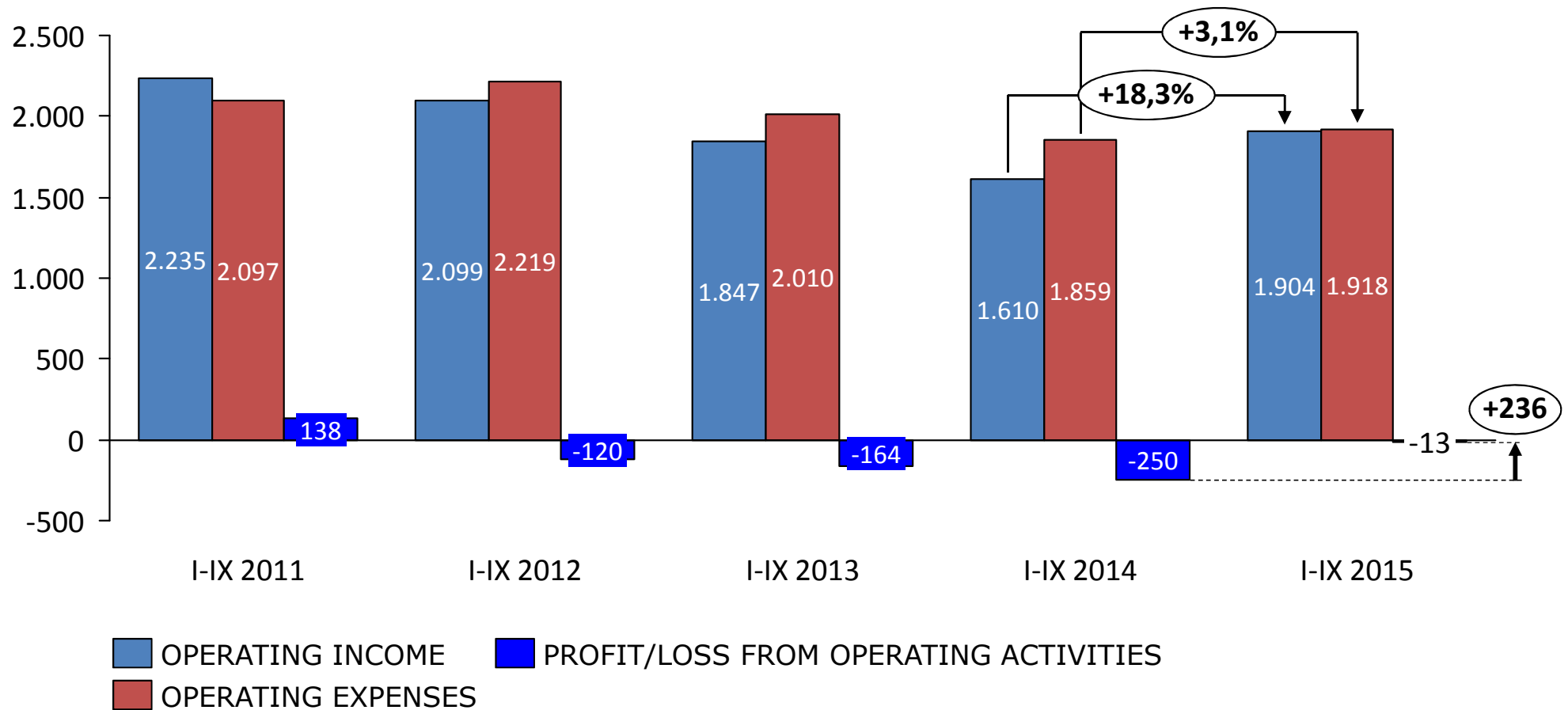


Note: ADJUSTED ACTUAL LOSS WITHOUT SEVERANCE COSTS TO EMPLOYEES:

- Q4/2013 – HRK 95 mln
- Q2/2014 – HRK 65 mln

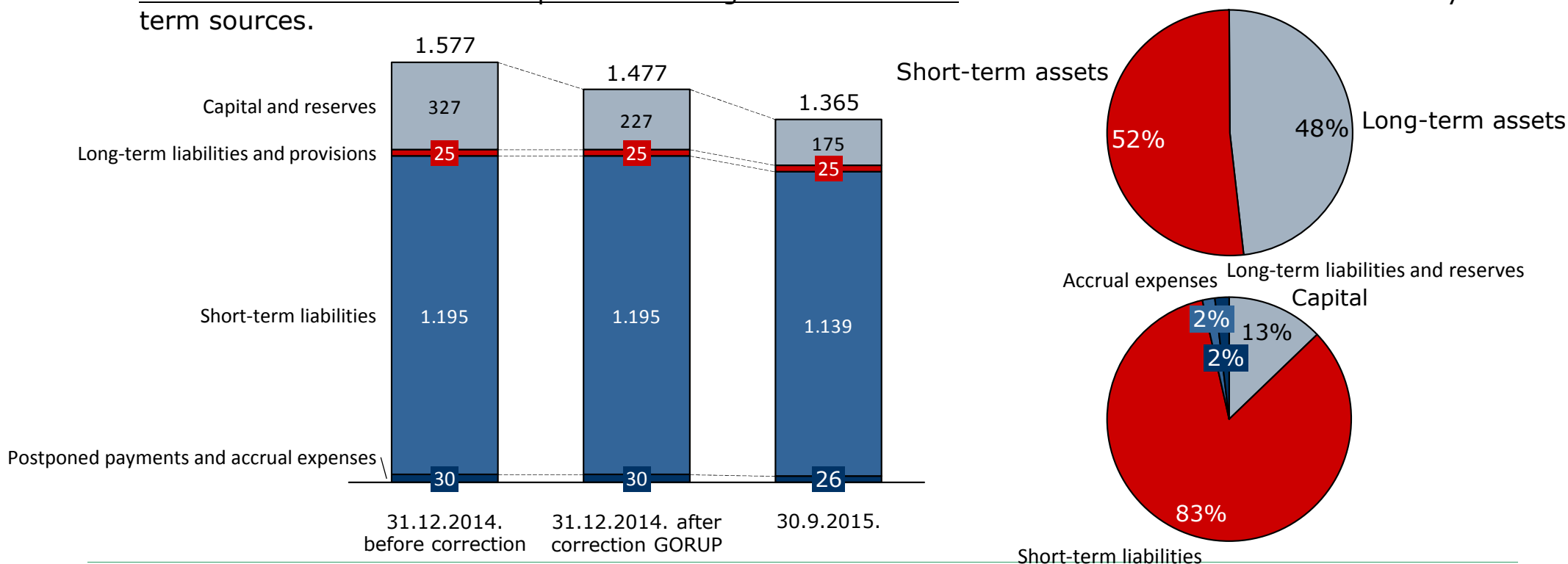
Profit and Loss from operating activities for January to September 2011-2015

HRK million



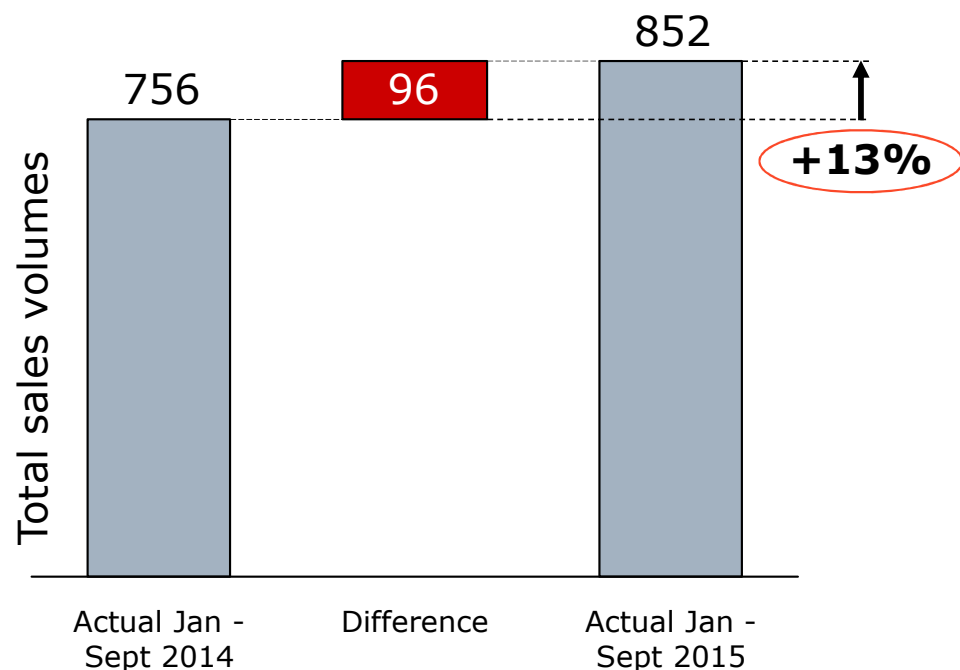
Structure of assets and liabilities at 30 September 2015

- At 30 September 2015, Petrokemija, Plc. had 52% in value of short-term and 48% in long-term assets, which can be attributed to relatively high depreciation and the age of production and auxiliary facilities.
- The level of capital with reserves and share before incorporation into the register reflects the capital reduction conducted in 2014, deduction of loss in 2014 and the subsequent capital increase of HRK 253 million collected in the recapitalization process. On 31 December 2014, the value of receivables was corrected for HRK 99.4 million from Gorup Ltd and charged to 2014 result. The structure of debt is dominated by short-term sources.

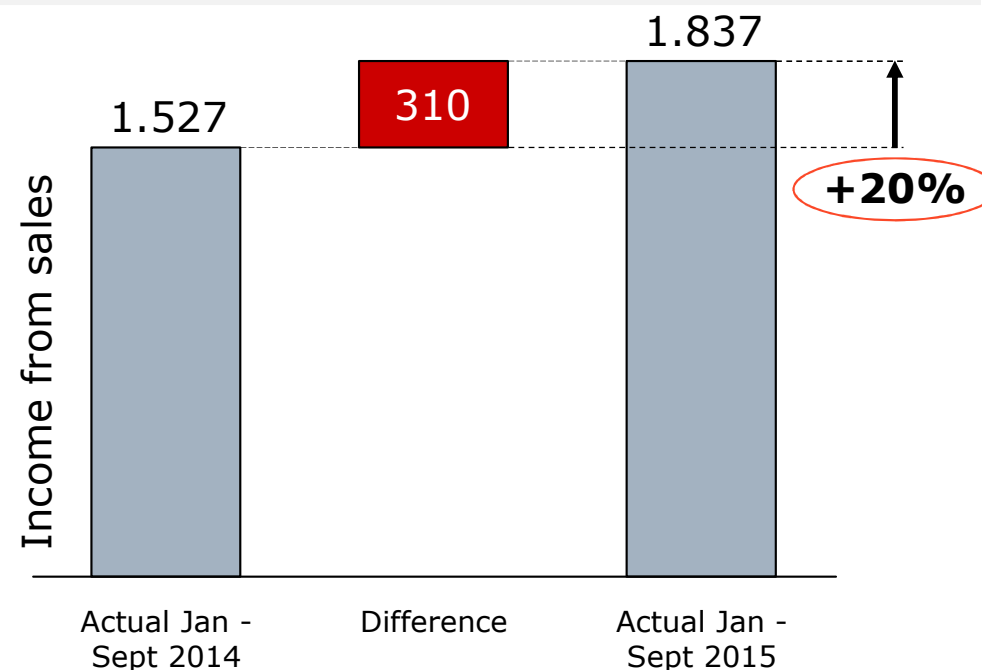


Total fertilizer sales

SALES VOLUMES (000 t)
2015 / 2014



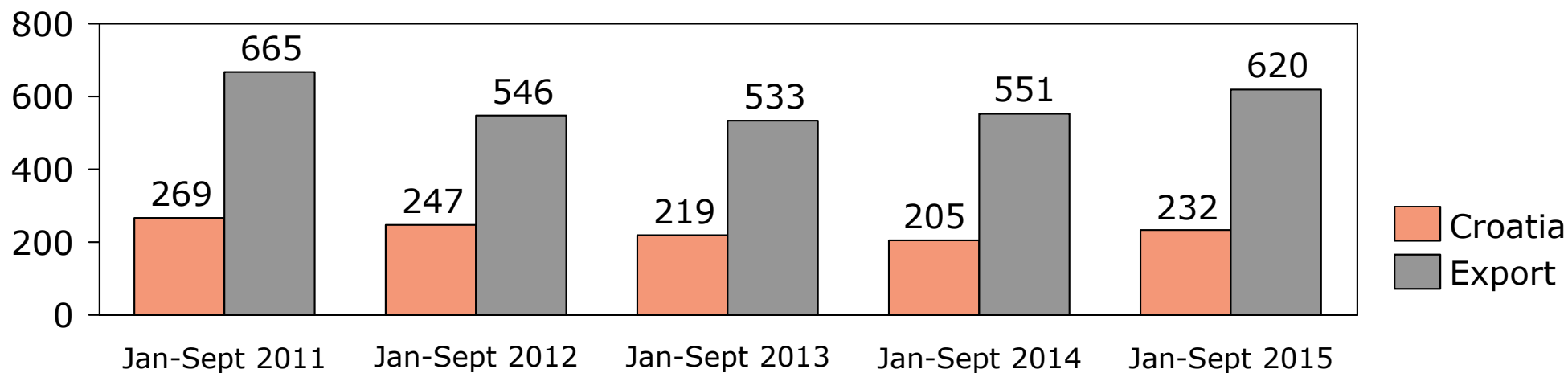
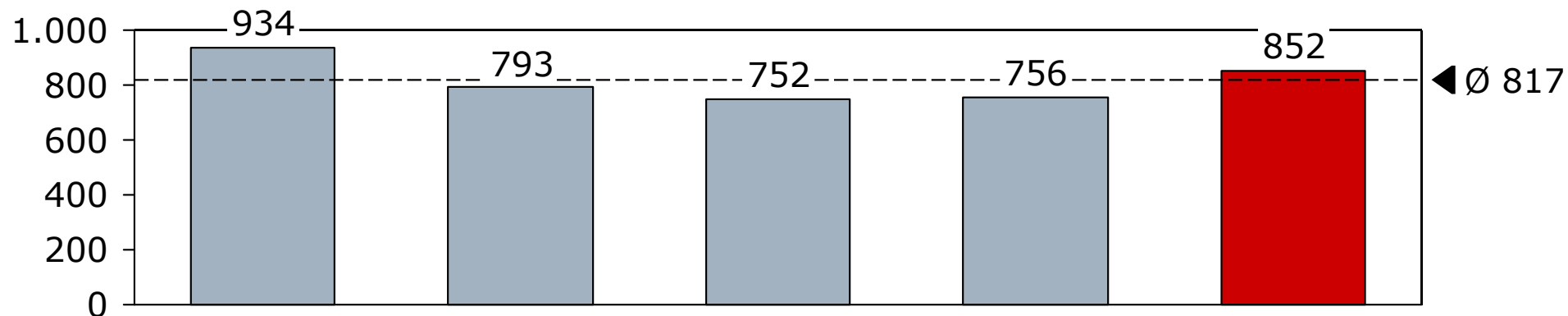
INCOME FROM SALES (mln HRK)
2015 / 2014



Actual fall in sales volumes of fertilizers of 13% and rise in income from sales of fertilizers of 20%, which indicates a slight increase in average selling prices.

Actual fertilizer sales for Jan-Sept 2011 to Jan-Sept 2015

total **sales** (000 tons)



Business Results of Petrokemija Group for Jan–September 2015

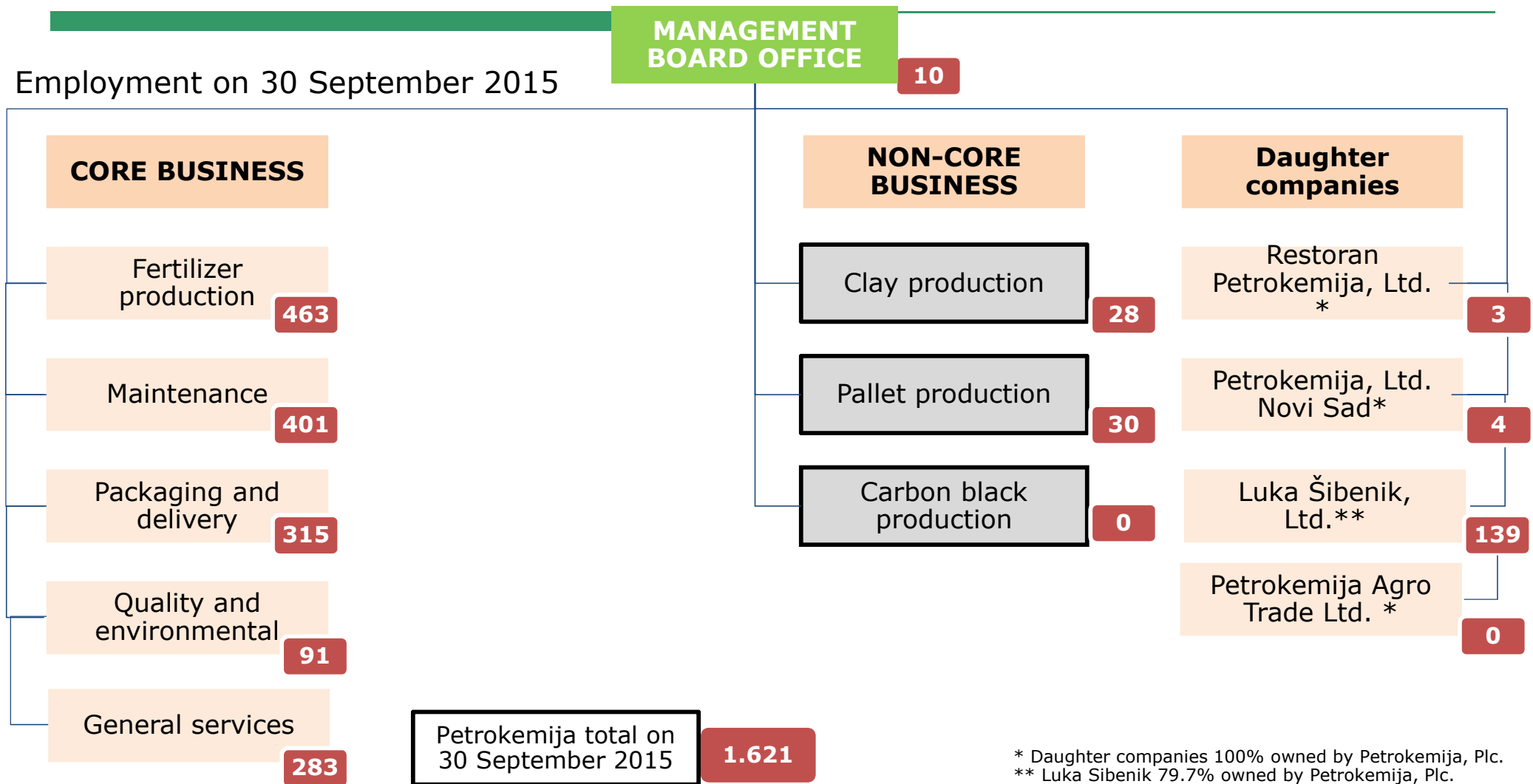


- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries - Restoran Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Luka Šibenik, Ltd. and Petrokemija Agro Trade, Ltd. - the financial results of Petrokemija Group for the period January-September 2015 are as follows:

■ Total revenues	HRK 1,931.9 mln,
■ Total expenses	HRK 1,985.1 mln,
■ Loss before tax	HRK - 53.2 mln

- EBITDA (earnings before interest, taxes and depreciation) was HRK 57.5 million in the positive.
- Petrokemija, Ltd. Novi Sad made profit of HRK 919 thousand, Restoran Petrokemija, Ltd. made profit of HRK 40 thousand, whereas Luka Šibenik operated with loss of HRK 310 thousand due to low turnover and high fixed costs. Petrokemija Agro Trade, Ltd had no transactions except for establishment costs.
- The report on the Petrokemija Group's business includes detailed information on the operations of the subsidiaries.

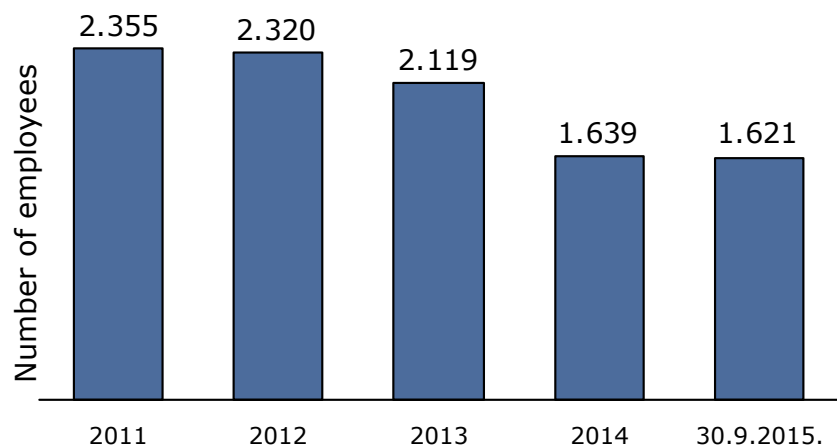
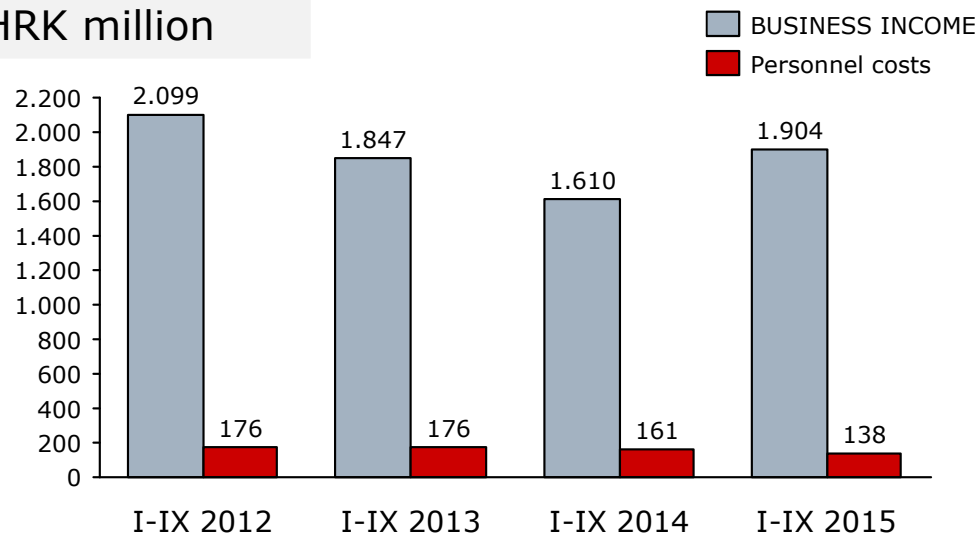
Organization chart of Petrokemija, Plc. and Petrokemija Group



Operational income, personnel costs and number of employees

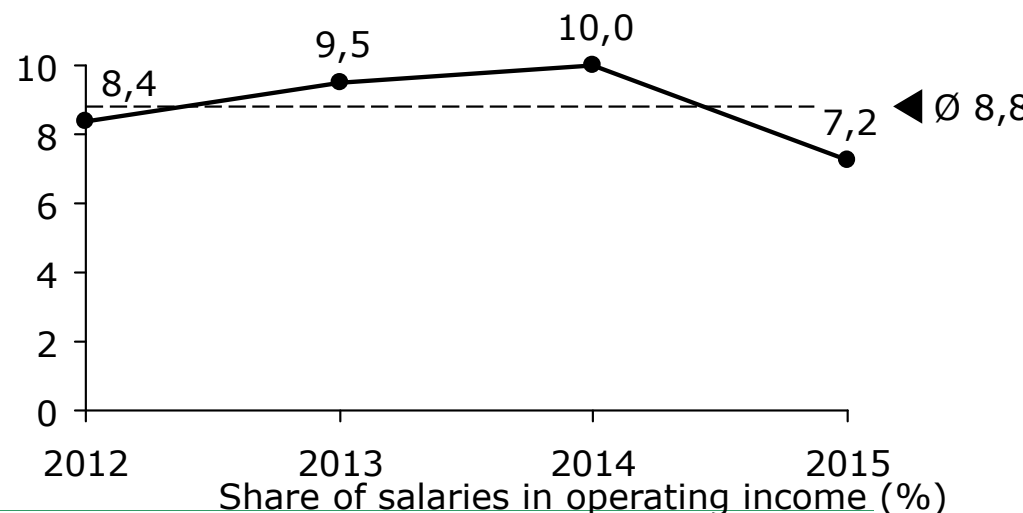


HRK million



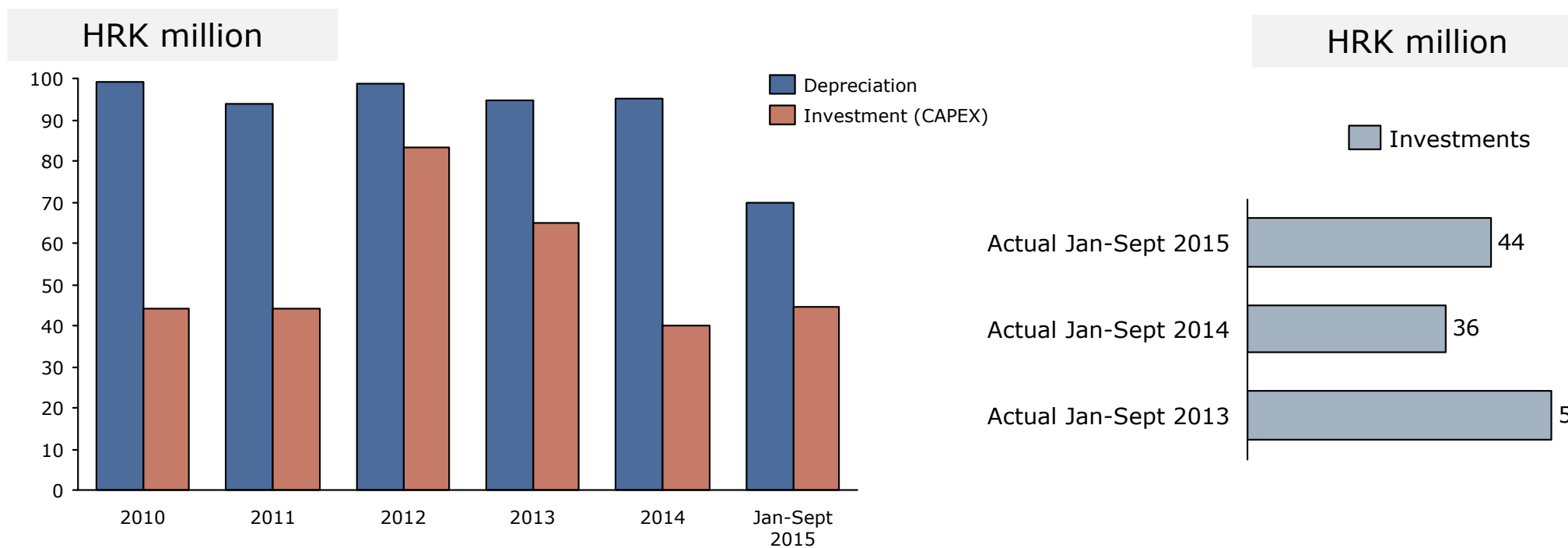
As at **30 September 2015** Petrokemija, Plc. had **1,621 employees**, and its daughter companies - members of Petrokemija Group - 146, which is a total of 1,767 employees.

Personnel costs share in operating revenues was 7.2% and in operating expenses 7.0%

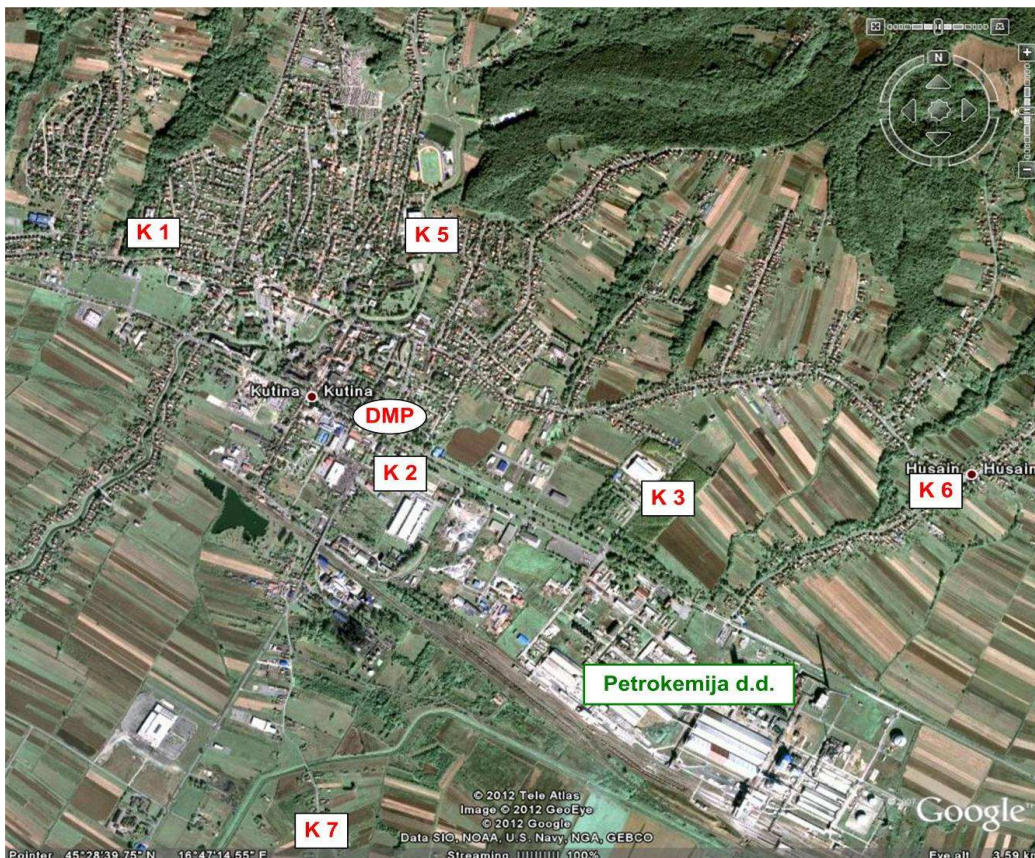


Realized investment

- Investment realized in the reported period of 2015 amounted to HRK 44.4 million, which is HRK 8.3 million or 23 % up on the same period of 2014. This is the result of conducted overhaul, which is treated as an investment.
- The realization of planned level of investment of HRK 100 million on an annual basis could be brought into question because of the limited funding.



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



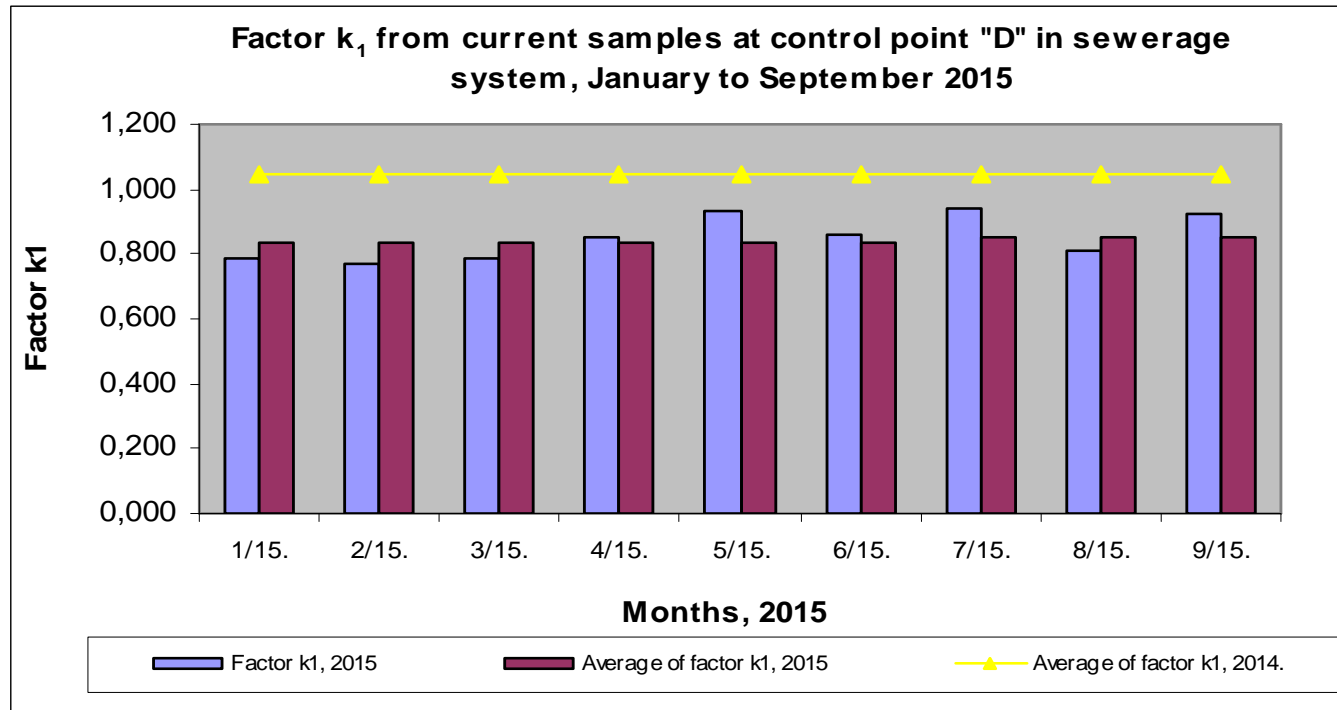
Clean or slightly polluted air	Polluted air	Pollutants
1 st category C<LV	2 nd category C>LV	
K2,K7, DMP		Sulphur dioxide (SO ₂)
K1,K2,K3,K6,K7		Sediment
K1,K2,K3,K5, K6, K7, DMP		Ammonia (NH ₃)
K1,K2,K3,K5, K6,K7, DMP		Nitrogen dioxide (NO ₂)
K2,K7, DMP		Hydrogen sulphide (H ₂ S)
DMP		PM10

Note: The official categorization of air quality at local monitoring stations 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 September 2015 period (local network)

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

Water management



In the period from January to September 2015, the average value of k_1 factor is lower than average value in the same period of 2014.

In the observed period, monthly average consumption of raw water was 610,233 m³, which is 0.75 % higher than average value in the same period of 2014.

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

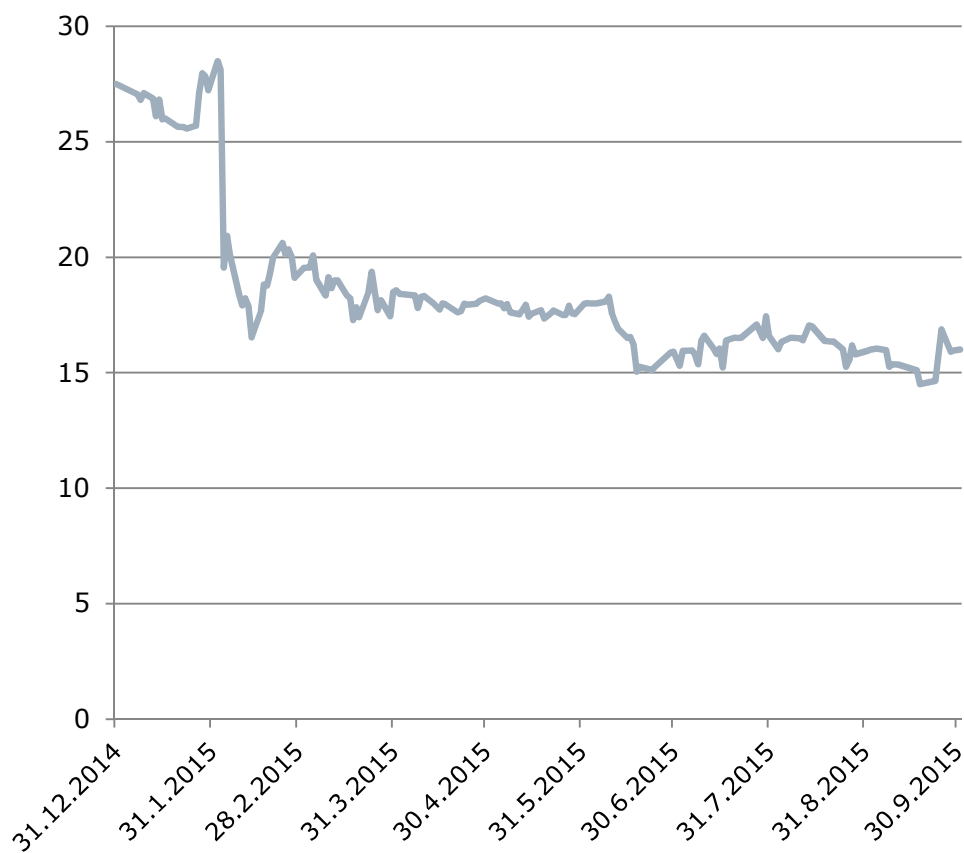


- General Meeting of Petrokemija, Plc. of 20 May 2014 adopted a Decision on simplified reduction of the share capital for loss coverage by reduction of the nominal amount of the ordinary shares (ticker: PTKM-R-A) of HRK 170.00 by HRK 140.00 to the amount of HRK 30.00.
- Therefore, the Company share capital 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 29 September 2015 its average price was HRK 15.96 (down 42.0 %). On September 30, 2015 there was no trading of Petrokemija's shares.
- 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.
- As on 30 July 2015, Davor Rakić resigned as the appointed representative of workers in the Supervisory Board and Željko Klaus, whose term began on 31 July 2015, was appointed to the of the Supervisory Board as a workers' representative for a term of 4 years.

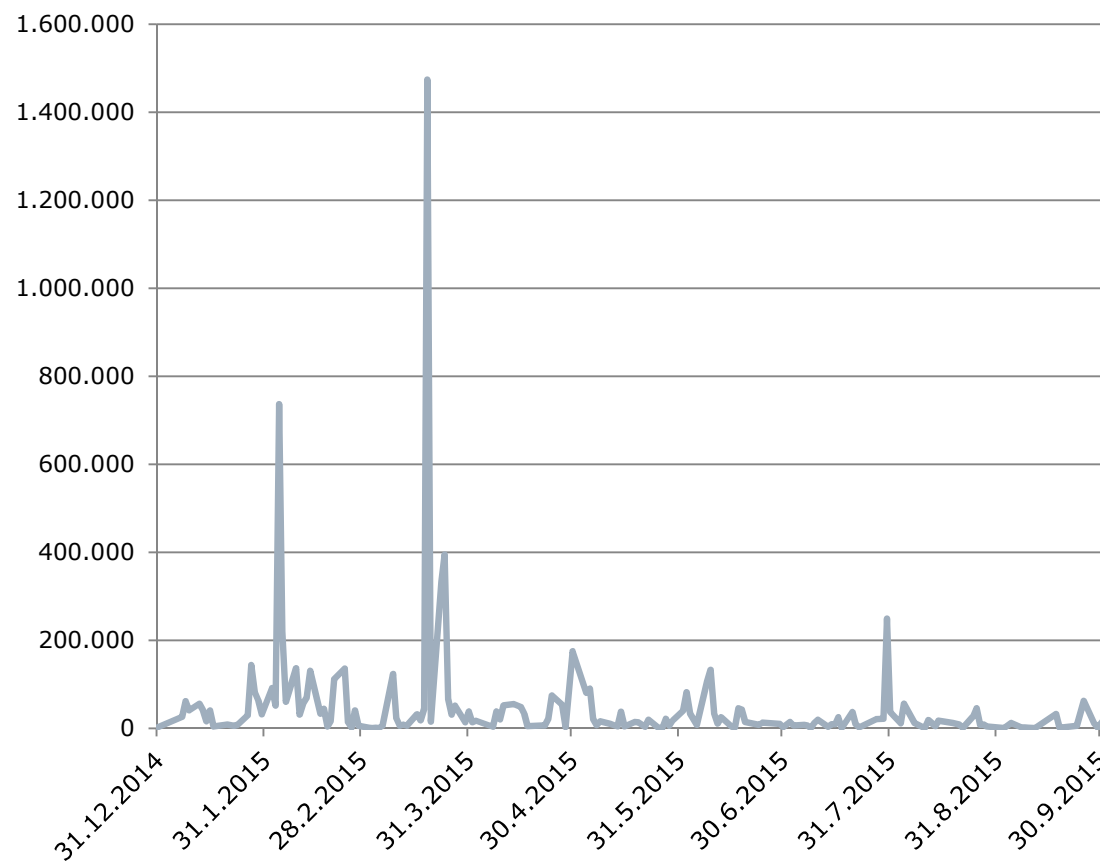
Petrokemija, Plc. share price and daily turnover movements



PETROKEMIJA'S SHARE PRICE MOVEMENTS
for Jan - Sept 2015 (HRK/share)



PETROKEMIJA'S DAILY SHARE TURNOVER MOVEMENTS for
Jan - Sept 2015 (HRK)



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 current financial statements, the Management Board has no knowledge of further intentions of the majority of owner or the potential investors.
- ❑ Due to the partial realization failure of the assumptions of the Program of Restructuring and Financial Consolidation for 2014-2018, a Revision Program for 2015-2019 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.
- ❑ 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. In 2015, one of the assumptions of the Program of Restructuring was realized: test volumes of a new product - granular ammonium sulfate - was produced. Significant sales volumes of the new product, PETROKEMIJA^{as}, which will enable the production to move away from the price-unfavorable Urea. Furthermore, the acquired own technology has provided the basis for the production of ammonium sulfonitrate (ASN), which will revitalize the NPK 2 Plant and further increase the production of granular fertilizers. The composition of NPK fertilizer was adapted to market demand for addition of sulfur.

Key events in 2015 (cont)

- ❑ On 10 July 2015, upon request of 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. The 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](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.
- ❑ By the Decision of the Commercial Court in Zagreb Tt-15 / 21727-4 of 25 August 2015, the establishment of Petrokemija Agro Trade, Ltd. for trade and services was registered in the Court Register, based in Kutina, Aleja Vukovar 4. The only founder of the company is Petrokemija, Plc. Fertilizer Company in Kutina, Aleja Vukovar 4.
- ❑ According to previously published information in the Company financial statements, Petrokemija, Plc. had outstanding claim of the company Gorup d.o.o. from Klanjac in the amount of about HRK 97 million, which was increased by interest determined (recognized) in the process of the pre-bankruptcy settlement of Gorup in the total registered amount of approximately HRK 99.9 million. The process of the pre-settlement of Gorup was launched on 6 February 2015. At the hearing in the pre-settlement proceedings against the debtor on 4 September 2015, Petrokemija, as one of the creditors in the process, did not support the revised plan of financial restructuring of Gorup. On 11 September, the pre-settlement Council passed a decision on suspension of the pre-settlement proceedings against the debtor Gorup d.o.o. from Klanjec.
- ❑ In October 2015 an Invitation to Submit Indication of Interest to Subscribe for new ordinary shares of Petrokemija was published, following the Decision of the Croatian Government of 24 September 2015 on granting authorization to the General Meeting to adopt the decision on conducting the capital increase in cash, assets and rights of the Petrokemija, Plc. Fertilizer Company, Kutina.

Significant financial risks in 2015

Overall, the business position of Petrokemija, Plc. in 2015 depends on 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 was particularly evident in the first months of 2015, when the USD exchange had a prominent growth and in the rest of the reporting period was kept at a relatively high level (average HRK 6.82, in the same period last year HRK 5.62, negative effect on the business HRK 155 million).
- ❑ Natural gas as the most important raw material is still supplied in the domestic market under contracts with two suppliers – INA d.d. Zagreb and Prvo plinarsko društvo d.o.o., Vukovar.
- ❑ The trend of debt growth to suppliers of gas carried over from 2014, has continued in the first nine months of 2015.
- ❑ 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 in 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 inability to collect the claims from 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 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 Agrokori trgovina d.o.o., with additional collateral (pledge on the property).
- ❑ In the next period, limited positive developments are expected from the concluded new contracts with gas suppliers that will reduce the growth of the gas transport price in the new gas year (new tariffs, the decision of HERA) with an estimated negative impact of approximately HRK 25 million per year.
- ❑ In the first three quarters of the current year the Company was not charged with the cost of compensation for greenhouse gases, as free quotas were used (planned cost on an annual basis of HRK 24.5 million). The cost will be charged at the annual accounts for 2015, in accordance with the achieved production volume and the stock exchange price of emission allowances.
- ❑ Open questions still 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 willing to complete the initiated process of the Company restructuring 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 September 30, 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

30.09.2015.

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.hrInternet address: www.petrokemija.hr

Code and city/municipality: 220 KUTINA

Code and county name: 3 SISAČKO-MOSLAVAČKA ŽUPANIJA

Number of employees: 1.621
(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

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 30.09.2015.

Petrokemija d.d.			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	685.791.426	657.158.779
I. INTANGIBLE ASSETS (004 do 009)	003	8.060.392	7.574.819
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	4.126.070	5.845.015
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	3.934.322	1.729.804
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	653.489.935	625.213.335
1. Land	011	49.482.151	49.482.152
2. Buildings	012	255.758.904	242.465.142
3. Plant and equipment	013	264.490.841	251.370.712
4. Tools, plant inventory and transportation assets	014	24.241.491	20.844.997
5. Biological assets	015		
6. Advances for tangible assets	016	8.481.540	5.430.195
7. Tangible assets in progress	017	50.552.801	55.153.732
8. Other tangible assets	018	482.207	466.405
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	24.200.525	24.220.525
1. Investments (shares) in related companies	021	24.192.988	24.212.988
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	150.100
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032	40.574	150.100
V. DEFERRED TAX ASSETS	033		
C) SHORT-TERM ASSETS (035+043+050+058)	034	791.401.569	708.135.285
I. INVENTORIES (036 do 042)	035	519.656.798	473.352.837
1. Raw and other material	036	269.100.524	205.540.378
2. Work in progress	037	42.922.688	35.108.686
3. Finished products	038	206.519.234	229.305.984
4. Merchandise inventory	039	733.771	2.549.193
5. Advances for inventories	040	380.581	848.596
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)	043	193.531.364	147.775.490
1. Receivables from related companies	044	26.375.193	2.121.908
2. Receivables from customers (buyers)	045	50.164.464	13.579.020
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	13.346	13.776
5. Receivables from state and other institutions	048	53.121.883	79.445.255
6. Other receivables	049	63.856.478	52.615.531
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	70.066.075	76.419.053
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053	43.227.765	31.018.176
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	26.838.310	43.869.391
6. Loans given, deposits and similar assets	056		1.531.486
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	8.147.332	10.587.905
D) PREPAID EXPENSES AND ACCRUED INCOME	059	305.647	12.875
E) TOTAL ASSETS (001+002+034+059)	060	1.477.498.642	1.365.306.939
F) OFF BALANCE SHEET ITEMS	061	963.867.837	812.743.852

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	227.394.620	175.035.883
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	-460.187.784	-159.284.780
1. Retained earning	073		
2. Loss carried forward	074	460.187.784	159.284.780
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	0	-51.814.737
1. Profit for the year	076		
2. Loss for the year	077		51.814.737
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	9.311.039	9.216.030
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	886.119
C) LONG-TERM LIABILITIES (084 do 092)	083	15.833.333	15.833.333
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		
D) SHORT-TERM LIABILITIES (094 do 105)	093	1.194.869.065	1.139.037.181
1. Liabilities to related companies	094	8.105.708	12.842.380
2. Liabilities for loans, deposits and similar	095	187.412.038	250.911.793
3. Liabilities to banks and other financial institutions	096	289.950.321	155.148.280
4. Liabilities for advances	097	112.185.262	84.104.453
5. Liabilities to suppliers	098	480.400.459	556.262.312
6. Liabilities for securities	099	13.421.301	5.000.000
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	10.732.944	10.450.804
9. Liabilities for taxes, contributions and other payments	102	9.934.955	11.102.550
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	53.214.609
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	30.090.585	26.184.512
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.477.498.642	1.365.306.939
G) OFF BALANCE SHEET ITEMS	108	963.867.837	812.743.852
APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Credited to parent company capital owners	109		
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 30.09.2015.

Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	1.609.579.988	498.703.420	1.904.184.350	610.006.113
1. Sales revenues	112	1.585.300.531	486.492.444	1.874.115.158	602.364.018
2. Other operating revenues	113	24.279.457	12.210.976	30.069.192	7.642.095
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.859.306.909	541.474.955	1.917.640.770	639.672.888
1. Changes in value of work in progress and finished products	115	-33.026.435	-50.911.779	-14.972.959	-20.779.046
2. Material costs (117 do 119)	116	1.491.891.017	489.821.598	1.685.283.984	576.919.444
a) Cost of raw and production materials	117	1.435.607.884	467.158.958	1.621.606.664	549.430.080
b) Cost of goods sold	118	3.232.685	2.057.134	2.471.568	1.649.260
c) Other external costs	119	53.050.448	20.605.506	61.205.752	25.840.104
3. Employees costs (121 do 123)	120	160.945.909	50.370.528	137.936.206	46.383.379
a) Net salaries and wages	121	100.038.470	30.918.794	86.483.889	29.025.161
b) Costs for taxes and contributions from salaries	122	38.052.519	12.049.869	31.281.892	10.577.057
c) Contributions on salaries	123	22.854.920	7.401.865	20.170.425	6.781.161
4. Depreciation	124	72.641.503	24.547.946	69.976.415	23.285.933
5. Other costs	125	158.014.155	118.876.788	38.629.333	13.155.412
6. Value adjustments (127+128)	126	151.932	100.036	787.791	707.766
a) of long-term assets (except for financial assets)	127	27.820	16.925	33.098	1
b) of short-term assets (except for financial assets)	128	124.112	83.111	754.693	707.765
7. Provisions	129	8.688.828	-91.330.162		
8. Other operating expenses	130				
III. FINANCIAL REVENUES (132 do 136)	131	6.896.530	2.533.334	15.908.289	3.209.937
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	107.207	85.043	2.248.061	28.200
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	6.789.323	2.448.291	13.660.228	3.181.737
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135				
5. Other financial revenues	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	43.990.863	20.782.419	54.266.606	16.019.803
1. Interest, exchange rate fluctuations and other costs with associated companies	138	188.794	74.425	420.116	148.742
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	43.802.069	20.707.994	53.846.490	15.871.061
3. Unrealised losses (costs) from financial assets	140				
4. Other financial expenses	141				
V. PORTION IN PROFIT OF ASSOCIATED COMPANIES	142				
VI. PORTION IN LOSS OF ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER REVENUES	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL REVENUES (111+131+142 + 144)	146	1.616.476.518	501.236.754	1.920.092.639	613.216.050
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.903.297.772	562.257.374	1.971.907.376	655.692.691
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-286.821.254	-61.020.620	-51.814.737	-42.476.641
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	286.821.254	61.020.620	51.814.737	42.476.641
XII. PROFIT TAX	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-286.821.254	-61.020.620	-51.814.737	-42.476.641
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	286.821.254	61.020.620	51.814.737	42.476.641
APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	155				
2. Credited to minority interest	156				

STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)					
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	-286.821.254	-61.020.620	-51.814.737	-42.476.641
II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)	158	0	0	0	0
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				
III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)	168	-286.821.254	-61.020.620	-51.814.737	-42.476.641
APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)					
VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	169				
2. Credited to minority interest	170				

CASH FLOW STATEMENT - Direct method

for the period 01.01.2015. to 30.09.2015.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
CASH FLOW FROM PPERATIONG ACTIVITIES			
1. Cash increase from buyers	001	1.462.257.633	2.081.123.969
2. Cash incze from royalties, fees commissions and other	002		
3. Cash incze from insurance compensations	003	2.833.322	3.448.614
4. Cash increase from tax return	004	226.105.336	241.529.339
5. Other cash increase	005	3.844.159	4.591.296
I. Total increase of cash flow from operating activities (001 do 005)	006	1.695.040.450	2.330.693.218
1. Expenses to suppliers	007	1.595.598.670	1.676.148.244
2. Expenses for employees	008	276.568.605	146.746.043
3. Expenses for insurance compensations	009	11.275.565	9.779.243
4. Expenses for interest	010	31.363.163	22.604.770
5. Expenses for taxes	011	58.761.424	87.437.766
6. Other cash decrease	012	11.928.262	4.683.388
II. Total decrease in cash flow from operating activities (007 do 012)	013	1.985.495.689	1.947.399.454
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	0	383.293.764
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	290.455.239	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	11.043	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	
III. Total cash inflow from investing activities (016 do 020)	021	10.050.419	4.678.094
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	33.236.596	24.640.933
2. Cash outflow for acquisition of equity and debt financial instruments	023		
3. Other cash outflows from investing activities	024		20.000
IV. Total cash outflow from investing activities (022 do 024)	025	33.236.596	24.660.933
B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)	026	0	0
B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)	027	23.186.177	19.982.839
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash infows from issuance of equity and debt financial instruments	028	253.041.990	
2. Cash inflows from loan pincipals, debentures, credits and other borrowings	029	739.574.046	2.200.000
3. Other inflows from financial activities	030	266.648.399	105.999.532
V. Total cash inflow from financial activities (028 do 030)	031	1.259.264.435	108.199.532
1. Cash outflows for repayment of loan principal and bonds	032	855.470.905	291.302.287
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	87.032.112	176.236.110
VI. Total cash outflow for financial activities (032 do 036)	037	942.503.017	467.538.397
C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)	038	316.761.418	0
C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)	039	0	359.338.865
Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)	040	3.120.002	3.972.060
Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)	041	0	0
Cash and cash equivalents at the begining of the period	042	14.802.277	8.147.332
Increase of cash and cash equivalents	043	3.120.002	3.972.060
Decrease of cash adn cash equivalents	044		0
Cash and cash equivalents at the end of the period	045	17.922.279	12.119.392

*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 30.9.2015

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		-159.284.780
5. Profit or loss for the year	005	-460.187.784	-51.814.737
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		
10. Total capital and reserves (AOP 001 do 009)	010	227.394.620	175.035.883
11. Exchange differences on translationof financial statements of foreign operations	011		
12. Curent and deferred taxes (part))	012		
13. Protektion of cash flow	013		
14. Changes in accounting policies	014		
15. Adjustment of significant errors from previous period	015		
16. Other changes in captal	016		
17. Total increase or decrease of capital (AOP 011 do 016)	017	0	0
17 a. Creadited to parent company capital owners	018		
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.

1. Financial result January-September 2015

In the period January-September 2015, Petrokemija, Plc. had total revenues of HRK 1,920.1 million, total expense of HRK 1,971.9 million and reported loss of HRK 51.8 million, or 2.7% of total revenues. In the same period last year, the loss was HRK 286.8 million, which indicates a positive development in the financial result of HRK 235.0 million.

The EBITDA (earnings before interest, taxes, depreciation and amortization) was positive (HRK 56.5 million), while in the same period last year it was HRK 177.1 million negative. For the first nine months of 2015, total revenues increased by 18.8% compared to the same period of 2014, while total expenditures increased by 3.6%. These data point to a gradual improvement in the market position and a balance of in- and output prices.

2. Structure of financial result

In the loss breakdown for January-September 2015, HRK 38.4 million was from financial operations. From operating activities, a loss of HRK 13.4 million was generated, resulting in a total loss of HRK 51.8 million. In the same period of 2014, the loss from financial operations was HRK 37.1 million (down by 1.3 million) and loss from operating activities was HRK 249.7 million, or HRK 152.3 million when excluding employee severance in the restructuring process. A positive development in the result in the segment of business activities for the first nine months of 2015 was HRK 138.9 million. This can be attributed to increased sales of fertilizers in the domestic and regional markets, as well as to the reduction of a part costs.

3. Financial result July to September 2015

In the third quarter (July-Sept 2015) the reported loss was HRK 42.5 million, as a result of non-consumption season in the region and fall of sales prices in the world market. In comparison to the third quarter of 2014, when the actual loss was HRK 61.0 million, in the third quarter of the current year a positive shift of HRK 18.5 million was recorded.

4. Revenues

In the reporting period, the trend of falling prices of fertilizers expressed in HRK in most of the product range was stopped. This is supported by 12.7% increase in fertilizer sales volumes and 18.3% higher operating income. The revenue growth is partly the result of the growth of the US dollar (on average 21.4% higher than in the same period last year).

Total sales volumes were 12.7% higher: the sales of fertilizers in the domestic market were up 13.0%, while export was 12.6% up on the previous year. The level of sales in the domestic market was higher than in the comparable period in the previous two years, but is still comparatively low with regard to the possible potential of Croatian agriculture. Sales in Croatia and the region are under pressure from the generally poor state of agriculture and increased competition from other fertilizer suppliers.

The trend of movements of prices and supply and demand in the global market of mineral fertilizers has not significantly changed compared to 2014, except that there is an even more pronounced fall in the price of Urea. The main export product of Petrokemija - nitrogen fertilizer Urea, achieved an additional decrease in average price of 11% in the world market in the first nine months of 2015, while there was a price decrease of 17% on a monthly basis Sept / 2015 compared to Dec / 2014. This indicates caution in predicting financial performance in the rest of the year.

5. Expenses

The prices of certain raw materials in the production of mineral fertilizers changed differently depending on market forces. In their original currencies, prices in the world market are generally lower, but expressed in kunas they are higher than in the same period last year due to the growth of the US dollar, which is on average 21.4% higher than in the same period of 2014.

Petrokemija tried to respond to the low price of fertilizers in the world market by lowering costs, with partial success only. In very limited circumstances, the Company has taken measures to lower the cost of production (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 actual operating expenses were up by 3.0% on the previous year, which is a result of 12.7% higher sales. It should be noted that last year's result included HRK 97.4 million in severance costs.

Without this effect, operating expenses would have been by 8.8% higher than in the same period last year. In the first nine months of the current year, the Company was not charged with the cost of compensation for greenhouse gases because free quotas were used (planned cost on an annual basis is HRK 24.5 million). The cost will be charged to the result upon final calculation for 2015, in accordance with the achieved production volumes and the stock exchange price of emission allowances.

6. Gas supply

The reporting period is marked by an imbalance of supply of raw material prices and selling prices in a part of the fertilizer product range. The price of gas in this general trend is an isolated phenomenon 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 in the still relatively underdeveloped domestic gas market. The average actual purchase price of gas in the first nine months of 2015 was by 13.3% lower denominated in US dollars, and by 5.6% higher in HRK than in the same period in 2014.

Upon an international tender, Petrokemija concluded new contracts for natural gas supply in the gas year 2015/2016. Contracts were concluded with INA d.d. Zagreb and Prvo plinarsko društvo d.o.o. Vukovar as the most competitive suppliers. Moreover, agreements were reached with these two suppliers on debt repayment for the supplied gas, as well as on the revised terms of gas supplies from February to September 2015. These contracts and agreements ensure sufficient quantities of gas for the stable planned production of Petrokemija, Plc. during the gas year 2015/2016. They also provide for successful implementation of the goals related to natural gas of the Revised Program of Restructuring and Financial Consolidation 2015-2019, in accordance with the Procurement Strategy for natural gas, which is an integral part of the program. The achieved terms of gas supplies are one of the preconditions for further restructuring and financial consolidation of the Company.

A part of the positive effect achieved in reducing the purchase price of gas will reduce the increase in transportation costs in the Republic of Croatia in the gas year 2015/2016. It is estimated that the negative impact of this cost increase on the operating results of the Company will be about 25 million a year.

7. Production and capacity utilization

During the first nine months of 2015, the actual utilization of production capacities was 90%. The production and sales of NPK fertilizers (not significantly related to the price of gas) was significantly increased, the sales of CAN and AN assortment reached its maximum, and sales of Urea was adjusted to the available stocks, market conditions and the maintenance of liquidity.

In the first nine months of 2015, Petrokemija achieved a 9.0% increase in the overall level of production as compared to the same period of the previous year, although a comprehensive overhaul (conducted every two years) was carried out in January. In the production breakdown, there were changes as follows: 8.9% lower production of Urea and 0.2% of CAN (facilities stopped for repairs), and a 72.0% increase in NPK fertilizers production due to the market situation.

Due to market reasons, a part of the facilities has been stalled since mid-2009. This issue was carried over into the fourth quarter of 2015, with open possibilities to increase sulfuric acid production for the new product Petrokemijas (granular ammonium sulfate) and improve the properties of NPK fertilizer by adding sulfur. The acquired own technology provided the basis for the production of ammonium sulfonitrate (ASN), which will revitalize NPK 2 Plant and further increase the production of granular fertilizers. Accordingly, facilities for the production of carbon black and phosphoric acid still remain stalled.

The crisis caused by the misbalance of in- and output prices on the carbon black market is still ongoing, and as far as the phosphoric acid is concerned, various options are being considered. The Revised Program of Restructuring and Financial Consolidation 2015-2019 provided for the re-activation of two plants - NPK 2 and Sulfuric Acid Plant, which had been stalled or operated a very small number of days in the year. Changes in assortment and introduction of new products are expected to bring about improvements towards optimizing energy costs and sales structure. However, this process takes time in technical performance and market adjustments.

8. Environmental protection

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

The Decision was issued for a period of five years and published in full on the website of the Ministry of Environment and Nature Protection of Croatia. The Decision on Integrated Environmental Protection Requirements was a necessary precondition for obtaining all necessary permits related to the technical and technological operating conditions for manufacturing plants of Petrokemija, Plc. in the next five years.

9. Liquidity

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

The adverse liquidity situation, as well as the impossibility to collect receivables from one of the three largest buyers 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 Petrokemija and relationships with banks. The entire debt of HRK 65.9 million, 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 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 September 2015. In the balance sheet positions, they are included in current assets and current liabilities for HRK 51.3 million.

10. Correction of financial results for 2014 in line with IAS 8

In the reporting period, an impairment was made for the amount of HRK100.0 million, a receivable from Gorup d.o.o. that Petrokemija had failed to collect.

After the adoption of Decision of the Settlement Council of 11 September 2015 on suspension of the

pre-settlement proceedings over the debtor Gorup, d.o.o., Klanjec, the Management Board has assessed that conditions have been created for impairment incurred in previous periods. Based on the assessment that these receivables in the future will not be collectible, a correction of value of the receivables was made in the amount of HRK 99.439 million charged to the results of 2014 and HRK 0.558 million charged to 2015.

11. Capital increase and a change in ownership structure

The first two rounds of the recapitalization were conducted successfully in July and August 2014 (HRK 253 subscribed) but in the third round at the turn of January and February 2015, there were no interested investors. Partial success of recapitalization (planned HRK 500 mln) initiated the search for new solutions in the implementation of potential new process of recapitalization or rescheduling of short-term debt in 2015, which would provide for the necessary resources for investment and permanent working capital.

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.

In October 2015, an Invitation to Submit Indication of Interest to Subscribe for new ordinary shares of Petrokemija was published, following the Decision of the Croatian Government of 24 September 2015 on granting authorization to the General Meeting to adopt the decision on conducting the capital increase in cash, assets and rights of the Petrokemija, Plc. Fertilizer Company, Kutina.

At the time of publication of these financial statements, the Management Board has no knowledge of further intentions of the majority of owner and potential investors.

A further course of relations with potential financial and / or strategic partners, banks and major suppliers will depend not only on the results of the restructuring measures of the Company, but also the future decisions of the majority owner.

12. Financial risks in the subsequent period

Besides the above mentioned, the future financial developments of Petrokemija will be influenced by numerous factors. In addition to the price of gas, which is predominantly set in the domestic market, the majority of future risks come from the international surrounding, mainly through:

1. Change in price of basic raw materials in world market (MAP, DAP, phosphate, potassium chloride, sulfur);
2. Changes in demand and sales price of fertilizers;
3. Price fluctuation of energy fluids - gas and heating oil,
4. Price fluctuation of basic agricultural crops,
5. Exchange rate of USD and EUR to the local currency,
6. Costs of financing 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. to developments in the global market, opens up significant potential risks in terms of price 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 cost of gas 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

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 nine months was about HRK 155 million.

Effective management of gas price growth risk (contracted price is in USD, although buying is done on the domestic market) and risk of USD exchange rate change in the procurement of other imported raw materials, is limited by the lack of own working capital (negative working capital of HRK 457 million) and the lack of support of financial institutions in financing working capital.

The actual 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 the vulnerable 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 on the process of support to the Company - through selection of a strategic partner or recapitalization - will significantly affect the reduction of the risk of maintaining business continuity in the future period.