

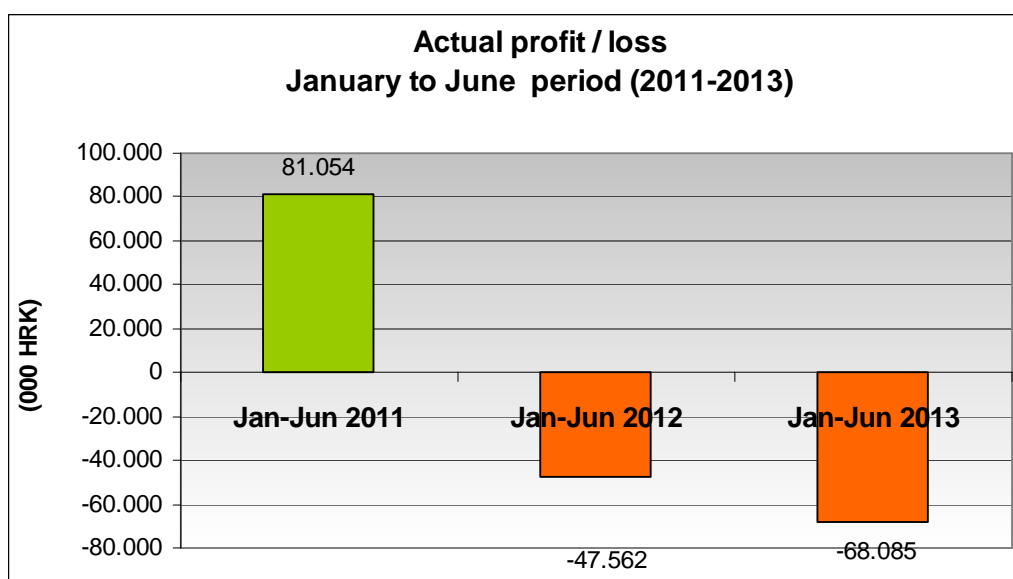
# SEMI-ANNUAL REPORT

## PETROKEMIJA d.d. KUTINA

### PETROKEMIJA GROUP

REPORT FOR PERIOD January to June 2013  
INTERIM REPORT FOR PERIOD April to June 2013

- Actual production 520 and sales 457 thousand tons of fertilizers;
- Actual total income of Petrokemija, Plc. HRK 1,235.4 million; Petrokemija Group HRK 1,237.0 million;
- Actual loss of Petrokemija, Plc. HRK 68.1 million (5.5% of total revenues); Petrokemija Group HRK 70.1 million;
- Invested funds in Petrokemija, Plc. HRK 43.2 million;
- Number of employees of Petrokemija, Plc. 2,291; Petrokemija Group 2,475.



# MANAGEMENT BOARD REPORT ON THE COMPANY STATUS FOR Jan – Jun 2013

## 1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA, Plc.

In the first half of 2013, Petrokemija, Plc. had total actual income of HRK 1,235.4 million and total expense of HRK 1,303.5 million; thus the Company reported loss in business operations of HRK 68.1 million or 5.5% of the total revenues. The total semi-annual income was lower by 16.1% and total expenses were lower by 14.3% than in the same period 2012.

The major part of this disparity was generated by a decline in demand in the global and regional markets and the associated decline in fertilizer prices. Less achievement in domestic market reflects the general poor state of agriculture, the reduction and delay in the payment of state subsidies, and adverse weather conditions for spring sowing. The reporting period was characterized by a general downward trend in the purchase prices of raw materials and sales prices of fertilizers. The price of gas in this general trend is an isolated phenomenon and is influenced by specific factors in the Croatian gas market and Petrokemija's position as one of the two largest customers in the still relatively undeveloped domestic gas market.

Due to the lower sales, there were higher fixed costs per unit of product and loss in the first half of operations. Additional adverse impacts on business in the first half of 2013 were the expenses for the annual fertilizer facilities overhaul carried out in January and the impact of part of stocks carried over from 2012.

After 54.8 million loss in the first quarter of 2013, in the second quarter the loss was reduced to HRK 13.3 million, while the EBITDA was by HRK 17.2 million positive. Compared with the same period last year, the loss in the second quarter of 2013 was by HRK 31.2 million lower.

In the reporting period, the operating income was 16.1% lower compared to the same period of 2012, mostly due to the lower volume of sales and partly because of fertilizer price drop in the world and regional markets. The total sales of fertilizers fell by 16.5% compared to the same period of the year before.

Lower actual operating expenses compared to the year before were caused by the lower sales and lower average input prices of raw materials. There was a slight decline in purchase prices of key raw materials, and for natural gas this phenomenon was even somewhat more pronounced. **The average actual purchase price of gas in the first half of 2013, after a long period of constant increase trend, was 12.1% lower than in the same period of the year before, but still 27.5% higher than in the comparable period of 2011.**

In addition to reduction of the sales volumes and the decline in sales prices, as the underlying cause for loss, the next in importance is the impact of spending of the intermediary products supplies, particularly ammonia, which were produced in 2012 at higher gas price rates. The actual share of fixed costs in the total costs was lower than the previous year, which was not enough to offset the impact of lower actual sales volumes. This affected the growth of fixed costs per unit of product. In the first half of 2013, Petrokemija achieved approximately the same overall level of production (index 99.6) as in the same period last year, but with the change in the product structure - urea production was increased by ten percent, and the production of NPK fertilizers was reduced. After successful completion of overhaul in January, all the demand of the spring sowing season was met as well as the top dressing of winter crops. The stocks in a part of the product range, as compared to the beginning of the year, were increased.

The income from domestic sales in the 1<sup>st</sup> half of 2013 decreased by 5.2% and the income from export sales decreased by 23.9% in comparison with the year 2012.

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 2.8 million in the negative. The EBITDA for the same period of 2012 was HRK 16.9 million in the positive.

(HRK 000)

	Jan- Jun 2013	Jan- Jun 2012	Difference	% change
Operating income	1.225.981	1.461.374	-235.393	-16,11%
Operating expense	1.276.301	1.494.318	-218.017	-14,59%
EBITDA *	-2.817	16.944	-19.761	
Amortization	47.503	49.888	-2.385	-4,78%
Net financial income (expenses)	-17.765	-14.618	-3.147	21,53%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-68.085	-47.562	-20.523	43,15%
		<b>31 Dec 2012</b>		
Non-current assets	760.834	767.586	-6.752	-0,88%
Current assets	1.182.584	1.165.006	17.578	1,51%
Shareholders' equity	509.852	577.937	-68.085	-11,78%
Non-current liabilities	138.540	138.410	130	0,09%
Current liabilities	1.295.026	1.216.245	78.781	6,48%

\* EBITDA= profit before interest, taxation depreciation and amortization

Out of the total loss, HRK 50.3 million or 73.9% is loss from business operations, while HRK 17.8, or 26.1% is loss from financial operations.

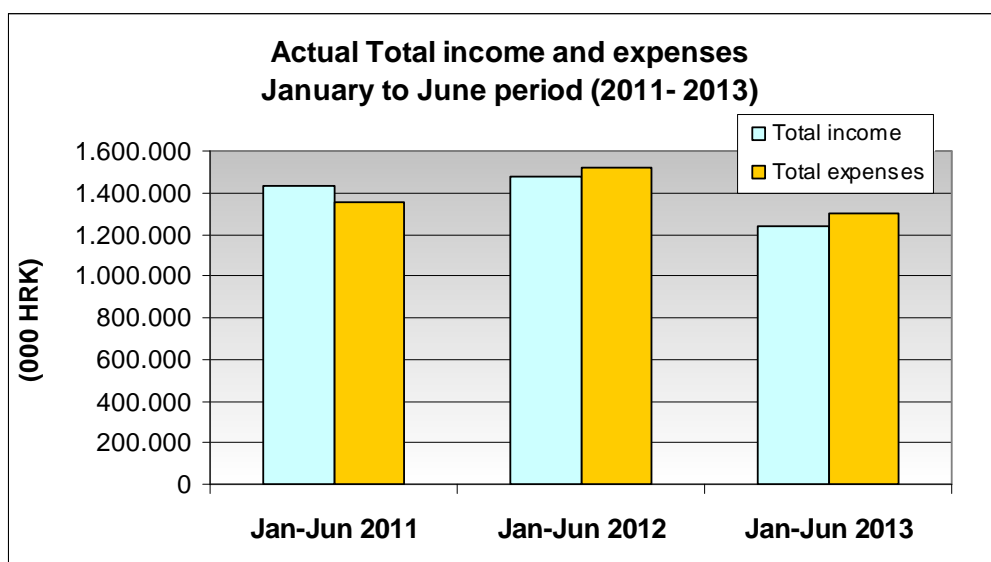
During the 1<sup>st</sup> half of 2013, a significant share of export sales was continued, in order to ensure positive effects on the financial result, fill in the capacity, ensure continuity of production, and maintain the liquidity. The volumes of exported fertilizer were 265 thousand tones (21.3% less than in the first half of 2012) and actual income from foreign markets amounted to EUR 86 million. The increase of fertilizer sales in the region is one of the key commitments of the long-term sales strategy.

Financial indicators by quarters and cumulatively for the six-month period of 2013:

	Jan- Mar 2013	Apr- Jun 2013	Jan- Jun 2013
Operating income	594.716	631.265	1.225.981
Operating expense	638.094	638.207	1.276.301
EBITDA *	-19.997	17.180	-2.817
Amortization	23.381	24.122	47.503
Net financial income (expenses)	-11.437	-6.328	-17.765
Net extraordinary income (expenses)	0	0	0
Profit / loss / before taxation	-54.815	-13.270	-68.085

\* EBITDA= profit before interest, taxation depreciation and amortization

In the period April - June 2013, Petrokemija, Plc. had total actual revenues of HRK 637.8 million, total expenses of HRK 651.1 million and reported an operating loss of HRK 13.3 million or 2.1% of the total revenues. Reduction of the loss as compared to the first quarter can be interpreted as a seasonal phenomenon.



In comparison to the actual result in 2012 there was a significant negative shift in the 1<sup>st</sup> half of 2013 because of the lower sales volumes and sales prices.

For a part of raw materials and products the improvement of market position is still uncertain. In order to mitigate the effects of high gas prices a compromising solution was found in 2013. This negative impact had a major influence on the business in 2012. For 2013, an Annex was signed to the existing contract with Prirodni plin Ltd. Zagreb.

Due to the market situation, a part of facilities had been halted in the second half of 2009 and this problem was carried over into third quarter of 2013. The risks involved in the plants standstill, could be those of possible future cost of dismantling the facilities and land rehabilitation in accordance with environmental standards.

The Company Management Board estimates that the final closure and dismantling of the facilities would mean losing even a potential possibility to increase production in the coming years, which is not to be excluded after overcoming the global crisis. In addition, upon the Croatian accession to the EU, with support of an appropriate strategic partner, the potentially growing market for fertilizers in Central and Southeast Europe could show interest in the products which are now being produced in minimum volumes. Including one or more strategic partners is also possible in the segment of equipment modernization, supply of raw materials and / or appearance on the market of fertilizers, chemicals and carbon black.

#### STATEMENT OF COMPREHENSIVE INCOME OF PETROKEMIJA, Plc.KUTINA

(HRK 000 )

P O S I T I O N	Petrokemija, Plc. Jan-Jun 2013	Petrokemija, Plc. Jan-Jun 2012
<b>Total operating income</b>	1.225.981	1.461.374
<b>Total operating expenses</b>	1.276.301	1.494.318
<b>PROFIT / LOSS FROM ORDINARY ACTIVITIES</b>	-50.320	-32.944
<b>Total financial income</b>	9.388	11.786

POSITION	Petrokemija, Plc. Jan-Jun 2013	Petrokemija, Plc. Jan-Jun 2012
Total financial expenses	27.153	26.404
<b>PROFIT / LOSS FROM FINANCIAL ACTIVITIES</b>	-17.765	-14.618
<b>TOTAL INCOME</b>	1.235.369	1.473.160
<b>TOTAL EXPENSES</b>	1.303.454	1.520.722
<b>Profit/loss before taxation</b>	-68.085	-47.562
<b>Profit tax</b>		
<b>Profit/loss after taxation</b>	-68.085	-47.562

#### BALANCE SHEET OF PETROKEMIJA, Plc.KUTINA

(HRK 000)

POSITION	Petrokemija, Plc. 30. 06. 2013	Petrokemija, Plc. 31.12. 2012
Total long-term assets	760.834	767.586
Total short-term assets	1.180.339	1.162.341
Prepaid costs and accrued income	2.245	2.665
<b>TOTAL ASSETS</b>	<b>1.943.418</b>	<b>1.932.592</b>
Total capital	509.852	577.937
Long-term liabilities	138.540	138.410
Total short-term liabilities	1.295.026	1.212.272
Accruals and deferred income	0	3.973
<b>TOTAL LIABILITIES</b>	<b>1.943.418</b>	<b>1.932.592</b>

Because of the long collection of claims for fertilizers in the domestic market and the liquidity problems of domestic buyers due to their own lack of working capital, Petrokemija, Plc. has been using factoring as a form of financing and debt collection in the agreed due payment period (with the obligation of the buyer to bear all costs and interest associated with the factoring). This instrument of the Company short-term liquidity management based on sales of current assets, or part of the claims, has been applied to the three largest customers in the domestic market.

In reporting the status of current assets (accounts receivable) and current liabilities (contingent recourse obligations to the factoring companies, in the event that the debtor fails to meet its obligation), Petrokemija as of 30 June 2013 included these liabilities and receivables in its Balance Sheet. In the Balance Sheet positions they are indicated in the current assets and liabilities in the amount of HRK 346 million. In the Statement of cash flow

inflows (receipts) for the collection of trade receivables through factoring are included in inflows from financial activities for the first half of 2013 in the amount of HRK 359.3 million, while for the same period last year they amounted to HRK 333.9 million.

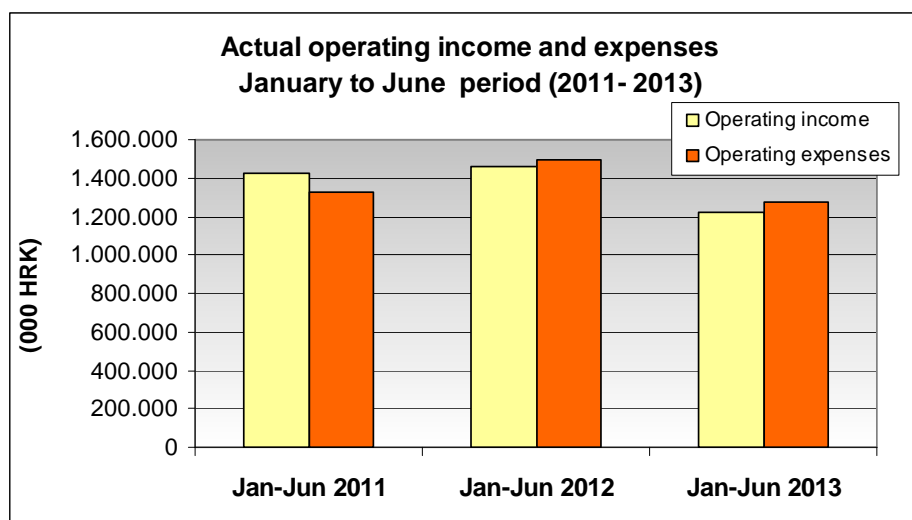
Overall, the Management Board believes that the realization of the potential risk of claims collections by Petrokemija for assigned claims to large customers in the domestic market through the so-called mechanism for recourse factoring, does not seem likely. This assessment is based on the past experience - all previous transactions (in previous years) were carried out in accordance with sound business practices and justified their purpose as an element of competition in the market and liquidity management of the Company.

In addition to financing issues, the domestic demand for fertilizers is connected with the situation in agricultural production, i.e. with the price ratio of production materials and finished products in agriculture (low prices of basic agricultural crops generate the extensiveness in use of agro-technical measures and vice versa). The imports of fertilizers have a moderately rising trend, having an approximate market share of 20% (by Petrokemija's assessment) with a portion of those products not normally produced by Petrokemija.

The Management Board of Petrokemija, Plc. believes that the overhaul at the turn of 2012/13 was the last winter overhaul due to balancing of gas consumption in the Croatian gas system. The Company used the fertilizer production standstill in January 2013 for the planned annual facilities overhaul.

Natural gas as the most important raw material is supplied to the domestic market under contracts with two suppliers. Unfortunately, the previous contractual restrictions still prevent the Company to purchase significant gas volumes on the free market in 2013, so that only approximately 20% of the required volumes can be purchased on the free market. On 15 January 2013, Petrokemija signed a Contract on Supply of 130 million Sm<sup>3</sup> of natural gas with Prvo plinarsko društvo, Ltd. Vukovar (on behalf of GAZPROM Schweiz AG).

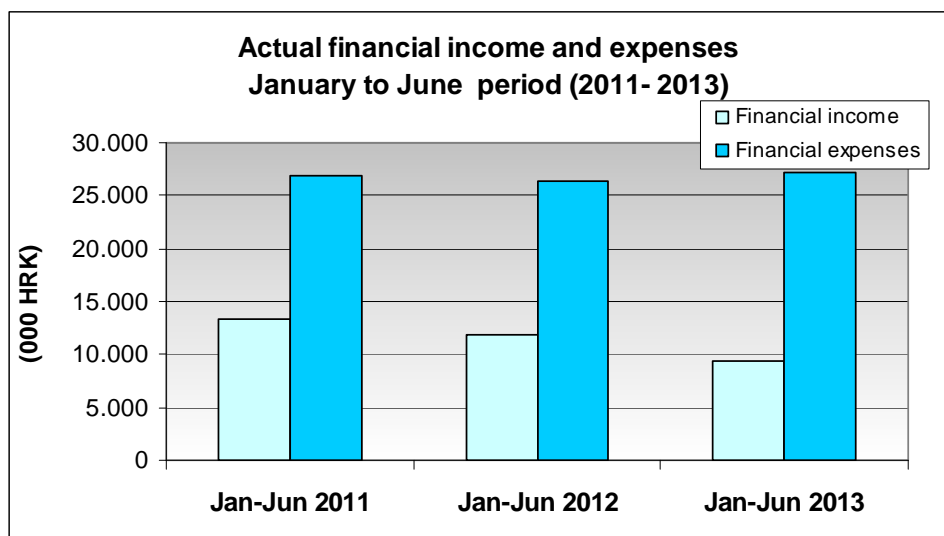
In April 2013, an Annex to the Contract on Supply of Natural Gas, concluded with Prirodni plin d.o.o. from Zagreb, a company owned by INA Oil Industry, Plc. Zagreb was signed, by which terms of gas deliveries for 2013 have been revised and certain volumes contracted until the end of 2014. The price of natural gas for 2013 was contracted on a fixed level and denominated in USD.



Financial income was HRK 2.4 million or 20.3% lower, and financial expense HRK 0.7 million or 2.8% higher than in the same period of the previous year. The HRK 17.8 million losses from financial activities were HRK 3.1 million higher than in the same period of the year before. Foreign exchange gains accounted for 46.5% and income from interest and other financial income for 53.5% share in the financial income. Foreign exchange losses have 18.5% share in financial expenses, while 81.5% is made up of interest. The loss as per exchange differences was HRK 0.7 million or 3.8% of the actual loss from financial operations.

Although the interest rates were lower than in the previous period, due to high debt levels, the interest costs were 33% than in the same period of the previous year. During the preparation of this financial report there are ongoing activities aimed at the Company recapitalization and change of the short-term indebtedness structure. In the wider area, there is a risk of deterioration of the Croatian credit rating and the unresolved financial crisis in the Eurozone, which can be indirectly transferred to financing conditions of the Company.

Since 2009, Petrokemija has been implementing issuing commercial papers program through Privredna Banka Zagreb to provide for short-term working capital. The so-far existing frame up to HRK 100 million was increased to 200 million in July of this year. During the whole period of the program, the liabilities on commercial bills were fulfilled regularly. No new liabilities for previous issues of commercial bills are due for payment. Repayment or refinancing of commercial papers in 2013 will depend on the price of other sources of funding at the time of their maturity.



## 2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

After consolidation of financial results of Petrokemija, Plc. and its daughter companies – Restoran Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija, Ltd. Novo Mesto and Luka Šibenik Ltd., the financial result for period Jan-Jun 2013 is as follows:

• Total income	HRK	1,237.0 million
• Total expenses	HRK	1,307.8 million
• Loss before taxation	HRK	-70.8 million

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 4.8 million in the negative.

In the reporting period, two daughter companies were operating with loss - Luka Šibenik, Ltd, which reported a loss of HRK 3.1 million and Petrokemija Ltd. Novo Mesto a loss of HRK 5 thousand. Luka Šibenik, Ltd. (Port of Šibenik) reported a loss due to the small turnover and high fixed costs, and the loss of Petrokemija, Ltd. Novo Mesto was created as accounting value, because this company is 100% financed by the revenue for services rendered to the parent company, Petrokemija, Plc.

**Business results of daughter companies:**

(HRK 000)

POSITION	Actual Jan-Jun 2013	Actual Jan-Jun 2012	Ind 2/3
1	2	3	4
<b>RESTORAN PETROKEMIJA, Ltd.</b>			
TOTAL INCOME	1.191	1.075	110,8
TOTAL EXPENSES	1.038	1.069	97,1
GROSS PROFIT /LOSS	153	6	2550,0
<b>PETROKEMIJA Novi Sad, Ltd.</b>			
TOTAL INCOME	27.190	69.678	39,0
TOTAL EXPENSES	26.882	69.523	38,7
GROSS PROFIT	308	155	198,7
<b>PETROKEMIJA Novo Mesto, Ltd.</b>			
TOTAL INCOME	296	352	84,1
TOTAL EXPENSES	301	352	85,5
GROSS PROFIT	-5	0	0,0
<b>LUKA ŠIBENIK, Ltd.*</b>			
TOTAL INCOME	7.071	8.281	85,4
TOTAL EXPENSES	10.195	11.255	90,6
GROSS PROFIT	-3.124	-2.974	105,0

\*in period Jan-Mar 2012 Luka Šibenik, Ltd. was not a member of the Petrokemija Group

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(HRK 000)

POSITION	Petrokemija Group Jan-Jun 2013	Petrokemija Group Jan-Jun 2012
<b>Total operating income*</b>	1.227.377	1.470.249
<b>Total operating expenses</b>	1.280.548	1.505.659
<b>PROFIT/LOSS FROM ORDINARY ACTIVITIES</b>	-53.171	-35.410
<b>Total financial income</b>	9.646	11.931
<b>Total financial expenses</b>	27.229	26.895



POSITION	Petrokemija Group Jan-Jun 2013	Petrokemija Group Jan-Jun 2012
<b>PROFIT/LOSS FROM FINANCIAL ACTIVITIES</b>	-17.583	-14.964
<b>TOTAL INCOME</b>	1.237.023	1.482.180
<b>TOTAL EXPENSES</b>	1.307.777	1.532.554
<b>Profit/Loss before taxation</b>	-70.754	-50.374
<b>Profit tax</b>	0	15
<b>Profit/Loss after taxation</b>	-70.754	-50.389
<b>Comprehensive Profit/Loss for the period</b>		
<b>Credited to parent company capital owners</b>	-70.120	-49.786
<b>Credited to minority interest</b>	-634	-603

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – second quarter 2013

(HRK 000)

POZICIJA	Petrokemija Group		
	Jan-Mar 2013	Apr-Jun 2013	Jan-Jun 2013
<b>Total operating income</b>	598.904	628.473	1.227.377
<b>Total operating expenses</b>	643.980	636.568	1.280.548
<b>PROFIT/LOSS FROM ORDINARY ACTIVITIES</b>			
<b>Total financial income</b>	-45.076	-8.095	-53.171
<b>Total financial expenses</b>	3.048	6.598	9.646
<b>PROFIT/LOSS FROM FINANCIAL ACTIVITIES</b>	14.283	12.946	27.229
<b>TOTAL INCOME</b>	-11.235	-6.348	-17.583
<b>TOTAL EXPENSES</b>	601.952	635.071	1.237.023
<b>Profit/Loss before taxation</b>	658.263	649.514	1.307.777
<b>Profit tax</b>			
<b>Profit/Loss after taxation</b>	-56.311	-14.443	-70.754

## CONSOLIDATED BALANCE SHEET

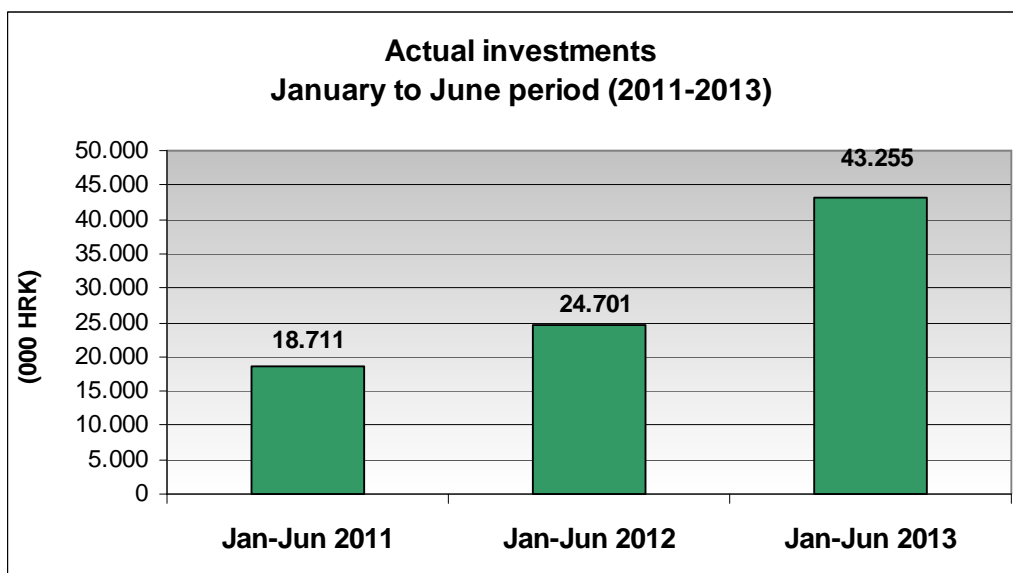
P O S I T I O N	(HRK 000)	
	Petrokemija Group 30.06. 2013.	Petrokemija Group 31. 12. 2012.
<b>Total long-term assets</b>	743.167	749.050
<b>Total short-term assets</b>	1.201.613	1.184.011
<b>Prepaid costs and accrued income</b>	2.293	2.709
<b>TOTAL ASSETS</b>	<b>1.947.073</b>	<b>1.935.770</b>
<b>Total capital</b>	513.405	584.299
<b>Long-term liabilities</b>	140.235	138.428
<b>Total short-term liabilities</b>	1.293.433	1.209.069
<b>Accruals and diferred income</b>	0	3.974
<b>TOTAL LIABILITIES</b>	<b>1.947.073</b>	<b>1.935.770</b>

Notes and quantifications relating to the indicated positions of current assets and current liabilities of the Petrokemija, Plc. parent company as of 30 June 2013 also apply to the financial statements of the Petrokemija Group.

The planned key business objectives of Petrokemija, Plc. and Petrokemija Group for the year 2013, (it primarily refers to the profits in operations), were not realized at the semi annual level, due to market instability and the effects of the key business risks - high growth in gas price, lower sales due to a lower demand for fertilizers and the related fall of fertilizer prices in the world market. The key challenge of imbalance between input and output prices in the domestic, regional and global mineral fertilizer markets was not eliminated in the third quarter of 2013. Given the non-season of consumption in the region and the necessary export to more distant markets and those with lower domestic prices, the Management estimates that the Company will a loss in business in the third quarter.

### 3. INVESTMENTS

Actual investment in the first half of 2013 amounted to HRK 43.3 million, approximately HRK 18.6 million or 76% over the previous year's amount. Despite limited funds in 2013, the level of investments was increased as compared to the previous years.



The investment activities in 2013 will depend on the ability to provide the funding. In the next few years, an increase in investments is necessary in environmental protection projects, improvement of energy efficiency and condition of facilities. However, the extensiveness of investment will continue to be limited by available financial resources.

Because of the market situation, the assessment of time necessary for a possible start of production at the plants which have been stalled, and the level of investment to make them fit for efficient production is uncertain. In the coming years it will be necessary to make strategic decisions - whether to make possible significant investments in their modernization and re-start or perhaps preserve them, shut-down and write-off and finally dispose of them in accordance with the local environmental requirements.

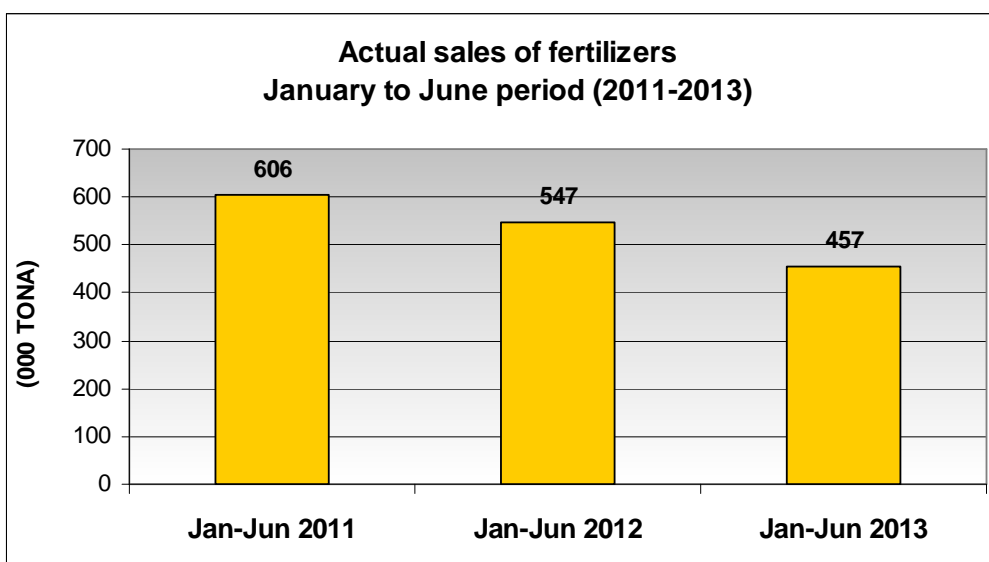
#### 4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to June 2013 period:

- **fertilizers** 520.3 thousand tons
- **clay-based and other products** 5.9 thousand tons

In accordance with the market situation, actual production plan and available supplies, the sales results were as follows:

- **fertilizers** 457.3 thousand tons
- **clay-based and other products** 8.5 thousand tons



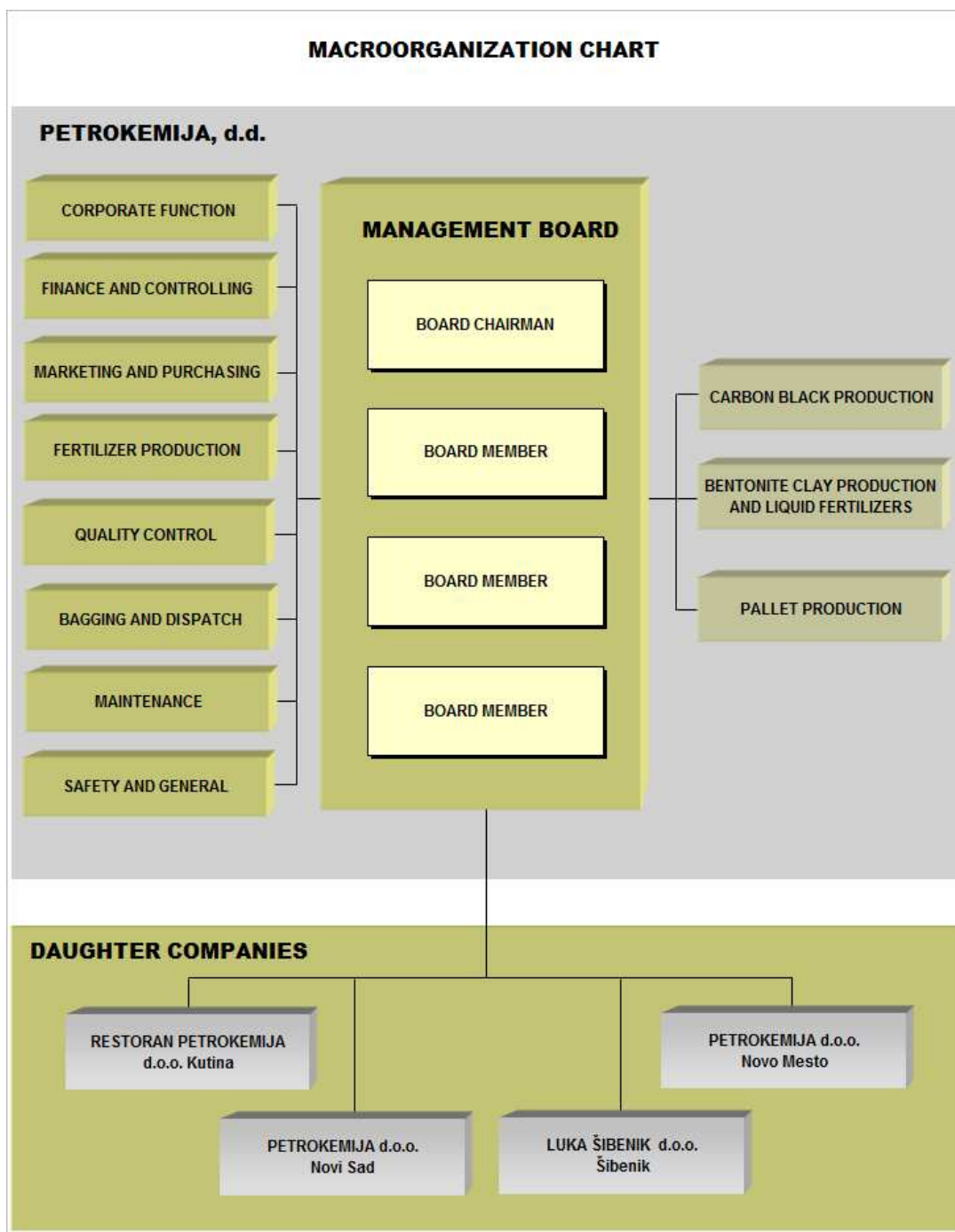
The actual total sales of fertilizers were 16.5% lower than in the same period of the previous year, with certain changes in the structure of the product range. The largest drop was recorded in the group of NPK fertilizer. Due to unfavorable weather conditions in the first quarter, the deliveries were aggravated, which with the economic exhaustion of customers, resulted in the lower-than-planned sales. The sales of clay-based products were by 29.4% lower and those of liquid fertilizers and chemicals by 7.0% higher in comparison to the previous year. However, these products had no significant impact on total business result of Petrokemija, Plc. As the Carbon Black Plant is temporarily shut down for market reasons, there were no sales of carbon black.

## 5. ORGANIZATION CHART AND HUMAN RESOURCES

In 2013, the organization chart of Petrokemija, Plc. was more or less the same as in the previous years. Due to the continuous reduction in output and sales in the segment of bentonite clay-based products, the Management Board of Petrokemija decided to merge the existing profit centers Clay Production and Liquid Fertilizers, Servicing and Services into one organizational unit with the aim of more efficient management in 2013.

As of 30 June 2013, the Petrokemija Group is made up of Petrokemija, Plc. Kutina as the parent company and its daughter companies:

- Restoran Petrokemija, Ltd. Kutina,
- Petrokemija, Ltd. Novi Sad
- Petrokemija, Ltd. Novo Mesto and
- Luka Šibenik, Ltd, Šibenik.



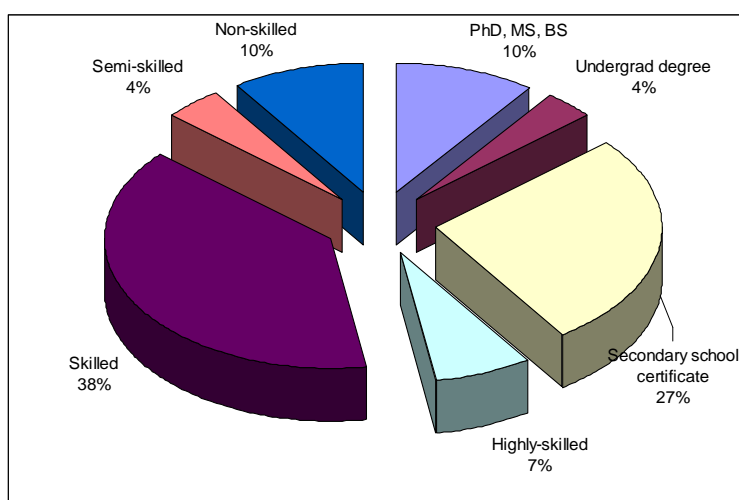
As of June 30, 2013, Petrokemija, Plc. had 2,291 employees and its daughter companies, members of the Petrokemija Group had 184 employees, which makes a total of 2,475 employees. The high qualification structure corresponds to the complexity of the production and other systems in place in the Company.

#### Changes in the Management Board:

- On 10 January 2013, the Croatian Government adopted a decision proposing the Petrokemija Supervisory Board, upon previous approval of the State Office for State Property Management, recall of the former members of the Management Board - Tomislav Seletković, Antonija Perošević-Galović and Nenad Marinović - and appointment of Žarko Rijetković, Krešimir Kvaternik and Karlo Došen as new members of the Management Board of the Company.

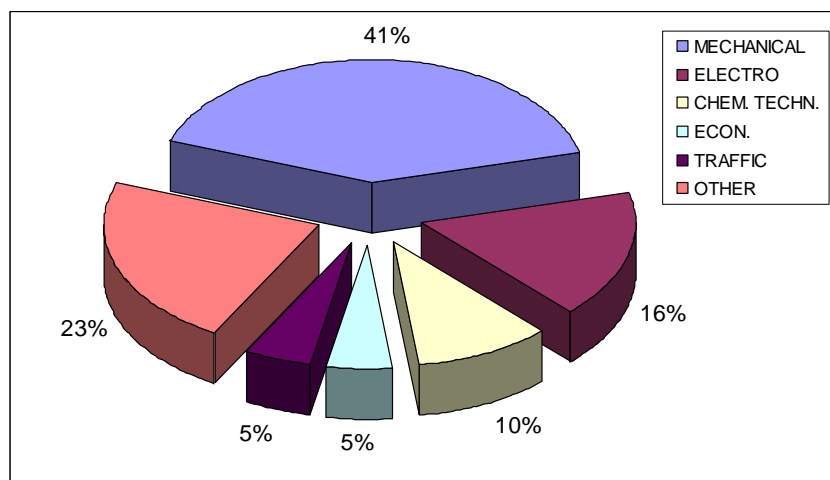
- At its meeting on February 4, 2013, the Company Supervisory Board issued a decision stating that the mandate of the Management Board members Tomislav Seletković, Antonija Perošević-Galović and Nenad Marinović terminated as of 14 February 2013. The Supervisory Board has appointed three members of the Petrokemija Management Board, as follows: Karlo Došen, MBA, from Zagreb, Krešimir Kvaternik, MBA, from Zagreb and Žarko Rijetković, B.Mech Eng, from Novska. The mandate of the appointed members of the Management Board began on 15 February 2013 and will end on 14 February 2017.
- On 15 July, the General Assembly recalled Supervisory Board member, Mr. Ivan Nekvapil and appointed Mr. Tomislav Radoš as new Supervisory Board member.

#### EMPLOYEES BY QUALIFICATION:



The employee structure by profession indicates that Petrokemija has maintenance of production and ancillary facilities in place, as well as other supporting departments such as bagging and dispatch which receives and dispatches up to 2,0 million tons a year of raw materials and finished products.

#### EMPLOYEES BY PROFESSION:

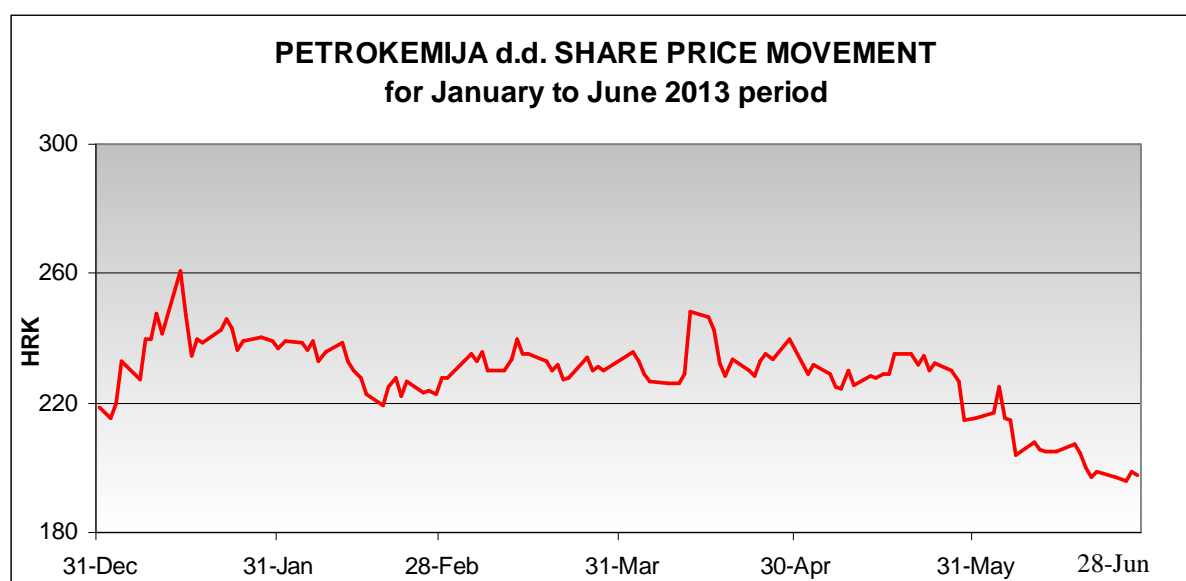


## 6. PETROKEMIJA, Plc. SHARE TRADING AND PRICE MOVEMENTS

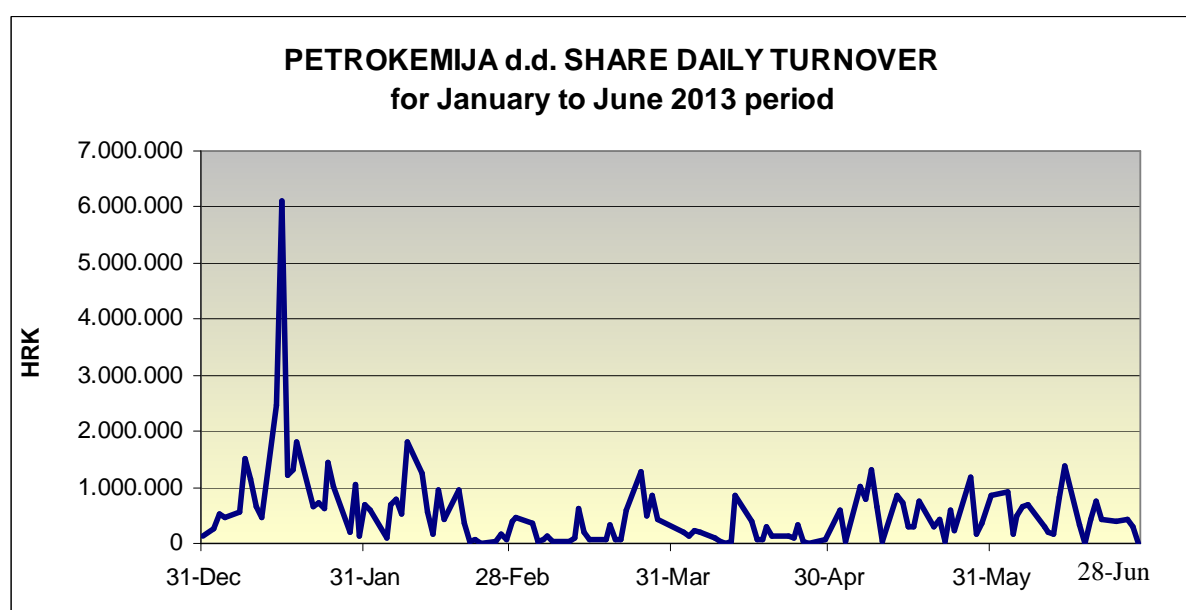
The share of Petrokemija, Plc. is quoted in the Official Zagreb Stock Exchange Market. The nominal value of share is HRK 270.00.

At the end of December 2012, Petrokemija's share value was HRK 214.45, while on 28 June 2013, its average price was HRK 195.42 (8.9% drop). The share turnover at the Zagreb Stock Exchange during the 1<sup>st</sup> half of 2013 was HRK 65.1 million (total amount in 2012 was HRK 179.6 million), with price fluctuations mainly influenced by the global financial movements, specific characteristics of the Croatian capital market, actual financial results of the Company and media announcements of potential privatization.

By decisions of the General Assembly on 15 July 2013, the nominal value of the share was reduced to HRK 170.00 and the process was initiated to increase the share capital, which is described in detail in sections 8.1. and 8.2. of this report.



Source: ZSE



Source: ZSE

## 7. ENVIRONMENTAL PROTECTION - JANUARY TO JUNE 2013 REPORT

Petrokemija, Plc. with its core production of fertilizers, carbon black and bentonite clay-based products, has a significant impact on environment. The environmental management system of the Company is in compliance with, and certified against the ISO 14001:2004 standard requirements. The overall goal of Petrokemija is to improve efficiency of the environmental management system in order to achieve a more effective environmental protection and pollution prevention.

Major environmental aspects are pollutant emissions to air and water and waste management. Detailed reports on environmental protection and impact of Petrokemija's production on environment are annually made in accordance with the regulations. What follows is a summary of actual indicators of environmental management for January to June 2013 period by main environmental aspects.

### 1. Air pollutant emissions and air quality in the Kutina area

According to the data from 2012 and also from the previous years, greenhouse gases, carbon dioxide and nitrous oxide (CO<sub>2</sub> and N<sub>2</sub>O), have the largest share (about 99 %) in the total emissions into air from Petrokemija. As regards other typical pollutant emissions (ammonia-NH<sub>3</sub>, sulphur dioxide-SO<sub>2</sub>, nitrogen dioxide-NO<sub>2</sub>, gaseous fluorides-HF, dust), without greenhouse gases and carbon monoxide (CO) from Petrokemija's technological processes, ammonia and nitrogen oxides, have the largest share in total pollutant emissions.

In line with the regulations, emission monitoring was done by individual or periodical measuring throughout the calendar year, except for measurements of air emissions from Power Plant and Ammonia Plant that were continuous. Air quality monitoring in the Kutina area is continuous, by means of automatic and semi-automatic methods.

In the January to June 2013 period, the results of air quality monitoring at six local network measuring stations for the five pollutants (NH<sub>3</sub>, SO<sub>2</sub>, NO<sub>2</sub>, H<sub>2</sub>S and sediment), recorded exceeding of 24-hour limit for:

- ammonia in one case at K2 measuring station and in one case at K3 measuring station but the number of recorded exceedings were not higher than number of permitted exceedances for 1<sup>st</sup> air quality category.

For all pollutants at all monitoring stations air quality was 1<sup>st</sup> category (clean or slightly polluted air).

According to unofficial measuring results of the *Kutina-1* State-Established Monitoring Station for January to June 2013 period, the air quality was 1<sup>st</sup> category for all pollutants.

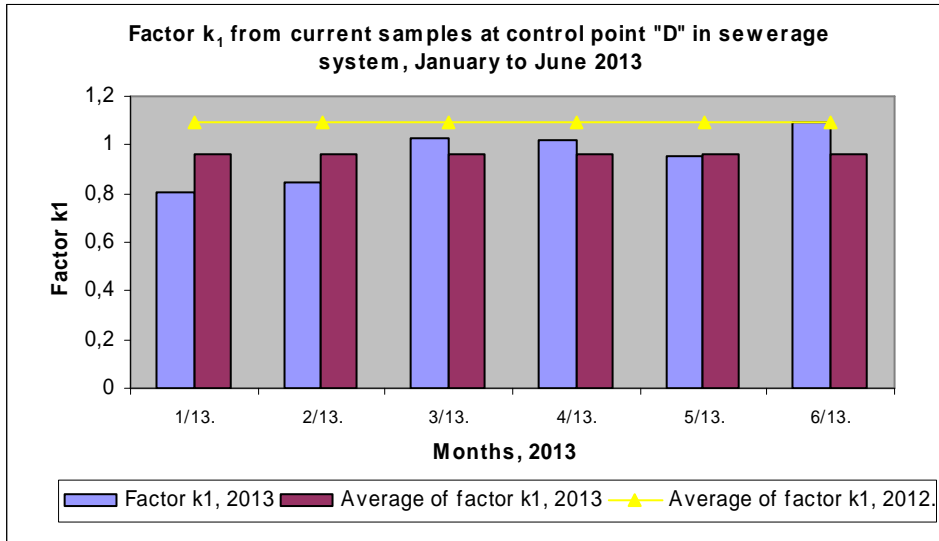
Measuring data of pollutants of State established monitoring system *Kutina-1* in the reporting period are incomplete.

### 2. Water management

The average value of k1 factor for the period from January to June 2013 is lower compared to average achieved in 2012. (Figure 1).

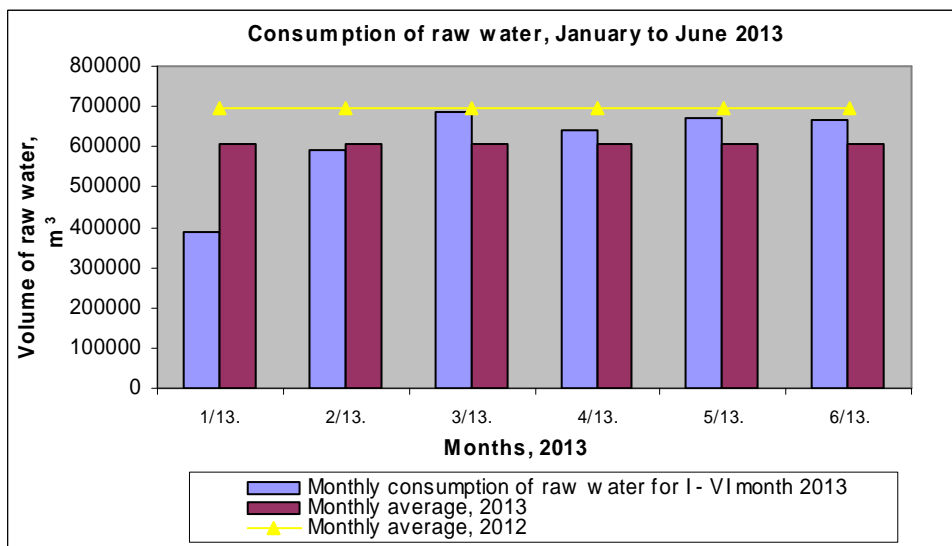


**Figure 1.**



In the January to June period of 2013, reduction of raw water consumption was achieved (Figure 2.).

**Figure 2.**



### 3. Waste management

The generated production waste (e.g. calcium fluoride) was regularly disposed at the phosphogypsum disposal pond, in accordance with the valid permit. Other kinds of waste were handed over to licensed collecting and processing companies.

### 8. MAIN FEATURES OF BUSINESS ACTIVITIES IN THE NEXT PERIOD

The current market situation - the parity of price of most important raw materials and price of fertilizers in the domestic and world markets suggest caution in predicting operating results in 2013 and the years to follow.

Long-term drought in the past two years has taken on the proportions of a natural disaster. In 2013, the impact of the floods early in the year is still uncertain and the associated delay in the

dynamics of agricultural works to the level of the yield of agricultural crops. The real opening and liberalization of the gas market in Croatia gives rise to optimism in terms of gas purchase price projections from the gas year 2014/2015 onwards. Fixed costs are largely under the control of the Management Board, particularly employment and wages, maintenance costs and overheads. The liquidity is maintained with support of commercial banks, Croatian Bank for Reconstruction and Development and by issuance of commercial bills. Should the loss be continued, it is realistic to expect higher financing costs.

Technical and technological condition of facilities is assessed as satisfactory; some of the plants occasionally operate at a reduced capacity for balancing the supplies and the decision on the dynamics of production in the next period will depend on the market trends. The emphasis in sale will continue to be on the domestic and neighboring markets, where Petrokemija is traditionally present, but strong sales activity will be continued in the global market, too. Assessment of long-term business prospects in the following years is aggravated by the fluctuation in global flows and unstable parity of energy, fertilizers and food prices in world markets. A key success factor is the correlation between the purchase price and gas sales prices of nitrogen fertilizers. A stronger investment cycle and modernization is imposed as a necessity for continuing the consolidation of the Company business, for which initial steps were made in the reporting period - the process of recapitalization, feasibility study of the Ammonia Plant modernization, etc.

## **8.1. GENERAL ASSEMBLY DECISIONS**

The Annual General Meeting of 15 July passed important decisions affecting the future business of the Company, in particular - Decision on simplified reduction of the share capital, Decision to increase the share capital by cash deposits with partial exclusion of the pre-emptive rights of existing shareholders and Decision on approving the acquisition of shares without the obligation to publish a takeover bid. This has opened the process of recapitalization of the Company, as a prerequisite for the restructuring and a new investment cycle.

In accordance with the decisions adopted at the General Assembly of Petrokemija, Plc., held on 15 July 2013, the Commercial Court in Zagreb, Permanent Office in Sisak, on 19 July 2013, announced an entry of change in scope of activities, change of the Supervisory Board member, Decision on reduction of share capital, reduction of share capital and changes in the provisions of the Articles of Association of Petrokemija, Plc.

## **8.2. COMPANY SHARE CAPITAL INCREASE**

The increase of the share capital of the Company will be carried out by payment in cash by issuing a minimum of 551,285 to a maximum of 1,102,569 new ordinary registered shares, with a nominal value of HRK 170.00. ("New Shares"). The new shares will be offered for sale at prices ranging from HRK 170.00 to 228.00 per share ("Price Range"). The increase of the share capital of the Company shall be carried out with partial exclusion of the pre-emptive right of the existing shareholders of the Company and this by requiring payment for subscribed shares in the amount of no less than EUR 100,000.00 per investor to be paid in HRK equivalent of this amount. The subscription and payment for the shares shall be made in a maximum of three rounds, which is explained in detail in a Public Invitation to existing shareholders on the Company website and the Zagreb Stock Exchange. The Company has developed an Information Memorandum of issuing new shares and it is available in the electronic form on the website and in the official premises of the Company.

Issuing of New Shares will be considered successful if at least 50% of the total amount of issued shares is subscribed and paid for within the set deadlines for subscription and payment, i.e. at least 551,285 New Shares. The total amount of successful issuance determined in that manner will represent the exact amount of increase of the Company's share capital through issuing of New Shares. The Company's Management Board will, with the consent of the Supervisory Board, determine the success of the issuing of New Shares, the exact amount of the share capital increase and the exact number of new ordinary shares.

New shares will bear the same rights and rank as all existing Company's shares. They will be issued in dematerialized form, as an electronic record in the computer system of the CCDC, with a code given to them by the CCDC. Every share carries the right to one vote in the General Assembly of the Company. The shares are registered and they entitle the shareholders to all the rights determined by the law and the Company's Articles of Association, as of the day of entering the increase of the share capital into the Court Register. Newly issued shares will be included in the regulated market of the Zagreb Stock Exchange, in accordance with the relevant regulations. Newly issued shares may be traded with in the regulated market after their inclusion in the regulated market, that being the official market of the Zagreb Stock Exchange.

## **9. SIGNIFICANT FINANCIAL RISKS IN 2013**

The overall considerations of Petrokemija's business position in the remaining period of 2013 include a number of parameters whose impact is difficult to estimate. With regard to the present market situation, it is estimated that the company will sustain losses for the entire fiscal year. However, a special attention should be given to risks as follows:

- Petrokemija's Plc. result is highly dependent on the movements of fertilizer and their raw material price in the world market, the exchange rate of HRK against USD and EUR and their interrelations.
- Projections of these prices do not indicate a recovery and they could have a negative impact on our financial performance in remaining year.
- Natural gas as the most important raw material is supplied at the domestic market under contracts with two suppliers. The price of gas for 2013 was agreed at a fixed level, expressed in USD.
- On 15 January 2013, Petrokemija, Plc. concluded a contract on supply of 130 million Sm<sup>3</sup> of natural gas with Prvo plinarsko društvo d.o.o. Vukovar (on behalf of GAZPROM Schweiz AG).
- A contract on gas supply was signed with INA Industrija nafte, Plc. Zagreb, i.e. their daughter company Prirodni plin, Ltd. for 2012 and 2013. In April 2013, an Annex to the Contract on Supply of Natural Gas, concluded with Prirodni plin d.o.o. from Zagreb, a company owned by INA Oil Industry, Plc. Zagreb was signed, by which terms of gas deliveries for 2013 have been revised and certain volumes contracted until the end of 2014.
- The average actual purchase price of gas in the first half of 2013, after a long period of constant increase trend, was 12.1% lower than in the same period of 2012, but still 27.5% higher than in the comparable period of 2011.
- The sales prices of fertilizers in the global markets continue to be influenced by cyclic and seasonal changes. During the reporting period, they had a falling trend, and at the

time of writing this report they stagnated, and for some products they had a slight increase.

- The fluctuations of raw material prices present so far in the world market, will have impact on material costs in the next period. In the reporting period they are in the process of decline or stagnation.
- High costs of working capital – because of insufficient own working capital, finance costs will continue to be present in the following period.
- In reporting of the balance of assigned claims from the three largest domestic customers and potential liabilities to the factoring companies (so-called extrinsic or recourse factoring), the Company as of 30 June 2013 reported these receivables and payables in the Balance Sheet amounting to of HRK 346 million. During the reporting period, these claims have been fully collected, as in previous years.
- A part of the short-term liabilities has been transformed into long-term liabilities (loans and reservation). In the next period efforts will be made to provide additional long-term resources to finance permanent working capital and the indispensable investments.
- The most significant individual risk is further decline in sales prices of fertilizers in the world, regional and local markets.

## 10. STATEMENT OF MANAGEMENT LIABILITY

In line with Articles 407 through 410 of Capital Market Act (OG 88/08, 146/08, 74/09 and 54/13), the Managing Board of Petrokemija, Plc. Kutina, A. Vukovar 4, make a

### Statement on Management Liability

Financial reports were made in accordance with International Financial Reporting Standards (IFRS). Financial reports are also compliant to Croatian Accounting Act, effective at the time of issuing of the reports.

Financial reports for the January 1 to June 30, 2013 period, make an exact and true account of the Company financial state and the business and cash flow results, in compliance with the applicable accounting standards.

This report may contain certain statements relating to the future business of Petrokemija, Plc. and Petrokemija Group, their strategy, plans and intentions which express a certain degree of uncertainty. They reflect the current position of the Company with regard to risks, uncertainties and assumptions about the future. Currently, the results, effects and achievements of Petrokemija, Plc. or Petrokemija Group are heavily dependent on a large number of factors which may influence their being quite different from the originally set ones.

President of Petrokemija  
Management Board  
Josip Jagušć

Member of Petrokemija  
Management Board  
Karlo Došen

Member of Petrokemija  
Management Board  
Krešimir Kvaternik

Member of Petrokemija  
Management Board  
Žarko Rijetković

**Encl:** - Quarterly Financial Report of the Company - TFI-POD Petrokemija d.d.  
- Quarterly Financial Report of the Petrokemija Group - TFI-POD Petrokemija Group

**Attachment 1.**

Reported period:

01.01.2013.

to

30.06.2013.

**Quarterly financial statements TFI-POD**

Registration number (MB): 03674223

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

Issuer company: PETROKEMIJA d.d.

Postal code and city: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

E-mail: [fin@petrokemija.hr](mailto:fin@petrokemija.hr)Internet address: [www.petrokemija.hr](http://www.petrokemija.hr)

Code and city/municipality: 220 KUTINA

Code and county name: 3 SISAČKO-MOSLAVAČKA ŽUPANIJA

Number of employees: 2.291  
(at the end of the year)

Consolidated Report: NO

Code of NKD: 20.15

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

Book-keeping office:

Contact person: MARINA MARIĆ

(name and surname of the contact person)

Telephone number: 044-647-829

Fax: 044-682-819

E-mail: [marina.maric@petrokemija.hr](mailto:marina.maric@petrokemija.hr)

Name and surname: JOSIP JAGUŠT, KARLO DOŠEN

(authorized representatives)

**Documentation to be published:**

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Management Board's Report
3. Statement of persons in charge of making Financial Statements

(seal)

(signature of authorized representative)

**BALANCE SHEET**  
as at 30.06.2013.

<b>Petrokemija d.d.</b>			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
<b>A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>767.586.092</b>	<b>760.834.921</b>
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	<b>8.148.486</b>	<b>7.690.777</b>
1. Expense for development	<b>004</b>		
2. Concessions, patents, licences, trade and service marks, software and other rights	<b>005</b>	4.540.413	4.050.864
3. Goodwill	<b>006</b>		
4. Advances for intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	3.608.073	3.639.913
6. Other intangible assets	<b>009</b>		
II. TANGIBLE ASSETS (011 do 019)	<b>010</b>	<b>733.063.299</b>	<b>726.769.837</b>
1. Land	<b>011</b>	49.482.151	49.482.151
2. Buildings	<b>012</b>	289.770.183	284.617.335
3. Plant and equipment	<b>013</b>	321.195.288	318.664.662
4. Tools, plant inventory and transportation assets	<b>014</b>	13.342.741	16.719.926
5. Biological assets	<b>015</b>		
6. Advances for tangible assets	<b>016</b>	3.020.898	534.333
7. Tangible assets in progress	<b>017</b>	55.752.053	56.249.020
8. Other tangible assets	<b>018</b>	499.985	502.410
9. Investments in real estates	<b>019</b>		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	<b>020</b>	<b>26.374.307</b>	<b>26.374.307</b>
1. Investments (shares) in related companies	<b>021</b>	26.366.770	26.366.770
2. Loans given to related companies	<b>022</b>		
3. Participating interest (shares)	<b>023</b>	7.537	7.537
4. Loans given to companies with participating interest	<b>024</b>		
5. Investment in securities	<b>025</b>		
6. Loans given, deposits and similar assets	<b>026</b>		
7. Other long-term financial assets	<b>027</b>		
8. Investments accounted for using the equity method	<b>028</b>		
IV. TRADE RECEIVABLES (030 do 032)	<b>029</b>	<b>0</b>	<b>0</b>
1. Receivables from related companies	<b>030</b>		
2. Receivables for sales on loan	<b>031</b>		
3. Other receivables	<b>032</b>		
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>1.162.341.450</b>	<b>1.180.339.580</b>
I. INVENTORIES (036 do 042)	<b>035</b>	<b>658.809.848</b>	<b>676.188.142</b>
1. Raw and other material	<b>036</b>	247.917.930	216.294.002
2. Work in progress	<b>037</b>	70.216.160	58.992.093
3. Finished products	<b>038</b>	333.852.838	395.053.151
4. Merchandise inventory	<b>039</b>	4.869.080	4.340.084
5. Advances for inventories	<b>040</b>	1.953.840	1.508.812
6. Long-term assets intended for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
II. TRADE RECEIVABLES (044 do 049)	<b>043</b>	<b>448.263.232</b>	<b>479.734.380</b>
1. Receivables from related companies	<b>044</b>	11.599.180	4.785.700
2. Receivables from customers (buyers)	<b>045</b>	139.577.954	62.322.255
3. Receivables from participating interest	<b>046</b>		
4. Receivables from employees and members	<b>047</b>	56.426	54.726
5. Receivables from state and other institutions	<b>048</b>	72.435.277	64.366.988
6. Other receivables	<b>049</b>	224.594.395	348.204.711
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	<b>050</b>	<b>42.025.369</b>	<b>16.829.829</b>
1. Investments (shares) in related companies	<b>051</b>		
2. Loans given to related companies	<b>052</b>		
3. Participating interest (shares)	<b>053</b>	11.552.010	10.872.480
4. Loans given to companies with participating interest	<b>054</b>		
5. Investment in securities	<b>055</b>	5.545.769	5.957.349
6. Loans given, deposits and similar assets	<b>056</b>	24.927.590	
7. Other financial assets	<b>057</b>		
IV. CASH IN BANK AND ON HAND	<b>058</b>	13.243.001	7.587.229
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>2.664.743</b>	<b>2.243.472</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.932.592.285</b>	<b>1.943.417.973</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	297.691.767	478.890.000

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>577.937.645</b>	<b>509.852.336</b>
I. SUBSCRIBED CAPITAL	063	902.101.590	902.101.590
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	0
1. Legal reserves	066		
2. Reserve for treasury shares	067		
3. Treasury shares and investment (deductable item)	068		
4. Statutory reserves	069		
5. Other reserve	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-136.992.075	-324.163.945
1. Retained earning	073		
2. Loss carried forward	074	136.992.075	324.163.945
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-187.171.870	-68.085.309
1. Profit for the year	076		
2. Loss for the year	077	187.171.870	68.085.309
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>15.076.437</b>	<b>15.207.565</b>
1. Provisions for pensions, severance pay and similar liabilities	080	13.126.437	13.126.437
2. Provisions for tax liabilities	081		
3. Other provisions	082	1.950.000	2.081.128
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>123.333.333</b>	<b>123.333.333</b>
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	123.333.333	123.333.333
3. Liabilities to banks and other financial institutions	086		
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
<b>D) SHORT-TERM LIABILITIES (094 do 105)</b>	<b>093</b>	<b>1.212.271.490</b>	<b>1.295.024.739</b>
1. Liabilities to related companies	094	6.730.060	5.104.737
2. Liabilities for loans, deposits and similar	095	4.500.000	15.000.000
3. Liabilities to banks and other financial institutions	096	323.166.667	377.944.444
4. Liabilities for advances	097	61.021.489	72.581.170
5. Liabilities to suppliers	098	484.375.423	356.230.691
6. Liabilities for securities	099	82.000.000	98.766.478
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.427.611	12.961.043
9. Liabilities for taxes, contributions and other payments	102	11.599.920	8.067.027
10. Liabilities as per share in result	103		
11. Liabilities as per long-term assets intended for sales	104		
12. Other short-term liabilities	105	225.450.320	348.369.149
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>3.973.380</b>	
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.932.592.285</b>	<b>1.943.417.973</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>297.691.767</b>	<b>478.890.000</b>
<b>APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Credited to parent company capital owners	109		
2. Credited to minority interest	110		

Note 1.: The appendix to the balance sheet i to be filled if consolidated financial statements are to be compiled.



**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2013. to 30.06.2013.

Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	<b>1.461.373.996</b>	<b>746.585.929</b>	<b>1.225.980.630</b>	<b>631.264.857</b>
1. Sales revenues	112	1.439.957.589	734.414.903	1.206.281.137	619.869.513
2. Other operating revenues	113	21.416.407	12.171.026	19.699.493	11.395.344
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>1.494.318.324</b>	<b>778.932.771</b>	<b>1.276.301.202</b>	<b>638.207.636</b>
1. Changes in value of work in progress and finished products	115	-6.846.185	-36.011.481	-49.976.247	-74.704.571
2. Material costs (117 do 119)	116	1.294.681.478	709.950.563	1.130.216.516	613.144.465
a) Cost of raw and production materials	117	1.248.721.539	683.657.791	1.091.825.687	595.635.610
b) Cost of goods sold	118	1.841.883	1.025.509	2.314.279	1.596.823
c) Other external costs	119	44.118.056	25.267.263	36.076.550	15.912.032
3. Employees costs (121 do 123)	120	117.991.285	58.883.137	116.545.029	58.772.274
a) Net salaries and wages	121	74.029.904	37.138.460	73.801.441	37.161.490
b) Costs for taxes and contributions from salaries	122	27.212.833	13.675.724	27.325.909	13.833.546
c) Contributions on salaries	123	16.748.548	8.068.953	15.417.679	7.777.238
4. Depreciation	124	49.888.314	25.309.788	47.502.643	24.121.398
5. Other costs	125	37.325.168	20.437.658	31.493.882	16.388.844
6. Value adjustments (127+128)	126	1.278.264	363.106	269.379	235.226
a) of long-term assets (except for financial assets)	127	11.811	11.811	16.989	16.989
b) of short-term assets (except for financial assets)	128	1.266.453	351.295	252.390	218.237
7. Provisions	129			250.000	250.000
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>11.786.404</b>	<b>1.576.670</b>	<b>9.388.032</b>	<b>6.530.187</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	49.317	8.128	55.461	7.982
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	10.493.547	1.684.062	9.332.571	7.394.269
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135	1.243.540	-115.520	0	-872.064
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>26.403.614</b>	<b>13.733.194</b>	<b>27.152.769</b>	<b>12.857.423</b>
1. Interest, exchange rate fluctuations and other costs with associated companies	138	160.765	66.408	130.572	75.391
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	26.242.849	13.666.786	26.342.667	12.102.502
3. Unrealised losses (costs) from financial assets	140			679.530	679.530
4. Other financial expenses	141				
<b>V. PORTION IN PROFIT OF ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. PORTION IN LOSS OF ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EKSTRAORDINARY - OTHER REVENUES</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL REVENUES (111+131+142 + 144)</b>	<b>146</b>	<b>1.473.160.400</b>	<b>748.162.599</b>	<b>1.235.368.662</b>	<b>637.795.044</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>1.520.721.938</b>	<b>792.665.965</b>	<b>1.303.453.971</b>	<b>651.065.059</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>-47.561.538</b>	<b>-44.503.366</b>	<b>-68.085.309</b>	<b>-13.270.015</b>
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	47.561.538	44.503.366	68.085.309	13.270.015
<b>XII. PROFIT TAX</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-47.561.538</b>	<b>-44.503.366</b>	<b>-68.085.309</b>	<b>-13.270.015</b>
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	47.561.538	44.503.366	68.085.309	13.270.015

APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	155				
2. Credited to minority interest	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)</b>					
<b>I. PROFIT OR LOSS OF THE PERIOD (= 152)</b>	<b>157</b>	<b>-47.561.538</b>	<b>-44.503.366</b>	<b>-68.085.309</b>	<b>-13.270.015</b>
<b>II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Exchange rate differences from translation of foreign currency operations	159				
2. Change in revaluation reserves of fixed tangible and intangible assets	160				
3. Gain or loss from revaluation of financial assets held for sale	161				
4. Gain or loss from effective cash flow hedge	162				
5. Gain or loss from effective hedge in net investments in abroad	163				
6. Portion in other comprehensive gain/loss of associated companies	164				
7. Actuarial gains/losses on defined benefit plans	165				
<b>III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-47.561.538</b>	<b>-44.503.366</b>	<b>-68.085.309</b>	<b>-13.270.015</b>
<b>APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	169				
2. Credited to minority interest	170				

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2013. to 30.06.2013.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
<b>CASH FLOW FROM PERATIONG ACTIVITIES</b>			
1. Cash increase from buyers	001	1.291.367.126	1.082.130.531
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	4.887.803	2.397.414
4. Cash increase from tax return	004	100.113.756	162.106.768
5. Other cash increase	005	5.885.888	2.640.209
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>1.402.254.573</b>	<b>1.249.274.922</b>
1. Expenses to suppliers	007	1.509.672.179	1.446.589.161
2. Expenses for employees	008	132.204.530	125.349.755
3. Expenses for insurance compensations	009	8.158.201	6.726.260
4. Expenses for interest	010	15.656.194	18.577.889
5. Expenses for taxes	011	47.955.874	73.622.488
6. Other cash decrease	012	6.096.501	7.861.482
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>1.719.743.479</b>	<b>1.678.727.035</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>317.488.906</b>	<b>429.452.113</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	136.165	
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment*	018		
4. Cash proceeds of dividend payment*	019	677.265	1.005.704
5. Other cash proceeds from investing activities	020		
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>813.430</b>	<b>1.005.704</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	26.840.726	43.515.999
2. Cash outflow for acquisition of equity and debt financial instruments	023	24.273.071	
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>51.113.797</b>	<b>43.515.999</b>
<b>B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)</b>	<b>027</b>	<b>50.300.367</b>	<b>42.510.295</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash infows from issuance of equity and debt financial instruments	028		
2. Cash inflows from loan pricipals, debentures, credits and other borrowings	029	957.266.500	1.034.300.000
3. Other inflows from financial activities	030	395.905.222	485.182.669
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>1.353.171.722</b>	<b>1.519.482.669</b>
1. Cash outflows for repayment of loan principal and bonds	032	962.933.167	969.022.222
2. Cash outflows for dividend payment	033		
3. Cas outflow for financial lease	034		
4. Cash outflows for buybackof own shares	035		
5. Other cash outflows for financial activities	036	33.979.989	109.081.401
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>996.913.156</b>	<b>1.078.103.623</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>356.258.566</b>	<b>441.379.046</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>0</b>	<b>0</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>0</b>	<b>0</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>11.530.707</b>	<b>30.583.362</b>
<b>Cash and cash equivalentats at the begining of the period</b>	<b>042</b>	<b>22.416.248</b>	<b>38.170.591</b>
<b>Increase of cash and cash equivalentats</b>	<b>043</b>		
<b>Decrease of cash adn cash equivalentats</b>	<b>044</b>	<b>11.530.707</b>	<b>30.583.362</b>
<b>Cash and cash equivalentats at the end of the period</b>	<b>045</b>	<b>10.885.541</b>	<b>7.587.229</b>

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

## STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2013 to 30.6.2013

Position	AOP code	Previous year	Current year
1	2	3	4
1. Suscribed capital	001	902.101.590	902.101.590
2. Capital reserves	002		
3. Reserves from profit	003		
4. Retained profit or loss carried forward	004	-136.992.075	-324.163.945
5. Profit or loss for the year	005	-187.171.870	-68.085.309
6. Revaluation of fixed tangeble assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>577.937.645</b>	<b>509.852.336</b>
11. Exchange differences on translationof financial statements of foreign operations	011		
12. Curent and deferred taxes (part))	012		
13. Protektion of cash flow	013		
14. Changes in accounting policies	014		
15. Adjustment of significant errors from previous period	015		
16. Other changes in captal	016		
<b>17. Total increase or decrease of capital (AOP 011 do 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Creadited to parent company capital owners	018		
17 b. Creadited to minority interest	019		

Items that decrease the capital are entered with a minus sign.

Items under AOP marke 001 to 009 are entered as status on balance sheet date.

## Note

PETROKEMIJA, Plc.

In the first half of 2013, Petrokemija, Plc. had total actual income of HRK 1,235.4 million and total expense of HRK 1,303.5 million; thus the Company reported loss in business operations of HRK 68.1 million or 5.5% of the total revenues. At the semi-annual level of 2013, the total income was by 16.1% lower and the total expense by 14.3% lower on the same period of 2012. Out of the total loss, HRK 50.3 million or 73.9% is loss from business operations, while HRK 17.8, or 26.1% is loss from financial operations. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 2.8 million in the negative. The EBITDA for the same period of 2012 was HRK 16.9 million in the positive.

In the period April - June 2013, Petrokemija, Plc. had total actual revenues of HRK 637.8 million, total expenses of HRK 651.1 million and reported an operating loss of HRK 13.3 million or 2.1% of the total revenues. Reduction of the loss as compared to the first quarter can be interpreted as a seasonal phenomenon. After 54.8 million loss in the first quarter of 2013, in the second quarter the loss was reduced to HRK 13.3 million, while the EBITDA was by HRK 17.2 million positive. Compared with the same period last year, the loss in the second quarter of 2013 was by HRK 31.2 million lower.

The major part of this disparity was generated by a decline in demand in the global and regional markets and the associated decline in fertilizer prices. Less achievement in domestic market reflects the general poor state of agriculture, the reduction and delay in the payment of state subsidies, and adverse weather conditions for spring sowing. The reporting period was characterized by a general downward trend in the purchase prices of raw materials and sales prices of fertilizers. The price of gas in this general trend is an isolated phenomenon and is influenced by specific factors in the Croatian gas market and Petrokemija's position as one of the two largest customers in the still relatively undeveloped domestic gas market.

Due to the lower sales, there were higher fixed costs per unit of product and loss in the first half of operations. Additional adverse impacts on business in the first half of 2013 were the expenses for the annual fertilizer facilities overhaul carried out in January and the impact of part of stocks carried over from 2012.

In the reporting period, the operating income was 16.1% lower compared to the same period of 2012, mostly due to the lower volume of sales and partly because of fertilizer price drop in the world and regional markets. The total sales of fertilizers fell by 16.5% compared to the same period of the year before, which indicates a slight decline of the average actual sales prices.

Lower actual operating expenses compared to the year before were caused by the lower sales and lower average input prices of raw materials. There was a slight decline in purchase prices of key raw materials, and for natural gas this phenomenon was even somewhat more pronounced. The average actual purchase price of gas in the first half of 2013, after a long period of constant increase trend, was 12.1% lower than in the same period of the year before, but still 27.5% higher than in the comparable period of 2011.

In addition to reduction of the sales volumes and the decline in sales prices, as the underlying cause for loss, the next in importance is the impact of spending of the intermediary products supplies, particularly ammonia, which were produced in 2012 at higher gas price rates. The actual share of fixed costs in the total costs was lower than the previous year, which was not enough to offset the impact of lower actual sales volumes. This affected the growth of fixed costs per unit of product. In the first half of 2013, Petrokemija achieved approximately the same overall level of production (index 99.6) as in the same period last year, but with the change in the product structure - urea production was increased by ten percent, and the production of NPK fertilizers was reduced. After successful completion of overhaul in January, all the demand of the spring sowing season was met as well as the top dressing of winter crops. The stocks in a part of the product range, as compared to the beginning of the year, were increased.

Natural gas as the most important raw material was supplied from the domestic market under contracts

Natural gas as the most important raw material was supplied from the domestic market under contracts with two suppliers. The price of gas for 2013 was agreed at a fixed level and denominated in U.S. dollars. On 15 January 2013, Petrokemija, Plc. concluded a contract on supply of 130 million Sm<sup>3</sup> of natural gas with Prvo plinarsko društvo d.o.o. Vukovar (on behalf of GAZPROM Schweiz AG). In April 2013, an Annex to the Contract on Supply of Natural Gas, concluded with Prirodni plin d.o.o. from Zagreb, a company owned by INA Oil Industry, Plc. Zagreb was signed, by which terms of gas deliveries for 2013 have been revised and certain volumes contracted until the end of 2014.

Due to the market situation, some facilities had been halted in the second half of 2009 and this problem was carried over into the third quarter of 2013. The crisis caused by disparity of in- and output prices in the carbon black market is still ongoing. Petrokemija is influenced by developments in the global market which gives space to significant potential price risks and financial fluctuations in the rest of 2013.

In addition to their own working capital, short-term bank loans and long-term loans from the Croatian Bank for Reconstruction and Development, Petrokemija secured their working capital partly by the release of commercial papers in the Zagreb Stock Exchange through Privredna banka Zagreb as agent and dealer of the program.

Because of the long collection of claims for fertilizers in the domestic market and the liquidity problems of domestic buyers due to their own lack of working capital, Petrokemija has been using factoring as a form of financing and debt collection in the agreed due payment period (with the obligation of the buyer to bear all costs and interest associated with the factoring).

In reporting the status of current assets (accounts receivable) and current liabilities (contingent recourse obligations to the factoring companies, in the event that the debtor fails to meet its obligation), Petrokemija as of 30 June 2013 included these claims in their Balance Sheet. In the Balance Sheet positions they are indicated in the current assets and liabilities in the amount of HRK 346 million. Compared with the balances before the year 2012, when these transactions were shown in the records outside the Company Balance Sheet, this significantly increased the level of assets and liabilities reported in these Balance Sheet positions. In the Statement of cash flow inflows (receipts) for the collection of trade receivables through factoring are included in inflows from financial activities for the first half of 2013 in the amount of HRK 359.3 million, while for the same period last year they amounted to HRK 333.9 million.

The future trends in financial results of Petrokemija, Plc. will be influenced by many factors. In addition to the gas price, which is predominantly set in the domestic market, the majority of future risk comes from the global environment, i.e. mainly through:

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

In the reporting period, the impact of unfavorable weather conditions proved to be a very unpredictable risk, as a situation in agriculture, which for the major part disrupted the dynamics of fertilizer deliveries and consequently the related revenues on the domestic and regional markets.

During the preparation of this financial report there are ongoing activities aimed at the Company recapitalization and change of the short-term indebtedness structure.