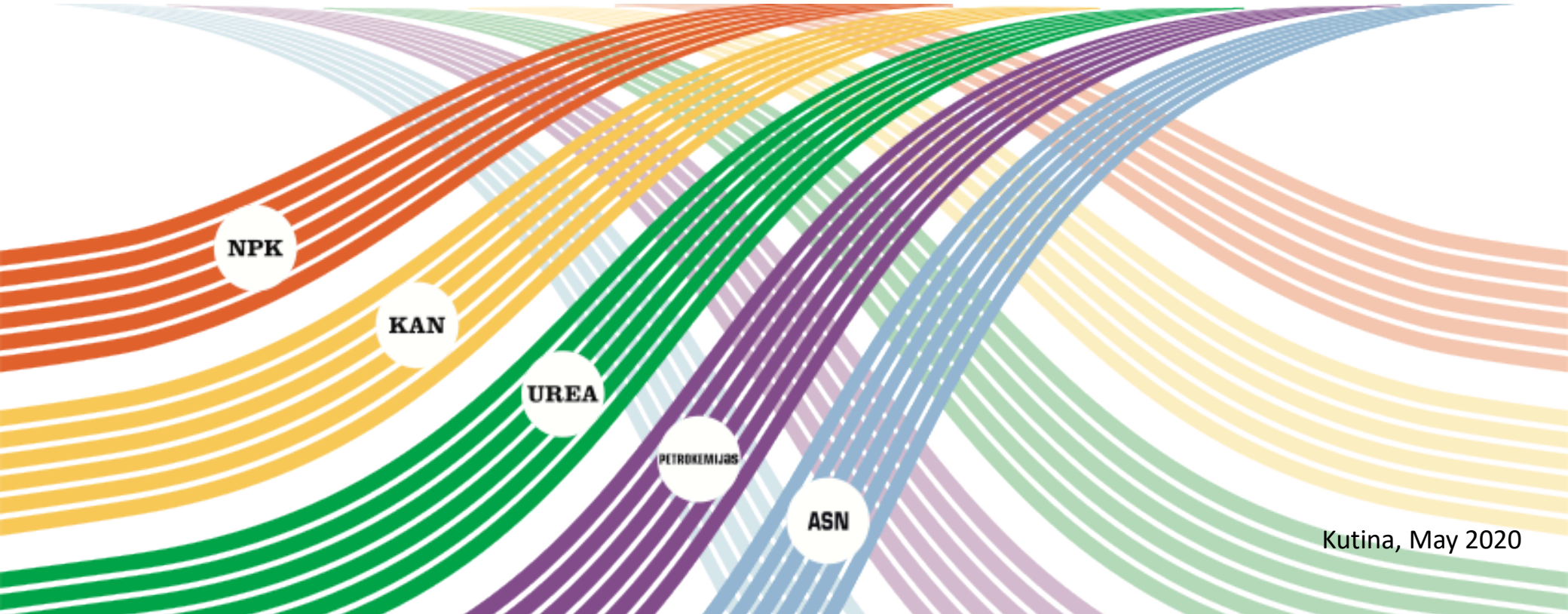
PETROKEMIJA
KUTINA

NON-FINANCIAL STATEMENT

PETROKEMIJA, PLC
PETROKEMIJA GROUP
FOR THE YEAR 2019



Kutina, May 2020

Opening words from the President of the Management Board, Davor Žmegač, MSc

In many ways, the past 2019 was a ground-breaking year for Petrokemija, Plc and Petrokemija Group. Admittedly, most of the strategic changes occurred in the financial aspect – Petrokemija, Plc reported one of the best results in its history, with a net profit of HRK 140 million compared to the loss of HRK 471 million reported in 2018. At the same time, the Company was undergoing the process of complete restructuring initiated in 2018, without shifting focus from sustainable development, human and labour rights, environmental protection or fight against corruption. Measures aimed at optimizing business operations and improving the market position of the Group, the implementation of which began as early as 2019, will continue to take into account the underlying values that the Company has so far applied in its business operations.

Corporate social responsibility incorporated in the daily business practice of Petrokemija, Plc and Petrokemija Group considers three pillars: environment, employees and the community in which the Company operates. A whole range of the Company's activities are aimed at improving technological and environmental efficiency, working conditions and quality of work. As a result, significant commitments and investments have been made.

As a responsible employer, the Company respects its employees, as well as the need for a more efficient organisation of all business processes. The Company has been systematically changing the organisational structure and culture, and optimizing the number of employees through a comprehensive severance pay program in constant and open communication with the social partners. Human resources are still considered to be the foundation of current business operation and future development and success. Some of the financial constraints that we overrode in the recapitalization and restructuring process in 2018 and 2019 had been preventing us from initiating more ambitious changes in the business model even earlier. Recruitment of young professionals, as well as continuous education and training, is seen as one of the key pillars of the development strategy that is being prepared for the next ten years.

Finally, I would like to express my belief that, given the continuous improvement of the Company's business model, in the future Petrokemija Plc and Petrokemija Group will continue with good business results in the interest of customers, investors, employees, suppliers, and the whole community.

Historical background

- Petrokemija, Plc represents an important part of the Croatian industrial tradition, especially in the segment of chemical industry, which commenced in Kutina with carbon black manufacturing in the 1930s and continued with lime manufacturing in the 1940s and the manufacturing of bentonite clay-based products in the 1950s. In the late 1960s, it turned the page with its new and most significant development towards mineral fertilizer manufacturing.
- Petrokemija, Plc was founded as a nitrogen fertilizer factory under construction, Kutina, in 1959 by the resolution passed by the Management Board of Kemijska industrija Zagreb.
- In 1964 the rights and obligations arising out the constituent instruments were transferred to the Municipal Assembly of Kutina, and in 1965 to INA – Industrija Nafte Zagreb (INA – Nitrogen Fertilizer Factory under construction). July 1965 marked the beginning of the construction.
- The new factory started operating in early 1968, and the first quantities of Urea, the first mineral fertilizer produced in Kutina, were obtained in the early morning hours of March 18, 1968.
- At the beginning of 1968, two of INA's plants were operating in Kutina: the Chemicals Factory (also known as Methane) and the Nitrogen Fertilizer Factory. **They were integrated into one company, called INA – Petrochemicals Factory, on June 1, 1968. That date was later declared INA – Petrokemija Day,** and the first ceremony to commemorate it was held in 1976.
- In 1972, with a total annual production of 657,850 tonnes, INA – Petrokemija became the largest mineral fertilizer manufacturer in the former Yugoslavia.
- The contract for the construction of Phase 2 of the mineral fertilizer factory in Kutina was signed in the summer of 1977, and the cornerstone was laid on June 1, 1978. In the following years, Kutina became a huge construction site, and the first facility, the new AN/KAN plant, started operating on October 28, 1982.
- By November 9, 1983, the whole complex of Phase 2 had been operational, and the opening ceremony was held on November 27, 1984.
- During the period of the so-called Phase 2, the total production capacity of the new fertilizer manufacturing plants was 1,256,000 tonnes. Together with the existing Phase 1 plants, the annual production capacity amounted to a total of 1,884,000 tonnes, accounting for about 42 percent of the total Yugoslavian capacities. At the beginning of 1985, the factory had 4,416 employees, its historical maximum.
- Over the last three decades, some plants have been closed and some have been renovated and modernized. As a result, in the reporting period, i.e. in 2019, the installed production capacity of mineral fertilizers was set at 1,280,000 tonnes.

Organisational profile

- Petrokemija, Plc is a company recognised in the wider region as an important mineral fertilizer manufacturer that has affected the development of agricultural production in the Republic of Croatia in the past decades and left a visible mark on the development of agriculture in the neighbouring countries and the region. The Company's production range includes other services and products that are of minor significance for the overall business. Nevertheless, in the course of their development and improvement, these services and products have been part of certain phases of business cycles, affecting the level of employment, efficiency, and social awareness in terms of recruitment of employees with reduced working capacities or simply contributing to the Company's business results in terms of revenues and fulfilment of customers' needs in the market.
- The mineral fertilizer factory manufactures mineral fertilizers using natural minerals, natural gas, atmospheric nitrogen and oxygen. The annual capacity is approximately 1.3 million tonnes, depending on the structure of the product assortment and the implementation of the overall two-year plant overhaul.
- Certificates, as well as the satisfaction of customers and users of products, demonstrate compliance with the quality standards. For many years, the Company has been building management systems according to the requirements of international standards, such as ISO 9001 for quality management, ISO 14001 for environmental management, ISO 50001 for energy management, ISO 17025 for the competence of testing and calibration laboratories, and Product Stewardship standards for product management.

Products and services

- Product assortment of Petrokemija, Plc includes several types of products and services.
- In addition to granular and prilled mineral fertilizers as the backbone of the product range driving the Company's business performance, there are also by-products and services – Fertina liquid mineral fertilizers, Florin mineral fertilizers in small packaging, foundry and construction products, animal feed additives, and pet litter. This year, the Company has launched two new products onto the market - Petroblue and Ammonia Water. The production of pallets and clay has been outsourced to start-ups.
- Quality Control testing laboratories provide external clients with testing services for mineral fertilizers and technical chemicals, natural gas, waste, surface water, groundwater, wastewater and waste eluates, waste gas, ambient air, and soil, as well as sampling services for mineral fertilizers and waste materials, in accordance with accreditation certificate No. 1199 of April 2019.
- The Maintenance Unit provides external clients with mechanical, construction, electrical, metering, technical and regulatory services, as well as engineering and technological project services.

MINERAL FERTILIZERS

- Petrokemija, Plc manufactures mineral fertilizers using natural minerals, natural gas, atmospheric nitrogen and oxygen. Simple and complex nitrogen (N) fertilizers, nitrogen – sulphur (NS) fertilizers, nitrogen – phosphorous (NP) fertilizers and nitrogen – phosphorous – potassium (NPK) fertilizers are produced from these raw materials, by applying appropriate technological procedures.
- A common feature of all mineral fertilizers is the uniformity of granules, high content of nutrients, and high water solubility, with each granule having all physio-chemical characteristics precisely in compliance with the quality specification prescribed by EU regulations.

QUALITY, ENVIRONMENT, ENERGY, AND SUSTAINABLE DEVELOPMENT POLICY

Petrokemija, Plc manufactures mineral fertilizers, ammonia, inorganic acids and bentonite clay-based products, and offers services in the field of development, designing, supervision, maintenance, calibration, testing, quality control and consulting.
Its business operations are based on high ethical and business standards, social responsibility and orientation towards sustainable development, as well as on certified and accredited management systems compliant with the requirements of the ISO 9001, ISO 14001, ISO 50001 and HRN EN ISO/IEC 17025 standards, and the fertilizer product management standards of Fertilizers Europe.

Its objective is:

CUSTOMER SATISFACTION ACHIEVED BY HIGH-QUALITY PRODUCTS AND SERVICES WITH MINIMUM ENVIRONMENTAL IMPACT, TAKING INTO ACCOUNT THE ENERGY EFFICIENCY OF ITS PROCESSES

As a result of product management, the company continually improves the quality of all processes, products and services, cares for a healthy and safe environment, and prevents environmental pollution throughout the product lifecycle. As part of its continuous improvement, the company enhances energy efficiency of its manufacturing processes. Energy efficiency is taken into consideration when purchasing new equipment or reconstructing and establishing new processes. Improvements are achieved by setting, implementing and achieving goals, as well as by monitoring, measuring and evaluating the systems.
The company uses all available resources rationally and responsibly, reduces the impact on climate change and manages waste in a sustainable manner by improving technology and business processes to ensure its competitiveness and stable long-term growth, as well as to be recognised and accepted as a responsible member of the community.
The company operates in compliance with the regulations and standards of the Republic of Croatia and of its export markets. It builds trust and good partnerships through transparent business operation and business ethics, as well as through appropriate communication with employees, shareholders, customers and suppliers, business partners and the community.
Compliance with the high standards of quality, health, environment and safety is expected from anyone who is part of the product lifecycle. This ensures safe handling, storage, production, distribution and use of the company's products, as well as of purchased raw materials and additives. The company continually analyses and improves its processes and products, at the same time taking into account the risks that arise during these processes and the whole product lifecycle.
The company allows for the new values to emerge through constant learning, professional training, and the use and testing of the acquired knowledge and skills. It promotes energy efficiency among its employees. It educates end users about the importance of proper fertilization in accordance with the good agricultural practice.
All stakeholders are acquainted with the company's business commitment so as to be able to contribute themselves to the conservation of natural resources for future generations.
Finally, the company's business operation contributes to the development of the society and improvement of human lifestyle, supports the community and preserves the environment, thus participating in the sustainable development of the Republic of Croatia.

Davor Žmegač, MSc
President of the Management Board

Production program and plants of Petrokemija, Plc

- Mineral fertilizer manufacturing takes place on a series of interconnected plants whose basic characteristics are described below.
- **The ammonia manufacturing plant (Ammonia-2)** with a production capacity of 1,360 t/day was designed by PULLMAN KELLOG Ltd. The process is developed according to the original KELLOG method (today known as Kellogg, Braun & Root, USA) that is based on steam reforming of natural gas at high pressure. The plant was commissioned in 1983 when the first quantities of ammonia were manufactured. Raw materials used to manufacture ammonia include natural gas as the main energy source, steam, and air. Water treated in accordance with the process requirements is used as an auxiliary medium.
- **UREA MANUFACTURING PLANT -** Urea-2 Plant with a production capacity of 1,500 t/day started operating in 1983. The technological process of urea manufacturing is based on the technology licensed by STAMICARBON which uses CO2 stripping process. The main raw materials are liquid ammonia and gaseous carbon dioxide. A new product under the commercial designation Petroblue, which is known to the public as the Ad Blue registered trademark, was developed in this plant using proprietary industry knowledge.
- **KAN MANUFACTURING PLANTS -** There are two KAN manufacturing plants in Petrokemija:
  - **KAN-1 PLANT -** KAN Plant was commissioned in 1968. The initial technology was based on the production of prilled KAN, with a daily capacity of 578 tonnes of KAN containing 27% N. It was designed by KALTENBACH-THURING. This plant was modified in 1998 for the production of granular KAN using the technology licensed by the same company, with a daily capacity of 578 tonnes of KAN containing 27% N or 450 tonnes of Ammonium Nitrate (AN) containing 33.5% N.
  - **AN/KAN-2 PLANT -** AN/KAN-2 Manufacturing Plant was designed by KALTENBACH-THURING. It has a daily production capacity of 500 tonnes of pure Ammonium Nitrate (AN) in the form of the following alternative products: KAN containing 27% N, AN containing 33.5% N, AN containing 34.8% N – technical, AN containing 34.8% N – porous with a 6% or 12% oil absorption and 95% AN melt. The following liquid products can be manufactured in a separate part of the plant: Barrett solution containing 40% N, the solution of urea and ammonium nitrate (UAN) containing 30% N and Ammonia Water containing 25% NH3.

NPK FERTILIZER MANUFACTURING PLANTS:

- **NPK-1 PLANT -** NPK-1 Plant began operating in 1968. It was designed for the production of 1,350 tonnes of NPK 13-10-12 per day or 445,500 tonnes per year, in accordance with the procedure developed by P.E.C. (Potasse et Engrais Chimique) from France. The plant can produce a large number of different grades of NPK complex mineral fertilizers with nutrient ratios ranging from 1:2:3 and 1:1:1 to 2:1:1. The daily production capacity is 1,350 tonnes of the 15-15-15 grade with the addition of 3% sulphur, which is now the product with the highest production rate.
- **MAP/NPK-2 PLANT -** It was designed by FISONS Ltd. The plant was commissioned in 1983. Its daily production capacity is 1,320 tonnes (manufactured using the slurry of monoammonium phosphate (MAP)) and 1,200 tonnes (using tubular T-reactor) of NPK complex mineral fertilizer, 600 tonnes of NPK, PK and NP mixed mineral fertilizers, and 1,050 tonnes of monoammonium phosphate (MAP). Since 2014, NPK complex mineral fertilizers have not been manufactured in the plant as the focus has shifted on the production of two new granular products developed in the plant using propriety industry knowledge - PetrokemijAS (containing 20.5% N and 24% S) and Ammonium Sulphur Nitrate (ASN, containing 26% N and 15% S). In the reporting period, these two product showed good results in both domestic and foreign markets.

Production program and plants of Petrokemija, Plc (continued)

- **NITRIC ACID MANUFACTURING PLANTS -** There are two nitric acid manufacturing plants in Petrokemija. One, which has been operational since 1968, is within the complex of Phase 1 and has a capacity of 405 tonnes twice per day. The other, which has been operating since 1982, is within Phase 2 and has a capacity of 450 tonnes of nitric acid per day. Both of the plants were designed by GRANDE PAROISSE from Paris, France. Despite the minor technological differences between them, the plants are very similar as they use the same dual pressure process for the production of concentrated nitric acid of high purity (60%).

- **SULPHURIC ACID MANUFACTURING PLANT -** The sulphuric acid manufacturing plant in Petrokemija Kutina was designed by CHEMIEBAU BAYER. The plant has been in operation since 1983. Its nominal daily capacity is 1,500 tonnes of concentrated sulphuric acid (98.4%) of high purity. Most of the manufactured acid was used (in accordance with the project design) for the production of phosphoric acid, that is, for the production of the phosphorous component of mineral fertilizers. In the reporting period, i.e. in 2019, most of the acid was used for the production of PetrokemijAS and ASN, as well as for the improvement of physical properties of NPK and KAN mineral fertilizers. Apart from that, the acid was sold as a final product on the market, and a smaller part of it was used in water treatment. The production rate is aligned with the balance between the internal consumption and the possibilities of storage and supply of raw materials.

- **PHOSPHORIC ACID MANUFACTURING PLANT –** Petrokemija Plc has opted for FISONS dihydrate process for the production of phosphoric acid. The plant has a capacity to produce 500 tonnes of P2O5 weak acid per day, 550 tonnes of P2O5 strong acid per day and 17 tonnes of H2SiF6 per day. Since 2009, including the reporting period, the plant has been at a standstill.

Production program and plants of Petrokemija, Plc (continued)

- **PRODUCTION AND SUPPLY OF ELECTRICAL AND THERMAL ENERGY -** The mineral fertilizer factory was commissioned shortly after its construction, today known as Phase 1, which began in the early sixties. At that time, the energy system was limited to the production of thermal energy used to supply the plant. On the other hand, electrical energy was supplied from the foreign market. The system comprised four steam generators with a total capacity of 30 tonnes of 12 bar steam per hour. An energy system was built in the Phase 2 complex. In addition to thermal energy, it also produced electrical energy in the amounts sufficient to supply all plants within the mineral fertilizer factory. The energy system comprised three steam generators with a total capacity of 360 tonnes of water vapour per hour and a turbo generator set with a capacity of 35 MW. This energy system still exists today, but with a series of minor modifications and innovations made on the basis of experience in use, with the aim of either reducing production costs or facilitating production. In addition to the steam generators, including all the common fittings and equipment, which form part of the Energy Plant, the energy system also includes plants for water preparation, treatment and distribution (systems for the preparation of cooling water, demineralized water, potable water and condensate, and raw water storage system), electrical energy transmission and distribution system, natural gas transport and preparation system, air compressor system, and auxiliary power plants and installations.

- **WATER PROCESSING AND TREATMENT-** Raw water supplied from Ilova Reservoir is used for the production of potable water at a capacity of 120 m3/hour and of decarbonized water at a capacity of 960 m3/hour. Decarbonized water is used for the production of demineralized water at a capacity of 65 m3/hour, refilling of the cooling system and for the process plants. Demineralized water is used to supply steam boilers and it is also the process water for the plants. The cooling system is an open recirculation system with a capacity of 4,000 m3/hour and it is used to cool process flows within the manufacturing plants. Raw water for the production of decarbonized water at a capacity of 1,620 m3/hour is supplied from Pakra Reservoir. Decarbonized water is used for the process plants, ionic decarbonization process, for the refilling of the cooling pond, and for the production of demineralized water at a capacity of 280 m3/hour. Demineralized water is used to supply steam boilers and it is also the process water for the manufacturing plants. The cooling system is an open recirculation system with a capacity of 33,000 m3/hour and it is used to cool process flows within the manufacturing plants. The wastewater treatment plant with a capacity of 285 m3/hour treats wastewater from the mineral fertilizer factory. The treated wastewater is used to refill the cooling pond, whereas the generated 50% ammonium nitrate is reused in the production of NPK and/or KAN mineral fertilizers.

Production program and plants of Petrokemija, Plc (continued)

- **THE MANUFACTURE OF CARBON BLACK** has been hindered since 2009 for commercial reasons. Despite being the Company's longest running production program that demonstrated its worth through the sale of carbon black to the most renowned enterprises in the rubber industry worldwide, as well as through the sale of its own technology, it could not conform to today's energy and production efficiency standards.

- **THE MANUFACTURE OF CLAY** is a separate production program with a wide range of bentonite clay-based products - from bentonite for oil drilling, foundry industry, and protein and mineral feed additives to eco-friendly Felina pet litter. On 1 November 2019, the manufacture of clay was outsourced to a separate company, Tvornica gline Kutina d.o.o.

- **OTHER PRODUCTS** – Petrokemija also sells a part of the produced basic chemicals, intermediates in the mineral fertilizer production process - ammonia, nitric and sulphuric acid, ammonia solutions, as well as Petroblue, a diesel fuel additive. Florin mineral fertilizers in small packaging for households account for a part of the by-product program. In the segment of the so-called low-tonnage chemistry, it also offers a range of Fertina products which are liquid mineral fertilizers with different nutrient composition used for various purposes, from fertilization of arable crops and lawns to fertilization of various types of fruit and grape vines.

- **MAINTENANCE** - The Maintenance Unit provides external clients with the mechanical, construction, electrical, metering, technical and regulatory services, as well as engineering and technological project services.

- **QUALITY CONTROL** – integrates the following expert activities: quality control of input, process and output media and products, development, improvement, maintenance and implementation of the Quality Control testing laboratories management system.

- **QUALITY, HEALTH, SAFETY AND ENVIRONMENT** – conducts activities for the development, improvement, maintenance and implementation of (quality, environment, product, safety) management systems, including the activities related to environmental protection, handling of chemicals, and occupational health and safety.

- **PALLET PRODUCTION -** Wooden pallets in various sizes used for internal purposes of mineral fertilizer packaging are produced within the organisational unit of Pallet Production. On 1 November 2019, pallet production was outsourced to a separate company called Tvornica paleta Kutina d.o.o.

- **RESTAURANT -** Hot meals for Petrokemija Plc employees and independent contractors hired to carry out operations at the factory site are prepared within the organisational unit of Restaurant. Petrokemija Restaurant offers catering services to external users as well.

Core values

- The objective of Petrokemija, Plc is complete customer satisfaction achieved by high-quality products and services with minimum environmental impact.
- **MISSION**
  - The Company’s mission is to meet agricultural producers’ needs and expectations by providing high-quality mineral fertilizers, partnership and unswerving customer loyalty.
  - It is the leader in the mineral fertilizer market in Croatia and an important competitor in the regional market.
  - It uses all available resources rationally and responsibly, reduces the impact on climate change, and improves technology and business processes to ensure competitiveness and a stable long-term growth.
  - It cares for a healthy and safe environment, and prevents environmental pollution throughout the product lifecycle.
  - It builds trust and good partnerships through transparent business operation and business ethics, as well as through appropriate communication with customers, shareholders, employees, suppliers, and the community.
  - Employees are the foundation of the Company's success and a prerequisite for its future. The Company allows for the new values to emerge through a positive work environment and constant learning.
  - The Company’s business operation contributes to the development of the society, supports the community and preserves the environment, thus contributing to the sustainable development of the Republic of Croatia.
- **VISION**
  - To be a regional leader in the mineral fertilizer market that will provide customers with the best value for money while operating on the basis of the principles of sustainable development.
- **CORE VALUES**
  - complete customer satisfaction achieved by high-quality products and services
  - increase in the value of shareholders' assets
  - sales growth in the regional market to the extent of full capacity utilization
  - modernisation aimed at cutting costs and humanising labour
  - environmental protection in accordance with the Croatian and EU standards
  - stimulation for employees to be creative in accomplishing their goals

Location of Petrokemija

- Petrokemija, Plc is located in Kutina
- As at December 31, 2018, Petrokemija Group comprised Petrokemija, Plc as the parent company and the following subsidiaries:

- **Petrokemija d.o.o., Novi Sad, in liquidation**
- **Luka Šibenik d.o.o., Šibenik**
- **Tvornica gline Kutina d.o.o., Kutina**
- **Tvornica paleta Kutina d.o.o., Gojlo.**

- Petrokemija Group boasts great transport links:
  - Railway transport
  - Motorway
  - Access to ports

PETROKEMIJA d.d.
Aleja Vukovar 4
44320 Kutina
www.petrokemija.hr

TVORNICA GLINE KUTINA d.o.o.
Sisačka ulica 24
44320 Kutina

TVORNICA PALETA KUTINA d.o.o.
Gojilac 1, Gojlo
44320 Kutina
www.tvornica-paleta.hr

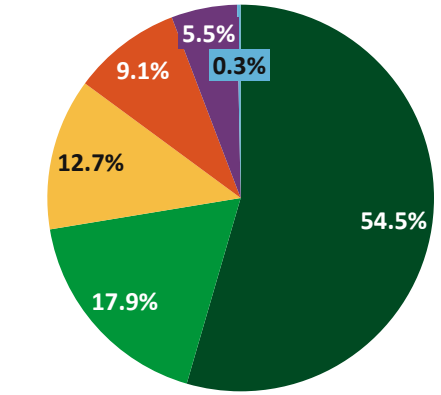
PETROKEMIJA NOVI SAD, in liquidation
Company for trade and services, export-import
Ilije Ognjanovića 28
21000 Novi Sad, Serbia

LUKA ŠIBENIK
for cargo transshipment
Obala hrvatske mornarice 4
22000 Šibenik
www.lukasibenik.hr

Ownership structure and legal form

- A joint-stock company named *INA - Petrokemija, a joint-stock company for the manufacture and sale of carbon black, bentonite clays and mineral fertilizers* was registered in the court register on March 1, 1991.
- The company was operating under the name Petrokemija d.o.o. from December 18, 1996 until June 23, 1998 when it was transformed from a limited liability company into a joint-stock company under the Decision of the Annual General Meeting.
- Legal form of the Issuer: joint-stock company
- Legislation according to which the Issuer operates: legislation of the Republic of Croatia
- Ownership structure of the ten largest shareholders is provided for in this Report as of December 31, 2019

No.	Account owner (holder) / Custodian (holder) of securities	Percentage of shares (%)
1.	TERRA MINERALNA GNOJIVA D.O.O.	54.5170
2.	CENTRE FOR RESTRUCTURING AND SALES / THE REPUBLIC OF CROATIA	17.9049
3.	HPB D.D. / FUND FOR FINANCING THE DECOMMISSIONING OF THE KRŠKO NUCLEAR POWER PLANT – Custodial account	12.7326
4.	JANAF DD	9.0862
5.	PRIVREDNA BANKA ZAGREB D.D. – Custodial account	5.4525
6.	ĆORIĆ BOŽO	0.0080
7.	PAVELIĆ IVAN	0.0060
8.	RIBIČIĆ JASNA	0.0058
9.	PT DRVO D.O.O.	0.0055
10.	BARETIĆ BOJAN	0.0054



TERRA MINERALNA GNOJIVA D.O.O.
CENTRE FOR RESTRUCTURING AND SALES / THE REPUBLIC OF CRO
HPB DD / Fund for Financing the Decommissioning of the Krško Nu
JANAF DD
PBZ CUSTODIAL ACCOUNT
OTHER INVESTORS

Data downloaded from www.skdd.hr, as of December 31, 2019

Sales of products

- In more than 50 years of the existence of the factory in Kutina, Petrokemija, Plc has manufactured and sold more than 50 million tonnes of mineral fertilizers worldwide.
- Petrokemija sells its products in both domestic and regional (neighbouring countries) market, including the so-called spot market. For some time now, it has been faced with competition in the open market.
- The position of Petrokemija Plc on the Croatian market is stable, but under increasing pressure from domestic competition from the EU, as well as from manufacturers from eastern countries. In the Croatian market, Petrokemija, Plc has a market share of 70% - 80% of the total market demand. Until 2010, Petrokemija, Plc was the only manufacturer of mineral fertilizers in the Republic of Croatia, but in 2011 a new manufacturer of compacted fertilizers, Adriatica Dunav d.o.o. from Vukovar, entered the Croatian market.
- In addition to the Croatian market, closer region for Petrokemija includes the markets of Slovenia and Bosnia and Herzegovina, where Petrokemija's fertilizers account for a significant share in the total consumption of fertilizers (according to estimates, about 55% in Slovenia and about 45% in Bosnia and Herzegovina).
- In terms of significance, other markets in the region include Hungary, Austria, Italy, Serbia, Kosovo, Montenegro and Macedonia, where some markets are traditional, such as the Italian market, while others are becoming increasingly important due to their proximity and great potential for growth in agricultural production and fertilizer consumption. Other markets in the wider region include: Bulgaria, Romania, Germany, Turkey, Greece and Albania.
- Throughout its long history, Petrokemija, Plc has also been a verified partner of industrial users.
- Fuller capacity utilization entails significant sales volumes that have also been achieved in the markets of outermost regions, taking into account the limiting level of transport costs and, thus, lower profitability of sales in remote markets.

Policies and certificates

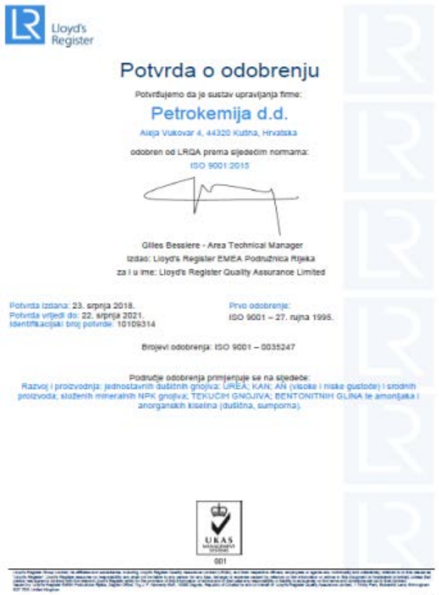
- Business operation of Petrokemija, Plc is based on high ethical and business standards, social responsibility, orientation towards sustainable development, as well as on certified and accredited management systems compliant with the requirements of the following standards: ISO 9001:2015, ISO 14001:2015, ISO 50001:2011, HRN EN ISO/IEC 17025:2017, and ISO 22241 certificate for VDA Adblue. The safety management system, in compliance with the OHSAS 18001 standard, has been implemented, but not yet certified as it is going to be certified according to the ISO 45001 standard.

Documents:

Document name
Quality, Environment and Sustainable Development Policy
Safety Policy
Major Accident Prevention Policy
Product Management System
Certification to the ISO 9001 Standard
Certification to the ISO 14001 Standard
Certification to the ISO 50001 Standard
AEOC - Status of Authorised Economic Operator

www.petrokemija.hr

Certificates


Lloyd's Register

Potvrda o odobrenju

Potvrđujemo da je sustav upravljanja firme:

Petrokemija d.d.

Aleja Vukovar 4, 44320 Kutina, Hrvatska

odobren od LRQA prema sljedećim normama:

ISO 9001:2015

Gilles Bessiere - Area Technical Manager

Izdao: Lloyd's Register EMEA Podružnica Rijeka

za i u ime: Lloyd's Register Quality Assurance Limited

Potvrda izdana: 23. srpnja 2018.
Potvrda vrijedi do: 22. srpnja 2021.
Identifikacijski broj potvrde: 10109314

Prvo odobrenje:
ISO 9001 – 27. rujna 1995.

Brojevi odobrenja: ISO 9001 – 0035247

Područje odobrenja primjenjuje se na sljedeće:
Razvoj i proizvodnja: jednostavnih dušičnih gnojiva: UREA, KAN, AN (visoke i niske gustoće) i srodnih proizvoda; složenih mineralnih NPK gnojiva; TEKUĆIH GNOJIVA; BENTONITNIH GLINA te amonijaka i anorganskih kiselina (dušična, sumporna).


Lloyd's Register

Potvrda o odobrenju

Potvrđujemo da je sustav upravljanja firme:

Petrokemija d.d.

Aleja Vukovar 4, 44320 Kutina, Hrvatska

odobren od LRQA prema sljedećim normama:

ISO 14001:2015

Gilles Bessiere - Area Technical Manager

Izdao: Lloyd's Register EMEA Podružnica Rijeka

za i u ime: Lloyd's Register Quality Assurance Limited

Potvrda izdana: 23. srpnja 2018.
Potvrda vrijedi do: 22. srpnja 2021.
Identifikacijski broj potvrde: 10109316

Prvo odobrenje:
ISO 14001 – 9. siječnja 2004.

Brojevi odobrenja: ISO 14001 – 0035246

Područje odobrenja primjenjuje se na sljedeće:
Razvoj i proizvodnja: jednostavnih dušičnih gnojiva: UREA, KAN, AN (visoke i niske gustoće) i srodnih proizvoda; složenih mineralnih NPK gnojiva; TEKUĆIH GNOJIVA; BENTONITNIH GLINA te amonijaka i anorganskih kiselina (dušična, sumporna).


Lloyd's Register

Potvrda o odobrenju

Potvrđujemo da je sustav upravljanja firme:

Petrokemija d.d.

Aleja Vukovar 4, 44320 Kutina, Hrvatska

odobren od LRQA prema sljedećim normama:

ISO 50001:2011

Gilles Bessiere - Area Technical Manager

Izdao: Lloyd's Register EMEA Podružnica Rijeka

za i u ime: Lloyd's Register Quality Assurance Limited

Potvrda izdana: 22. prosinca 2018.
Potvrda vrijedi do: 21. prosinca 2021.
Identifikacijski broj potvrde: 10170572

Prvo odobrenje:
ISO 50001 – 22. prosinca 2015.

Brojevi odobrenja: ISO 50001 – 0035095

Područje odobrenja primjenjuje se na sljedeće:
Razvoj i proizvodnja: jednostavnih dušičnih gnojiva: UREA, KAN, AN (visoke i niske gustoće) i srodnih proizvoda; složenih mineralnih NPK gnojiva; tekućih gnojiva; bentonitnih glina te amonijaka i anorganskih kiselina (dušična, sumporna).


DNV·GL

fertilizers europe

MANAGEMENT SYSTEM CERTIFICATE

This is to certify that the management system of

PETROKEMIJA plc.
Fertilizer Company
Aleja Vukovar 4, 44320 Kutina, Croatia

has been found to conform to:

Product Stewardship
in Fertilizer Companies
Issue 8 (October 2016)

Design and manufacture of straight nitrogenous fertilizers (UREA, CAN, AN, AS and ASN), compound fertilizers (NP, PK, NPK) including straight and compound fluid fertilizers and produced/used intermediates (ammonia, nitric acid and sulphuric acid).

Antwerp, 12 June 2017


Certificate

VDA QMC certifies that the organization

Petrokemija, Plc
Fertilizer Co.
Aleja Vukovar 4
HR-44320 Kutina
Croatia

The verification has been realized by a certification audit.

Date of certification:
May 03, 2017

Number of certificate:
0003312

Valid until:
May 02, 2020

has established and applies a Management system according VDA guideline

Minimum requirements on Management Systems in AdBlue® production and distribution chain

VDA QMC

Heinz Günter Plegniere
Managing Director


Potvrda o akreditaciji
Accreditation Certificate

HAA


Potvrda o akreditaciji
Accreditation Certificate

HAA


Potvrda o akreditaciji
Accreditation Certificate

HAA

Social responsibility

- Petrokemija, Plc participates daily in activities aimed at raising living standards and urban culture in general.
- Issues arising from or in relation to employment and the Company's employees or their rights and obligations are regulated by the Collective Agreement.
- The Company runs processes economically and uses all resources rationally. Environmental protection is embedded in its corporate policy. Respect for human rights as an integral part of social responsibility is integrated in the Company's principles and practice.

EMPLOYEES

- Employees' knowledge, skills and abilities are the greatest value of Petrokemija, Plc. The Company's success is built on their hard work, expertise and motivation.
- Human rights are respected and protected throughout the Company's operation abiding by high ethical principles and standards of business conduct - the Code of Business Conduct.
- The Company provides equal opportunities and working conditions to all of its employees.
- The Company has zero tolerance for discrimination.
- The Company cares about employees' satisfaction and provides a work environment and conditions in which every employee has the opportunity for personal and professional development. It allows for the new values to emerge through constant learning.
- The Company respects its employees' right to freedom of association and collective bargaining.

Glasnik

Information about employees

- During the reporting period, 423 employees had their employment terminated and 88 employees were employed.
- As of December 31, 2019 Petrokemija, Plc had 1262 employees. Out of the total number of employees, 170 are employees with college or university degrees.
- The average age of Petrokemija, Plc employees in 2019 was 47.
- The gender structure of Petrokemija, Plc employees is predominantly male (84.47%).
- As regards the type of employment, employees on permanent employment contracts predominate (96.99%).
- All of the employees are employed full-time, i.e. 40 hours per week.

Number of employees with respect to the type of contract and gender:

December 31, 2018:

Gender	Permanent employment	Temporary employment	Total
M	1293	48	1341
F	245	11	256
Total	1538	59	1597

December 31, 2019:

Gender	Permanent employment	Temporary employment	Total
M	1038	28	1066
F	186	10	196
Total	1224	38	1262

Sustainable agriculture – our future

- We educate end consumers and continuously conduct demonstration, varietal cultivation and exact tests with the aim of informing consumers of fertilizers of the importance of proper fertilization based on chemical soil analysis, in accordance with good agricultural practice.
- The Company holds expert lectures on fertilization of various crops in the territory of Croatia, Slovenia, Bosnia and Herzegovina, and Serbia.
- The Company makes recommendations for fertilization based on chemical soil analysis, and responds to enquiries concerning the fertilization of various crops, which can be made by calling toll-free number 0800 647 647.
- For tips on the use of the fertilizers, please refer to the Company's website www.petrokemija.hr or read the Company's brochures published in Croatian and Slovenian. Enquiries concerning this topic can also be made by e-mail at primjena@petrokemija.hr.
- A number of useful information for farmers is available on ePetrokemija, a digital platform where it is possible to calculate the required quantities of mineral fertilizers to be used in a particular crop production, and thus optimize the use of mineral fertilizers so as to ultimately get as favourable cost-benefit ratio as possible.
- The Company contributes to the preservation of the economic position of domestic agriculture, railway, road transport operators, ports and various other service and production activities.
- It meets about 70-80% of the Croatian market's demand for mineral fertilizers.

Anti-corruption

- **THE CODE OF BUSINESS CONDUCT OF PETROKEMIJA, PLC** - pursuant to Article 13 of the Articles of Association of Petrokemija, Plc, the Company's Management Board adopted the Code of Business Conduct of Petrokemija, Plc.
- It is available on Petrokemija, Plc website https://petrokemija.hr/Portals/0/AKP/KodeksPoslovnogPonasanja.pdf
- **IRREGULARITY OFFICER**- pursuant to Article 13 of the Articles of Association of Petrokemija, Plc and Article 18, paragraph 1 of the Whistleblower Protection Act (Official Gazette No. 17/19), the Company's Management Board enacted the Regulation on the Procedure for Internal Reporting of Irregularities and Appointment of Reporting Officer.
- Pursuant to Article 13 of the Articles of Association of Petrokemija, Plc and Article 7, paragraph 2 of the Regulation on the Procedure for Internal Reporting of Irregularities and Appointment of Reporting Officer, the Company's Management Board made a Decision on the Appointment of an Internal Irregularity Reporting Officer.
- A whistleblower may file a complaint:

  a) in writing - by mail to the following address: Petrokemija, Plc, Aleja Vukovar 4, 44320 Kutina, or direct submission to the mailroom, indicating the following: "to the Irregularity Officer - do not open",

  b) by e-mailing to the e-mail address: nepravilnosti@petrokemija.hr

  c) by making a statement on the record,

  d) by calling the telephone number: 044 / 647-180

The organisational chart of Petrokemija, Plc and Petrokemija Group

Number of employees as at December 31, 2019

Petrokemija Plc in total as at December 31, 2019	1,262
Petrokemija Group in total as ar December 31, 2019	1,432

*All employees in the organisational units of Corporate Functions, Finance and Controlling, Procurement, Sales, and IT are reported under the Joint Operations.
**Subsidiaries that are 100% owned by Petrokemija Plc
***Luka Šibenik, which is 79.7% owned by Petrokemija Plc

Supply Chain

Procurement market risk:

- The procurement of raw materials and supplies used in the production processes of Petrokemija (MAP, DAP, KCL, phosphate rock, amine oils, steels, sheet metals, special materials) is a relatively long process that entails purchase of relatively large quantities, e.g. one ship unit (raw materials for fertilizer production). It is subject to changes in world market prices, and delivery times have a significant impact on the production and maintenance process of manufacturing plants. Raw material prices fluctuate between 10% and 15% throughout the year, depending on the season. In fact, the year 2019 saw significant price fluctuations (the price of MAP dropped by more than 30%). Petrokemija tries to protect itself from such risks by monitoring trends, conducting analyses and making projections of market trends in the raw material industry, as well as by negotiating sufficient quantities in a favourable period, in accordance with the analysis and estimations of the Optimization and Planning Department.

Supply chain:

- Petrokemija's suppliers of goods and services are mostly direct manufacturers as such cooperation helps minimise the final cost in the procurement of raw materials and supplies.
- Due to the need for a variety of goods and services, Petrokemija, Plc has several hundred suppliers. Some of them are regular suppliers representing a significant percentage of goods and services ordered and others are occasional suppliers representing a smaller percentage of goods and services ordered (plant overhaul, etc.).
- In the supply chain itself, there are no more than 2 - 3 suppliers between the manufacturer and the end user (manufacturer – transport operator - end user, or manufacturer - dealer/distributor - transport operator - end user).
- The largest number of suppliers are from the domestic market, either Croatian companies or representatives of foreign companies based in Croatia, accounting for about 30% of the total purchases. Foreign suppliers of goods and services from abroad include suppliers from the EU, the USA, the UK, Russia, Belarus, Africa, India, Bosnia and Herzegovina, and Serbia, accounting for about 70% of the total purchases.
- The total annual purchasing spend in relation to all suppliers based on contracts or purchase orders is HRK 400 - 600 million (depending on whether an overhaul of manufacturing plants has been planned in the current year).
- The supply chain itself is not very intensive in terms of labour force, as the goods and materials purchased are supplied in packages on pallets and unloaded mechanically, and the bulk goods are unloaded and transported via Petrokemija's transport systems with optimal labour force engagement.

Petrokemija, Plc's membership

Petrokemija, Plc and its individual employees are members of numerous domestic or international associations that are either directly or indirectly related to the activities of the Company and Petrokemija Group:

- International Fertilizer Association (IFA),
- Fertilizers Europe,
- Croatian Chamber of Economy (HGK),
- Croatian Employers' Association (HUP),
- Croatian Standards Institute,
- Croatian Air Pollution Prevention Association,
- Croatian Metrology Society,
- Croatian Society of Soil Science,
- Croatian Society for Quality,
- Croatian Public Relations Association,
- Croatian Association of Corporate Treasurers,
- Electrotechnical Society,
- Croatian Maintenance Society,
- Croatian Oracle User Group,
- ICV- Controlling,
- Croatian Institute of Internal Auditors,
- Croatian Laboratories Association - Crolab,
- Croatian Chamber of Mechanical Engineers,
- Croatian Chamber of Electrical Engineers,
- Croatian Chamber of Civil Engineers.

Key risks, opportunities and impacts

- Management is carefully monitoring the development of the situation related to COVID 19 and continuously working on assessing the effects of the pandemic on the Company's operations. Relevant recommendations of the Croatian National Institute of Public Health have been implemented to preserve the health and safety of the Company’s employees.

- Demand for mineral fertilizers is in line with the initial plan. The lower-than-expected market price of the primary input, natural gas, is similar to the reduced price of CO2 allowances at the EEX. All these factors, combined with mineral fertilizer prices which are relatively constant due to the expected inflexibility of food consumption and agricultural production, suggest that the Company may be able to improve liquidity and stabilize its financial position. The main risk arising out of the COVID 19 pandemic relates to the potential destabilization of fertilizer distribution to customers, given the quarantine provisions and general disruptions in supply chains. However, the management does not expect a significant impact on the ability to distribute products to customers as the pandemic control measures include the exemption of the agricultural sector from general restrictions.

- At the moment, the Management Board does not expect a significant drop in turnover given the current demand and the exemption of the agricultural sector from general restrictions, but will reconsider this if new, tougher import and export restrictions are introduced in the near future.

- Other risks are described in detail in the audited Financial Statements of Petrokemija, Plc for the year ended December 31, 2019.

Ethics – the Code of Business Conduct of Petrokemija, Plc

- The Code of Business Conduct of Petrokemija, Plc aims to provide all internal and external stakeholders with an overview of the ethical principles and standards of conduct that Petrokemija, Plc considers crucial for successful business operation inside and outside the Company. Its purpose is to provide a framework for professional conduct and clear indication of responsibilities for individual decisions and activities, as well as to set high standards of performance and business operation, define acceptable behaviour of all Petrokemija, Plc employees and avoid situations in which employees of Petrokemija, Plc or Petrokemija Group would be involved in unethical activities and socially unacceptable behaviour while performing their duties.
- The Code of Business Conduct is available to the public on the website (www.petrokemija.hr). Internal and external stakeholders may report unethical conduct by mail, e-mail, by delivering the complaint to the mailbox of the Ethics Commissioner, the Irregularity Officer and the Internal Control, or by calling the telephone number published on the Company's website. In the event that an employee notices events and situations that seem to represent a violation of the Code of Business Conduct, the employee has to inform his/her line manager or the Ethics Commissioner or the Irregularity Officer. Confidentiality and anonymity are guaranteed.
- In the event of any ethical issues, employees may first contact their line manager. If an employee feels uncomfortable about using that communication channel, he or she can contact the Ethics Commissioner at any time.

Management structure

Bodies of the Company

The bodies of the Company include the Management Board, the Supervisory Board and the General Meeting.

The Company's Management Board

Members of the Company's Management Board as of the approval date of this report include:

- Davor Žmegač — President since October 31, 2018
- Peter Suba — Member since October 31, 2018
- Željko Marić — Member since February 1, 2019
- Juraj Kojundžić — Member since January 1, 2020

Members of the Company's Management Board during the 2019 reporting period were also:

- Krešimir Rendeli — Member from October 31, 2018 to January 31, 2019
- Goran Pleše — Member from October 31, 2018 to December 31, 2019

Management structure (continued)

Supervisory Board

As of December 31, 2019, the Supervisory Board comprises:

- Sandor Fasimon, President
- Sabina Škrtić, Vice President
- Gabor Horvath, Member
- Pavao Vujnovac, Member
- Tomislav Pokaz, Member
- Mijo Šepak, Member
- Željko Klaus, Member

During 2019, there were no changes in the composition of the Supervisory Board.

General Meeting

The General Meeting is a body of the Company that allows the shareholders to exercise their rights in the affairs of the Company and makes decisions in accordance with the legislation and the Company's Articles of Association.

Reporting practice

- Petrokemija, Plc has a long tradition of public communication, including that of reporting on financial operations, environmental protection and all other aspects of the Company's business operations. Since 2003, the Company has been listed on the Zagreb Stock Exchange, regularly publishing all financial and non-financial information relevant to its business operation.
- The Company estimated its website to be the most important channel of communication with the internal and external environment of the Company and Petrokemija Group in the reporting period.
- The non-financial statement refers to 2019 and includes Petrokemija, Plc and Petrokemija Group.
- Petrokemija, Plc and Petrokemija Group have made the 2019 Non-Financial Statement available to the public, in accordance with Article 21.a of the Accounting Act and Article 1, paragraph 1 of Directive 2014/95/EU, which supplements the usual financial statements and management reports with information concerning the development and performance of the company and the impact of its operations on environmental, social and personnel issues, as well as on the issues related to respect for human rights, anti-corruption and bribery.
- The reporting cycle is annual. In the preparation of this Report, Petrokemija, Plc and Petrokemija Group have conceptually relied on the provisions of the Global Reporting Initiative - in line with the GRI G4 Sustainability Reporting Guidelines (Core Option). However, the Company is aware of the need to further develop the application of this international framework in the next period on the Company's specific economic unit.

NEWS
THE COMPANY REGULARLY PUBLISHES THE MOST IMPORTANT CORPORATE NEWS TO KEEP ITS CUSTOMERS AND SHAREHOLDERS INFORMED OF THE COMPANY'S CURRENT AFFAIRS.

BULLETIN
BULLETIN IS AN APPLICABLE ELECTRONIC JOURNAL SENT ON A MONTHLY BASIS TO ADDRESSES OF THE COMPANY'S NUMEROUS USERS AND CUSTOMERS.

https://petrokemija.hr/hr-hr/Mediji

Economic series – 200

201 – economic impact

Financial results of Petrokemija, Plc for the period 2018 - 2019

In HRK million	2018	2019	%
Sales revenue	1,805	2,107	17
EBITDA	(321)	265	n/a
EBITDA without non-recurring items	(209)	334	n/a
Operating profit/(loss)	(411)	167	n/a
Operating profit without non-recurring items	(299)	235	n/a
Net result from financial activities	(60)	(26)	(56)
Net profit/(loss)	(471)	140	n/a
Net profit/(loss) in the period without non-recurring items	(359)	209	n/a
Streamlined free cash flow	(327)	311	n/a
Net debt	528	397	(25)
Net gearing (%)	69	52	(26)
CAPEX (capital expenditures)	117	23	(80)

- In 2019, Petrokemija, Plc reported one of the best results in its history.
- Net profit in 2019 amounted to HRK 209 million compared to a net loss of HRK 359 million in 2018.
- Non-recurring items indicate a negative effect of the adjustment of the value of liabilities for CO2 allowances of HRK 2 million in 2019 and HRK 112 million in 2018.
- Non-recurring items in 2019 also included severance costs amounting to HRK 66 million.
- Compared to 2018, net debt decreased by 25% amounting to HRK 397 million.
- Net gearing decreased from 69% as at December 31, 2018 to 52% as at December 31, 2019.
- CAPEX amounted to HRK 23 million, which is lower compared to 2018 due to the two-year overhaul that was carried out in 2018.

Financial results of Petrokemija Group for the period 2018 - 2019

In HRK million	2018	2019	%
Sales revenue	1,817	2,120	17
EBITDA	(325)	263	n/a
EBITDA without non-recurring items	(213)	331	n/a
Operating profit/(loss)	(416)	162	n/a
Operating profit without non-recurring items	(304)	231	n/a
Net result from financial activities	(58)	(22)	(62)
Net profit/(loss)	(474)	141	n/a
Net profit/(loss) in the period without non-recurring items	(361)	209	n/a
Streamlined free cash flow	(333)	307	n/a
Net debt	529	396	(25)
Net gearing (%)	70	52	(26)
CAPEX (capital expenditure)	120	24	(80)

- In 2019, Petrokemija Group reported one of the best results in its history.
- Net profit in 2019 amounted to HRK 209 million compared to a net loss of HRK 361 million in 2018.
- Non-recurring items indicate a negative effect of the adjustment of the value of liabilities for CO2 allowances of HRK 2 million in 2019 and HRK 112 million in 2018.
- Non-recurring items in 2019 also included severance costs amounting to HRK 66 million.
- Compared to 2018, net debt decreased by 25% amounting to HRK 396 million.
- Net gearing decreased from 70% as at December 31, 2018 to 52% as at December 31, 2019.
- CAPEX amounted to HRK 24 million, which is lower compared to 2018 due to the two-year overhaul that was carried out in 2018.

Profit and Loss Account of Petrokemija, Plc for the period 2018 - 2019

In HRK million	2018	2019	%
Sales revenue	1,805	2,107	17
Revenue from own consumption of products and services	31	3	(92)
Other operating income	17	21	25
Total operating revenue	1,853	2,131	15
Change in inventories of finished goods and work-in-process	5	67	1,297
Cost of raw materials and consumables	1,687	1,333	(21)
Depreciation	89	99	10
Other material costs	79	59	(25)
Personnel costs	187	177	(5)
Cost of other goods sold	2	15	583
Other expenses	185	200	8
Impairment and benefits	23	11	(51)
Provisioning for benefits and operational risks	7	4	(38)
Operating expenditure	2,264	1,965	(13)
Operating profit/(loss)	(411)	167	n/a
Financial income	16	3	(80)
Financial expenses	76	29	(61)
Net (loss) / profit from financial activities	(60)	(26)	(56)
Pre-tax profit/(loss)	(471)	140	n/a
Profit/(Loss) in the period	(471)	140	n/a

- Sales revenue in 2019 amounted to HRK 2,107 million, which is a 17% increase compared to 2018, mainly due to higher sales volume in the domestic and regional markets, which was partially offset by lower spot sale.
- The costs of raw materials, consumables and other material expenses decreased by 21% compared to 2018, and amounted to HRK 1,392 million, mainly due to the lower cost of natural gas.
- Other operating costs in 2019 were 8% higher than in 2018. In 2019, the most prominent cost component was the severance cost and the significant cost of CO2 allowances (EUA), whereas in 2018 the most significant cost was the adjustment of the value of liabilities for CO2 allowances.
- The net profit in the period concerned amounted to HRK 140 million compared to HRK 471 million of the net loss made in 2018.

Profit and Loss Account Petrokemija Group for the period 2018 - 2019

In HRK million	2018	2019	%
Sales revenue	1,817	2,120	17
Revenue from own consumption of products and services	23	3	(89)
Other operating income	25	22	(15)
Total operating revenue	1,866	2,145	15
Change in inventories of finished goods and work-in-process	5	67	1.297
Cost of raw materials and consumables	1.689	1.335	(21)
Depreciation	91	100	11
Other material costs	72	52	(27)
Personnel costs	199	188	(5)
Cost of other goods sold	10	20	105
Other expenses	184	204	11
Impairment and benefits	25	11	(55)
Provisioning for benefits and operational risks	7	5	(34)
Operating expenditure	2,281	1,982	(13)
Operating profit/(loss)	(416)	162	n/a
Financial income	16	3	(82)
Financial expenses	73	25	(67)
Net (loss) / profit from financial activities	(58)	(22)	(62)
Pre-tax profit/(loss	(474)	141	n/a
Profit/(Loss) in the period	(474)	141	n/a

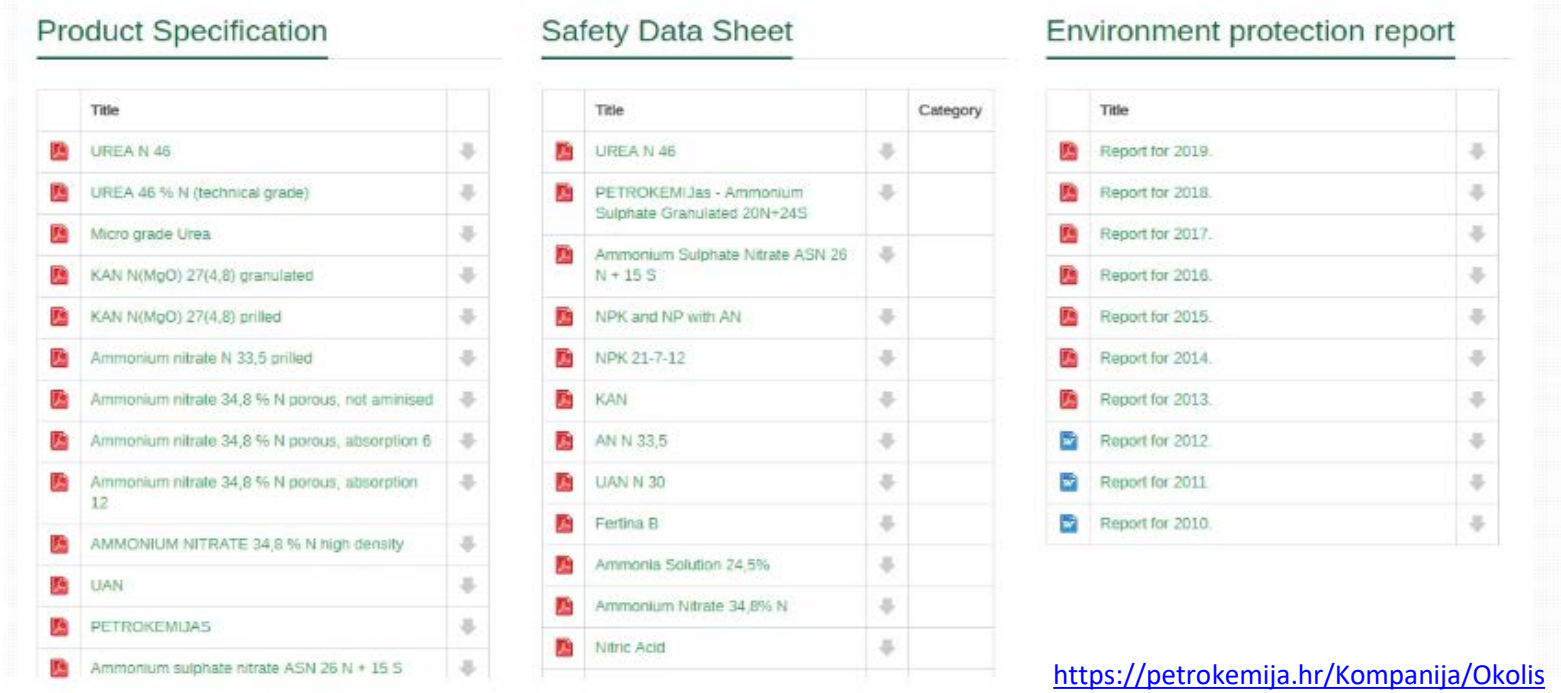
- Sales revenue in 2019 amounted to HRK 2,120 million, which is a 17% increase compared to 2018, mainly due to higher sales volume in the domestic and regional markets, which was partially offset by lower spot sale.
- The costs of raw materials, consumables and other material expenses decreased by 21% compared to 2018, and amounted to HRK 1,388 million, mainly due to the lower cost of natural gas.
- Other operating costs in 2019 were 11% higher than in 2018. In 2019, the most prominent cost component was the severance cost and the significant cost of CO2 allowances (EUA), whereas in 2018 the most significant cost was the adjustment of the value of liabilities for CO2 allowances.
- The net profit in the period concerned amounted to HRK 141 million compared to HRK 474 million of the net loss made in 2018.

Environmental series – 300

GRI 302: ENERGY
302-1: Energy consumption within the organisation
GRI 303: WATER
GRI 303-1: Total water abstraction at source
GRI 305: EMISSIONS
GRI 305-1: Direct greenhouse gas emissions (scope 1)
GRI 305-5: Reducing greenhouse gas emissions
GRI 305-7: NOx, SOx and other significant air emissions
GRI 306: WASTEWATER AND WASTE
GRI 306-1: Total water discharge by quality and destination
GRI 306-2: Total weight of waste by type and method of disposal
GRI 307: ENVIRONMENTAL INCOMPATIBILITY
GRI 307-1: Non-compliance with environmental regulations

Environment

- The overall goal of Petrokemija, Plc is to improve the performance of the environmental management system for the purpose of more effective environmental protection and the prevention of environmental pollution.
- Quality, Environment, Energy, and Sustainable Development Policy provides the framework and main guidelines for strategic actions for quality and environmental management.
- The following is available on Petrokemija website: - Product Specifications
  - Safety Data Sheets for products
  - Annual Environment Protection Reports



Product Specification

Title
UREA N 46
UREA 46 % N (technical grade)
Micro grade Urea
KAN N(MgO) 27(4,8) granulated
KAN N(MgO) 27(4,8) prilled
Ammonium nitrate N 33,5 prilled
Ammonium nitrate 34,8 % N porous, not aminised
Ammonium nitrate 34,8 % N porous, absorption 6
Ammonium nitrate 34,8 % N porous, absorption 12
AMMONIUM NITRATE 34,8 % N high density
UAN
PETROKEMIJA5
Ammonium sulphate nitrate ASN 26 N + 15 S

Safety Data Sheet

Title	Category
UREA N 46	
PETROKEMIJas - Ammonium Sulphate Granulated 20N+24S	
Ammonium Sulphate Nitrate ASN 26 N + 15 S	
NPK and NP with AN	
NPK 21-7-12	
KAN	
AN N 33,5	
UAN N 30	
Fertina B	
Ammonia Solution 24,5%	
Ammonium Nitrate 34,8% N	
Nitric Acid	

Environment protection report

Title
Report for 2019.
Report for 2018.
Report for 2017.
Report for 2016.
Report for 2015.
Report for 2014.
Report for 2013.
Report for 2012.
Report for 2011.
Report for 2010.

https://petrokemija.hr/Kompanija/Okolis

Packaging disposal

- Customers can deliver fertilizer bags at no charge to DRAVA INTERNATIONAL d.o.o., a company from Osijek authorized for the disposal of non-hazardous waste packaging.
- Customers can also dispose of the used fertilizer bags in the foregoing company's current containers for plastic waste or arrange the provision of containers for this specific purpose.
- Packaging contaminated with ammonium nitrate containing 34.8% N and 33.5% N is disposed of by companies authorized for the disposal of hazardous waste with EWC code 150110 *, in agreement with Petrokemija, Plc.

Environmental protection

- Petrokemija, Plc has been constantly upgrading and improving its environmental protection system ever since it began with its design in the early 1970s. This commitment of the Company resulted in a successful establishment of the Environmental Management System in accordance with the international ISO 14001 standard certified by Lloyd's Register.
- Activities relating to environmental protection are carried out through a documented system within the organisational structure, from the Management Board to each employee working for and on behalf of Petrokemija, and with the help of competent services.
- Environmental protection is embedded in Petrokemija's corporate policy. Continuous improvement of the Environmental Management System is carried out in accordance with the implemented programs for the purpose of preventing and reducing environmental pollution and meeting the specified legal requirements.
- To reduce the adverse impact on the environment, Petrokemija cares for its products throughout their lifecycle: from the selection of high-quality raw materials, the enhancement of production processes, storage, packaging and distribution, to the provision of professional assistance to users as regards the proper use of the products. The Company supervises its production processes and evaluates their performance and improvements in relation to the high standards in place.
- Air quality is monitored at 4 measuring stations in the city of Kutina, by measuring the concentration of 4 pollutants.
- Special attention is directed to the quality of wastewater and industrial waste that is selectively collected using valuable properties and/or disposed of in a controlled and specified manner.
- The Company cooperates with competent, scientific institutions in order to operate as efficiently as possible within the environmental protection system.
- As a result of taking environmental protection measures, Petrokemija has seen constant improvements of the quality of wastewater and air in the town. The Company reports on the environmental impact of its business activities to state administration bodies and the public. With the continuous improvement of environmental protection, it strives to meet the requirements of the global standards of environmental management.

Energy – energy consumption within the organisations

- Total consumption of fuel derived from non-renewable energy sources in 2019 amounted to 21,805,461.2 GJ, which is 14.9% more than in 2018 (18,978,377.2 GJ). The consumption of natural gas accounted for 21,805,361.9 GJ (99.99%), diesel fuel 75.6 GJ, acetylene 17.6 GJ and propane butane 6.1 GJ in a total share of < 0.01%. 52% of natural gas is used as an energy source for the production of steam (used in production processes and for the production of electricity), whereas 48% is used as a raw material for the manufacture of ammonia. All steam and electricity produced in the organisation is spent within the organisation.
- No fuel derived from renewable energy sources is used in Petrokemija, Plc.
- A total of 91,436,565 kWh of electricity was purchased from an external supplier (329,171.6 GJ).
- The total energy consumption within the organisation was 22,134,632.8 GJ.
- All the above-stated data refer to the premises of Petrokemija, Plc plants (within the factory site). Data on natural gas consumption were obtained using calibrated turbine flow meters controlled by the gas transmission system operator. Consumption of diesel fuel, acetylene and propane butane is monitored through invoices and the amount of electricity purchased.

Water – total water abstraction at source

- Petrokemija, Plc uses significant quantities of raw water as raw material for the preparation of decarbonized, demineralized, cooling water, water for sanitary purposes and water vapour at its own plants (Water Preparation, Treatment and Distribution Plants 1 and 2). The Company has its own abstraction sources (Ilova and Pakra Reservoirs) for water supply and, it also uses, to a lesser extent, the water supply system of the city of Kutina (drinking water).

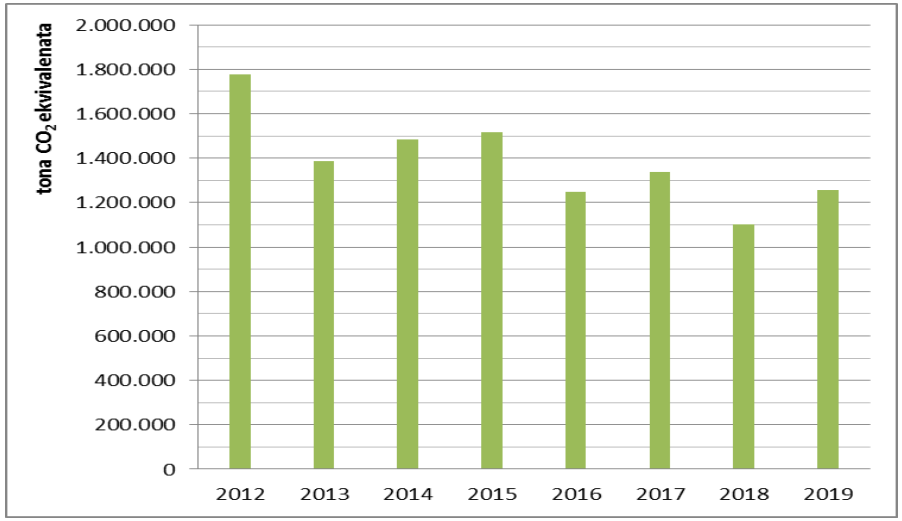
- The total input volume in 2019 was 7,094,317 m3, which is 10.16% more than in 2018.

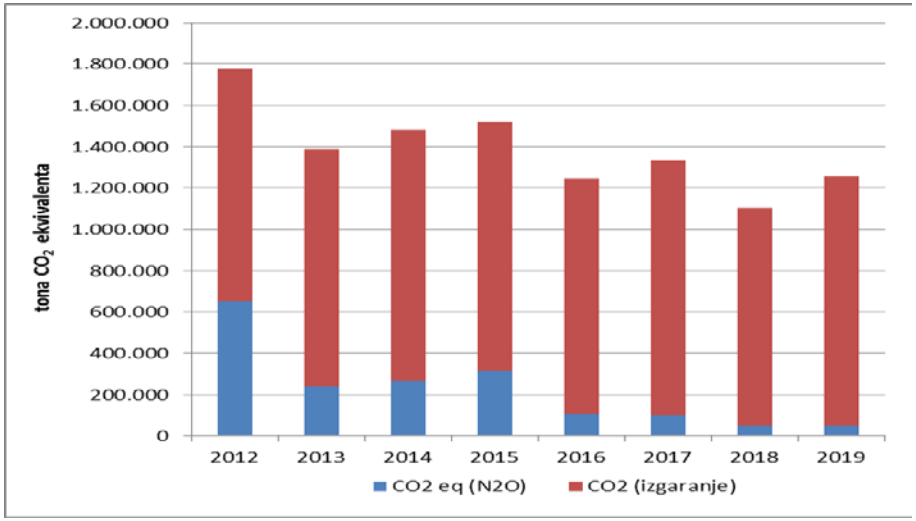
- The volume of water abstracted from the Company's own abstraction sources in 2019 amounted to 7,093,328 m3, of which:
  - 22.56% of the abstracted volume was from Ilova Reservoir,
  - 77.44% of the abstracted volume was from Pakra Reservoir.

- The volume of drinking water supplied from the city network that was used in production processes in 2019 was 989 m3.
- Data on abstracted water was obtained by measuring.

Emissions – direct greenhouse gas emissions (Scope 1)

- As a company conducting business activities that cause greenhouse gas (GHG) emissions, Petrokemija, Plc is part of the European Emissions Trading System (EU ETS). Greenhouse gas emissions occur primarily in combustion processes (natural gas combustion being the most common one), i.e. energy and ammonia production (CO2 emissions), as well as in the nitric acid production process (N2O emissions). Fuel combustion involves the combustion of natural gas (99.99%), diesel fuel, acetylene and propane butane (<0.01%).
- Direct greenhouse gas emissions (Scope 1) are shown in the picture below. In 2019, the Company generated emissions of 1,256,815 tonnes of CO2 equivalent. The increase in total greenhouse gas emissions in relation to the previous year was a result of increased production in 2019 compared to 2018 when the plant was overhauled.





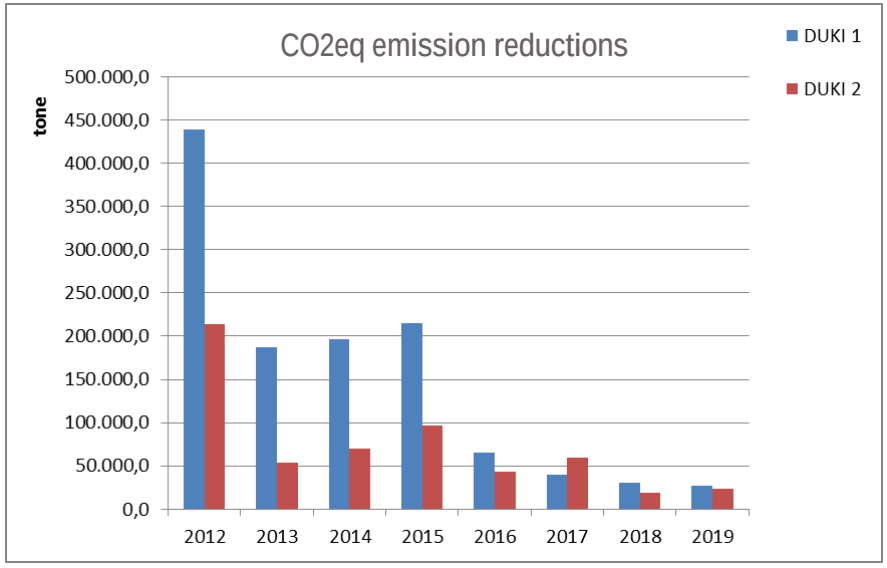
- The most common greenhouse gases are carbon dioxide (CO2) and dinitrogen oxide (N2O), accounting for about 99% of the total air emissions from Petrokemija, Plc. In 2019, CO2 and N2O accounted for 96% and 4% of the total greenhouse gas emissions, respectively.
- The base year used for the calculation was 2012, when the plant reconstruction for the purpose of installing a catalyst used to abate N2O emissions (GRI 305-5) began.

Direct greenhouse gas emissions (Scope 1)

- N2O emissions are determined by continuous measurement of N2O concentrations in flue (waste) gas and flue gas flow (since 2013 at Nitric Acid (DUKI) 2 and since 2014 at Nitric Acid (DUKI) 1) and are expressed as CO2 equivalent (CO2eq) emissions calculated by using the GWP (global warming potential) of 298 t CO2eq / t N2O for the conversion of N2O into CO2eq, in accordance with Commission Regulation (EU) No 206/2014. Measurements are performed using methods based on the following standards: HRN EN 14181 Stationary source emissions - Quality assurance of automated measuring systems, and HRN EN 15259 Air quality - Measurement of stationary sources emissions - Requirements for measurement sections and sites and for the measurement objective, plan and report. Before continuous measurement was put in place, N2O concentrations had been determined by individual measurements conducted by laboratories in accordance with the Greenhouse Gas Emission Monitoring Plan.
- Emissions from the combustion process are determined by using a calculation methodology based on fuel consumption measurement and fuel analysis performed by an accredited laboratory or fuel analysis using measurements by an online process analyser of the transmission system operator and conversion factors, depending on the type of fuel.

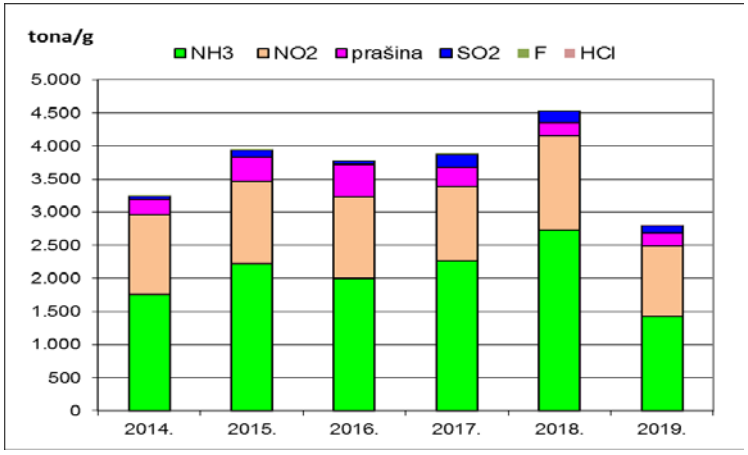
Reducing greenhouse gas emissions

- In recent years, Petrokemija, Plc has implemented measures to reduce greenhouse gas emissions that are part of direct emissions (Scope 1), primarily those from the nitric acid manufacturing process at Nitric Acid (DUKI) 1 and Nitric Acid (DUKI) 2 plants.
- The measures included the installation of secondary catalysts used to reduce N2O (De-N2O) emissions at Nitric Acid 2 plant in November 2012 and at Nitric Acid 1 plant in 2013.
- Due to technical problems at the plants and failure to obtain the expected emission reductions, in 2016 additional reconstructions were carried out by increasing the secondary catalyst bed, which resulted in the expected emission reductions.
- The year 2012 was chosen as the base year due to the foregoing reconstructions which started precisely at the end of that year.
- Compared to the base year, emissions at Nitric Acid 1 plant and at Nitric Acid 2 plant in 2019 were reduced by 94% and 89%, respectively, which was at the same level as in the previous year.



NOx, SOx and other significant air emissions

- In addition to greenhouse gases, other typical pollutants from technological processes of Petrokemija, Plc include ammonia, nitrogen dioxide, sulphur dioxide, dust, fluoride and hydrogen chloride.
- Emissions of air pollutants are measured periodically (by individual measurements) or continuously (by continuous analysers), in accordance with national legislation. Periodic measurements at measuring stations are performed by a laboratory that has been granted the Ministry's approval for conducting professional monitoring of air emissions using accredited methods in compliance with the requirements of HRN EN ISO/IEC 17025 standard. Suitability of the measuring system for continuous measurement (analysers) is evaluated in accordance with HRN EN 14181 standard, by a laboratory that has been granted approval therefor from the competent Ministry.
- Air emissions are within the applicable emission limit values except for four discharges at NPK 1 plant, two discharges at NPK 2 plant, one discharge at Ammonia 2 plant, one discharge at Sulphuric Acid (SUKI) Plant and one discharge at Clay Manufacturing Plant.
- With a view to further improving the situation and reducing the harmful impact on the environment, alignment with the best available techniques (BAT) is carried out by implementing measures for the compliance of the existing plants with the provisions of positive regulations, as contained in the Decision on Integrated Environmental Protection Requirements (Environmental Permit) of 10 July 2015.
- The picture below shows the emissions of air pollutants from Petrokemija, Plc plants in the period 2014 - 2019.



Wastewater and waste
Total water discharge by quality and destination

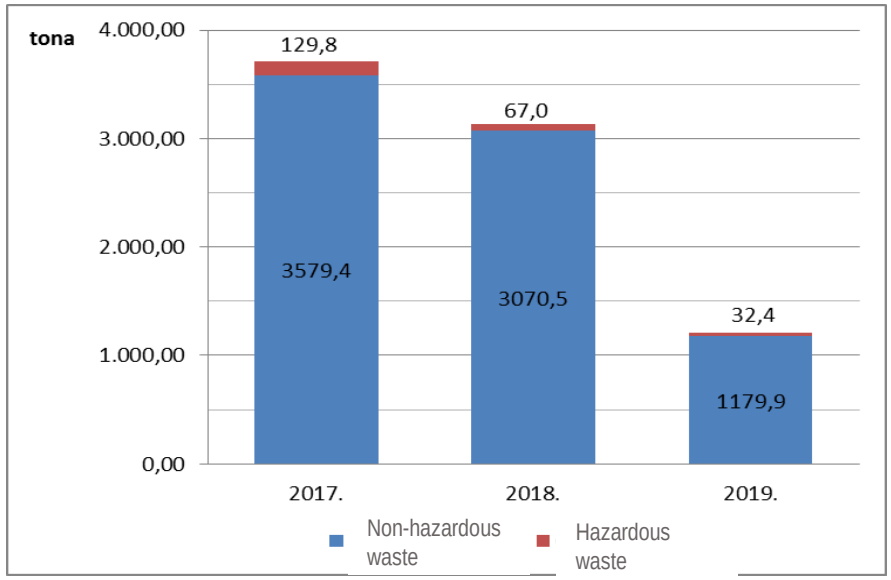
- Petrokemija, Plc owns a combined effluent sewer system, which transports wastewater from the factory site of Petrokemija, Plc into a lateral channel. Wastewater is controlled at checkpoint D in Krč Channel.
- Petrokemija, Plc has a wastewater treatment plant (Water Preparation, Treatment and Distribution Plant 2) which uses the ion exchange method to treat recoverable nitrogen-laden process wastewater.
- The quantity and quality of discharged water is shown in the table below, and the parameters that are monitored are defined by the Decision on Integrated Environmental Protection Requirements (Environmental Permit) of 10 July 2015.

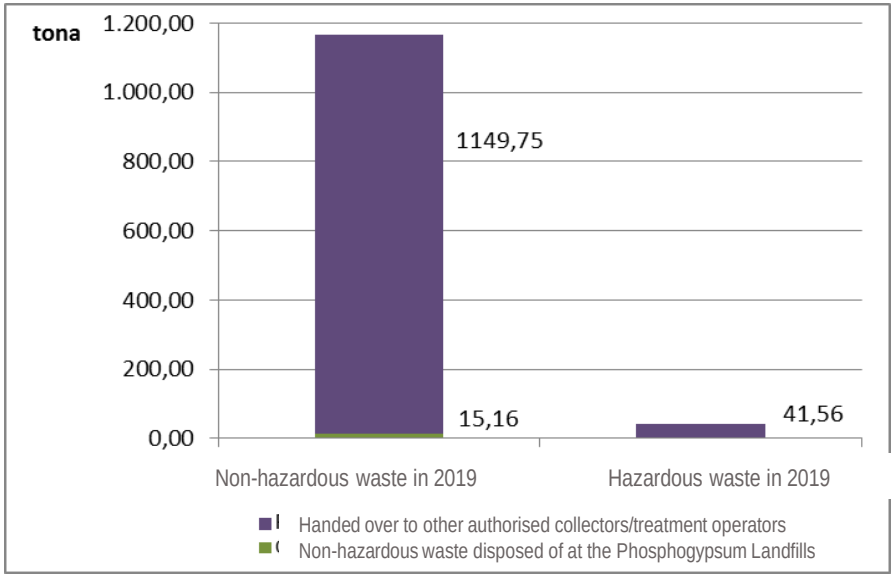
Indicator	Unit	Checkpoint D		Discharge F	
		2018	2019*	2018	2019*
Quantity	m^3	3,096,299	3,526,649	33,438	-
Chemical oxygen demand (COD_{Cr})	mgO_2/l	31.7	24.84	98.2	-
Biochemical oxygen demand (BOD_5)	mgO_2/l	8.5	8.5	24.8	-
Fluoride (F^-)	mg/l	0.4	0.49	8.25	-
Total nitrogen (N)	mg/l	14.7	16.74	-	-

- Nitrogen discharge has the most significant impact on water eutrophication. In 2019, the total nitrogen discharge per unit of product, which is calculated taking into account the total fertilizer production and the total amount of nitrogen discharged, amounted to 0.96 kg/t, which was 11.9% less than in 2018.

Wastewater and waste
Total weight of waste by type and method of disposal

- Both hazardous and non-hazardous waste is generated in Petrokemija, Plc. The amount of waste produced is shown below.
- Part of the non-hazardous waste (about 1.3%) was disposed of at the site for the disposal of non-hazardous waste, i.e. the S-41100 Phosphogypsum Landfills managed by DE-FOS d.o.o., a company with a valid permit for non-hazardous waste management.
- All hazardous and non-hazardous waste is handed over to authorised collectors/treatment operators.
- The graph on the right shows the method of disposal by type of waste.





Environmental incompatibility – non-compliance with environmental regulations

- Air quality of the city of Kutina is monitored at automatic measuring station Kutina 1 as part of the national network and at four semi-automatic measuring stations as part of the local network.
- According to the Annual Reports on Air Quality in the Republic of Croatia, in the area of the city of Kutina in 2013, the air quality of conditional category II for ammonia was determined at national measuring station Kutina 1, while in 2014 the air quality of conditional category I for ammonia was determined at national measuring station Kutina 1 and of category II at local network station K7 –Krč.
- The Action Plan for Ammonia Emissions Reduction in the City of Kutina was adopted in July 2016, in line with the Air Protection Act. Given that Petrokemija, Plc is the main emitter of ammonia in Kutina, the plan defines measures to reduce ammonia emissions from production processes of Petrokemija. The defined measures are in the implementation phase, the progress of which is regularly reported to the competent Ministry, since these measures are part of the Decision on Integrated Environmental Protection Requirements (Environmental Permit).
- In the period from 2017 to 2019, the air quality of category II for ammonia was determined at national measuring station Kutina 1 (2018) and at local network stations K1-Health Centre (2017 and 2018), K2-Firehouse (2017 and 2018) and K6 - Husain (2017).
- In 2019, the air quality of category I for all pollutants, including ammonia was determined at all local network stations.

Social series - 400

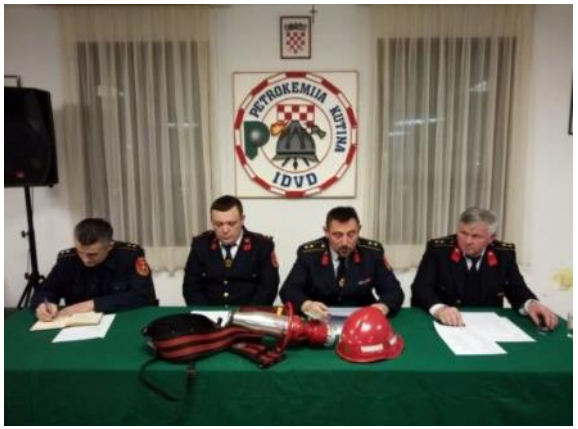
403 – Occupational health and safety
407 - Freedom of association and collective bargaining
413 – Social community
417 – Product marketing and labelling
417-1: Requirements for information on products and services and labelling
417-2: Incidents of non-compliance with respect to information on products and services and labelling

Safety – the Company's priority

- The Company has a safety and health system in place, which is constantly improved with the aim of establishing safe working conditions for employees, suppliers, visitors, and property, as well as safe environment.
- The Company has achieved a high level of safety through the established safety management system, which includes the highest level of occupational health and safety and represents one of the Company's priorities - Safety Policy.
- Its security system is maintained by identifying workflow risks, as well as by constant supervision. To this end, in addition to regular maintenance of process and control equipment, the Company also provides relevant training to its employees at all levels.
- The Company analyses all incidents and takes measures so as to prevent their reoccurrence.
- It uses the best software tools and pays special attention to risk assessments as regards major accidents and their consequences, and it plans resources and means of protection accordingly.

Occupational health and safety

- Safety management system of Petrokemija, Plc is based on the specifications of the HRN EN ISO 45001 standard, the Regulation on the Prevention of Major Accidents Involving Hazardous Substances (Annex 4), safety principles for fertilizer production laid down by Fertilizers Europe - Product Stewardship program (Product Management) and the International Fertilizer Association (IFA).
- The occupational health and safety management system is harmonized with the integrated management system (HRN EN ISO 9001, HRN EN ISO 14001), adhering to the common general principles of management laid down in the Quality Manual and the Environmental Rules of Procedure.
- The objective of Petrokemija, Plc is to manage the health and safety system, with constant improvements aimed at establishing safe working conditions without any detrimental effects on the health of employees, suppliers, visitors, product users (customers), as well as the immediate and wider environment at the local, national and international level.
- During 2019, 30 occupational injuries were reported. According to business functions – 1 was reported in the Office of the Management Board, 14 in Fertilizer Production, 11 in Supply Chain, 3 in Quality, Health, Safety and Environment, and 1 in Asset Management 1. All of the injuries were MINOR occupational injuries.
- 633 employees were sent to a medical examination, of which limited working capacity was determined for 85 employees, while 10 employees were declared unfit to work.
- 193 employees of Petrokemija, Plc and 542 independent contractors from 191 companies were trained in safe work practices.



Freedom of association and collective bargaining

- Petrokemija, Plc supports and respects employees' rights to freedom of association and collective bargaining.
- There are two unions in Petrokemija, Plc. Employees can, at their own discretion, become members of EKN Petrokemija, the Independent Trade Union of Workers in Energy, Chemical and Non-Metal Industries, Kutina Branch, or DEMOS-HUS, the Democratic Trade Union.
- As of December 31, 2019, out of a total of 1262 employees, 82% were union members.
- Collective agreement for Petrokemija, Plc applies to all employees, unless provided otherwise under their individual contracts.
- In 2019, the unions took initiative in opening the collective bargaining process.

Social community

- In the course of its operation, Petrokemija, Plc pays substantial attention to communication with all its stakeholders, from employees and shareholders to customers, public finance stakeholders and the local community. Communication with them is maintained throughout the year, continuously and as needed.
- Given that this is a chemical industry and that there is a risk of environmental pollution, special attention is paid to communication with the local community. This communication is maintained through numerous press releases (in 2019 there were a total of 43), content published on the official website, as well as announcements broadcast via a local radio station, Moslavina Radio Station, or posted on the website of the city of Kutina.
- Some of the more important means of communication and involvements of stakeholders, as well as activities during the reporting period, are outlined below.

Corporate Bulletin – Information

All news related to the company's operations, as well as topics related to employees, retirees, war veterans, firefighters, etc. are published in this bulletin. It is published twice a month, on average, and printed in 300 copies. It is distributed to employees free of charge at several locations in the factory. The Information has been published for 51 years. Its 2924th issue was printed in December 2019.

Corporate newsletter - Newssheet

It is published once a month and sent to customers via email. Its content includes applicable advice, announcements of discounts and promotions, as well as specific field reports, reports on appearances at fairs, etc. This newsletter is also published on the company's website, where it can be downloaded free of charge.

Official website

Essential information on the products, business operation and other activities of Petrokemija, Plc can be found on www.petrokemija.hr.

Social community (continued)

Social media

- In line with trends, the Company has its Facebook, Instagram and LinkedIn pages where it posts news and interesting facts related to Petrokemija, Plc. It also uses these pages to promote the quality of its products and services and to communicate with its customers, employees and fellow citizens. The Company has its own YouTube channel where it publishes applicable and promotional videos.

Fairs

- Petrokemija, Plc participated in a total of seven fairs in 2019. Some of these fairs were held abroad (Slovenia, Bosnia and Herzegovina, Serbia), and the rest in Croatia.
- There were two press conferences organized during the reporting period. As the Company is open to various specialised visits, in 2019 it welcomed students of Stjepan Kefelja Elementary School from Kutina, cadets of the Ministry of Defence and students of Ban J. Jelačić Military School, as well as students from Velika Gorica, Slavonski Brod, Zagreb and Osijek, teachers, mentors and others.

Sponsorships and donations

- Petrokemija, Plc supports the work of several associations related to the factory, such as Petrokemija Industrial Voluntary Fire Brigade (IDVD), the Association of Croatian War Veterans of Petrokemija, the Association of Petrokemija Voluntary Blood Donors and the Association of Petrokemija Pensioners. Some of these associations have hundreds of members (donors and pensioners), and the Company supports them through funding, as well as through the provision of office premises, and media coverage in its publications.
- Petrokemija, Plc also collaborates with the community where it operates through numerous sponsorship and donation programs.
- The company sponsors Kutina Technical High School that has a status of an eco-school. It also has advertising contracts with Moslavina Handball Club and HNŠK Moslavina Football Club, which attract a large number of children in their junior categories.
- The Company is also the sponsor of the MoslaVina exhibition, which is held every May in Kutina.

Product marketing and labelling

1. MANAGEMENT APPROACH (GRI 103-1, 103-2, 103-3)

103-1: EXPLANATION OF MATERIAL TOPICS AND BOUNDARIES

- Considering that products marketed by Petrokemija include fertilizers and chemical products, labelling, safety and environmental information, as well as customer information are deemed material topics applying to all products.

103-2: MANAGEMENT APPROACH AND ITS COMPONENTS

- The general objective is to assess all impacts of raw materials and products on health and environment. To this end, Petrokemija provides classification of all chemical substances, raw materials and finished products with regard to potential hazards in accordance with European and global regulations on labelling, packaging and transport. These procedures apply to all Petrokemija products, as well as to raw materials.

Product management and safety

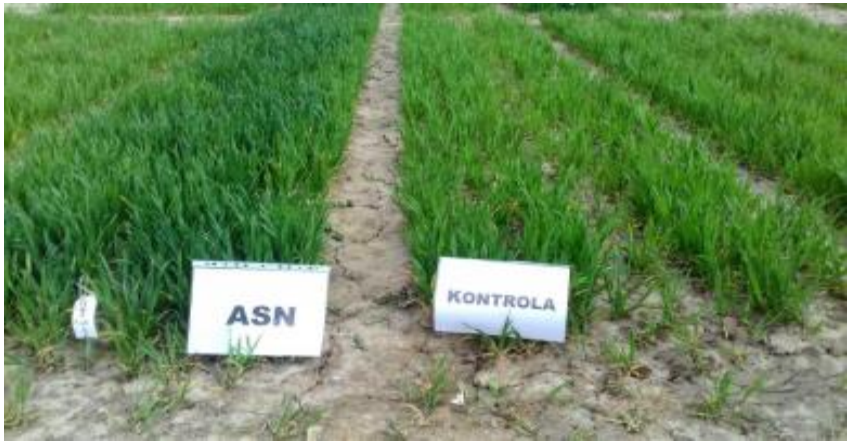
- Petrokemija is taking adequate measures to ensure the proper handling of its own products in accordance with the principles of the Product Management standard of the Association of European Fertilizer Manufacturers, Fertilizers Europe. These measures refer to packaging, sorting, labelling, handling, storage and transport. All organisational units of Petrokemija are responsible for implementing the Product Management program.
- External verification of compliance with the requirements laid down by Fertilizers Europe for the Product Management program was first conducted in 2014, and then again in 2017 and 2020.
- Petrokemija prepares product files, instructions on handling and storage, and information on waste disposal.
- The company operates in accordance with applicable standards and regulations, and cooperates with national and European industrial associations.

Marketing and labelling tasks

- Creation and approval of national, European and global product labels.
- Preparation and approval of European and global safety data sheets and packaging.
- Records of raw materials and finished products in databases.
- Customer support as regards their enquiries about handling, safety and product labelling.
- Implementation of the prohibited and restricted substances program.
- All products have to be accompanied by a safety data sheet in accordance with legal requirements of the EU, as well as with global and national requirements.
- Packaging and labelling are controlled with regard to local and global compliance, as well as the rules of Petrokemija, Plc on product branding and labelling.

Policies and commitments

- All products and services related to product supply and labelling are governed by national regulations, EU regulations and international codes and laws. Petrokemija, Plc is fully committed to complying with such regulations and codes.
- Products on the market of the European Union and the European Economic Area, as well as on the global market are in compliance with:
    - the Globally Harmonized System of Classification and Labelling (GHS),
    - the REACH Regulation on Chemicals (EC Regulation No. 1907/2006),
    - the CLP Regulation on Classification and Labelling of Chemicals (EC Regulation No. 1272/2008),E
    - the European Fertilizer Regulation (EC Regulation No. 2003/2003).
- Procurement, production and sales are in compliance with the requirements of the Product Management program of the Association of European Fertilizer Manufacturers, Fertilizers Europe.
- Petrokemija is also certified in respect of the following globally recognised standards: ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 50001 Energy Management System.
- The Company also has certification for other standards, such as the ISO 22241 standard for AUS 32 NOx reducing agent for diesel engines.



REACH and CLP

- Packaging and labelling are controlled with respect to their compliance with local, European and global regulations, as well as with respect to internal procedures.
- Since 2007, Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) has been the European legal framework for the safe handling of chemicals with the aim of protecting the environment and human health. REACH has adopted and upgraded the existing system for communicating information to users of chemicals in a structured way through safety data sheets.
- CLP refers to Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures. The main requirement for risk communication laid down in the CLP Regulation is product labelling. The label on the packaging of hazardous chemicals should provide basic hazard statements and the most important precautionary statements for persons handling the product.
- Petrokemija products have been evaluated, classified and labelled in line with the CLP Regulation. Chemical product packages have the appropriate CLP label.
- In accordance with the CLP Regulation, packages for hazardous substances and mixtures have a label containing the following information:

  - name, address and telephone number of the supplier,
  - product identifiers (details on the chemical product identification, such as name, CAS number, IUPAC name, etc.),
  - nominal weight of the packaged chemical product,
  - signal words,
  - precautionary statements.

REACH and CLP (continued)

- With each product sold to its customers, Petrokemija provides a safety data sheet containing specific and detailed information, including information on the appropriate product handling. These safety data sheets are easy to download from the company's official website via the Petrokemija Safety Data Sheets link. The information contained in the safety data sheets has been supplemented in accordance with the requirements of the CLP Regulation.
- Petrokemija as a legal entity has an employee who is appointed as the person responsible for working with hazardous chemicals, in accordance with the Ordinance on the Conditions for the Production, Marketing and Use of Hazardous Chemicals, so as to ensure that all of the Company's activities related to chemical product labelling are coordinated.
- Petrokemija advises its suppliers and customers for the purpose of:

  - ensuring a system of use and supply that is in compliance with the requirements of the REACH Regulation,
  - providing support regarding numerous issues relating to the REACH and CLP Regulations,
  - providing assistance with imported chemicals.

Incidents of non-compliance

INCIDENTS OF NON-COMPLIANCE WITH REGARD TO PRODUCT AND SERVICE INFORMATION AND LABELLING

- No incidents of non-compliance were recorded.
- In 2019, no incident of non-compliance with any relevant regulation or standard was observed or recorded.

INCIDENTS OF NON-COMPLIANCE WITH REGARD TO MARKETING COMMUNICATIONS

- In 2019, no incidents of non-compliance with legal regulations and codes relating to marketing communications were recorded.
- Petrokemija, Plc advertises its products and services in strict compliance with legal requirements, as well as with ethical and cultural standards. In addition, Petrokemija, Plc adheres to its own code of ethics prescribed by the Company's Management Board.
- Petrokemija, Plc supervises the legislation and recommendations of the competent authorities relating to marketing communications, and the relevant information is available to the staff responsible for marketing in all relevant organisational units.

417-2	**Incident of product non-compliance with regard to labelling and communication**	**In 2019, no enquiry or incident of non-compliance with any relevant regulation or standard was recorded.**
417-3	Incidents of non-compliance with regard to marketing communications	In 2019, no incidents of non-compliance with marketing communication regulations and codes were recorded

Conclusion

- In 2019, Petrokemija, Plc reported one of the best results in its history, which was a consequence of increased production, higher sales volume in more profitable markets and lower natural gas price in the European market, with no significant changes in fertilizer prices compared to the previous year. Even with a significantly better financial position of the Company, it still takes a lot of effort to be constantly ready for quick adjustments and able to successfully conduct business in an uncertain and unstable environment. Despite numerous challenges, the Company has not shed compliance with the set criteria of social corporate responsibility in its daily operations, which is reflected in numerous indicators in this Report.

- Half a century of mineral fertilizer manufacturing in Kutina entails numerous positive experiences and values, potentials for future development, as well as the need to adapt to conditions of continuous market changes, with a view to ensuring the existence of the Company. It is the responsibility and obligation of the owner, the Management Board and all employees, each in its own segment of activity.

- The process of optimization of business processes in the Company and Petrokemija Group, which includes the optimization of human resources management in 2019, is one of the preconditions for ensuring a sustainable business model of the company. The Company implements it programmatically and systematically, in communication with the social partners, acknowledging the high standards of social sensitivity and responsibility built in previous decades.

- For more than half a century, the Company has been demonstrating compliance with quality standards on the market. The Company's demanding plans to increase technological, environmental and financial efficiency aim to the constant dynamics of enhancing business processes based on responsibility, respect and mutual communication with the market and all participants interested in the Company's existence. Hopefully, all of Petrokemija's daily efforts will bring even greater long-term benefits to the Company and the wider community.

President of the Management Board	*Board Member in charge of finance:*	*Board Member in charge of operations:*	*Board Member in charge of sales:*
Davor Žmegač, MSc	*Juraj Kojundžić, BEcon*	*Željko Marić, BEng*	*Peter Suba, MBA*