



Petrokemija, d.d. Fertilizer Company
Aleja Vukovar 4, 44320 Kutina, Croatia
Ordinary share, PTKM-R-A ISIN HRPTKMRA0005
listed on the Official Market of the Zagreb Stock Exchange
Notice pursuant to the Capital Market Act

Pursuant to the provisions of Article 277 of the Companies Act and Article 13 of the Articles of Association of Petrokemija, d.d., on 29 May 2018 the Management Board of Petrokemija, d.d. passed a decision on the convocation and invites you to participate in the work of

GENERAL MEETING OF PETROKEMIJA, d.d.
to be held on 9 July 2018 at 12.00 hrs
at the Petrokemija, d.d. headquarters in Kutina, Aleja Vukovar 4

The Agenda is proposed as follows:

1. Opening the General Meeting and checking the list of participants
2. Annual Financial Statements for 2017, as determined by the Management Board and the Supervisory Board as well as the Company Management Report and the Independent Auditors' Report on the Company Financial Statements as of 31 December 2017.
3. Report of the Supervisory Board
4. Decision on Coverage of the Company Loss for 2017
5. Decisions on granting clearance to the members of the Management and the Supervisory Board:
 - 5.1 Decision on granting clearance to the members of the Management Board
 - 5.2. Decision on granting clearance to the members of the Supervisory Board
6. Decision on Appointment of Auditors for 2018
7. Decisions on the Repeal of Decisions adopted at the General Meeting of Petrokemija, d.d. held on 11 December 2017, as follows:
 - 7.1. Decision on the Repeal of the Decision on the complete exclusion of the pre-emptive rights of existing shareholders when subscribing for new Company shares;
 - 7.2. Decision on the Repeal of the Decision on the increase of Company share capital by deposits in money and on issuance of new shares with the complete exclusion of the pre-emptive rights of existing shareholders when subscribing for new shares pursuant to Article 308, paragraph 4 of the Companies Act, with the use of exception of the previous publication of the Prospectus for offering securities referred to in Article 351, paragraph 1, item 3 of the Capital Market Act, as well as on changes to the Articles of Association;
 - 7.3. Decision on the Repeal of the Decision granting approval for acquiring shares without publishing the takeover bid, pursuant to the provisions of Article 14, paragraph 1, item 3 of the Act on the Takeover of Joint Stock Companies
8. Report 1 of the Management Board on the reasons for excluding the shareholders' pre-emptive right in subscribing for new Company shares

9. Decision on the increase of the Company share capital in stake rights and issuance of shares with the exclusion of the Company shareholders' pre-emptive rights
10. Decision 1 on Amendments to the Company Articles of Association
11. Decision 1 on granting approval to acquire shares without the obligation to publish a takeover bid
12. Decision on simplified reduction of the Company share capital by merging shares to cover losses and transfer of funds to capital reserves
13. Decision 2 on Amendments to the Articles of Association 1 of the Company
14. Report 2 of the Management Board on the reasons for excluding a shareholder's pre-emptive right in subscribing for new Company shares
15. Decision on the increase of the Company share capital in cash and issuance of new shares with the exclusion of shareholders' pre-emptive rights and amendments to the Company Articles of Association
16. Decision 2 on granting the approval of acquiring shares without the obligation to publish a takeover bid

DECISION PROPOSALS

The Management and the Supervisory Board of the Company propose to the Company General Meeting the adoption of decisions under items 4 and 5, 7, 9 to 13 and 15 to 16 of the Agenda and the Supervisory Board the adoption of the decision under item 6 of the Agenda, as follows:

Ad 4. Decision on the Company Loss Coverage for 2017

Pursuant to Article 275 of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 118/03, 107/07, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15, hereinafter: ZTD), the General Meeting of Petrokemija d.d. (the Company) passes the

DECISION on the Company Loss Coverage

Article 1

The loss generated in the Company business in 2017 in the total amount of HRK 242,616,914.85 will be covered by the simplified reduction of the Company registered capital in accordance with the special decision of the General Meeting on the simplified reduction of the Company share capital by the merger of shares, namely from HRK 492,903,930.00 by the amount of HRK 392,616,920.00 to HRK 100,287,010.00. This will be preceded by the increase of the share capital according to the special decision of the General Meeting on the increase of the Company registered capital by stake rights, namely from HRK 42,903,930.00, by the amount of HRK 450,000,000.00 to HRK 492,903,930.00.

Article 2

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

Ad 5 Decisions on granting clearance to the members of the Management and Supervisory Board:

5.1. Decision on granting clearance to members of the Management Board

Pursuant to Article 276 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15), the General Meeting of Petrokemija d.d. (the Company) passes the

DECISION
on granting clearance to the members of the Management Board

Article 1

It was established that in 2017 members of the Petrokemija d.d. Board ran the Company activities in accordance with the law and the Articles of Association, and they are given clearance.

Article 2

This decision shall enter into force on the date of its adoption.

5.2. Decision on granting clearance to members of the Supervisory Board

Pursuant to Article 276 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15), the General Meeting of Petrokemija d.d. passes the

DECISION
on granting clearance to the Supervisory Board members

Article 1

It was established that in 2017 the members of the Petrokemija d.d. Supervisory Board performed the duties and responsibilities of the members of the Supervisory Board in accordance with the law and the Articles of Association, and they are given clearance.

Article 2

This decision shall enter into force on the date of its adoption.

Ad 6 Decision on Appointment of Auditors for 2018

Pursuant to Article 275, paragraph 1, item 4 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125 / 11, 152/11, 111/12, 68/13 and 110/15) the General Meeting of Petrokemija d.d. passes

DECISION
on appointing auditors for Petrokemija d.d for 2018

Article 1

Deloitte d.o.o. from Zagreb are appointed auditors for Petrokemija d.d. for the year 2018.

Article 2

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

Ad 7 Decisions on repeal of Decisions adopted at the General Meeting of Petrokemija, d.d. held on 11December 2017, namely:

7.1. Decision on repeal of the Decision on the complete exclusion of pre-emptive rights of existing shareholders when subscribing for new Company shares;

"The Decision on the complete exclusion of the pre-emptive rights of existing shareholders when subscribing for new Company shares, of December 11, 2017, is repealed.

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

7.2. Decision on the repeal of the Decision on the increase of the Company share capital by deposits in cash and on issuing of new shares with the complete exclusion of the pre-emptive rights of existing shareholders when subscribing for new shares, pursuant to Article 308, paragraph 4 of the Companies Act, with the use of exception of prior publication of the Prospectus for the offered securities, referred to in Article 351, paragraph 1, item 3 of the Capital Market Act, as well as on changes to the Articles of Association;

"Decision on the increase of the Company share capital by deposits in cash and on issuing new shares with the complete exclusion of the pre-emptive rights of existing shareholders when subscribing for new shares, pursuant to Article 308, paragraph 4 of the Companies Act, with the use of exception of the obligation of prior publication of the Prospectus for the offered securities, referred to in Article 351, paragraph 1, item 3 of the Capital Market Act, as well as on changes to the Articles of Association of 11 December 2017 is repealed.

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

7.3. Decision on repeal of the Decision on granting approval for acquiring shares without publishing the takeover bid pursuant to the provisions of Article 14, paragraph 1, item 3 of the Act on Takeover of Joint Stock Companies

„Decision on granting approval for acquiring shares without publishing the takeover bid pursuant to the provisions of Article 14, paragraph 1, item 3 of the Act on the Takeover of Joint Stock Companies of 11 December 2017 is repealed.

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

Ad 9 Decision on the increase of the Company share capital by stake rights and on issuance of shares with the exclusion of the Company shareholders' pre-emptive rights

"Pursuant to Article 304 and Article 305 of the Companies Act (Official Gazette Nos. 111/93, 34/99, 121/99, 118/03, 107/07, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15, hereinafter: ZTD), the General Meeting of Petrokemija d.d., Fertilizer Company with headquarters in Kutina, Aleja Vukovar 4, registered in the Court Register of the Commercial Court in Zagreb, company number: 080004355, OIB (tax ID number): 24503685008 (hereinafter: the Company), at its session held at the Company headquarters on July 9, 2018, passes the following

Decision on the increase of the Company share capital by stake rights and on issuance of shares with the exclusion of the pre-emptive rights of the Company shareholders

- 1. The Company registered capital amounts to HRK 42,903,930.00 (forty two million nine hundred three thousand nine hundred and thirty) and is divided into 4,290,393 (four million two hundred and ninety thousand three hundred and ninety-three) ordinary registered shares of a nominal amount of HRK 10.00 (ten) each. The Company share capital has been paid in full.*
- 2. The Company share capital is increased by the issue of new shares with the payment of stake in rights as described below in this decision.*
- 3. With this decision, the Company share capital is increased from HRK 42,903,930.00 (forty-two million nine hundred three thousand nine hundred and thirty) by the amount of HRK 450,000,000 (four hundred and fifty million) to HRK 492,903,930.00 (four hundred and ninety-two million nine hundred three thousand nine hundred and thirty), by issuing 45,000,000 (forty-five million) new ordinary registered shares in dematerialized form of HRK 10.00 (ten) nominal amount each.*
- 4. The increase of the Company share capital from item 3 of this Decision shall be made as follows:*

(1) by converting claims amounting to HRK 450,000,000.00 (four hundred and fifty million) arising from:

(i) Loan Agreement No. 5000563801 of 18 May 2017, amended on 27 December 2017, by Annex No. 1 and on 29 March 2018, by Annex No. 2 to the same contract (Loan Agreement 1), and the relevant Contract on Transfer and Sale of Claims as per Loan Agreement 1, concluded on 28 May 2018 and Annex to Loan Agreement 1, of 28 May 2018.

(ii) Loan Agreement No: RG-04/2017 of 19 May 2017, amended on 5 December 2017 by Annex I and on 28 March 2018 by Annex II (Loan Agreement 2) and the related Contract on Transfer and Sale of Claims under Loan Agreement 2, concluded on 28 May 2018, and Loan Agreement 2, of 28 May 2018.

(iii) Loan Agreement No: RG-10/2016 of 1 September 2016, amended on 12 January 2017, by Annex I (Loan Agreement 3), and the relevant Contract on Transfer and Sale of Claims as per Loan Agreement 3, concluded on 28 May 2018, and Annex to Loan Agreement 3, of 28 May 2018.

(iv) Long-Term Loan Agreement No. 21/2017-HPB / HBOR of 19 May 2017, amended on 28 March 2018, by Annex I and on 22 May 2018 by Annex II (Loan Agreement 4) and the related Contract on Transfer and Sale of a Part of Claims under Loan Agreement 4, concluded on 28 May 2018 and Loan Agreement 4, of May 28, 2018. (Hereinafter: Invested Claims)

and

(2) by issuing 45,000,000 (forty-five million) new ordinary registered shares, in a dematerialized form, of a HRK 10.00 (ten) nominal amount each (hereinafter: "New Shares").

5. The amount at which the New Shares are issued (Article 307, paragraph 1, item 2 of the ZTD) shall be set at HRK 10.00 (ten) for one New Share.
6. New Shares entitle the holder to the same rights as all other ordinary shares issued by the Company.
7. The new shares will be subscribed for by a written statement referred to in Article 307, paragraph 1 of the ZTD (hereinafter: Subscription Form). The payment for the New Shares will be made on the basis of an Agreement on Entry of Invested Claims concluded between the Subscriber and the Company.
8. The deadline for the subscription of New Shares and the conclusion of an Agreement on Entry shall be determined by the Company Management Board in the invitation to the investor referred to in point 9 of this Decision on subscription for New Shares and signing the Agreement on Entry. In order to avoid any doubt, if the subscription and payment for the New Shares are fully effected before the expiration of the deadlines set by the Company Management Board, the Board is authorized to conclude the issuance without waiting for these deadlines.
9. All new shares will be subscribed and paid for in the manner described above *REPUBLIC OF CROATIA*, OIB: 52634238587, represented by *RESTRUCTURING AND SALE CENTER*, Zagreb, Ivana Lučića 6, OIB: 38083028711. Therefore, pursuant to the provision of Article 308, paragraph 4 of the ZTD, this decision entirely excludes the pre-emptive right of the Company shareholders to subscribe for New Shares.
10. The new shares will be issued in an dematerialized form, in the form of an electronic record in the CDCC computer system, with the ticker assigned by the CDCC. Each share entitles one to one vote at the Company General Meeting. The shares are registered and shall give the shareholders all the rights established by the Law and the Company Articles of Association from the date of the entry of the share capital increase in the court register. New shares will be listed for trading on the regulated market of the Zagreb Stock Exchange d.d., to the official market, in accordance with relevant regulations. New Company shares will be eligible for trading on the official market after their listing on the regulated market.

11. *Increase in Share Capital and Issuance of New Shares shall be considered not successful if the registration of the increase of the Company share capital pursuant to Article 309, paragraph 1 of the ZTD is incorporated in the Court Register of the Commercial Court in Zagreb within 12 (twelve) months from the date of the adoption of this Decision. On that day, the Subscription Form ceases to bind the Subscriber.*
12. *In accordance with Article 351, paragraph 1, item 3 of the Capital Market Act, the Company issues New Shares with the use of exception of publishing the Prospectus and the Company will not publish the Prospectus for issuing New Shares.*
13. *This Decision shall enter into force on the date of its adoption. "*

Ad 10 Decision 1 on amendments to the Company Articles of Association

"With the invitation and within the meaning of Article 301 of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 118/03, 107/07, 137/09, 125/11, 152/11, 111 / 12, 68/13 and 110/15, hereinafter: ZTD), the General Meeting of Petrokemija d.d., Fertilizer Company with its headquarters in Kutina, Aleja Vukovar 4, registered in the Court Register of Commercial Court in Zagreb under company number 080004355, OIB (tax ID number): 24503685008 (the Company)", on July 9, 2018 in Zagreb, issues the following

DECISION 1 ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PETROKEMIJA d.d.

Article 1

The Articles of Association of Petrokemija, d.d. - full (revised) text of 11 October 2017 (the Articles of Association) paragraphs 1 and 2 of Article 7 are amended so that they read:

"The Company share capital is 492,903,930.00 (four hundred and ninety two million nine hundred three thousand nine hundred and thirty).

The Company share capital is divided into 49,290,393 (forty-nine million two hundred and ninety thousand three hundred and ninety-three) non-materialized ordinary registered shares of HRK 10.00 nominal amount each."

In Article 7 of the Company Articles of Association, after paragraph 2, a new paragraph 3 is added, which reads as follows:

"A portion of the share capital referred to in paragraph 1 of this Article in the amount of HRK 42,903,930.00 (forty-two million nine hundred and three thousand nine hundred and thirty) was paid in cash. A part of the share capital referred to in paragraph 1 of this Article, amounting to HRK 450,000,000.00 (four hundred and fifty million) has been fully paid by the shareholder of REPUBLIC OF CROATIA, OIB: 52634238587, represented by the RESTRUCTURING AND SALE CENTER, Zagreb, Ivana Lučića 6, OIB: 38083028711, by converting into capital the claim deriving from:

- (i) Loan Agreement No. 5000563801 of 18 May 2017, amended on 27 December 2017, by Annex No. 1 and on 29 March 2018, by Annex No. 2 to the same contract (Loan Agreement 1), and the relevant Contract on Transfer and Sale of Claims as per Loan Agreement 1, concluded on 28 May 2018 and Annex to Loan Agreement 1, of 28 May 2018.*
- (ii) Loan Agreement No: RG-04/2017 of 19 May 2017, amended on 5 December 2017 by Annex I and on 28 March 2018 by Annex II (Loan Agreement 2) and the related Contract on Transfer and Sale of Claims under Loan Agreement 2, concluded on 28 May 2018, and Loan Agreement 2, of 28 May 2018.*
- (iii) Loan Agreement No: RG-10/2016 of 1 September 2016, amended on 12 January 2017, by Annex I (Loan Agreement 3), and the relevant Contract on Transfer and Sale of Claims as per Loan Agreement 3, concluded on 28 May 2018, and Annex to Loan Agreement 3, of 28 May 2018.*

(iv) *Long-Term Loan Agreement No. 21/2017-HPB / HBOR of 19 May 2017, amended on 28 March 2018, by Annex I and on 22 May 2018 by Annex II (Loan Agreement 4) and the related Contract on Transfer and Sale of a Part of Claims under Loan Agreement 4, concluded on 28 May 2018 and Loan Agreement 4, of May 28, 2018.*

and

by issuing 45,000,000 (forty-five million) new ordinary registered shares, in a dematerialized form, of HRK 10.00 (ten) nominal amount each and a total nominal amount of 450,000,000.00 (four hundred and fifty million). "

Previous Paragraphs 3 and 4 of Article 7 of the Company Articles of Association become Paragraphs 4 and 5 of the same Article.

Article 2

All other provisions of the Articles of Association remain unchanged.

Article 3

This Decision on the Amendment of the Articles of Association shall enter into force and apply on the date of its entry into the Court Register.

Article 4

The Supervisory Board is authorized to determine the full text of the Articles of Association. "

Ad 11 Decision 1 on granting approval to acquire shares without obligation to publish a takeover bid

"In the capital increase, each acquirer is entitled to, by stake in rights in issuing shares, to acquire new Company shares with voting rights, without the obligation to publish a takeover bid."

Ad 12 Decision on simplified reduction of the Company share capital by merging shares to cover losses and transfer of funds to capital reserves

"Pursuant to Article 349 of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 118/03, 107/07, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15, hereinafter: ZTD), the General Meeting of Petrokemija d.d. (the Company) passes the

DECISION

on simplified reduction of the Company share capital by merging shares to cover losses and transfer of funds to capital reserves

1. The Company share capital amounts to HRK 492,903,930.00 (four hundred and ninety-two million nine hundred and three thousand nine hundred and thirty) and is divided into 49,290,393 (forty-nine million two hundred and ninety thousand three hundred and ninety-three) ordinary registered shares of HRK 10.00 (ten) nominal value each. The Company share capital has been paid in full.

2. The share capital is reduced only to cover the loss of the Company realized in 2017 for the purpose of remedying the Company and only after all the reserves have been spent to cover the losses. The amount received by the reduction of the share capital will be used to cover the loss realized in 2017 in the total amount of HRK 242,616,914.85 (two hundred and forty-two million six hundred and sixteen thousand nine hundred and fourteen and eighty-five lipa). The remainder after covering the Company loss in the amount of HRK 150,000,005.15 (one hundred and fifty million five and fifteen lipa) is entered into the Company capital reserves. Due to the reduction of the Company share capital, no payments will be made to shareholders.

3. The subscribed capital in the amount of HRK 492,903,930.00 (four hundred and ninety-two million nine hundred and three thousand nine hundred and thirty) is reduced in simplified procedure by the amount of HRK 392,616,920.00 (three hundred and ninety-two million six hundred and sixteen nine hundred and twenty) to HRK 100,287,010,00 (one hundred million two hundred and eighty-seven thousand ten), where the nominal amount of the ordinary share of HRK 10.00 (ten) will be reduced below the nominal amount prescribed by Article 163, paragraph 2 of the ZTD to the amount of HRK 2.034615752 (two point zero three four six one five seven five two). Consequently, in accordance with Article 349 (3), in conjunction with Article 342, paragraph 4, of the ZTD, the shares will merge in such a way that the so obtained 4.914932950 (four point nine one four nine three two nine five zero) ordinary shares of the Company i be merged into one (1) new ordinary registered share of HRK 10.00 (ten) nominal amount.

4. For shareholders who after the merger will not hold a full number of shares, the number of shares will be rounded down to the first smaller whole number of shares. The number of shares on their non-materialized securities accounts will be reduced to the first smaller whole number of shares. At the same time, the Company undertakes to pay to each shareholder, the difference in cash through the Central Clearing Depository Company d.d. (CCDC), all in accordance with this Decision and the Instructions of the CCDC. The share price in the release of shares from this item of this decision is HRK 10.00 (ten).

5. After the simplified reduction of the share capital, the Company share capital is HRK 100,287,010.00 (one hundred million two hundred and eighty-seven thousand ten) and is divided into 10,028,701 (ten million twenty-eight thousand seven hundred and one) ordinary share, of HRK 10,00 (ten) nominal amount each.

6. All costs of reducing the share capital and merging of the shares shall be borne by the Company. "

Ad 13 Decision 2 on Amendments to the Articles of Association 1 of the Company

"With the invitation and within the meaning of Article 301 of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 118/03, 107/07, 137/09, 125/11, 152/11, 111 / 12, 68/13 and 110/15, hereinafter: ZTD), the General Meeting of Petrokemija d.d., Fertilizer Company with its headquarters in Kutina, Aleja Vukovar 4, registered in the Court Register of Commercial Court in Zagreb under company number 080004355, OIB (tax ID number): 24503685008 (the Company"), on July 9, 2018 in Zagreb, issues the following

DECISION 2 ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION 1 OF PETROKEMIJA d.d.

Article 1

The Articles of Association 1 of Petrokemija d.d. – full (revised) text of 9 July 2018, are amended, namely Article 7, paragraphs 1 and 2, so that they read:

"The Company share capital is HRK 100,287,010.00 (one hundred million two hundred eighty-seven thousand ten).

The Company share capital is divided into 10,028,701 (ten million twenty-eight thousand seven hundred and one) non-materialized ordinary registered shares, of HRK 10.00 nominal amount each. "

Article 7 of the Company Articles of Association is amended to read as follows:

"A portion of the share capital referred to in paragraph 1 of this Article in the amount of HRK 91,557,710.00 (ninety-one million five hundred and fifty seven thousand seven hundred and ten) has been fully paid by the shareholder REPUBLIC OF CROATIA, OIB: 52634238587, represented by the RESTRUCTURING AND SALE CENTER, Zagreb, Ivana Lučića 6, OIB: 38083028711, by investing claims in the total amount of HRK 450,000,000.00 (four hundred and fifty million), pursuant to the Decision on the increase of the share capital by stake of rights and issuance of shares with the exclusion of the Company shareholders' pre-emptive rights of 9 July 2018, by converting into capital the claims deriving from:

- (i) *Loan Agreement No. 5000563801 of 18 May 2017, amended on 27 December 2017, by Annex No. 1 and on 29 March 2018, by Annex No. 2 to the same contract (Loan Agreement 1), and the relevant Contract on Transfer and Sale of Claims as per Loan Agreement 1, concluded on 28 May 2018 and Annex to Loan Agreement 1, of 28 May 2018.*
- (ii) *Loan Agreement No: RG-04/2017 of 19 May 2017, amended on 5 December 2017 by Annex I and on 28 March 2018 by Annex II (Loan Agreement 2) and the related Contract on Transfer and Sale of Claims under Loan Agreement 2, concluded on 28 May 2018, and Loan Agreement 2, of 28 May 2018.*
- (iii) *Loan Agreement No: RG-10/2016 of 1 September 2016, amended on 12 January 2017, by Annex I (Loan Agreement 3), and the relevant Contract on Transfer and Sale of Claims as per Loan Agreement 3, concluded on 28 May 2018, and Annex to Loan Agreement 3, of 28 May 2018.*
- (iv) *Long-Term Loan Agreement No. 21/2017-HPB / HBOR of 19 May 2017, amended on 28 March 2018, by Annex I and on 22 May 2018 by Annex II (Loan Agreement 4) and the related Contract on Transfer and Sale of a Part of Claims under Loan Agreement 4, concluded on 28 May 2018 and Loan Agreement 4, of May 28, 2018.*

and

by issuing 45,000,000 (forty-five million) new ordinary registered shares, in a dematerialized form, of HRK 10.00 (ten) nominal amount each and a total nominal amount of 450,000,000.00 (four hundred and fifty million). " The above mentioned share of the share capital amounting to 91,557,710.00 (ninety-one million five hundred and fifty seven thousand seven hundred and ten) remained after the reduction of the Company share capital pursuant to the decision of the General Meeting on simplified reduction of the Company's share capital by merging shares for loss coverage and transfer of funds to the capital reserve of July 9, 2018. That part of the Company registered capital is divided into 9,155,771 (nine million hundred fifty-five thousand seven hundred and seventy-one) ordinary shares of HRK 10.00 (ten) nominal amount each and of total nominal amount of 91,557,710.00 (ninety-one million five hundred fifty-seven thousand seven hundred ten). "

Article 2

All other provisions of the Articles of Association remain unchanged.

Article 3

This Decision on the Amendment of the Articles of Association shall enter into force and apply on the date of its entry into the Court Register.

Article 4

The Supervisory Board is authorized to determine the full text of the Articles of Association.

Ad 15 Decision on increase of the Company share capital in cash and issuance of new shares with the exclusion of shareholders' pre-emptive rights and changes to the Company Articles of Association

"Pursuant to Article 304 and Article 308 of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 118/03, 107/07, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15, hereinafter: ZTD), the General Meeting of Petrokemija d.d. (the Company) passes the

DECISION

on increase of the Company share capital in cash with the exclusion of shareholders' pre-emptive rights and changes to the Company Articles of Association

1. The Company share capital is HRK 100,287,010.00 (one hundred million two hundred and eighty-seven thousand ten) and is divided into 10,028,701 (ten million twenty-eight thousand seven hundred

one) ordinary shares of HRK 10.00 (ten) nominal value each. The Company share capital has been paid in full.

2. The Company share capital is increased by the issue of new shares with cash deposits to raise funds for investments that ensure and improve the production, restructuring and financing of the current business.

3. According to this decision, the Company share capital is increased from the amount of HRK 100,287,010.00 (one hundred million two hundred and eighty-seven thousand ten) by a maximum of HRK 450,000,000.00 (four hundred and fifty million) to the amount of HRK 550,287,010.00 (five hundred and fifty million two hundred and eighty-seven thousand ten).

4. The increase of the Company share capital from point 3 of this Decision shall be effected by cash payment by issuing a minimum of 40,000,000 (forty million) up to a maximum of 45,000,000 (forty-five million) new ordinary shares of HRK 10.00 (ten) nominal value each (hereinafter: New Shares).

5. The amount for which the New Shares are issued (Article 307, paragraph 1, item 2 of the ZTD) shall be set at HRK 10.00 (ten) for one New Share (New Shares Issue Price).

6. The shares will be subscribed in a written statement (Subscription Form). The payment of the shares will be made on the Company account for special purposes, which will be opened in the Company business bank and will be listed in the public offer and in the Subscription Form.

7. Subscription and Payment of New Shares will be conducted through a one-round public offering procedure. The right to subscribe for New Shares will be provided for all interested investors, provided the minimum payment for the shares subscribed is HRK 10,000,000.00 (ten million), and the maximum that of 45,000,000 (forty-five million) New Shares or up to HRK 450,000,000.00 (four hundred and fifty million) of the Company registered capital. The period for subscription and payment for the New Shares will be determined by the Company Management Board in a public invitation to subscribe for New Shares. In the public invitation, investors will be given a detailed indication of the place and time provided for the subscription of new shares by means of Subscription Forms. An individual investor may subscribe and pay for a minimum of 1,000,000 (one million) New Shares (hereinafter: Minimum Subscription). In order to avoid any doubt, if the subscription and payment of the New Shares are fully effected before the expiration of the deadlines set by the Company Management Board in the public invitation, the Company Board is authorized to conclude the issue without waiting for the expiry of the deadlines.

8. Subscription Forms subscribing for less than the Minimum Subscription will not be considered. Subscription Forms subscribing for more than the number of the offered New Shares will be considered only to the extent of the number of New Shares offered. The Company Management Board, with the consent of the Supervisory Board, shall issue the rules for the allocation of shares and shall publish them in the public invitation to subscribe for New Shares, in case the total number of subscribed and paid for shares exceeds the number of the New Shares offered.

9. The subscription and payment for the shares will be made in the manner specified in the public call invitation to investors to subscribe for New Shares. The Company Board is authorized to decide on its own when it will announce the invitation to subscribe for New Shares. The invitation to subscribe for New Shares will be posted on the web pages of the Zagreb Stock Exchange and on the Company web site.

10. In case the Company shares for the shareholder's account are kept by the custodian bank, the custodian bank must indicate the name and surname (company), OIB and the address of residence (headquarters) of the ultimate investor. Otherwise, such persons will not be entitled to participate in the subscription of New Shares.

11. The Company share capital increase under this Decision shall be effected with the full exclusion of the Company shareholders' pre-emptive right to subscribe for new Company Shares, in accordance with the provisions of Article 308, paragraph 4 of the ZTD.

12. Pursuant to Article 351, paragraph 1, item 3 of the Capital Market Act, the Company issues the shares with the exception of the publication of the prospectus for the purposes of issuing the New Company Shares.
13. The final amount of capital increase will depend on the success of the issue, i.e. on the number of shares subscribed and paid for. The issue of shares shall be deemed to be successfully executed if at least 40,000,000 (forty million) New Company Shares are subscribed and paid for by investors within the stipulated deadlines for subscription and payment. The Company Management Board, with the consent of the Supervisory Board, will determine the success of the share issue, the exact amount of increase in share capital and the correct number of new ordinary shares. The Company Supervisory Board is hereby authorized to, after the increase of the share capital, pursuant to this Decision, harmonize the provisions of the Company Articles of Association as regards the amount of the share capital and the number of shares in the full text of the Company Articles of Association 2 with the changes that have been made by increasing the share capital and issuance of New Shares, as given in more detail in item 18 of this Decision. If the subscription of New Shares is not successful, the Company will repay the paid funds to the investors within 7 (seven) business days after the expiry of the latest deadline for the payment of the funds, to the account number that the investors have indicated in the Subscription Form. In this case, the Company shall not be liable to pay for the funds transfer or any other costs incurred by the investor on for the transaction, nor shall the Company pay interest to the investors for the period from the payment of the funds to the Company account, referred to in point 6 of this Decision, to the time the funds are returned to the investors.
14. New shares shall be entitled to the same rights and rank as any existing Company shares. They will be issued in a dematerialized form, in the form of an electronic record in the CDCC computer system, with the ticker assigned by the CDCC. Each share entitles one to one vote at the Company General Meeting. The shares are registered and shall give the shareholders all the rights established by the Law and the Company Articles of Association from the date of the entry of the share capital increase in the court register. New shares will be listed for trading on the regulated market of the Zagreb Stock Exchange d.d., to the official market, in accordance with relevant regulations. New Company shares will be eligible for trading on the official market after their listing on the regulated market.
15. In case of overpayment by individual investors, the Company shall return the overpayments of funds to those investors to the number of account indicated in the Subscription Form within 7 (seven) business days after the expiration of the last period for payment of New Shares. The Company shall not be liable for any payment or other costs incurred by the investor on the basis of execution of the transaction nor will it pay to the investors interest for the period from the payment of the funds to the Company account referred to in item 6 of this Decision until the time of return of the said funds to the Investors.
16. If the increase in share capital is not entered in the court register within 12 (twelve) months of the date of the adoption of this decision, the Subscription Form ceases to oblige the investors and the payment made shall be returned to the investors without delay. In that case, it will be considered that the increase in share capital and the issuance of shares has not been carried out successfully.
17. For all that is not regulated by this Decision, the applicable laws and the Company Articles of Association shall apply.
18. The Company Articles of Association 2 amended at today's Company General Meeting in Article 7 paragraph 1 and paragraph 2 shall be amended in such a way that after the issue of the New Company Shares and conducting the Company share capital increase pursuant to this Decision and the result of the entry of New Company Shares, the amount of the Company registered capital in Article 7, paragraph 1 and the number of shares in paragraph 2 of the same Article of the Company Articles of Association is changed. In this respect, the Company Supervisory Board is authorized and obliged, given the amount of increase of the Company registered capital and the number of new Company shares in accordance with the results of the Company New Shares subscribed and paid for to: a) harmonize the provisions of Article 7 paragraph 1 of the Company Articles of Association 2 in the related part on the amount of the Company share capital and in paragraph 2 of the same Article of

the Articles of Association which refers to the number of Company shares to which the Company share capital is divided, in such a way that the amount of the Company share capital in paragraph 1 of Article 7 of the Articles of Association 2 of the Company is replaced with the number corresponding to the increased amount of the Company share capital, and in paragraph 2 of Article 7 of the Articles of Association 2 the number of Company shares is replaced by the number of shares corresponding to the sum of the previous number of shares and Company shares issued to increase the share capital determined by this Decision, and b) establish the revised text of the Articles of Association 3. The Amendments to the Articles of Association 3 enter into force with the date of entry in the Court Register.

19. This Decision shall enter into force on the date of its adoption. The Management Board of the Company is authorized to file an application for entry of the decision in the Court Register of the competent Commercial Court. "

Ad 16. Decision on granting approval to acquire shares without obligation to publish a takeover bid pursuant to the provisions of Article 14, paragraph 1, item 3 of the Act on the Takeover of Joint Stock Companies

"In the capital increase, each acquirer is entitled to, by stake in cash in issuing shares, to acquire new Company shares with voting rights, without the obligation to publish a takeover bid."

All Company shareholders are entitled to take part and vote at the General Meeting provided they send in their applications for participation in writing to the Company Management Board by 2 July 2018.

Applications for participation are submitted to the Board Office of Petrokemija, Plc, Aleja Vukovar 4, Kutina. A shareholder of the Company shall be any legal entity registered in the Book of Shares as on 2 July 2018, according to the list compiled by the Central Depository and Clearing Company at the end of business hours on that day.

Shareholders – natural persons may be represented at the General Meeting by their proxies with full powers of attorney certified by a notary public or by an authorized person in the Department of Legal Affairs, Headquarters Building of Petrokemija, Plc., Aleja Vukovar 4, Kutina, weekdays 8:00 to 12:00 a.m.

Shareholders – legal entities shall have the power of attorney signed by an authorized person and certified by a stamp made out on the official stationery of the said entity, containing the data from Article 21 of the Companies Act.

An insight into the materials for the General Meeting can be made at the Finance and Controlling, Ulica kralja Petra Krešimira IV, Kutina, from 8:00 to 14:00 hours every business day (Monday to Friday), starting from the date of publication of the call. The materials are also available on the Company website, www.petrokemija.hr, where the data will be published in accordance with Article 280a of the Companies Act.

In accordance with Article 277, paragraph 4 of the Companies Act, the shareholders are informed as follows:

- Shareholders who together have shares amounting to the twentieth part of the Company share capital have the right to require an item to be placed on the General Meeting Agenda and their request to be announced. Such a request must have an explanation and a decision proposal and must be received by the Company at least 30 days before the General Meeting, excluding the day of the receipt of the request by the Company;
- Each shareholder has the right to submit a counter proposal to the decision proposal which was given to the General Meeting by the Company Management Board and / or Supervisory Board. This includes the proposal of shareholders for appointment of a Supervisory Board member or the appointment of Company auditors. The Company must receive such a request at least 14 days before the General Meeting (where not using this right does not result in the loss of the right to put up the counter proposal at the General Meeting of the Company). The request made within this period, shall be sent

by the Company Management Board to all persons referred to in Art. 281 of the Companies Act, except in cases of Art. 282, paragraph 2 and Art. 283 of the Companies Act;

– Each shareholder has the right to request information about the affairs of the Company from the Company Management Board at the General Meeting if it is necessary for their assessment of issues on the General Meeting agenda, except in cases provided for in Art. 287, paragraph 2 of the Companies Act.

The registration of participants of the General Meeting will take place on 9 July 2018 in the lobby of the Headquarters Building of Petrokemija, Plc., Aleja Vukovar 4, Kutina, from 10.00 to 11.30 inclusive, after which registration will not be possible. The investors (shareholders) are asked to register on time.

If the requirements of the quorum at the regular annual General Meeting, required by the provisions of the Company Articles of Association are not met, the new session of the General Meeting with the same agenda and the same decision proposals will take place on 25 July 2018, starting at 12.00 hours.

This call for the regular General Meeting will be posted on the website of the Zagreb Commercial Court register, on the website of the Zagreb Stock Exchange (www.zse.hr), via HINA, on the website of the Croatian Agency for Supervision of Financial Services (www.hanfa.hr) and on the Company website (www.petrokemija.hr).

Every shareholder or their representative or proxy, shall bear the cost of their participation in the General Meeting.

Petrokemija, d.d.
Kutina



SUPERVISORY BOARD

Kutina, 29 May 2018

Pursuant to Article 263, paragraph 3 and Article 300c of the Companies Act, at its 18/2018 session held on 29 May 2018, the Petrokemija d.d. Kutina Supervisory Board adopted:

Supervisory Board Report for 2017 to the General Meeting of Petrokemija d.d.

I In 2017, the Supervisory Board of Petrokemija d.d. (hereinafter: the Supervisory Board) held 34 sessions, discussing issues related to business, as provided by the law and the Company Articles of Association.

II Composition of the Supervisory Board

In the course of 2017, the following changes were made to the Supervisory Board:

- 6 February 2017- Mijo Šepak was elected president of SB,
- 23 March 2017 - the General Meeting elected a new member of SB, Robert Blažinović.

As on 31 December 2017, the Supervisory Board acted in the following composition:

1. Mijo Šepak, SB President
2. Željko Klaus, SB Vice President
3. Marijan Kuprešak, SB Member
4. Ladislav Turčinović, SB Member,
5. Robert Blažinović, SB member.

III In the reporting period, the Supervisory Board performed its task and made decisions according to the competence provided by the law and the Articles of Association.

By written and oral reports of the Management Board, the Supervisory Board was regularly informed on the business policy, business plans, business results of Petrokemija d.d. and other important issues such as:

- Preparation of the restructuring program,
- The Company recapitalization process and the process of selecting a strategic partner,
- Appointment and recall of board members,
- Gas supply,
- Prices of mineral fertilizers,
- Business Report for 2016,
- Audit Committee's Reports,
- Auditors' report,
- Annual questionnaire of the Zagreb Stock Exchange Corporate Governance Code,
- Preparations for the Company General Meeting,
- Business Report Jan-March 2017,
- Business Report Jan-June 2017,
- Business Report Jan-Sept 2017,

- Various approvals for transactions with a value of over 10% of the share capital, for pledges on real estate, mineral fertilizer stocks, for additional borrowing, business cooperation contracts, for sales under current market conditions, etc.,
- Corporate liabilities and loan debt, relationship with commercial banks, loan with Government guarantee,
- Choice of members of the Audit Committee,
- Business Plan for 2018,
- Calendar of important events in 2018.

The Supervisory Board has established that the Management Board reported to the Supervisory Board in accordance with the law and the Company Articles of Association.

IV Working bodies of the Supervisory Board

In 2017, the following working bodies of the Supervisory Board were active:

- Audit Committee - held 5 sessions,
- The Appointment and Remuneration Committee – held no session.

The Supervisory Board evaluates that the Audit Committee was involved in the preparation of key issues within its competence.

V The Supervisory Board has reviewed the reports of the auditors Deloitte d.o.o. Zagreb, which examined the annual financial statements of Petrokemija d.d. for the year ended on 31 December 2017 and accepts the auditors' submitted reports.

The revised annual financial statements were prepared in accordance with the Company business books and give a fair and true account of the Company assets and operating conditions.

VI The Supervisory Board has reviewed the annual financial statements for the year 2017, drawn up by the Company Management Board, as follows:

- Annual Financial Report for 2017 for Petrokemija d.d.,
- Consolidated Financial Report for 2017 for Petrokemija Group.

The Supervisory Board assessed that the financial statements thus prepared were compiled in accordance with the business books and give a correct and accurate account of the property and business status of Petrokemija d.d.

The Supervisory Board approved the financial reports and pursuant to Art. 300d. of the Companies Act, these reports are considered established.

An integral part of the Annual Financial Statements for the year ended on 31 December 2017, to which the above approval of the Supervisory Board refers, is as follows:

For Petrokemija d.d.:

1. Balance Sheet,
2. Profit and Loss Account,
3. Cash Flow Statement,
4. Statement of Changes in Equity,
5. Auditors' Report with notes to the Financial Statements,
6. Annual Report,
7. Management Board Report,
8. Corporate Governance Code - Annual Questionnaire.

For Petrokemija Group:

1. Balance Sheet,
2. Profit and Loss Account,
3. Cash Flow Statement,
4. Statement of Changes in Equity,
5. Auditors' Report with notes to the Financial Statements,

6. Annual report.

VII Restructuring process in 2017

The restructuring process in 2017 is a continuation of the activities that the majority owner started in the previous years. The partial realization of recapitalization in 2014 and 2015 led to continued activities of seeking new solutions in the process of recapitalization or obtaining long-term loans in 2016 and 2017 to provide the necessary resources for investment and working capital. Pursuant to the decisions of the Croatian Government of 27 April 2017 and its operational body, CERP (Restructuring and Sale Center) of 31 May 2017, in the reporting period the Petrokemija Management and Supervisory Board continued with the process of the Company restructuring and recapitalization started in the previous years.

In 2017, no decision was made on the choice of investors and the concept of further restructuring. Due to the complexity of the process and the numerous requests of potential investors to the majority owner, the planned recapitalization process has not been fully implemented, despite comprehensive activities in its implementation. At the time of the preparation of these Reports, the negotiations of the majority owner and potential investors regarding the final determination of the mutual obligations and the content of the co-ownership agreement to define the future model of Petrokemija d.d.

VIII Loss Coverage for 2017

The loss of Petrokemija's business in 2017 **amounts to HRK 242,616,914.85 and is transferred to 2018 as uncovered loss.** The so determined proposal of loss coverage is submitted to the General Meeting jointly by the Management and the Supervisory Board.

IX Evaluation of the Company overall performance

The Supervisory Board finds that in 2017, the continuity of the Company business operations and its market position was maintained. Due to delays in the implementation of the recapitalization and restructuring process, further disturbance occurred in the Company financial position, increased indebtedness, and the level of loss led to the negative value of capital and reserves, i.e. the growth of liabilities significantly exceeded the Company asset values.

In the reporting period January – December 2017, the business environment of Petrokemija, d.d. was marked by two key occurrences - the fall in sales prices of mineral fertilizers with the simultaneous growth of the natural gas purchase price as the main raw material.

The level of loss was also affected by the value adjustments of assets carried out in the preparation of audited annual financial statements, for which the auditors had expression of reservation in previous years.

In 2017 Petrokemija d.d. realized total revenues of HRK 1,996.2 million, total expenditures of HRK 2,238.8 million and reported a loss of HRK 242.6 million or 12.2% of total revenues. In the same period the year before, the loss was HRK 87.3 million. The loss due to value adjustments increased by HRK 95.8 million, accounted for 2017, but its roots had originated much earlier and have been treated as open business and accounting issues for a number of years.

X Evaluation of the Company Management Board Performance

In the reporting period and at the time of preparation of the annual financial statements for 2017, the Supervisory Board made several decisions regarding the composition of the Company Management Board. Until 6 February 2017, the Board was composed of: president Nenad Zečević and members Antonija Perošević-Galović, Tamara Pernar and Vladimir Fresl.

On 30 January 2017, the Restructuring and Sale Center made a decision proposing to the Supervisory Board of Petrokemija Fertilizer Company d.d. Kutina to recall the president and members of the Company Board. It was proposed to the Supervisory Board to appoint two members of the Management Board, namely: Đuro Popijač from Sveta Nedjelja as the president, and Nenad Zečević from Kutina as member for a mandate in accordance with the Company Articles of Association. The appointment was made at the Supervisory Board meeting of 6 February 2017. In accordance with the

proposal of the Restructuring and Sale Center of 22 May 2017, the Supervisory Board at its meeting of 25 May 2017 appointed Davor Žmegač from Kutina as member of the Management Board. Thus from 29 May 2017 to 2 January 2018, the Petrokemija Management Board acted as a three-tiered Board in the above-mentioned composition. In accordance with the Restructuring and Sale Center's decision of 28 December 2017, the Supervisory Board at its meeting of 2 January 2018 made a decision that as of 2 January 2018 the mandate of a Management Board member Nenad Zečević is terminated. As of 3 January 2018, the Board of Petrokemija d.d. acts as a two-tier management comprised of Đuro Popijač, president and Davor Žmegač, member of the Management Board.

In the course of 2017, the Management Board carried out a number of activities and made maximum efforts to maintain business continuity, market position, cash flow stability, technical and technological safety, ecological responsibility, significant investment despite limited long-term sources of funds and maintaining the level of social dialogue and general social responsibility. Due to the delays in the planned activities of the Restructuring Program, the planned progress in business performance was not fully realized. Achieving positive financial results and stabilizing the Company balance sheet that had been distorted in the previous years, was not realistically feasible without the full restructuring measures of the Company and the Petrokemija Group.

In the difficult situation of the Company operations, a good co-operation between the Management Board and the Workers' Council was achieved, which resulted in the preservation of the stability of social dialogue and recognition of realistic restrictions of the material rights of employees.

XI Cooperation between the Supervisory Board and the Management

The Supervisory Board finds the co-operation with the Company Management Board in 2017 was good, taking into account that, in line with the priorities that were necessary to make in preparing the Company for Restructuring and Recapitalization, the composition of the Management Board was duly adjusted. The cooperation was with respect for the law and mutual respect in the interest of the Company. All decisions made, with voting results, were recorded in the minutes of the Supervisory Board meetings.

XII Final evaluation of the Supervisory Board for 2017

The Supervisory Board evaluates its work in the past period as extremely demanding and dynamic, which is evident from the number of sessions held and the structure of the topics discussed. The achieved business results were limited by a number of circumstances in the wider and surrounding environment of the Company, as well as by the difficulties carried forward from the previous period. In the reporting period, there was continuity and progress in the approach to key development issues of the Company, with the contribution of each member to the joint work of the Board and respect of the legislation in the Company business. In 2017, the Company acted in accordance with the law and the by-laws of the Company and with the decisions of the Company General Meeting.

XIII The Supervisory Board submits this Report on Supervision of Business Operations for 2017 to the General Meeting of Petrokemija d.d. with the proposal to adopt it.

Supervisory Board President:
Mijo Šepak



UPRAVA
Kutina, 11.5.2018.g.

Company Management Report as of 31 December 2017

I Introduction

For Petrokemija, the year 2017 was one of the most complex and demanding business periods in the five-decade-long history of mineral fertilizer production in Kutina. It was the year of culmination of all the key business challenges, which for many years have been gradually eroding the substance of the Company operations, and consequently, in the reporting period the problems of non-liquidity and insolvency led to the limits of business lockdown. Conditions in the surrounding and wider market environment were unfavorable because the prices of key raw materials were growing, while the global trend in sales prices of mineral fertilizers was declining.

The years-long Company preparations for recapitalization and restructuring process fell into a crisis because the majority owner was unable to meet the requirements of the potential strategic partners at an acceptable level. After the in-depth analyses, potential investors identified a number of potential risks in the future business of the Company. The investors' conditions to enter the ownership structure were, for at least a part of the past unresolved issues to be resolved in order to lay the foundations of the Company future business on an economically viable model. The majority owner, on the other hand sought an acceptable model for preservation and long-term development of Petrokemija d.d. as a support to the development of the entire Croatian agricultural sector.

At the time of the preparation of this Report, key elements of this agreement are being defined, which should ensure a stable future business of Petrokemija d.d. and Petrokemija Group. One should not ignore the wider economic impact on the future operations of suppliers of raw materials, Croatian Railways, river and sea ports, especially the ports of Vukovar and Šibenik, the Croatian Electric Power Company, numerous equipment and packaging manufacturers, providers of a wide range of maintenance and road transport services and other business entities.

In 2017, Petrokemija d.d. managed to maintain business continuity. However, the financial effects were significantly impaired as a result of the unfavorable impact of the Company's financial structure as well as that of the business environment over the past period. This was manifested in the strong trend of growth in natural gas prices, fall in mineral fertilizer prices and increase of competition on the domestic market and in the region. Thus, the previous year was extremely dynamic and challenging, and the circumstances in the surrounding and the wider environment of Petrokemija were so adverse that they threatened the survival of the Company. It is fair to say that all the key business risks of Petrokemija d.d. in 2017 are the result of unfavorable situation on the global market. Due to its financial exhaustion, Petrokemija d.d. could not adequately act to mitigate the negative effects of these risks.

II Results achieved in 2017:

The business of Petrokemija d.d. in 2017 can be summarized by the following data and ratings:

- Partial solutions in the restructuring and recapitalization of the Company in the previous period led to a critical situation in operating business;

- During the January - December 2017 period, Petrokemija d.d. had total revenues of HRK 1,996.2 million, total expenditures of HRK 2,238.8 million and reported a loss of HRK 242.6 million or 12.2% of total revenues;
- Higher volume sales of mineral fertilizers by 7.5%, and by 3.0% lower average sales price, as compared to the same period of 2016;
- In the structure of revenues domestic sales account for 30.6% or HRK 610.6 million, 5.1% up on 2016, while exports account for 66.3% or HRK 1.322,8 million, 4.6 % up on 2016;
- Domestic sales of mineral fertilizers by 10.1% higher than in 2016;
- Mineral fertilizer sales in exports by 6.6% higher than in 2016;
- Sales of clay and liquid fertilizers were 37.9% higher in volume than in 2016;
- The realized average natural gas price (excluding transport costs) is 10.1% higher in HRK than in 2016 and 13.9% higher in USD;
- Indicators of liquidity, financial stability and indebtedness are below recommended values;
- Capital is negative at the level of HRK -195.8 million.

The EBITDA (earnings before interest, taxes, depreciation and amortization) was negative in the amount of HRK -99.7 million and EBITDA margin was -5.0%. At the annual level, total revenues are 3.3% higher, and total expenditures are 10.9% higher than in 2016. These data indicate a stagnation of revenues despite an increase in sales volume of 7.5%, with a simultaneous increase in energy costs of 15.8%, where natural gas is the most significant item.

In the structure of financial result for January - December 2017, HRK 193.5 million was recognized as a loss from operating activities, which, increased by the HRK 49.1 million loss from financial activities, results in a total loss of HRK 242.6 million .

The level of loss was also affected by value adjustments of assets for which auditors gave 'expression of reserve' in the previous years. Loss due to value adjustments is increased by an amount of about HRK 95.8 million and was accounted for in 2017, but its roots had originated much earlier. For a number of years they have been treated as open business and accounting issues, assuming that in the coming periods new market opportunities would open up, which would enable the reactivation of part of the passive assets, stilled facilities, spare parts and materials and a part of the investment in the daughter companies, which did not have the expected effects in the previous period.

After the corrections have been made, the Management and the Supervisory Board estimate that the financial statements fairly present, in all significant respects, the financial position of the Company as of 31 December 2017.

In the January – December 2017 period, the Petrokemija Group achieved total revenues of HRK 2,009.5 million, total expenditures of HRK 2,252.2 million and reported a loss of HRK 242.7 million or 12.1% of total revenues.

III Changes in the Management and the Supervisory Board in 2017 and the 1st quarter of 2018

- Until February 6, 2017, the Management Board was composed of: president Nenad Zečević and members Antonija Perošević-Galović, Tamara Pernar and Vladimir Fresl.
- As on 7 February 2017, a two-member Board was appointed: Đuro Popijač, president and Nenad Zečević, member.
- At its meeting held on 25 May 2017, the Petrokemija Supervisory Board made a decision appointing Davor Žmegač from Kutina member of the Management Board From 29 May 2017, the Petrokemija Management Board acted as a three-member Board consisting of: Đuro Popijač, president and Nenad Zečević and Davor Žmegač, members of the Board.
- On 6 February Mijo Šepak was elected president of the Supervisory Board.
- At the General Meeting of 23 March 2017, Robert Blažinović was appointed member of the Supervisory Board
- As on 31 December 2017, the Supervisory Board was composed of: Mijo Šepak, president, Željko Klaus, vice president and members: Marijan Kuprešak, Robert Blažinović and Ladislav Turčinović.

- After the reporting period, the Supervisory Board made a decision that as of 2 January 2018 the mandate of a Management Board member Nenad Zečević is terminated. As of 3 January 2018, the Board of Petrokemija d.d. acts as a two-member management consisting of: Đuro Popijač, president and Davor Žmegač, member of the Board.

IV Program of restructuring program, financial consolidation and recapitalization

With the assistance of financial and legal advisors, a restructuring program of the Company and the Petrokemija Group was prepared and implemented in the reporting period, which was accepted by the Supervisory Board and Restructuring and Sale Center. The restructuring process in 2017 is a continuation of the activities that the majority owner started in the previous years. The partial realization of recapitalization in 2014 and 2015 led to continued activities of seeking new solutions in the process of recapitalization or obtaining long-term loans in 2016 and 2017 to provide the necessary resources for investment and working capital. Pursuant to the decisions of the Croatian Government of 27 April 2017 and its operational body, CERP (Restructuring and Sale Center) of 31 May 2017, in the reporting period the Petrokemija Management and Supervisory Board continued the process of the Company restructuring and recapitalization started in the previous years.

In 2017, no decision was made on the choice of investors and the concept of further restructuring. Due to the complexity of the process and the numerous requests of potential investors to the majority owner, the planned recapitalization process was not fully implemented, despite comprehensive activities in its implementation. At the time of the preparation of these Reports, the negotiations of the majority owner and potential investors are underway regarding the final determination of the mutual obligations and the content of the co-ownership agreement to define the future model of Petrokemija d.d.

The decisions proposed to the General Meeting on the recapitalization of the Company are the final solutions that would bring this whole process to an end.

V Share capital as on 31 December 2017

At the General Meeting of 11 October 2017, the Company adopted the decision on reduction of the share capital from HRK 386,135,400.00 by HRK 343,231,470.00 to the amount of HRK 42,903,930.00, by reducing the individual nominal value of PTKM-RA ordinary share from HRK 30.00 to HRK 3.333, with at the same time merging ordinary shares at the 3:1 merger ratio, in such a way that 3 (three) ordinary shares of a single nominal amount of 3.333 HRK will be merged into 1 (one) ordinary share, ticker PTKM-RA, of HRK 10.00 nominal value.

The last trading day of the existing 12,871,180 ordinary shares of PTKM-R-A was October 25, 2017. The first trading day with a new quantity, i.e. 4.290.393 ordinary shares of the PTKM-R-A ticker for which the settlement was made in the CDCC was 26 October 2017.

On December 30, 2016, the average value of the share was HRK 17.90, and on December 29, 2017 HRK 13.47 (down 24.7%).

On 31 December 2017, the capital and reserves amounted to HRK -195,800,616, which is a result of the decrease of the registered capital for the realized loss in 2017. The level of capital with reserves on 31 December 2017 warns of the necessity of urgent implementation of the Company recapitalization.

VI Production and Environmental Protection

In 2017, as compared to the previous year, Petrokemija d.d. achieved 11.5% higher total production, despite four unplanned downtimes of the key liquid ammonia production plant. Higher production was achieved because in 2017 there was no complete overhaul of the facilities, as had been the case in the summer months of 2016.

In the production structure, the following changes occurred: 18.1% higher production of Urea, 2.9% of CAN and 16.2% higher NPK fertilizer production. In the reporting period, production capacity utilization was 93%, and the production range was adjusted to market conditions and constraints.

Furthermore, in the reporting period, a new production of 32.5% urea solution, AdBlue, under the commercial name PetroBlue, was successfully adopted using the Company's own know-how, whereby, after the certification procedure, Petrokemija, d.d. was placed on the list of manufacturers of world-licensed AdBlue products used for NOx emission reduction in accordance with the Euro V and VI standards. In 2017, production and sales of over seven thousand tons of the new product was realized, with a growth trend in 2018. The savings on natural gas consumption in the production of ammonia (HRK 19 million) have shown the justification of the investments made so far in this key facility.

The Decision on Integrated Environmental Protection Requirements in 2015 was an essential prerequisite for obtaining all the necessary permits related to the technical and technological operating conditions of the Petrokemija, d.d. production facilities over a period of five years.

In accordance with this Decision, a part of the activities was carried out during the extensive biennial overhaul in 2016, and the investment cycle (investment of HRK 103.3 million) was continued in 2017. In accordance with the IPPC Directive and the Decision on Integrated Environmental Requirements, in order to meet all the prescribed technical and technological requirements of environmental protection, Petrokemija d.d. has to invest about HRK 380 million, and so far a little more than one third of the planned funds have been invested. With the investment project completed at the end of 2017 at the Nitric Acid Plant 2, all the requirements prescribed by the Decision on Integrated Environmental Requirements have been fully met.

VII Operational Risk Assessment

At the 2017/2018 transition, there are business risks as follows:

- Petrokemija d.d. has high dependence on the trend of mineral fertilizer prices and raw materials for their production on the world market, the exchange rate of the HRK against EUR and USD and their cross-currency relations,
- Natural gas as the most important raw material was procured in 2017 on the domestic market, according to contracts concluded with two suppliers - INA d.d. Zagreb and Prvo plinarsko društvo d.o.o. Vukovar. In the first quarter of 2018 a contract was signed with the third natural gas supplier, HEP d.d. Zagreb. The price of natural gas in 2017 and the first three quarters of 2018 was linked to the EUR exchange rate and the movements of price of natural gas on the European spot market. Reducing the price of natural gas transport pursuant to the 2017 tariff, should have a positive effect on the financial result in 2018, although inadequate, given the level of the same type of costs for EU competitors,
- The sales prices of mineral fertilizers on the world market are still at a low level, and short-term, under the influence of cyclical and seasonal changes are changing occasionally. The price of nitrogen fertilizer Urea has been at a low level for a long time, it strongly fluctuates during the year and in the situation of high natural gas prices on the European spot market at the time of the preparation of this financial report, the profitability of production and sales on a part of the export market is questioned.
- Lowering the VAT level in 2017 had a favorable impact on the sales of mineral fertilizers on the domestic market, but the key effect will still be the level of state incentives in agriculture and the purchase prices of the main crops.
- Costs of most basic raw materials were higher than in the previous period (except for raw phosphates), and fluctuations in the prices of raw materials on the world market that have so far been present will continue to have an impact on the level of material costs in the next period,
- Petrokemija d.d. in its production process necessarily emits a certain amount of greenhouse gases for whose emissions an annual HRK 20 to 25 million is allocated. Due to limited funding sources, the Company is not able to purchase ETS units at the best time, which significantly increases the risk of higher cost of greenhouse gas emissions related to the price

movement of ETS units in the open market. This was the case in 2017 and the first half of 2018.

- High costs of working capital - Due to the lack of own working capital, costs of financing will be significant in the next period. The solution to this problem lies in the measures taken in preparing the recapitalization of the Company.
- In accordance with the above, in 2018 there are pronounced risks with regard to finding new long-term sources of financing investment; it is very difficult to set aside funds from operations to continue the intensive investment process. Deadlines for realization of a part of the so-called 'environmental investments', according to the Decision on Integrated Environmental Protection Requirements expired (31 December 2017), so most of these investments due to funding difficulties were transferred to 2018,
- The most important issue of current operating business - debt to natural gas suppliers - in the reporting period was partially resolved through long-term HBOR and HPB loans and a short-term ERSTE Bank loan, ensuring a portion of long-term sources of financing working capital and continuing the activities of restructuring the business. However, the challenges of maintaining financial and business stability are still very much present.
- Gas price trends on the European spot market in 2017 call for caution due to the high exposure of Petrokemija's business results to the risk of the so-called 'price scissors', where there is a simultaneous growth of prices of raw materials, primarily natural gas, and falling sales prices of mineral fertilizers based on this raw material (Urea, CAN / AN). The realized loss in business in 2017 calls for caution in forecasting financial and operating results in 2018, and hence the urgent completion of the restructuring and recapitalization process of the Company is prerequisite to business continuity in 2018 and subsequent years. In this context, the decisions proposed to the General Meeting of the Company may be observed.

At this time, is very difficult to estimate the business in 2018 and subsequent years due to the abovementioned impact on the financial result, but the Management and the owners are undertaking a series of measures to overcome the key risks and business challenges. By assessment of the business risks of subsidiaries in the previous year, it is estimated that these companies do not have a significant impact on the Petrokemija Group's business result due to their small share in the overall operating result.

VIII Conclusion

The state of high indebtedness to natural gas suppliers and limited possibility to sell finished products at acceptable prices at the time of the preparation of this Report, open up further risks of maintaining continuity of production and sales in 2018, with all the uncertainties that have been present in the business so far. Lower natural gas price and rationalization of costs, together with a change in product assortment and concentration of sales in the region, and solving debt and liquidity problems, are the key to achieving positive financial results in 2019. The proposals of decisions submitted to the General Meeting are on the track of the solutions of these problems.

Finally, I would like to thank the Supervisory Board, the Trade Unions and the Workers' Council for the good cooperation we have had and to all the shareholders and partners for the trust that they have shown in the past year. In the course of 2018, we expect significant changes in the business operations that are reflected in the decisions that will be made at the General Meeting, based on the new ownership structure of the Company, which will open up prospects for significant changes in the business model.

From you, our shareholders, we expect further trust and support in undertaking the Company consolidation measures, i.e. rationalization of business and opening of a more intensive investment cycle from 2018 to 2022.

President of Petrokemija, d.d. Board:
Đuro Popijač, MS

Report 1 of the Management Board on the reasons for excluding the shareholders' pre-emptive right in subscribing for new Company shares

In the year ended on 31 December 2017, the Company recorded a loss after tax of HRK 242.6 million, and in the first quarter of 2018 HRK 78.8 million. Furthermore, as on 31 December 2017, the Company had short-term liabilities that exceeded short-term assets by HRK 362.7million, and on 31 March 2018, HRK 436.5 million. As on 31 December 2017, the Company also had a negative capital of HRK 195.8 million and on 31 March 2018 HRK 274.6 million.

Given that the sales prices of mineral fertilizers, despite short-term oscillations, continue to be low, and due to rising natural gas prices and extremely high costs of gas transportation, the growth in purchase prices of other raw materials for the production of fertilizers and the high growth of the price of CO₂, the Company is unable to service the existing debt. Continuous lowering of market prices of fertilizers created significant pressure on the liquidity and solvency of the Company and resulted in negative working capital and financial debt of approximately HRK 820.5 million on 31 December 2017, or HRK 772.4 million on 31 March 2018.

Since 2013, the Company has been continuously implementing comprehensive operational and financial restructuring measures under the Restructuring Plan. The restructuring plan, which has been updated several times, is based on the realization of the following measures primarily aimed at the long-term stabilization of the Company:

- Optimization of the cost of procurement, in particular the cost of natural gas,
- Refocusing production activities,
- Optimization of the working structure,
- Disinvesting or repurposing of non-operative and immovable property and
- Measures of refinancing of debt and recapitalization.

In addition to the restructuring measures implemented so far, in June 2017, the Company initiated the process of introducing strategic and financial investors into the ownership structure, which would recapitalize the Company and provide sufficient liquidity to finalize the restructuring process and stabilize the Company operations over a longer period of time.

The Company expects significant debt repayments in 2018, which it will not be able to service unless extensive restructuring of the Company business is carried out.

Within the above, the Company has also considered the restructuring model, which includes the increase of the share capital by the shares in the rights, i.e. by converting the claims of Republic of Croatia into the Company share capital, in accordance with the Companies Act. The Company Board believes that by implementing this model of increase in share capital, a number of positive effects would be achieved since the Company would be able to settle a part of the liabilities that the Company business is burdened with and would reduce the Company's expenses. By implementing the above mentioned procedure of increasing the share capital, the Company's debt would be reduced, the capital structure would be strengthened, the balance sheet indicators improved and in the event of the impossibility of servicing outstanding debt, adverse consequences would be significantly mitigated.

Consequently, the Company Board proposes to completely eliminate the pre-emptive right of the existing shareholders to subscribe for new shares because the increase in share capital is carried out as part of the restructuring of the Company business with the aim of reducing the Company indebtedness and expenses and creating conditions for continuous operations and further development of the Company.

In view of the stated business results of the Company, the indebtedness and inadequacy of the Company capital, the Company Board considers the price of HRK 10.00 per share equal to the nominal amount of the share and represents the lowest amount for which the shares can be issued in accordance with Art. 164, paragraph 2 of the Companies Act, appropriate. At the said share price, the Republic of Croatia will, for the entry of its HRK 450 million claims into the Company share capital acquire 45 million newly issued ordinary shares of the Company.

In Kutina, 29. May 2018

Report 2 of the Management Board on the reasons for excluding the shareholders' pre-emptive right to subscribe for new Company shares

The restructuring and recapitalization process of the Company is based on the following strategic assumptions:

- Modernization of production facilities with the aim of raising the level of energy and technological efficiency, as well as meeting the environmental requirements in accordance with EU regulations,
- Providing sources of financing permanent working capital,
- More active appearance and strategic positioning on the market of the Republic of Croatia and the region,
- Raising the level of efficiency of maintenance, logistical and other service processes in the Company that will achieve a positive financial result, stability and development of the Company.

In order to provide funds to achieve these strategic assumptions, improve the capital structure and financial indicators and successfully complete the entire restructuring process, which should contribute to achieving positive financial results of the Company in the future, faster business stabilization and further development, urgent completion of the Company recapitalization process is necessary by increasing its share capital by investing in cash by strategic and financial investors who would participate in recapitalization with significant funds.

In view of the required amount of recapitalization and the urgency of collecting fresh capital for stabilizing the Company operations, the Company Management Board proposes adopting a decision on the procedure of increasing the share capital by issuing new shares for which only those investors would subscribe who can invest a minimum of 10 (ten) million kuna. This also allows the issuance of ordinary shares with the use of the right of exception from the obligation to publish a prospectus regarding the public offer in accordance with Article 351, paragraph 1, item 3 of the current Capital Market Act, which would shorten the time needed to collect the necessary funds. Accordingly, the Board proposes adopting a decision on the procedure for increasing the share capital by issuing new shares with the full exclusion of the shareholders' pre-emptive right to subscribe for the new shares. If all shareholders were given the right to subscribe for new shares, such a procedure would be time-consuming and affect the inflow of the new capital, taking into account the statutory deadlines that must be respected in the right of pre-emption and the prospectus approval deadlines for a public offering. Therefore, the Board believes that the proposed use of exclusion of pre-emptive rights to shareholders in subscribing and payment would prevent a more demanding and long-lasting process of public offering, which could have a negative impact on the Company's business and financial position.

Successful and timely completion of the increase in share capital would create prerequisites and raise funds for the necessary investments and improve the liquidity of the Company. Success in the implementation of the increase in share capital would significantly improve key balance indices and create positive effects for continued operations of the Company and would enable the Company to open a new development cycle in which all its present potential could be used - from a favorable location, well-maintained production and logistics systems to expert labor force. Otherwise, the prolongation of the recapitalization process could have a negative impact on the financial position of the Company business and its competitiveness on the domestic and foreign markets and consequently also on the implementation of the Company business plans and on the financial performance of the recapitalization if it were to be postponed.

Taking into account all of the foregoing and considering the business results, indebtedness and inadequacy of the Company's capital, the new shares will be offered for sale at a price equal to the nominal amount of the share, i.e. HRK 10.00. An increase in the Company's registered capital will be effected by cash payment by issuing at least 40,000,000 (forty million) up to 45,000,000 (forty-five million) new ordinary shares for a nominal value of 10.00 kuna.

In Kutina, 29. May 2018