

UNAUDITED
NON-CONSOLIDATED



ANNUAL REPORT PETROKEMIJA Plc. KUTINA

REPORT FOR PERIOD January to December 2013
INTERIM REPORT FOR PERIOD October to December 2013



Kutina, February 14, 2014

Key indicators for Petrokemija Plc. for 2013



- ❑ Produced fertilizers: 1,078 thousand tons, 4.2% less than the previous year,
- ❑ Yield of currently installed plant capacities: up to 80%,
- ❑ Sales of fertilizers: 1,102 thousand tons, 1.7% less than the previous year,
- ❑ Domestic sales: 312,000 tons, 9.2% less than the previous year,
- ❑ Exports: 790,000 tons, 1.7% more than the previous year,
- ❑ Actual total revenues of Petrokemija Plc.: HRK 2,565.9 million, 15.3% less than the previous year,
- ❑ Actual loss of Petrokemija Plc.: HRK 329.4 million (12.8% of total revenues),
- ❑ EBITDA for Petrokemija Plc.: -202.9 Million,
- ❑ Equity at 31 December 2013: Petrokemija Plc.: HRK 434.8 million
- ❑ Invested in Petrokemija Plc.: HRK 64.9 million
- ❑ Number of employees at 31 Dec 2013: Petrokemija Plc. 2,119, Petrokemija Group 2,294

Management board report on the company status for January – December 2013 period



- In Jan-Dec period 2013 Petrokemija Plc. had total income of HRK 2,565.9 million and total expense of HRK 2,895.3 million. The Company reported loss in business operations of HRK 329,4 million or 12.8% of the total revenues. On an annual basis, total revenues were by 15.3% lower and total expenses by 10.0 % lower than in 2012.
- **The main cause of decline in fertilizer prices is the situation in the global market** - The reporting period was marked by a general downward trend in the purchase prices of raw materials and sales prices of fertilizers. The faster decline in revenue compared to the cost reduction was caused by a sharp decline in fertilizer price in the world market, particularly in the second half of 2013, which led to a large increase in income in the third and fourth quarters. Thereby the negative exposure of Petrokemija to the world market risk was fully revealed. In fact, only 28% of fertilizers was sold in Croatia, and the rest was sold in export. As a result of lower sales, the production plants ran below installed capacity which also increased the variable and fixed costs per unit of product.
- **Another key cause of loss in 2013 are still high gas prices.** Years-long imbalance between the purchase price of natural gas (as the major raw material) on the Croatian market and sales prices of nitrogen fertilizer Urea and CAN in the world market could not be solved by measures inside the company and remains a strategic element in defining the business operations in the next period.
- **A third set of challenges in business that caused the loss are the Company internal inefficiencies**– technological and energy inefficiency due to the low investment in modernization, under-utilization of human resources, and organizational and informational constraints which generate high overheads.

Management Board report on the company status for January – December 2013 (continued)

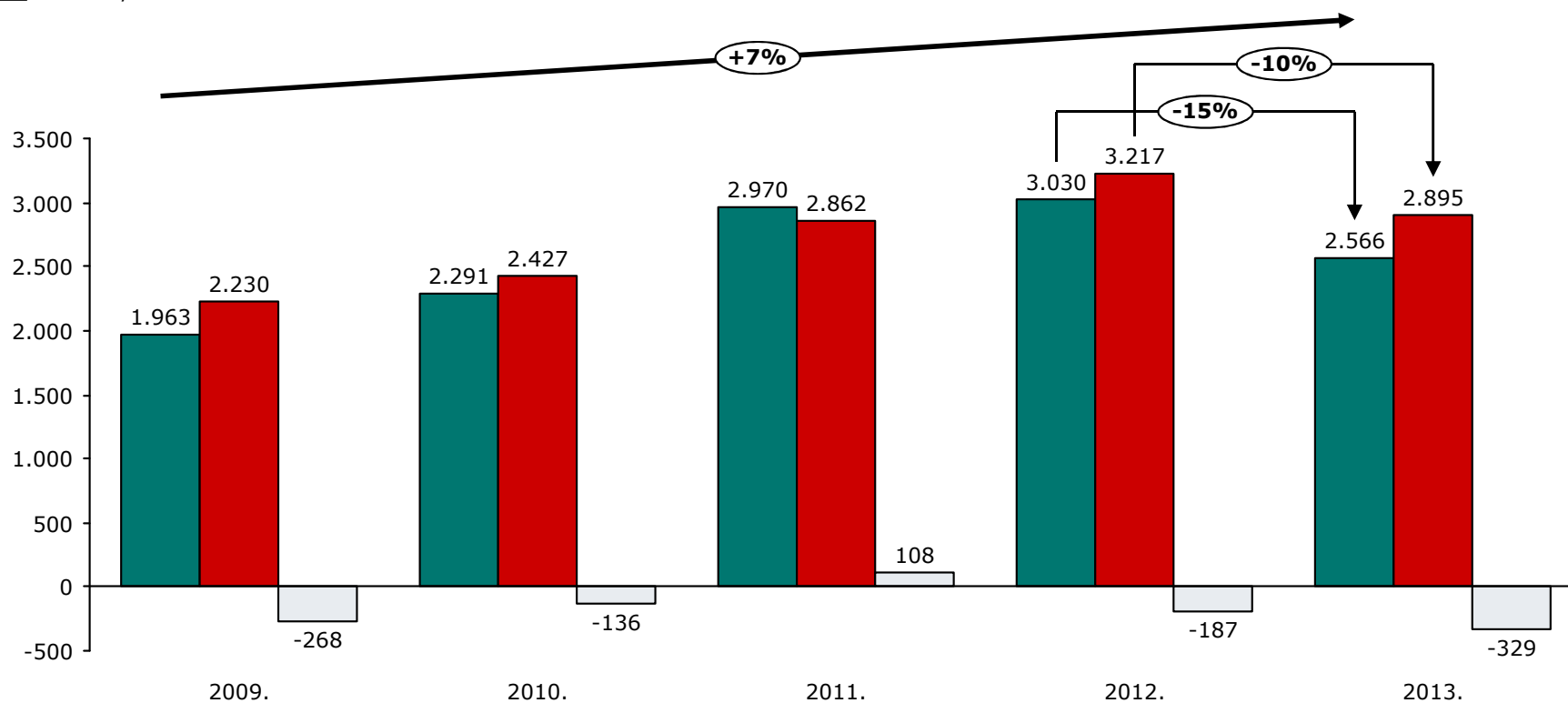


- In the reporting period operating income was 15.2% lower than in 2012, due to fall of prices of fertilizers in all markets. Total sales volumes of fertilizers decreased by 1.7% compared to the previous year.
- Lower operating expenses compared to the previous year, are the result of lower average input prices of raw materials. There was a slight decline in purchase prices of key raw materials and in natural gas this was somewhat more pronounced. Average actual gas purchase price in 2013, after a long period of continuous growth trend, was 15% lower than in 2012, but still 12% higher than in 2011.
- The yearly loss was increased by redundancy costs in the amount of 20.5 million for the employees who left the Company as part of the restructuring program and rationalization of operations.
- Income from domestic sales decreased by 14% in 2013 as compared to 2012 and income from exports decreased by 16%.
- EBITDA indicator (earnings before interest, taxes, depreciation and amortization) was HRK 203 million negative. In 2012 EBITDA was HRK 53 million negative.
- In the structure of loss, HRK 297.6 million or 90% was generated from operating activities, and HRK 31.8 million or 10% from financial operations.

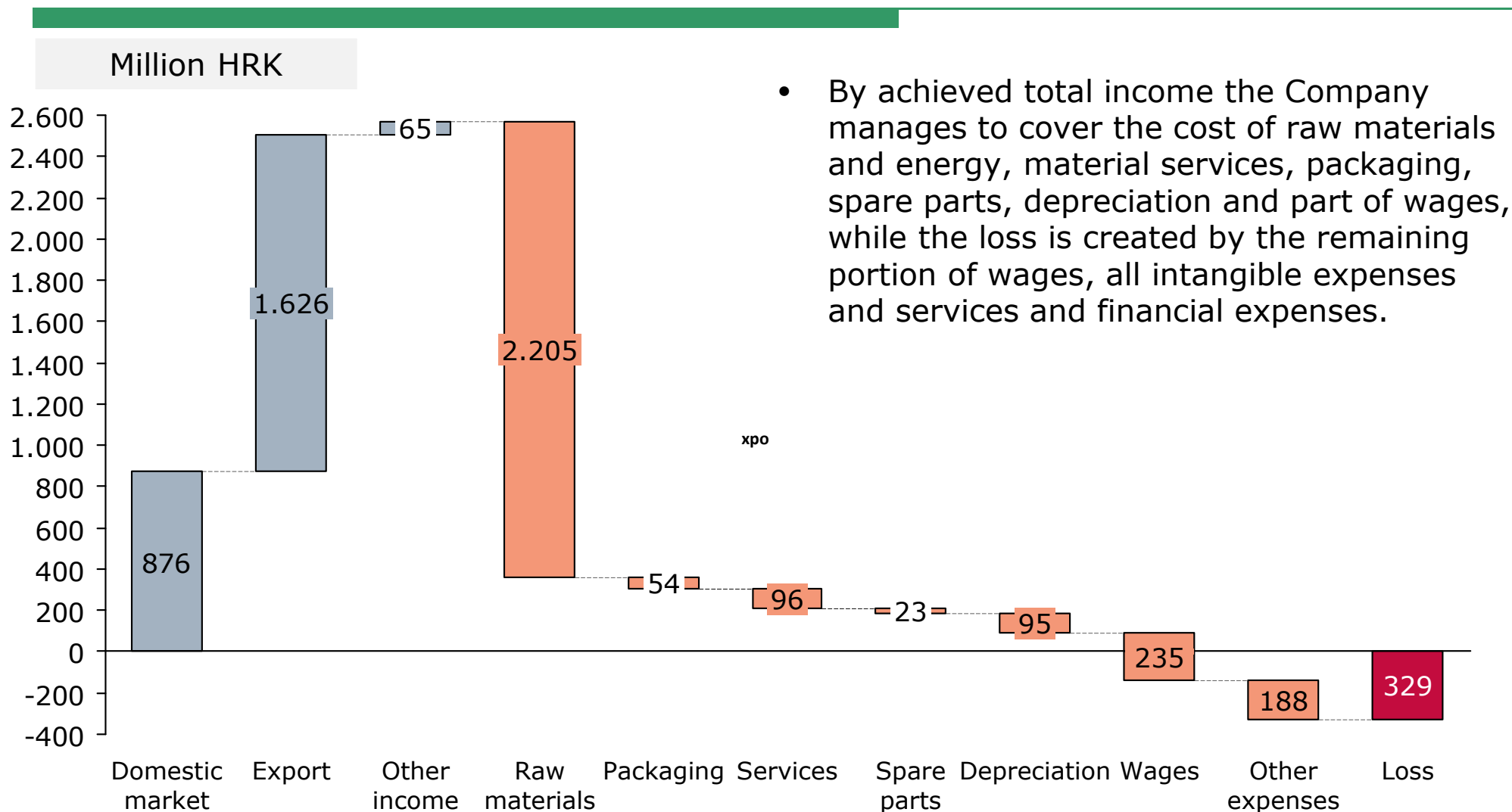
Profit and Loss 2009-2013



- TOTAL INCOME
- TOTAL EXPENSE
- PROFIT / LOSS

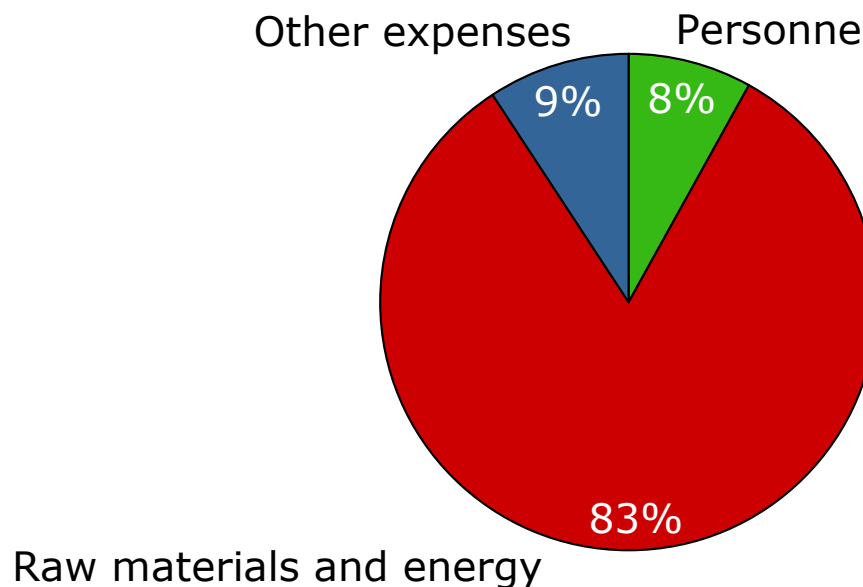
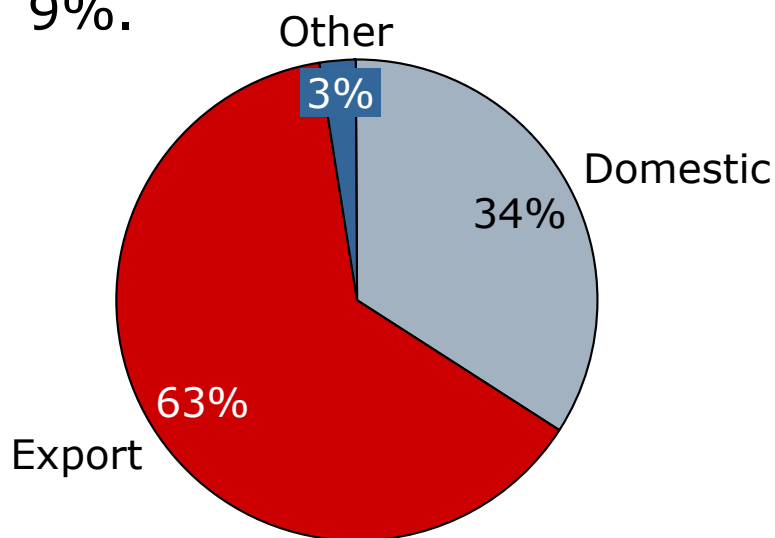


Structure of profit and loss in 2013



Structure of income and expenses in 2013

- In 2013 Petrokemija achieved 34% of income from domestic market, 63% income from export, and financial and other income has made 3,0% of total income,
- In structure of total expenses the dominant 83% account for raw materials and energy; personnel costs for 8%, while all other costs make 9%.



Key financial indicators



(HRK 000)

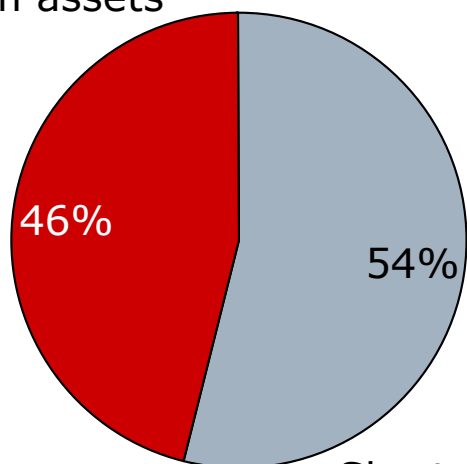
	I-XII 2013.	I-XII 2012.	Difference	% changes
Operating income	2.548.508	3.004.901	-456.393	-15,19%
Operating expense	2.846.088	3.157.005	-310.917	-9,85%
EBITDA *	-202.966	-53.322	-149.644	280,64%
Amortization	94.614	98.782	-4.168	-4,22%
Net financial income (expenses)	-31.783	-35.068	3.285	-9,37%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-329.363	-187.172	-142.191	75,97%
		31. XII 2012.		
Fixed assets	738.156	767.586	-29.430	-3,83%
Current assets	868.241	1.165.006	-296.765	-25,47%
Capital and reserves	434.780	577.938	-143.158	-24,77%
Long-term liabilities + provisions	75.210	138.410	-63.200	-45,66%
Current liabilities + provisions	1.096.407	1.216.244	-119.837	-9,85%

* EBITDA= profit before interest, taxation depreciation and amortization

Structure of assets and liabilities at 31 December 2013

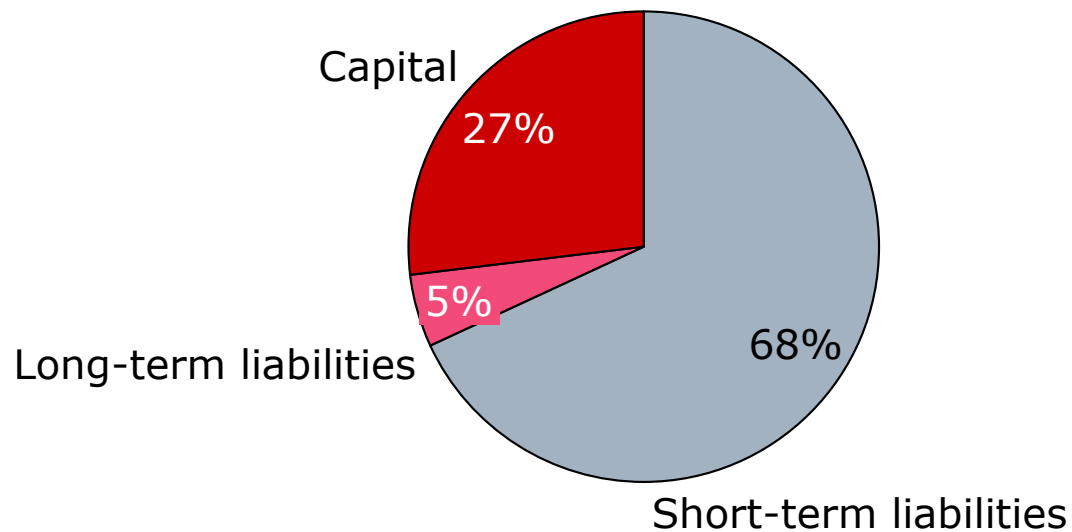
- At 31.Dec 2013, Petrokemija, Plc. had 54% in value of short-term and 46% in long-term assets, which can be interpreted with relatively high depreciation and the age of production and auxiliary facilities.
- The level of capital is the result of capital increase 2013 of HRK 186.2 million, and the liabilities structure is dominated by short-term debts, due to impossibility to obtain long-term loans in the domestic financial market (the global crisis, losses, ownership structure).

Long-term assets



Short-term assets

Capital



Short-term liabilities

Business results in the period October - December 2013



- In the fourth quarter of 2013 there was a simultaneous action of several factors that had a negative impact on the financial result of Petrokemija Plc. In the observed period there was a further reduction of prices of finished products on the world market (global market). Also, the Company had high level of finished goods stocks transferred from the previous period and a contractual obligation to buy natural gas from suppliers to the agreed schedule.
- In the period of Oct-Dec 2013, Petrokemija achieved total income of HRK 706.2 million, total expenses of HRK 846.2 million and reported loss of HRK 140.0 million or 19.8% of the total income. On a quarterly basis, total income was 22.5% lower than in 2012, while total expenses decreased by 11.8%.
- Due to the impossibility of giving up buying the previously agreed purchase of raw materials, primarily natural gas, to maintain the continuity of production and maintain liquidity, in this period of Petrokemija was forced to sell substantial volumes of fertilizers to distant markets where poorer financial results are achieved due to lower prices and high transportation costs. Low fertilizer prices are partly the result of a continuous and long-term global imbalance of supply and demand and market pressures of large manufacturers, who with their share in certain markets may affect the creating of market conditions, because they have their own resources of cheap raw materials. An example of such market imbalance is a discrepancy between the price of natural gas in Europe and prices of nitrogen fertilizers Urea and CAN during the second half of 2013.

Business results in the period October - December 2013



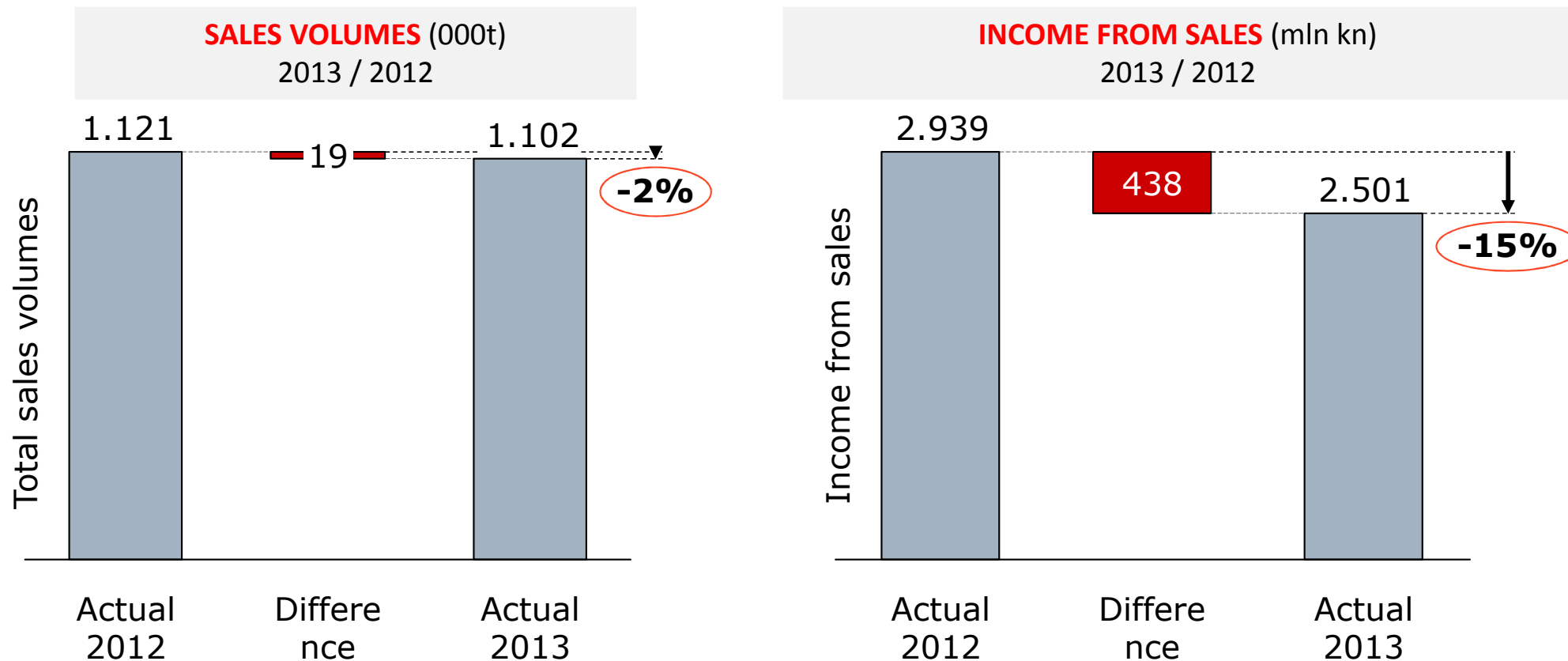
(in 000 HRK)

	I-IX 2013.	X-XII 2013.	I-XII 2013.
Operating income	1.846.662	701.846	2.548.508
Operating expense	2.010.470	835.618	2.846.088
EBITDA *	-91.898	-111.068	-202.966
Amortization	71.910	22.704	94.614
Net financial income (expenses)	-25.546	-6.237	-31.783
Net extraordinary income (expenses)	0	0	0
Profit / loss / before taxation	-189.354	-140.009	-329.363

* EBITDA= profit before interest, taxation depreciation and amortization

Compared to the same period of last year, the loss in the fourth quarter of 2013 is higher by HRK 91.4 million, out of which 20.5 million accounts for severance pay to workers due to redundancies, and HRK 24.2 million for other non-recurring expenses (final calculation of environmental fees, value adjustments, etc.).

Prodaja gnojiva ukupno

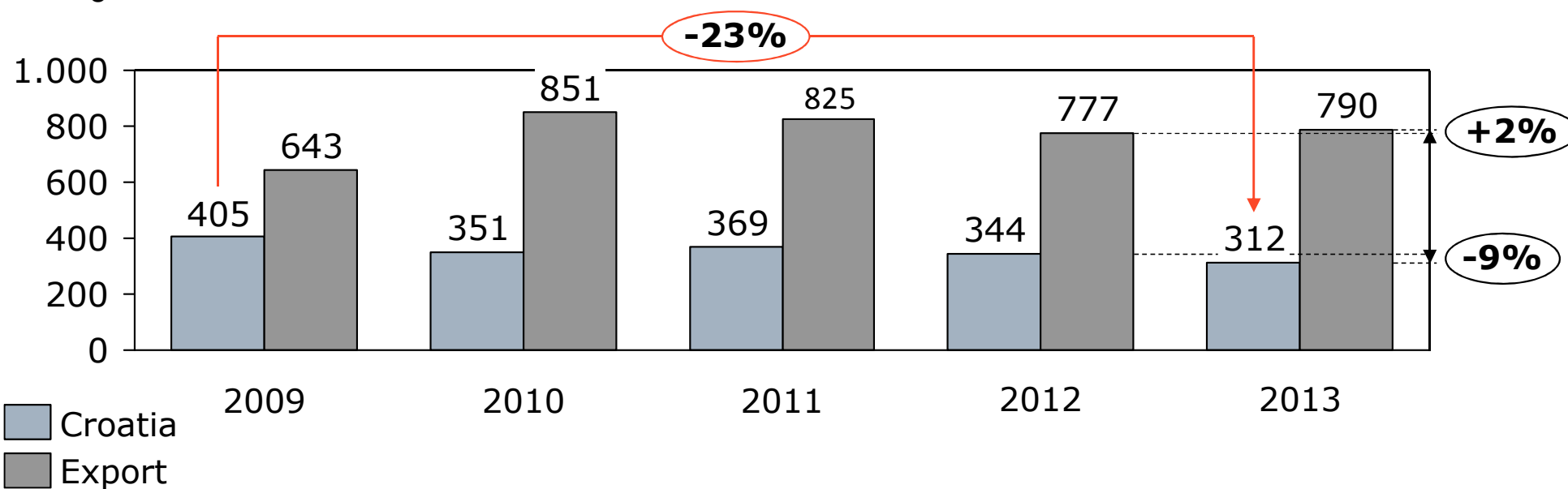
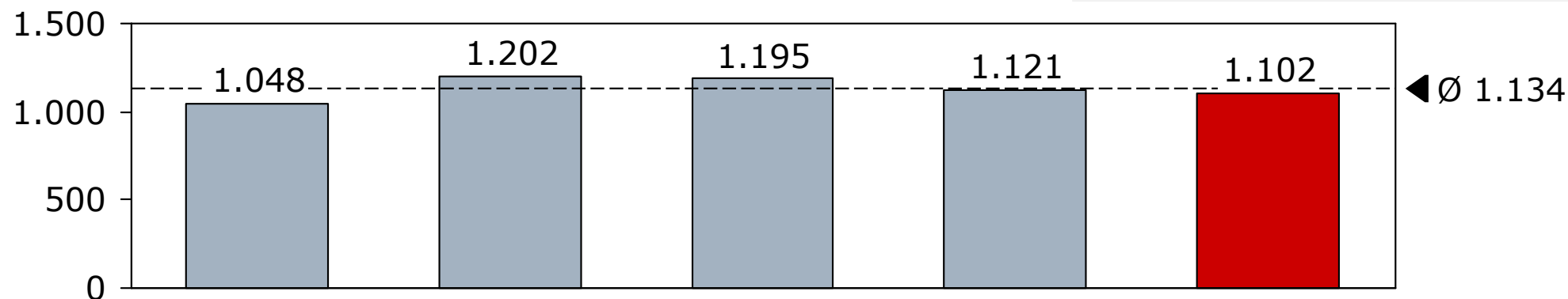


Actual fall in sales volumes of 2% influenced the fall of income from sales by 15%, which indicates significant fall in average sales prices.

Actual fertilizer sales in 2013



Total sales (000 tona)



Business results of Petrokemija Group for Jan-Dec 2013

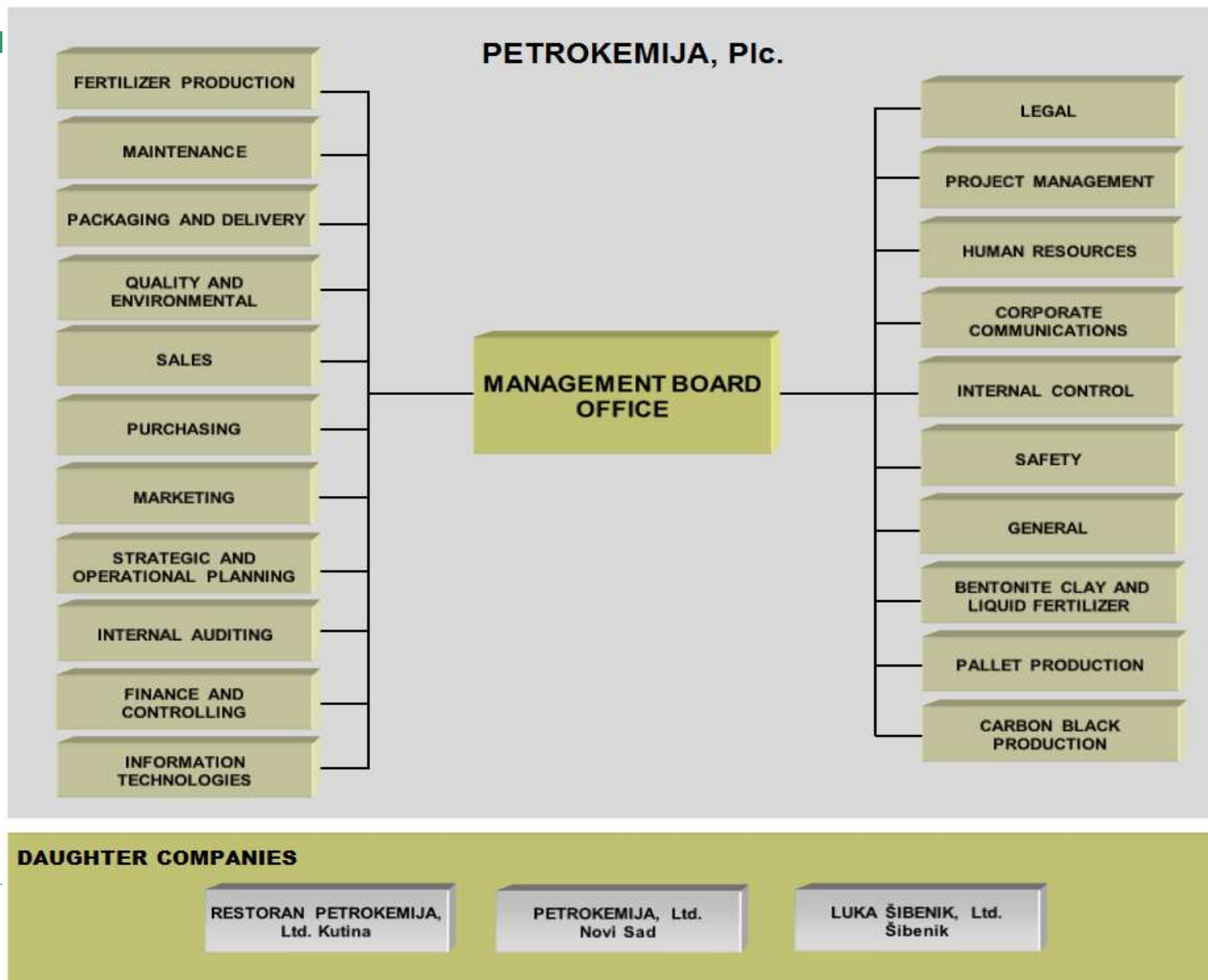


- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries Restaurant Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija, Ltd. Novo Mesto and Luka Šibenik, Ltd., the financial results for the period January-December 2013 are as follows:

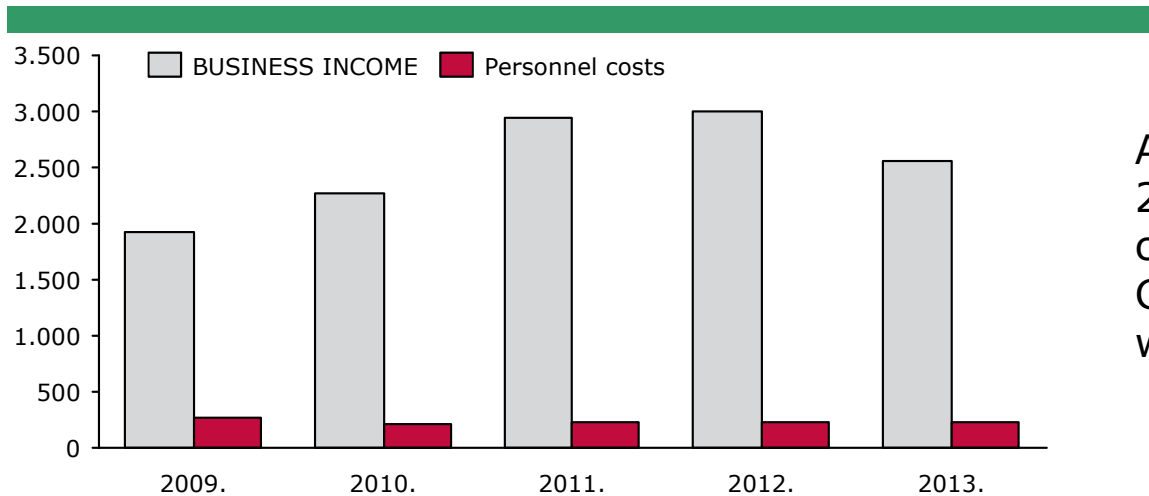
Total revenues	HRK 2,584.1 million,
Total expenses	HRK 2,914.8 million,
Loss before tax	HRK -330.7 million.

- EBITDA (earnings before interest, taxes and depreciation) was HRK 203.5 million in the negative.
- In the reporting period, one subsidiary operated at a loss – Luka Šibenik, Ltd. of HRK 3.2 million. Luka Šibenik reported loss due to the small volume of traffic and high fixed costs
- The procedure of closing down the subsidiary Petrokemija, Ltd. Novo Mesto was initiated because there is no justification for continuing its operations.
- The report on the Petrokemija Group's business includes detailed information on the operations of the subsidiaries.

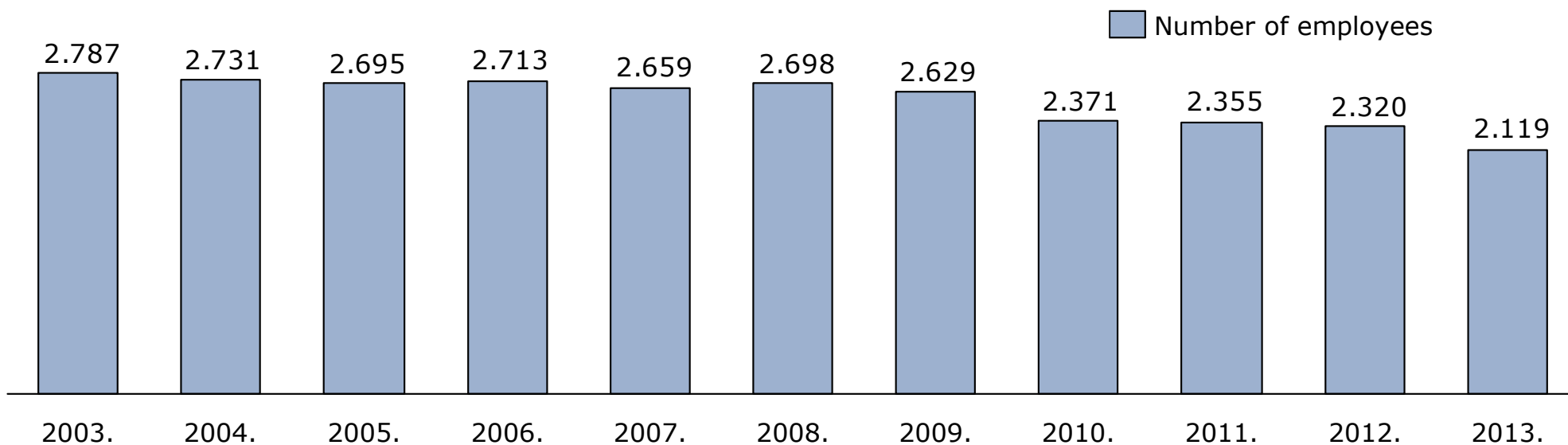
Organization chart of Petrokemija, Plc. and Petrokemija Group



Operational income, personnel costs, number of employees

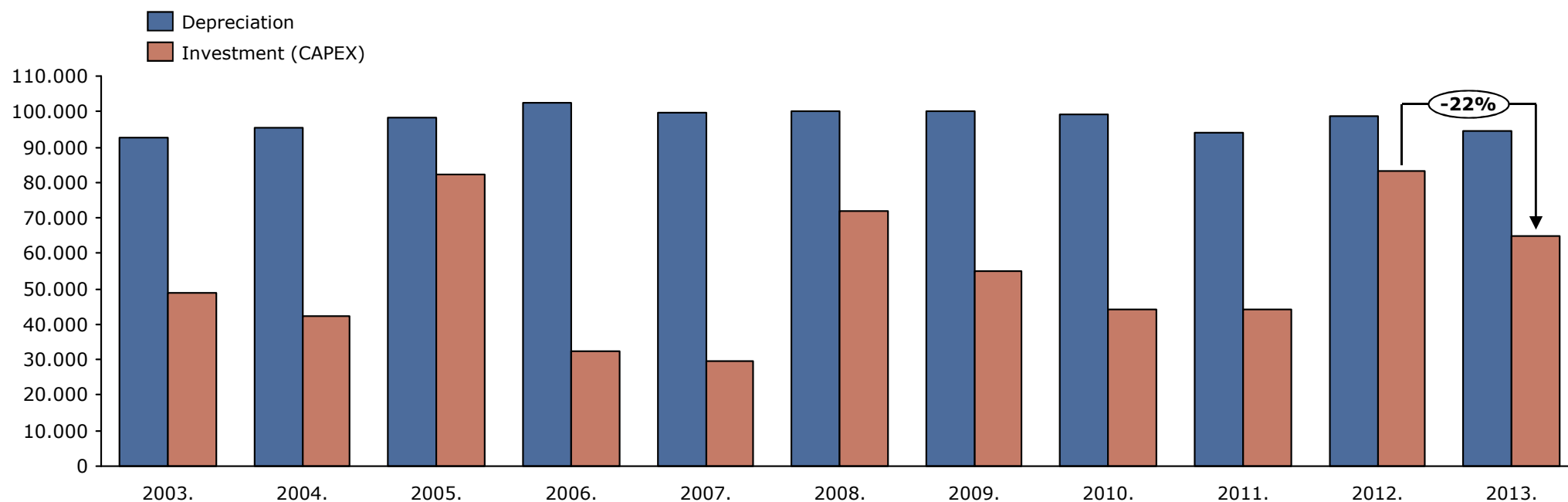


As at 31.12.2013 Petrokemija, Plc. had 2.119 employees, and daughter companies, members of Petrokemija Group, had a total of 175 employees, which gives a total of 2.294 employees.

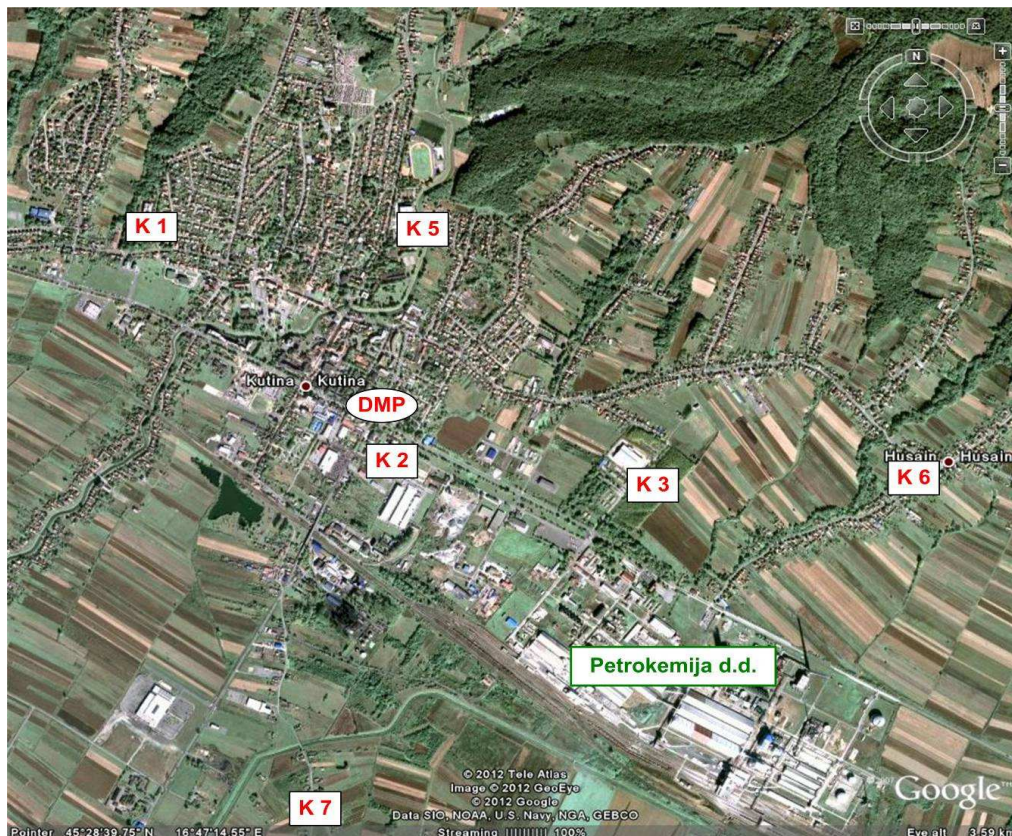


Realized investment

Investment realized in the period January-December 2013 amounted to EUR 64.9 million - 18.2 million or 22% lower than in the previous year. Despite the high loss and limited funding sources, in 2013 necessary investment was made partly by funds from the recapitalization.



Environmental Protection: Air quality in the Kutina area in 2013 at local monitoring stations (K1, K2, K3, K5, K6 and K7) and the state monitoring station (DMP)



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

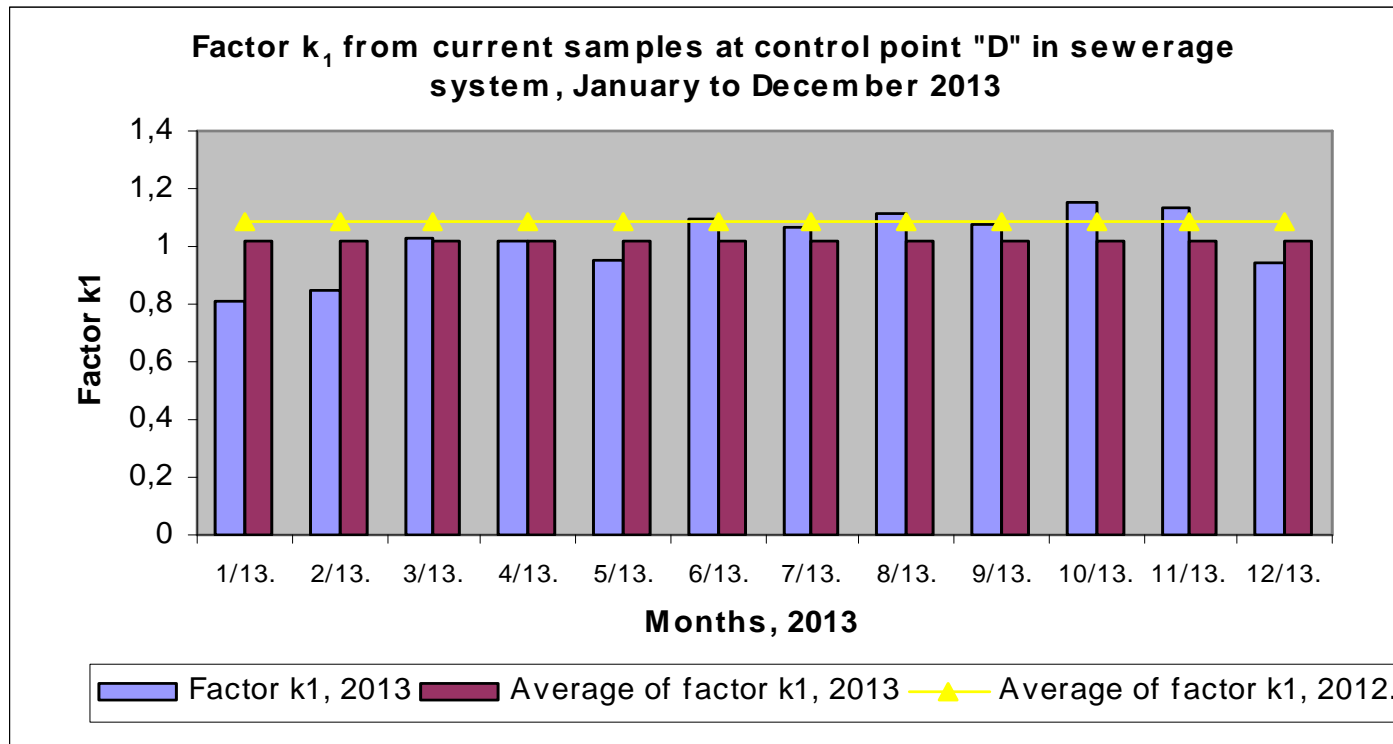
Note: The categorization of air quality can be changed at DMP after validation of data that has not yet been made by the competent institution.

Ambient air limit value exceedances of AMMONIA in 2012/2013 (local network)

Measuring station	The number of limit value (LV) exceedances 2012 / permitted exceedance number	The number of limit value (LV) exceedances 2013 / permitted exceedance number
K 1-Dom zdravlja	0 / 7	1 / 7
K 2-Vatrogasni dom	6 / 7	12 / 7 (2nd category)
K 3- Meteorološki krug	9 / 7 (2nd category)	3 / 7
K 6- Husain	3 / 7	0 / 7
TOTAL	18	16

Polluted air of 2nd category of quality that exceeded the limit values in 2013 for hydrogen sulfide (13 exceedances LV-1h and 1 exceedances LV-24h) can not be correlated with production activities of Petrokemija due to the cessation of production of carbon black. The air quality for PM10 (39 exceedances LV-24h), in addition to Petrokemija's activities, is influenced by traffic and emissions from household heating.

Water management



The average value of k_1 factor for the period from January to December 2013 is lower compared to average achieved in 2012.

Consumption of raw water in 2013 was 7,400,683 m³, which is 11.5% less than in 2012.

The share capital of the Company and the market value of the shares

- Petrokemija, Plc. is listed on the Zagreb Stock Exchange. Until decision of the General Assembly, the nominal value of the share was HRK 270.00. By the decision of the General Meeting of 15 July 2013, the nominal value of share was reduced to HRK 170.00 and the process of the share capital increase was initiated.
- In accordance with the decision of the General Assembly of 15 July 2013, capital increase was carried out by subscription of new shares so that the registered share capital of HRK 567,989,890.00 was increased by HRK 186,206,100.00 to HRK 754,195,990.00. Following the completion of the share capital increase by subscription of new shares the nominal value of each share is HRK 170.00. The capital increase was conducted by the Company Board.
- After the increase, the Company share capital amounts to HRK 754,195,990.00 and is divided into 3,341,117 ordinary shares (ticker PTKM-R-A, of HRK 170,00 nominal value and 1,095,330 ordinary shares (ticker PTKM-R-B of HRK 170.00 nominal value.
- On 31 December 2012 the share value was HRK 214.45 million, while on 31 December 2013 its average price was HRK 168.38 (down 21.5 %).

Changes in the percentage of voting rights of Republic of Croatia

- In the process of the share capital increase by the decision of the General Assembly of Petrokemija of 15 July 2013, the Agency for State Property Management subscribed for 252,900 Petrokemija's shares of HRK 170.00 nominal value and now holds a total of 1,944,642 shares or 43.83% of the voting rights of Petrokemija. On 14 October 2013, Commercial Court in Zagreb issued a decision on entry of the share capital increase into the Register.
- On 22 October 2013, Petrokemija received a notice of the Centre for Restructuring and Sale (CERP), legal successor of the Agency for State Property Management and legal representative of Republic of Croatia, on decline of the voting rights in the issuer Petrokemija, Plc. below 50%.

Changes in the Management and the Supervisory Board in 2013

- On 10 January 2013 upon approval of the State Office for State Property Management, the Croatian Government passed a decision to propose to Supervisory Board of Petrokemija, Plc. the recall of previous members of the Board - Tomislav Seletković, Antonija Perošević-Galović and Nenad Marinović - and appointment of Žarko Rijetković, Krešimir Kvaternik and Karlo Došen as new Board members.
- At the meeting of 4 February 2013, the Supervisory Board of Petrokemija adopted a decision to, as of 14 February 2013, terminate the mandate of members of the Board Tomislav Seletković, Antonia Perošević-Galović and Nenad Marinović. The Supervisory Board appointed three new members of the Board of Petrokemija, namely Karlo Došen, Krešimir Kvaternik, and Žarko Rijetković. The mandate of the appointed members of the Board began on 15 February 2013 and lasts until 14 February 2017.
- On 15 July, the General Assembly recalled Supervisory Board member, Ivan Nekvapil and appointed a new Supervisory Board member, Dr. Tomislav Radoš.
- At the meeting of 6 September 2013, the Supervisory Board of Petrokemija, Plc. passed a decision to as of 6 September 2013 terminate the mandate of the President of the Board of Petrokemija Josip Jaguš and Board member Žarko Rijetković. The Supervisory Board appointed Dragan Marčinko as President and Nenad Zečević as member of the Management Board of Petrokemija. The mandate of the appointed members of the Board commences on 7 September 2013 and lasts until 6 September 2017.
- Member of the Supervisory Board, Ivan Majstrović gave on 11 September 2013 his irrevocable resignation from membership in the Supervisory Board of Petrokemija.
- At the Supervisory Board meeting of Petrokemija of 30 September 2013, Dr. Tomislav Radoš was elected President of the Supervisory Board.

The process of choosing a strategic partner

- At its session held on 30 July 2013, Croatian Government obliged all competent bodies to initiate the process of choosing a strategic partner for Petrokemija, whereby the state would retain at least 25 percent plus one share of the Company. The stake of the state in Petrokemija is at present 43.83 percent.
- At the session of the Croatian Government of 14 November 2013, a decision was adopted on the establishment of a Commission to select a strategic partner for the Petrokemija Company, Kutina. The Minister of Economy, Ivan Vrdoljak was appointed chairman of the Commission, and as its members Mladen Pejnović, Head of the National Office for State Property Management, Tomislav Radoš, Chairman of the Supervisory Board of Petrokemija, Dragan Marčinko, President of the Petrokemija Management Board, Goran Kralj and Zeljko Klaus, members of the Company Supervisory Board and Karlo Došen, member of the Board of Petrokemija.
- The Commission is obliged to carry out the process of selecting a strategic partner for the Petrokemija, Plc. Company in accordance with applicable regulations, whereby the Republic of Croatia retains at least 25 % + one share.
- Four non-binding offers were received in response to the Call for Tenders for the Privatization of Petrokemija and in mid-January the Commission decided on the three bidders to go into the second round and allowed them a detailed analysis of Petrokemija's business. At the time of this report, due diligence by potential strategic partners is in progress in the Company.
- After submitting binding bids, on the basis of the Commission's proposal, the final decision on the selection of the strategic partner will be made by the Petrokemija General Assembly.

Significant financial risks in 2014

- Overall, the business position of Petrokemija, Plc. in 2014 will be subject to a number of factors, whose impact is difficult to assess. However, in view of the present market situation a loss in business is expected, whose level will depend on the following risks:
- The outcome of the process of finding a strategic partner and the activities that will follow.
- Petrokemija's business result is highly dependent on the price movement of fertilizers and raw materials for their production in the world market, the exchange rate against the USD and EUR and their interrelationship.
- Natural gas as the most important raw material is supplied in the domestic market under contracts with two suppliers – Prirodni plin, Ltd. Zagreb and Prvo plinarsko društvo, Ltd., Vukovar. At the time of this report, activities of finding favorable terms for gas supply in the next period are in progress.
- The sales price of fertilizers in the world market are still under the influence of cyclical and seasonal changes. In the reporting period they had a falling trend, and at the time of preparation of this report the price of some products are rising, which could be interpreted as a seasonal occurrence.
- The fluctuations of raw material prices on the world market present so far, will have impact on material costs in the next period, too. High cost of working capital - due to lack of own working capital, financing costs will continue to be present in the following period.
- In reporting the status of factoring of major domestic customers and potential liabilities to factoring companies (so-called extrinsic or recourse factoring), on 31 Dec 2013 Petrokemija, Plc. reported these liabilities in the balance sheet positions in the amount of HRK 125 million. During the reporting period, these claims were fully collected, as in previous years.
- The most significant individual risk is further decline in sales prices of fertilizers in the world, regional and local markets. Currently prices are growing, which can only be a seasonal occurrence.

Key determinants of Petrokemija's, Plc. business in 2014



- The outcome of the process of finding a strategic partner will determine the future ownership structure, from which key business events will be defined, such as recapitalization, restructuring, modernization and capacity use, secondary production programs, etc.
- Financing the business is still relying on banking sources, because the buyers in the domestic market have limited financing options of long reproduction process in agriculture, all of which results in reduced fertilizer use,
- The price of gas in 2014 is unlikely to reach market relationships achieved by certain European fertilizer manufacturers in the wider environment. However, further action will be taken to reduce this cost,
- In 2014 at least essential modernization of the facilities will be continued:
 - environmental protection in accordance with EU standards,
 - energy efficiency,
 - adjustment of product range to market requirements,
- Unfavorable sales structure imposes the necessity of redefining the position of Petrokemija in markets of:
 - Republic of Croatia – increase of fertilizer consumption,
 - EU and the region (increasing the presence and share in the markets of neighboring countries),
 - Export to distant markets at a level that would meet the continuous utilization of production capacity, because it is hard for Petrokemija to be competitive in these markets due to the relatively expensive raw material base and high transportation costs.
- The process of internal organizational changes will be continued in 2014, particularly in rationalizing energy and raw material consumption, efficient maintenance of facilities, rationalization of procurement and sales systems, and other services.

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 December 31, 2013 period, make an exact and true account of the Company financial status and the business and cash flow results, in compliance with the applicable accounting standards.

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

President of Petrokemija Management Board	Member of Petrokemija Management Board	Member of Petrokemija Management Board	Member of Petrokemija Management Board
Dragan Marčinko, BE	Karlo Došen, MBA	Krešimir Kvaternik, MBA	Nenad Zečević, BE

Attachments:



-
- **Company annual financial report - GFI-POD Petrokemija Plc.:**
 - **Profit and Loss Account**
 - **Balance Sheet**
 - **Cash Flow**
 - **Report on Principal Change**
 - **Notes**

Attachment 1.

Reported period:

01.01.2013.

to

31.12.2013.

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.hrInternet address: www.petrokemija.hr

Code and city/municipality: 220 KUTINA

Code and county name: 3 SISAČKO-MOSLAVAČKA ŽUPANIJA

Number of employees: 2.119
(at the end of the year)

Consolidated Report: NO

Code of NKD: 20.15

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

Book-keeping office:

Contact person: MARINA MARIĆ

(name and surname of the contact person)

Telephone number: 044-647-829

Fax: 044-682-819

E-mail: marina.maric@petrokemija.hr

Name and surname: DRAGAN MARČINKO, 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 31.12.2013.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
A) RECVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL			
B) LONG-TERM ASSETS (003+010+020+029+033)			
I. INTANGIBLE ASSETS (004 do 009)			
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	4.540.413	3.291.706
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	3.608.073	4.920.390
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)			
1. Land	011	49.482.151	49.482.151
2. Buildings	012	289.770.183	275.009.650
3. Plant and equipment	013	321.195.288	303.981.972
4. Tools, plant inventory and transportation assets	014	13.342.741	15.556.412
5. Biological assets	015		
6. Advances for tangible assets	016	3.020.898	3.352.925
7. Tangible assets in progress	017	55.752.053	55.434.274
8. Other tangible assets	018	499.985	502.320
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)			
1. Investments (shares) in related companies	021	26.366.770	26.366.770
2. Loans given to related companies	022		
3. Participating interest (shares)	023	7.537	7.537
4. Loans given to companies with participating interest	024		
5. Investment in securities	025		
6. Loans given, deposits and similar assets	026		
7. Other long-term financial assets	027		
8. Investments accounted for using the equity method	028		
IV. TRADE RECEIVABLES (030 do 032)			
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032	0	250.168
V. DEFERRED TAX ASSETS			
C) SHORT-TERM ASSETS (035+043+050+058)			
I. INVENTORIES (036 do 042)			
1. Raw and other material	036	247.917.930	204.418.531
2. Work in progress	037	70.216.160	42.595.846
3. Finished products	038	333.852.838	194.190.474
4. Merchandise inventory	039	4.869.080	1.107.301
5. Advances for inventories	040	1.953.840	2.221.527
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)			
1. Receivables from related companies	044	11.599.180	15.770.480
2. Receivables from customers (buyers)	045	139.577.954	169.026.869
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	56.426	33.257
5. Receivables from state and other institutions	048	72.435.277	68.595.613
6. Other receivables	049	224.594.395	125.982.174
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)			
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053	11.552.010	12.838.576
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	5.545.769	4.422.218
6. Loans given, deposits and similar assets	056	24.927.590	
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND			
D) PREPAID EXPENSES AND ACCRUED INCOME			
E) TOTAL ASSETS (001+002+034+059)			
F) OFF BALANCE SHEET ITEMS			
	058	13.243.001	14.802.277
	059	2.664.743	12.235.439
	060	1.932.592.285	1.606.396.857
	061	297.691.767	513.934.610

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	577.937.645	434.780.415
I. SUBSCRIBED CAPITAL	063	902.101.590	754.195.990
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	9.947.755
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		9.947.755
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-136.992.075	0
1. Retained earning	073		
2. Loss carried forward	074	136.992.075	
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-187.171.870	-329.363.330
1. Profit for the year	076		
2. Loss for the year	077	187.171.870	329.363.330
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	15.076.437	13.265.513
1. Provisions for pensions, severance pay and similar liabilities	080	13.126.437	11.854.385
2. Provisions for tax liabilities	081		
3. Other provisions	082	1.950.000	1.411.128
C) LONG-TERM LIABILITIES (084 do 092)	083	123.333.333	61.944.444
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085		
3. Liabilities to banks and other financial institutions	086	123.333.333	61.944.444
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT-TERM LIABILITIES (094 do 105)	093	1.212.271.490	1.077.916.064
1. Liabilities to related companies	094	6.730.060	6.858.939
2. Liabilities for loans, deposits and similar	095	4.500.000	64.427.181
3. Liabilities to banks and other financial institutions	096	323.166.667	362.388.889
4. Liabilities for advances	097	61.021.489	108.333.045
5. Liabilities to suppliers	098	484.375.423	283.369.197
6. Liabilities for securities	099	82.000.000	91.833.225
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.427.611	13.635.074
9. Liabilities for taxes, contributions and other payments	102	11.599.920	20.557.948
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	126.512.566
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	3.973.380	18.490.421
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.932.592.285	1.606.396.857
G) OFF BALANCE SHEET ITEMS	108	297.691.767	513.934.610
APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Credited to parent company capital owners	109		
2. Credited to minority interest	110		

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

PROFIT AND LOSS ACCOUNT
for the period 01.01.2013. to 31.12.2013.

Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	3.004.900.793	905.890.995	2.548.507.384	701.845.837
1. Sales revenues	112	2.939.114.596	877.432.140	2.501.407.971	687.111.526
2. Other operating revenues	113	65.786.197	28.458.855	47.099.413	14.734.311
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	3.157.005.042	938.258.838	2.846.088.204	835.618.263
1. Changes in value of work in progress and finished products	115	-66.873.283	-9.301.783	170.888.173	187.006.353
2. Material costs (117 do 119)	116	2.796.469.331	826.055.158	2.224.573.523	504.279.581
a) Cost of raw and production materials	117	2.661.856.709	785.590.778	2.110.121.212	463.719.203
b) Cost of goods sold	118	33.004.473	11.015.611	18.219.726	11.480.876
c) Other external costs	119	101.608.149	29.448.769	96.232.585	29.079.502
3. Employees costs (121 do 123)	120	234.819.344	58.901.627	235.332.787	59.711.189
a) Net salaries and wages	121	148.331.714	37.532.113	148.869.427	37.753.832
b) Costs for taxes and contributions from salaries	122	54.294.272	13.578.241	55.327.997	14.055.427
c) Contributions on salaries	123	32.193.358	7.791.273	31.135.363	7.901.930
4. Depreciation	124	98.782.028	23.415.978	94.613.842	22.704.288
5. Other costs	125	78.363.642	23.922.642	112.437.498	56.856.893
6. Value adjustments (127+128)	126	8.610.915	8.432.151	4.442.415	4.150.848
a) of long-term assets (except for financial assets)	127	11.810		20.318	3.330
b) of short-term assets (except for financial assets)	128	8.599.105	8.432.151	4.422.097	4.147.518
7. Provisions	129	6.833.065	6.833.065	3.799.966	909.111
8. Other operating expenses	130				
III. FINANCIAL REVENUES (132 do 136)	131	25.179.283	5.272.626	17.429.194	4.380.710
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	344.822	229.500	375.285	45.679
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	24.041.676	5.089.787	17.053.909	4.335.031
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135	792.785	-46.661		
5. Other financial revenues	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	60.246.904	21.490.371	49.211.704	10.617.867
1. Interest, exchange rate fluctuations and other costs with associated companies	138	311.997	82.427	269.551	61.697
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	50.732.953	12.205.990	47.243.101	10.442.688
3. Unrealised losses (costs) from financial assets	140	9.201.954	9.201.954	1.699.052	113.482
4. Other financial expenses	141				
V. PORTION IN PROFIT OF ASSOCIATED COMPANIES	142				
VI. PORTION IN LOSS OF ASSOCIATED COMPANIES	143				
VII. EKSTRAORDINARY - OTHER REVENUES	144				
VIII. EKSTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL REVENUES (111+131+142 + 144)	146	3.030.080.076	911.163.621	2.565.936.578	706.226.547
X. TOTAL EXPENSES (114+137+143 + 145)	147	3.217.251.946	959.749.209	2.895.299.908	846.236.130
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-187.171.870	-48.585.588	-329.363.330	-140.009.583
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	187.171.870	48.585.588	329.363.330	140.009.583
XII. PROFIT TAX	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-187.171.870	-48.585.588	-329.363.330	-140.009.583
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	187.171.870	48.585.588	329.363.330	140.009.583

APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	155				
2. Credited to minority interest	156				
STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)					
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	-187.171.870	-48.585.588	-329.363.330	-140.009.583
II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)	158	0	0	0	0
1. Exchange rate differences from translation of foreign currency operations	159				
2. Change in revaluation reserves of fixed tangible and intangible assets	160				
3. Gain or loss from revaluation of financial assets held for sale	161				
4. Gain or loss from effective cash flow hedge	162				
5. Gain or loss from effective hedge in net investments in abroad	163				
6. Portion in other comprehensive gain/loss of associated companies	164				
7. Actuarial gains/losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)	168	-187.171.870	-48.585.588	-329.363.330	-140.009.583
APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)					
VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	169				
2. Credited to minority interest	170				

CASH FLOW STATEMENT - Direct method

for the period 01.01.2013. to 31.12.2013.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
CASH FLOW FROM PERATING ACTIVITIES			
1. Cash increase from buyers	001	2.696.051.226	2.293.114.228
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	3.834.347	4.994.325
4. Cash increase from tax return	004	317.933.980	344.321.282
5. Other cash increase	005	9.791.149	4.449.827
I. Total increase of cash flow from operating activities (001 do 005)	006	3.027.610.702	2.646.879.662
1. Expenses to suppliers	007	3.099.786.128	2.781.258.086
2. Expenses for employees	008	259.338.542	280.857.462
3. Expenses for insurance compensations	009	14.698.097	14.493.411
4. Expenses for interest	010	25.627.780	29.441.416
5. Expenses for taxes	011	138.295.849	112.355.548
6. Other cash decrease	012	17.880.850	15.454.417
II. Total decrease in cash flow from operating activities (007 do 012)	013	3.555.627.246	3.233.860.340
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	0	0
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	528.016.544	586.980.678
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	272.215	9.563
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		
III. Total cash inflow from investing activities (016 do 020)	021	949.480	1.015.267
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	60.656.715	65.213.192
2. Cash outflow for acquisition of equity and debt financial instruments	023	24.273.071	
3. Other cash outflows from investing activities	024		
IV. Total cash outflow from investing activities (022 do 024)	025	84.929.786	65.213.192
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (021-025)	026	0	0
B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)	027	83.980.306	64.197.925
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflows from issuance of equity and debt financial instruments	028		186.206.100
2. Cash inflows from loan principals, debentures, credits and other borrowings	029	2.302.466.500	2.024.800.000
3. Other inflows from financial activities	030	679.616.364	670.266.144
V. Total cash inflow from financial activities (028 do 030)	031	2.982.082.864	2.881.272.244
1. Cash outflows for repayment of loan principal and bonds	032	2.233.188.722	2.052.942.394
2. Cash outflows for dividend payment	033		
3. Cash outflow for financial lease	034		
4. Cash outflows for buyback of own shares	035		
5. Other cash outflows for financial activities	036	121.142.949	200.519.561
VI. Total cash outflow for financial activities (032 do 036)	037	2.354.331.671	2.253.461.955
C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)	038	627.751.193	627.810.289
C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)	039	0	0
Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)	040	15.754.343	0
Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)	041	0	23.368.314
Cash and cash equivalents at the beginning of the period	042	22.416.248	38.170.591
Increase of cash and cash equivalents	043	15.754.343	
Decrease of cash and cash equivalents	044		26.368.314
Cash and cash equivalents at the end of the period	045	38.170.591	11.802.277

*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 31.12.2013

Position 1	AOP code 2	Previous year 3	Current year 4
1. Suscribed capital	001	902.101.590	754.195.990
2. Capital reserves	002		
3. Reserves from profit	003		9.947.755
4. Retained profit or loss carried forward	004	-136.992.075	
5. Profit or loss for the year	005	-187.171.870	-329.363.330
6. Revaluation of fixed tangeble assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	577.937.645	434.780.415
11. Exchange differences on translationof financial statements of foreign operations	011		
12. Curent and deferred taxes (part))	012		
13. Protektion of cash flow	013		
14. Changes in accounting policies	014		
15. Adjustment of significant errors from previous period	015		
16. Other changes in captal	016		
17. Total increase or decrease of capital (AOP 011 do 016)	017	0	0
17 a. Creadited to parent company capital owners	018		
17 b. Creadited to minority interest	019		

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

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

Note

In the January to December period of 2013, Petrokemija, Plc. had total actual income of HRK 2,565.9 million and total expense of HRK 2,895.3 million; thus the Company reported loss in business operations of HRK 329.4 million or 12.8% of the total revenues. For the year, the total income was by 15.3% lower and the total expense by 10.0% lower than for 2012.

Out of the total loss, HRK 297.6 million or 90.0% is loss from business operations, while HRK 31.8 or 10.0% is loss from financial operations.

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 203.0 million in the negative. The EBITDA for 2012 was HRK 53.3 million in the negative.

In the period October – December 2013, the Company had total actual revenues of HRK 706.2 million, total expenses of HRK 846.2 million and reported an operating loss of HRK 140.0 million or 19.8% of the total revenues. The bulk of the negative effect was caused by the fall in prices of nitrogen fertilizers, Urea and CAN in the world market. After 121.3 million losses in the third quarter, the loss was increased to HRK 140.0 million, while the EBITDA indicator was HRK 111.1 million negative.

Compared with the same period last year, the loss in the fourth quarter of 2013 was by HRK 91.4 million heavier. Out of this, HRK 20.5 million accounts for redundancy pay to employees.

The major part of the disparity in revenues and expenses was generated by a decline in demand in the global and regional markets and the associated decline in fertilizer prices. Lower achievement in domestic market reflects the general poor state of agriculture, increase of competition, the reduction and delay in the payment of state subsidies, and adverse weather conditions. The reporting period was marked 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 a peculiarity 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 business 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 a part of stocks carried over from 2012.

During the fourth quarter of 2013, the trend of concurrent action of several factors with negative impact on the financial results of Petrokemija was continued. In the period, there was a further fall of prices of finished products in the global fertilizer market.

This had a cumulative effect with a pronounced decline in demand in the domestic market and the wider region, so that the losses exceeded the level of the previous dynamic estimates. At the same time, prices of majority of raw materials used in the manufacture of fertilizers were falling.

It should be noted that, regardless of the business activities of the Company, when the prices in the market keep continually falling for a longer period, a third negative effect appears – wholesalers refrain from purchase and farmers delay the purchase of fertilizer to the last moment of application.

An additional negative effect on the fall in demand was a decrease in prices of basic agricultural products and the lack of available funds of farmers. It was the result of the lower yields due to drought in previous years, and long-term adverse circumstances of agricultural production in the food production value chain.

In the reporting period, the operating income was 15.2% lower compared to 2012, due to the drop of fertilizer prices in domestic, regional and world markets. The total sales of fertilizers fell by 1.7% compared to the previous year.

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 all key raw materials, and for natural gas this was even somewhat more pronounced. **The average actual purchase price of gas in 2013, after a long period of constant increase trend, was 15% lower than in 2012, but still 12% higher than in 2011.**

In 2013 Petrokemija had 2.4% lower actual production, than in the year before, but with the change in

the product structure – Urea production was increased by 2.4%, CAN by 14.3% and the production of NPK fertilizers was reduced 27.8%.

Natural gas as the most important raw material was supplied from the domestic market under contracts with two suppliers – Prirodni plin d.o.o., Zagreb and Prvo plinarsko društvo d.o.o., Vukovar. Due to the market situation, some facilities had been halted in the second half of 2009 and this problem was carried over into 2014. 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 to be continued in 2014. 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 issuing of commercial papers in the Zagreb Stock Exchange through Privredna Banka Zagreb as agent and dealer of the program.

Because of the prolonged collection of outstanding debts for fertilizers in the domestic market and the liquidity problems of domestic customers 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 debtors fail to meet their obligation), as of 31 December 2013 Petrokemija 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 125 million. Compared with the balance of December 31, 2012, the status of these transactions is by HRK 99 million or 44.2% decreased. In the Cash Flow Statement inflows (receipts) from the collection of trade receivables through factoring are included in inflows from financial activities for 2013 in the amount of HRK 459.9 million, while for the same period last year they amounted to HRK 557.6 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 and sulfur);
2. Change in demand and sales price of fertilizers;
3. Price movement of energy fluids - gas and heating oil;
4. Price movement 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, which greatly disrupted the dynamics of fertilizer deliveries and consequently the related revenues on the domestic and regional markets.

At the time of this financial report there are ongoing activities of the Company in-depth analyses by potential strategic partners.