

NON-AUDITED  
CONSOLIDATED



# QUARTERLY REPORT PETROKEMIJA GROUP KUTINA

REPORT FOR PERIOD January to March 2014



Kutina, April, 2014

# Key indicators for Petrokemija Group

## January - March 2014 perio



- Sales of fertilizers: 271.5 thousand tons, 24.3% more than the same period of the previous year,
- Produced fertilizers: 266.8 thousand tons, 8.7% more than the previous year,
- By fertilizer product: NPK production down by 41.9%, CAN up by 31.9% and Urea up by 43.4%. Phosphoric Acid Plant still temporarily halted. Sulfuric Acid Plant in occasional operation (4 thousand tons produced)
- Yield of currently installed plant capacities: up to 79%,
- Domestic sales: 89.6 thousand tons, 12.8% more than the previous year,
- Exports: 181.9 thousand tons, 30.9% more than the previous year,
- Actual total revenues of Petrokemija Group: HRK 596.5 million, 0.9% less than the previous year,
- Actual loss of Petrokemija Group: HRK 62.6 million (10.5% of total revenues),
- EBITDA for Petrokemija Group: -30.6 million,
- Equity at 31 March 2014: Petrokemija Group: HRK 375.0 million
- Invested in Petrokemija ,Plc.: HRK 13.4 million
- Number of employees at 31 March 2014: Petrokemija Plc. 2,125, Petrokemija Group 2,289

# Management Board Report on Petrokemija Group Status for January–March 2014 period



- In Jan-Mar period 2014 Petrokemija Group had total income of HRK 596.5 million and total expense of HRK 659.1 million. The Group reported loss in business operations of HRK -62.6 million or 10,5%% of the total revenues. On a quarterly basis, total revenues were by 0,9% lower and total expenses by 0,1%.higher than in the same period of 2013.
- **The main cause for the losses are low fertilizer prices in the global market** - The reporting period was marked by an imbalance of purchase prices of raw materials and sales prices of fertilizers. The trend of prices both of supply and demand in the global market of mineral fertilizers did not significantly change compared to the second half 2013. The bulk of the disparity in the movement of income and expenses was generated by low demand in the global and regional markets and the associated low fertilizer price. Thereby the negative exposure of Petrokemija to the world market risks was fully revealed. In fact, only 33% of fertilizers was sold in Croatia, and the rest was sold in export. Because of lower sales, the production plants were running below installed capacity, which also increased the variable and fixed costs per unit of product.
- **Another key cause of loss in Q1 2014 is still high gas price.** 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 within the company and remains a strategic element in defining the Company business operations in the next period.
- **The third set of challenges in business that caused the losses 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.

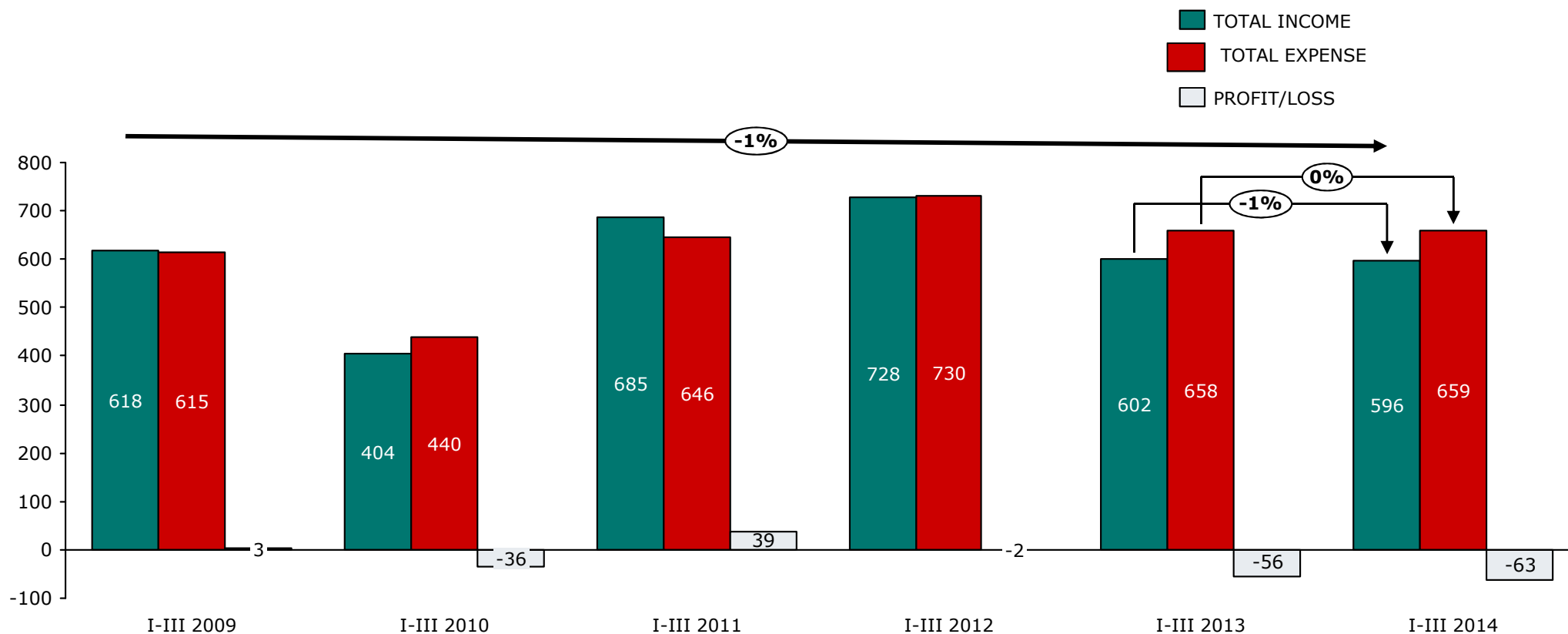
# Management Board Report on Petrokemija Group Status for January–March 2014 period (continued)

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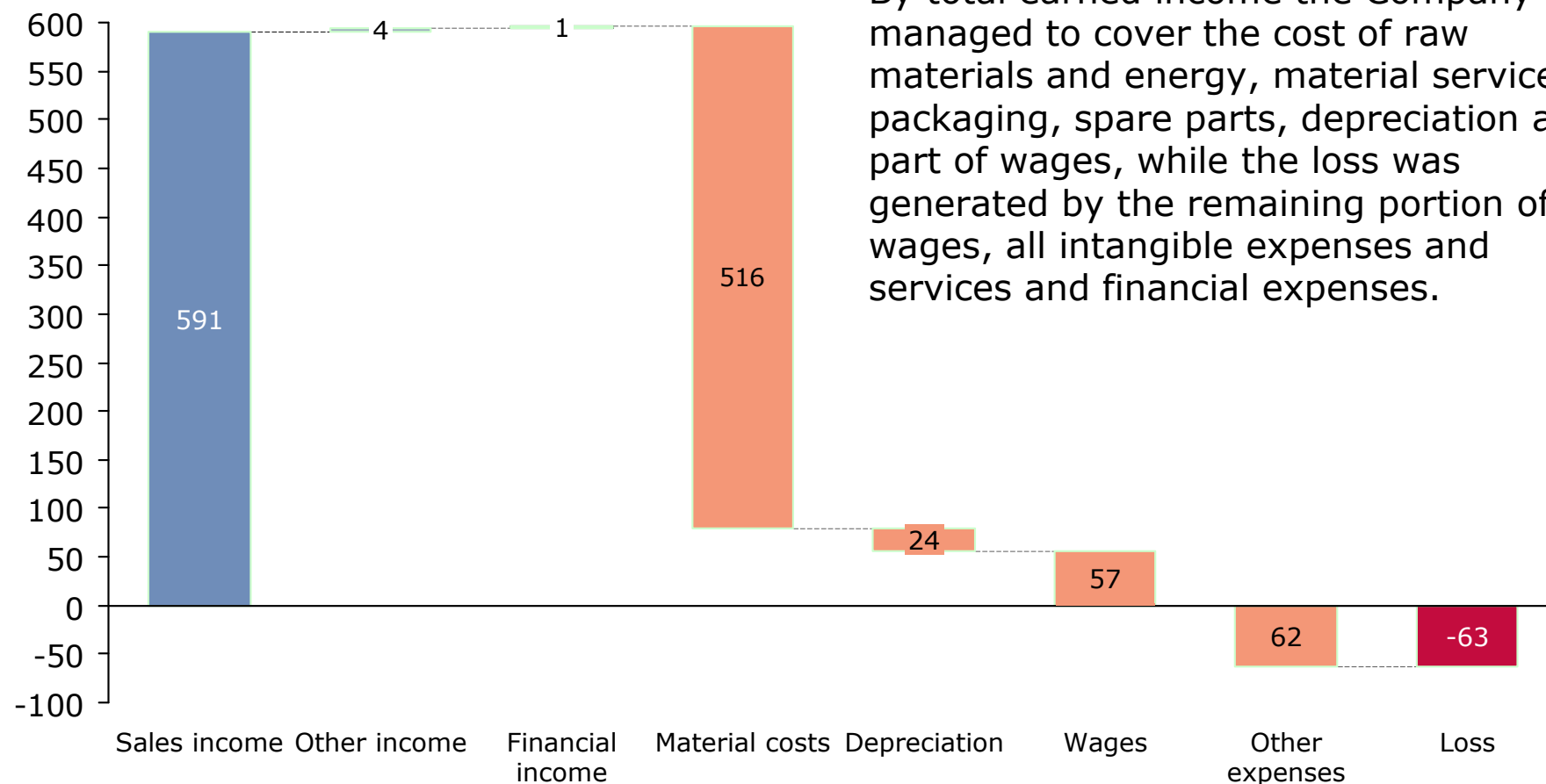
- In the reporting period, operating income was at the same level as for the same period of 2013 (index 99.4). Total sales of fertilizer volumes is 24.3% higher than in the same period last year. At Luka Šibenik it was lower because of lower freight traffic.
- Higher actual operating expenses of the Group of 1.0% compared to the previous year, are the result of higher production volume of 8.7% and change in the fertilizer product range, which reduced the impact of lower average input prices of raw materials. There was a slight decline in purchase prices of almost all key raw materials. The average purchase price of gas in the period January - March of 2014 decreased by 3.9% from the price realized in the same period last year.
- EBITDA indicator (earnings before interest, taxes, depreciation and amortization) was HRK 30.6 million negative. In 2013 EBITDA was HRK 21.2 million negative.
- In the structure of loss, HRK 55.0 million or 87.8% accounted for operating loss and HRK 7.6 million or 12.2% for financial loss.

# Profit and Loss Petrokemija Group 2009-2014



# Structure of profit and loss in Jan-Mar 2014 period

Million HRK



- By total earned income the Company managed to cover the cost of raw materials and energy, material services, packaging, spare parts, depreciation and part of wages, while the loss was generated by the remaining portion of wages, all intangible expenses and services and financial expenses.

# Structure of income and expenses in Jan-Mar 2014 period

- In the period January to March 2014 only subsidiary Restoran Petrokemija Ltd. Kutina operated with a profit of HRK 72 thousand, while other companies recorded a loss in business.
- Petrokemija, Ltd. Novo Mesto was closed on February 20, because after the Croatian accession to the EU, REACH program operations can be performed in the parent company in Kutina.

HRK 000 kn				
<i>Description</i>	<i>Restoran Petrokemija d.o.o.</i>	<i>Petrokemija Novi Sad d.o.o.</i>	<i>Petrokemija Novo Mesto d.o.o.</i>	<i>Luka Šibenik d.o.o.</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<b>TOTAL INCOME</b>	<b>481</b>	<b>4.110</b>	<b>0</b>	<b>3.543</b>
<b>TOTAL EXPENSES</b>	<b>409</b>	<b>4.192</b>	<b>24</b>	<b>5.515</b>
<i>Therein:</i>				
<i>Material costs</i>	278	3.835	10	1.051
<i>Depreciation</i>	0	9	8	462
<i>Wages</i>	113	146	0	3.043
<i>Other costs</i>	18	202	6	959
<b>PROFIT OR LOSS BEFORE TAXATION</b>	<b>72</b>	<b>-82</b>	<b>-24</b>	<b>-1.972</b>

# Key financial indicators

(HRK 000)

	Jan-March 2014	Jan-March 2013	Difference	% changes
Operating income	595.241	598.904	-3.663	0,61%
Operating expense	650.231	643.980	6.251	-0,97%
EBITDA *	-30.623	-21.250	-9.373	-44,11
Amortization	24.368	23.826	542	-2,27%
Net financial income (expenses)	-7.637	-11.235	3.598	32,02%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-62.628	-56.311	-6.317	-11,22%
	<b>31.III 2014.</b>	<b>31. XII 2013.</b>		
Fixed assets	708.406	719.303	-10.897	1,51%
Current assets	887.851	890.439	-2.588	0,29%
Capital and reserves	375.035	438.063	-63.028	14,39%
Long-term liabilities + provisions	77.610	77.692	-82	0,11%
Current liabilities + provisions	1.143.612	1.093.987	49.625	-4,54%

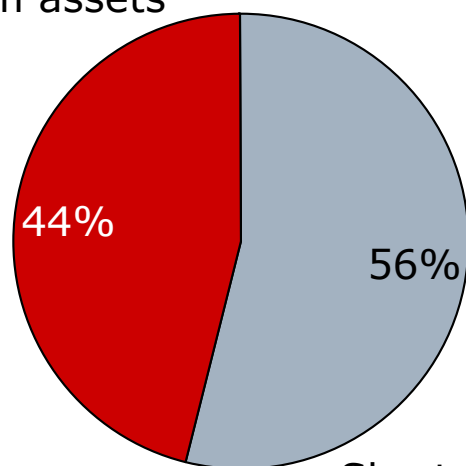
\* EBITDA= profit before interest, taxation depreciation and amortization



# Structure of assets and liabilities at 31 March 2014

- At 31 March 2014, Petrokemija Group had 56% in value of short-term and 44% in long-term assets, which is due to relatively high depreciation and the age of production and auxiliary facilities.
- The level of capital is a reflection of the carried out capital increase of HRK 186.2 million in 2013. The liabilities are dominated by short-term sources of debt, as the result of failing to obtain long-term loans on the domestic market (global crisis, losses, ownership structure).

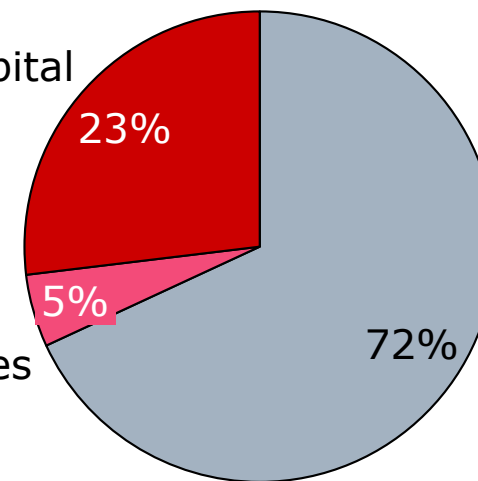
Long-term assets



Short-term assets

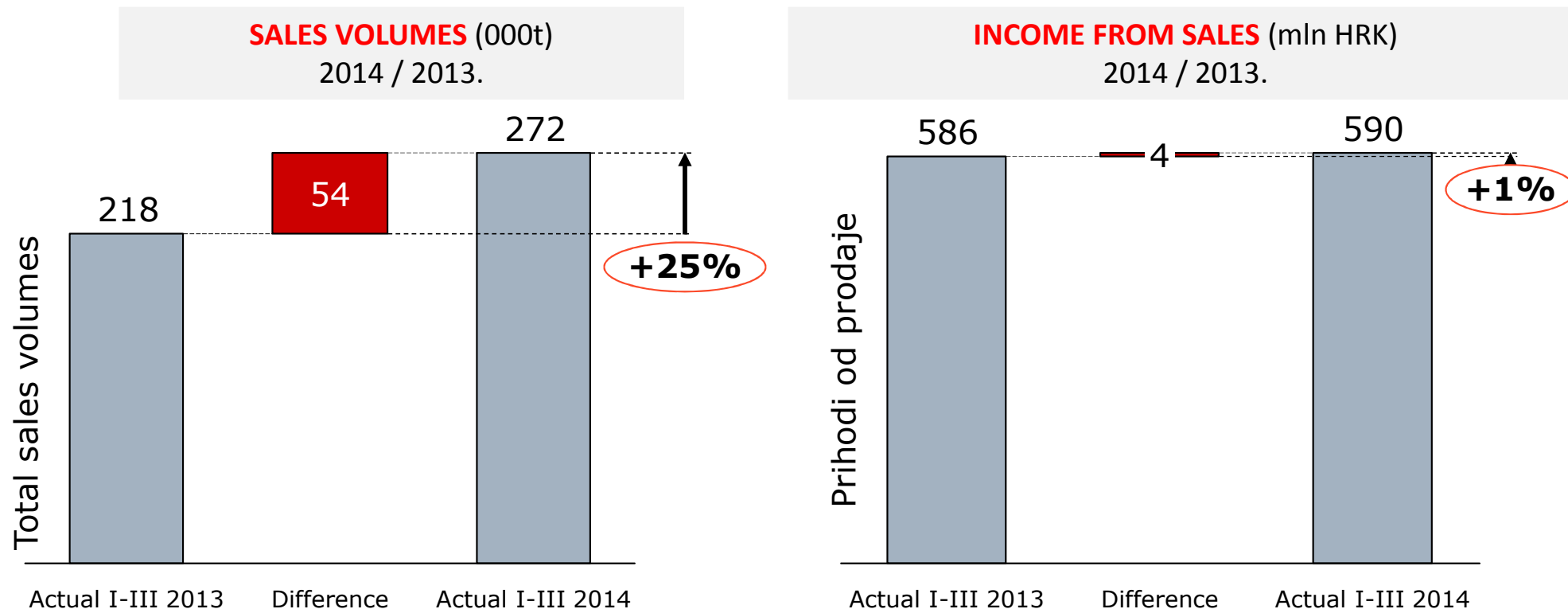
Capital

Long-term liabilities



Short-term liabilities

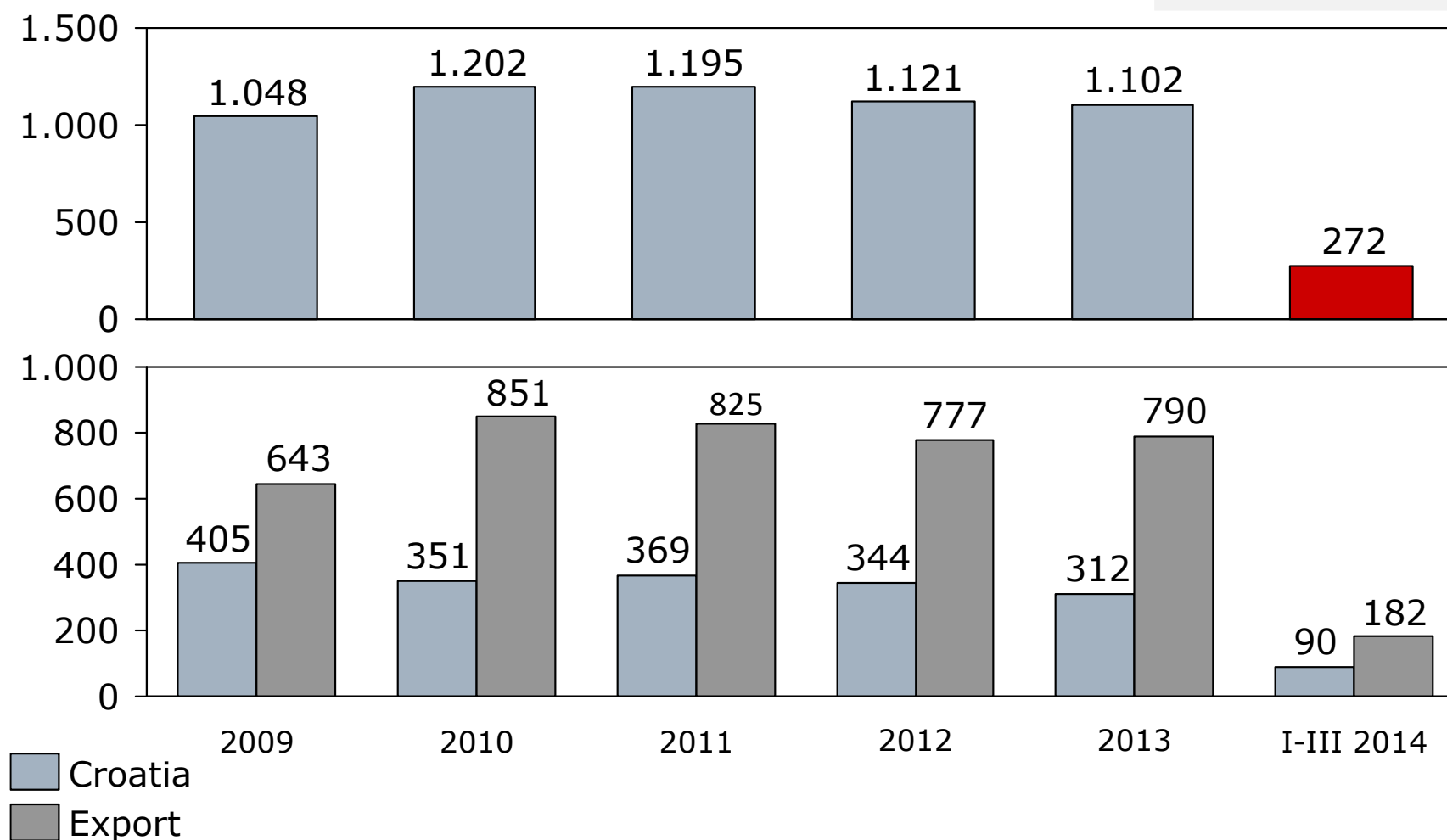
# Total fertilizer sales Q1 2014



Realised volume sales growth of 25% resulted in a simultaneous slight increase in revenue from the sale of 1%, indicating a significant decline in average selling prices.

# Actual fertilizer sales Q1 2014

Total **sales** (000 tons)



# Business results of Petrokemija Group for Jan-March 2014

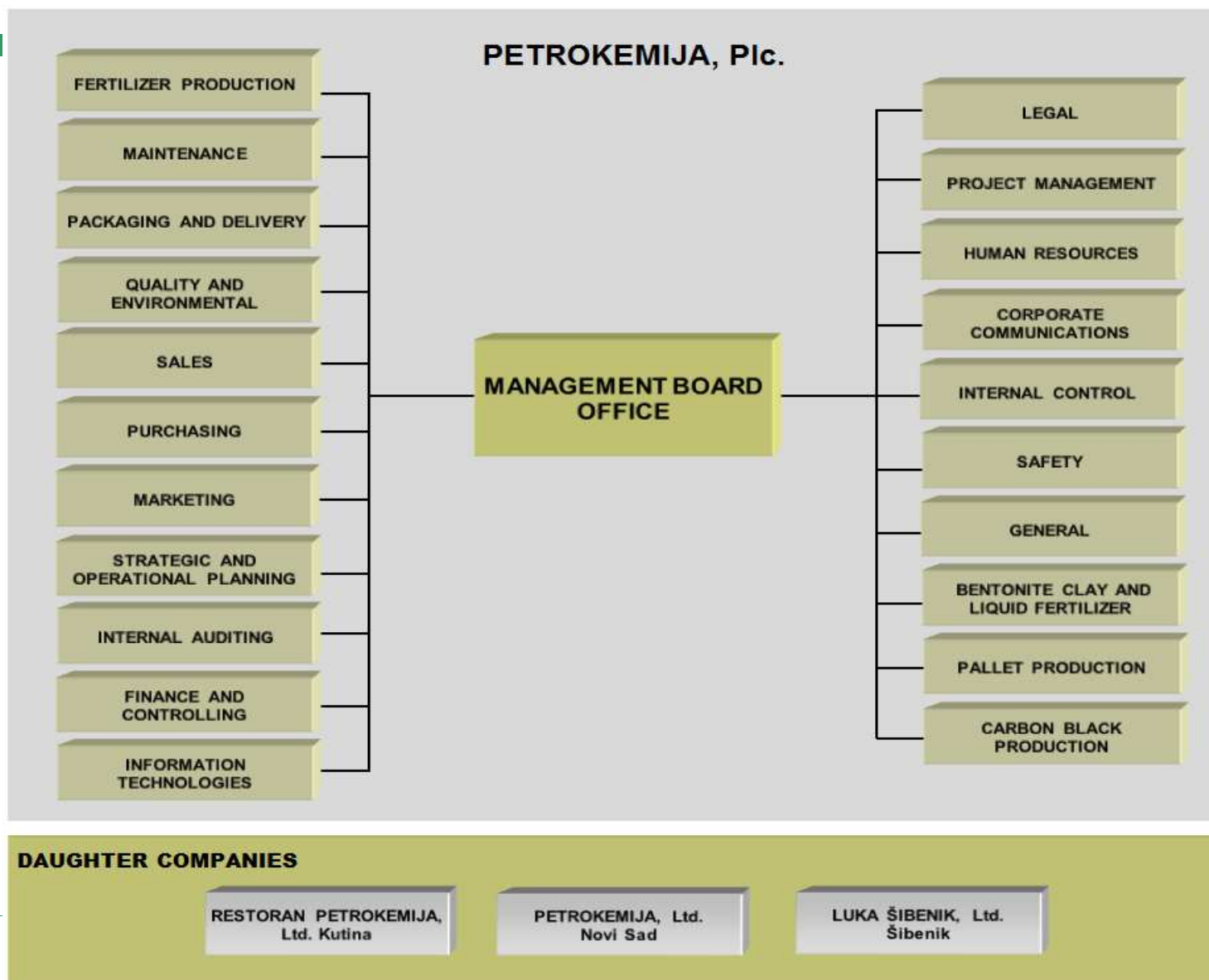


- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries Restaurant Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija, Ltd. Novo Mesto and Luka Šibenik, Ltd., the financial results Petrokemija Group for the period January-March 2014 are as follows:

Total revenues	HRK 596.5 million,
Total expenses	HRK 659.1 million,
Loss before tax	HRK -62.6 million.

- EBITDA (earnings before interest, taxes and depreciation) was HRK 30.6 million in the negative.
- In the reporting period, all subsidiaries were generating losses in business due to reduced volume of traffic and high fixed costs, except for Restaurant Petrokemija, Ltd. Kutina.
- On February 20, 2014 subsidiary Petrokemija Ltd. Novo Mesto was closed.

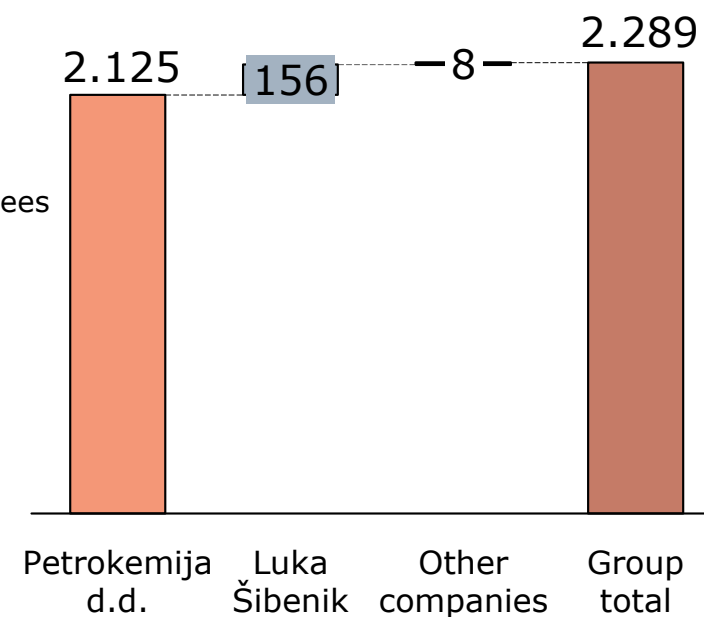
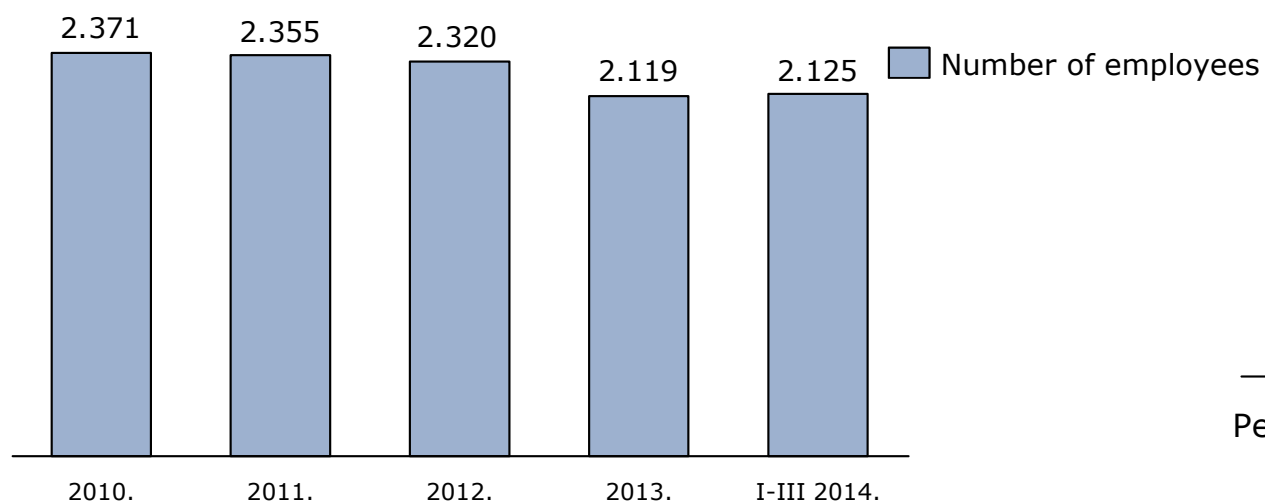
# Organization chart of Petrokemija, Plc. and Petrokemija Group



# Operational income, personnel costs, number of employees

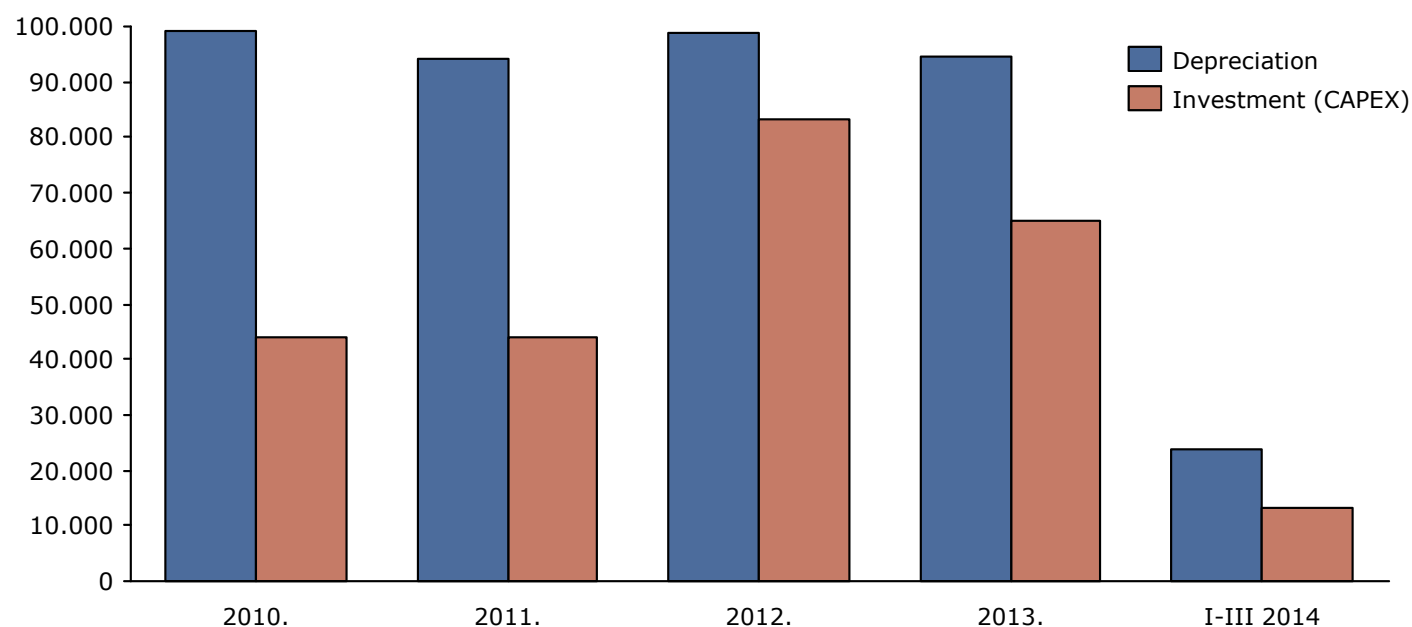


As at 31.03.2014. Petrokemija, Plc. had 2.125 employees, and daughter companies - members of Petrokemija Group had a total of 164 employees, which is a total of 2.289 employees.

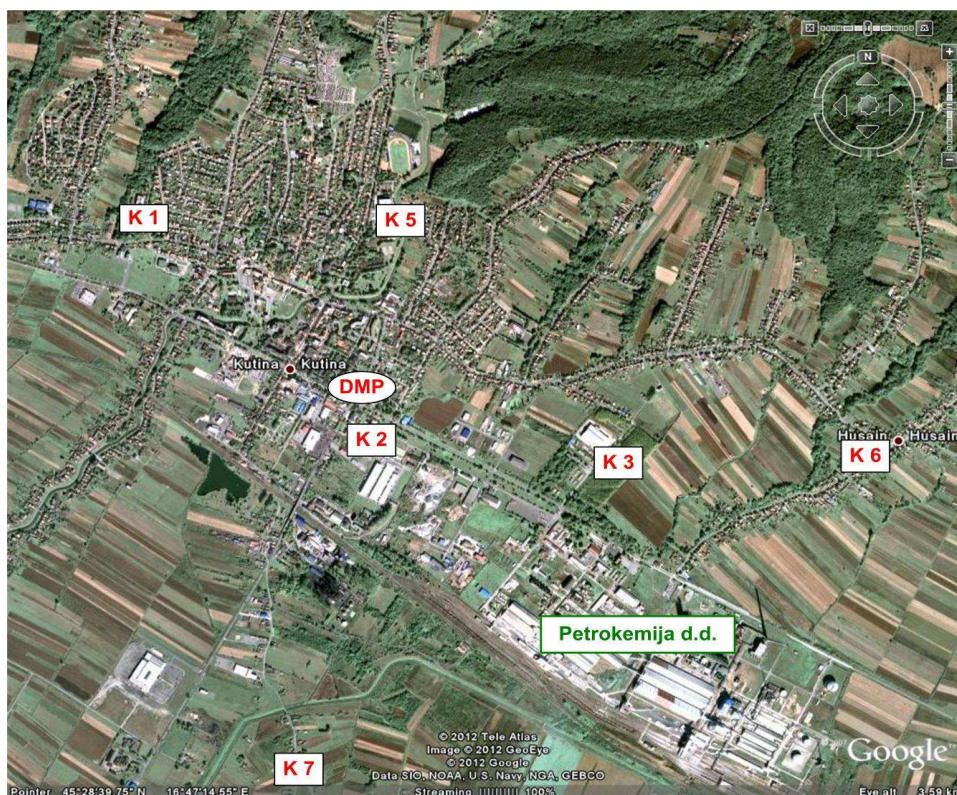


# Realized investment

Investment realized in the period January-March 2014 was HRK 13.4 million .



# Air quality in the Kutina area for January to March 2014 period at local monitoring station (K1,K2,K3,K5,K6 i K7) and the state monitoring station (DMP)



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

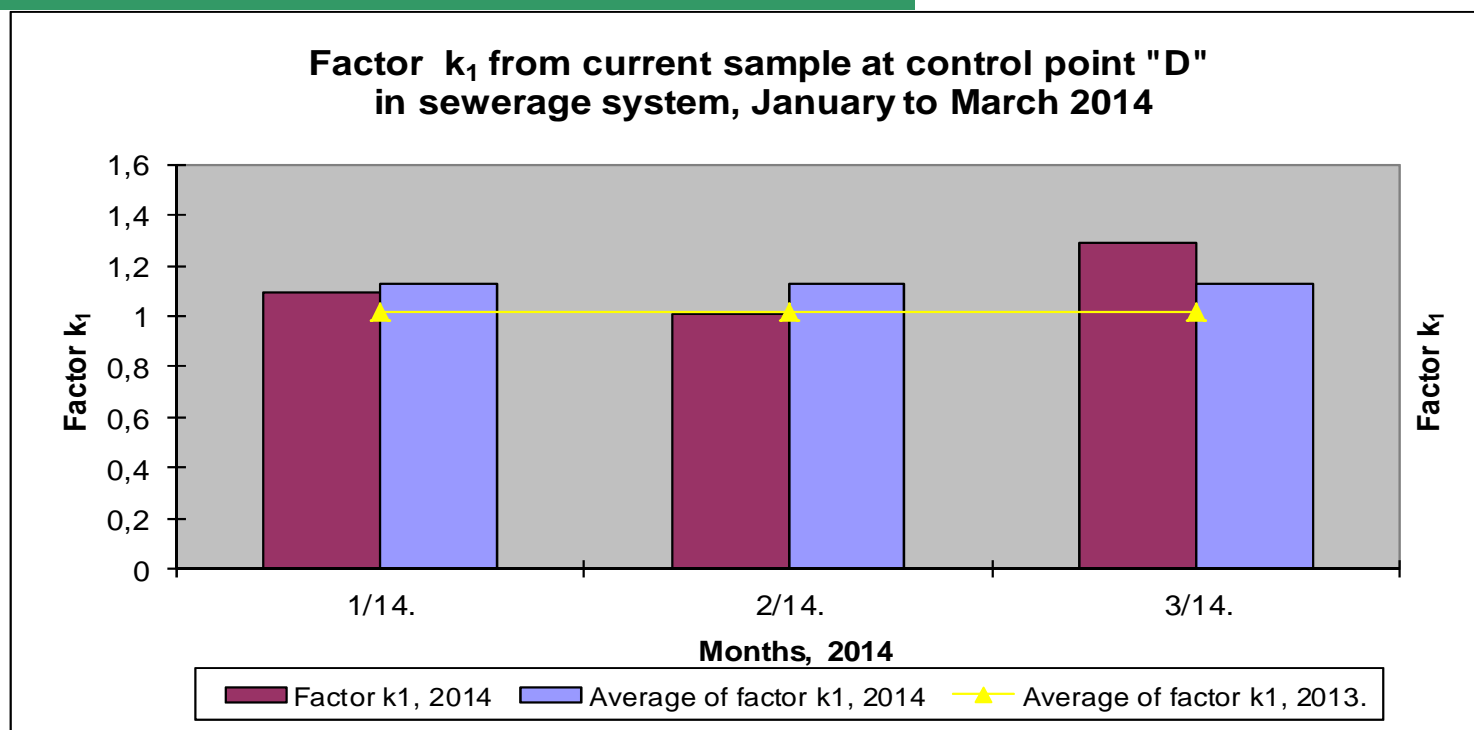
**Note:**The official categorization of air quality at local monitoring station and national network will be determined after the validation of data by the end of the year.



## Ambient air limit value(LV) exceedance of AMMONIA in the *January to March 2014* period (local network)

Measuring station	<i>The number of limit value (LV) exceedances in the <u>January to March 2014</u> period/ permitted exceedance number</i>
K 1 - Dom zdravlja	0 / 7
K 2 - Vatrogasni dom	2 / 7
K 3 - Meteorološki krug	3 / 7
K 5 - Dom športova	0 / 7
K 6 - Husain	0 / 7
K 7 - Krč	0 / 7
<b>TOTAL</b>	<b>5</b>

# Water management



The average value of  $k_1$  factor for the period from January to March 2014 is slightly higher compared to average achieved in 2013.

Average consumption of raw water in period from January to March 2014 was 572.619 m<sup>3</sup>, which is 7,2% less than average achieved in 2013.

# Company share capital and market value of shares



- Petrokemija, Plc. is listed on the Zagreb Stock Exchange. The nominal value of the share is HRK 170.00 (by decision of the General Meeting of 15 July 2013)
- In accordance with the General Meeting Decision of 15 July 2013, the share capital amounts to HRK 754,195,990.00.
- The Company's share capital is divided into 3,341,117 ordinary shares (ticker PTKM-RA), with nominal amount of HRK 170.00 and 1,095,330 ordinary shares (ticker PTKM-RB) with nominal amount of HRK 170.00.
- On 31 December 2013, the share value was HRK 168.38, while on 31 March 2014 its average price was HRK 70.10 (down 41.63%).

# The process of choosing a strategic partner in 2013 /2014



- In the first part of 2014 the process of selecting strategic partner was still in process. The process was initiated by the Croatian Government in mid 2013.
- 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% 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, Plc. 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 Management Board of Petrokemija.
- The Commission was obliged to carry out the process of selecting a strategic partner for Petrokemija in accordance with applicable regulations, whereby the Republic of Croatia would retain 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.
- 12 March 2014 - in the required period no binding offer was received which would be in accordance with the transaction documentation. Two potential investors sent letters to express their serious interest in the investment and the willingness to continue the talks.
- 31 March 2014 - a session of the Government Commission for selection of strategic partner for Petrokemija was held at the Ministry of Economy. No binding offer was received in the required time limit.
- The Commission submitted the report on the process of selecting strategic partner to the Government and thus Commission's work finished.

# Key events in 2014.

- After the expiry of the procedure for selecting strategic partner that did not result in the actual choosing a strategic partner, i.e. the change in ownership structure, Petrokemija is beginning a rapid restructuring process in collaboration with its current owners – the Government and pension funds.
- At its meeting held on 9 April 2014, the Supervisory Board of Petrokemija, Plc. approved the Program of Restructuring and Financial Consolidation of Petrokemija 2014-2018 and in connection with this the proposal and decision on decrease and increase of the share capital to be submitted to the Company General Meeting. In accordance with the adopted decisions, Petrokemija, Plc. is convening the General Meeting for 20 May 2014.
- The main prerequisites for the realization of the objectives are a competitive price of natural gas, lower operating costs and available financial resources. The program of restructuring and financial consolidation is based on a comprehensive set of activities that are to be taken in the coming years in order to provide the Company with resources for a successful business.
- If the measures are not fully realized or some parts are not implemented, it will potentially lead to the collapse of the whole project and its impacts:
  - The management must implement operational restructuring in order to make cost savings from operations of HRK 626 million;
  - The Management with its financial partners must implement financial consolidation in the amount of HRK 740 million for the purpose of financing working capital, severance for redundancy program, investments and reprogramming of loans;
  - Unions, General Workers' Council and the Association of Croatian Homeland War Veterans of Petrokemija must actively support the implementation of the program;
  - The shareholders should approve the recapitalization in the amount of HRK 400 million in 2014 as step one and another HRK 400 million in 2016 as step two.

# Key events in 2014 (continued)

- The restructuring and financial consolidation are necessary to ensure long-term viability of the Company and will cover the key elements of business - mid-term solution of gas supply at competitive market terms, modernization of facilities and logistics and organizational changes of processes within the company in order to reduce operating costs. In this way, Petrokemija would be able to respond to the challenges encountered in the near and wider market environment. The Management Board believes that, despite the current difficult situation, the Company possesses vast potential that can be realized in the medium term through the process of restructuring, investment in modernization and complete financial consolidation, as stable positive business in the interest of the owners, employees and the wider community.
- Achieved market and financial results in the first quarter, as well as the rating of market position at the time of preparation of these financial statements, indicate caution in predicting future business trends with the possibility of occasional downtime of a part of facilities and significant changes in the Company organization.

# 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:

- ❑ As the result of unsuccessful outcome of the procedure of finding a strategic partner, the Company Management of the Company must carry out the activities of restructuring and financial consolidation 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 or were stagnating at a low level.
- ❑ The fluctuations of raw material prices in 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 March 2014 Petrokemija, Plc. reported these liabilities in the balance sheet positions in the amount of HRK 221 million.
- ❑ The most significant individual risk is further decline in sales prices of fertilizers in the global, regional and local markets.

# Key determinants of Petrokemija, Plc. business in 2014



- Despite not having chosen a strategic partner, the Company needs to, with even greater efforts initiate a number of key business events 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 resources for the 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 provide for 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.
- The Company is considering models of securing liquidity to stabilize its operations, including a capital injection from existing shareholders and the issue of debt instruments. To this end, the Company prepared the Program for Restructuring and Financial Consolidation of Petrokemija, Plc. for 2014 – 2018.



# 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 March 31, 2014 period, make an exact and true account of the Company and Petrokemija Group 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:

- 
- **Petrokemija Group quarterly financial report - TFI-POD Petrokemija Group:**
    - **Balance Sheet**
    - **Profit and Loss Account**
    - **Report on Cash Flow**
    - **Report on Principal Capital Change**
    - **Notes**

**Attachment 1.**

Reported period:

1.1.2014.

to

31.03.2014.

**Quarterly financial statements TFI-POD**

Registration number (MB): 03674223

Registration number of subject (MBS): 080004355

Personal identification number (OIB): 24503685008

Issuer company: THE GROUP PETROKEMIJA

Postal code and city: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

E-mail: fin@petrokemija.hr

Internet address: www.petrokemija.hr

Code and city/municipality: 220 KUTINA

Code and county name: 3 SISAČKO-MOSLAVAČKA ŽUPANIJA

Number of employees: 2.289

(at the end of the year)

Consolidated Report: YES

Code of NKD: 20.15

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

RESTORAN PETROKEMIJA d.o.o.

KUTINA

01335316

PETROKEMIJA d.o.o.

NOVI SAD

08754608

PETROKEMIJA d.o.o.

NOVO MESTO

12034614

LUKA ŠIBENIK d.o.o.

ŠIBENIK

03037525

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 31.03.2014.

The Group Petrokemija d.d.			
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>719.303.117</b>	<b>708.405.707</b>
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	<b>8.212.096</b>	<b>7.747.260</b>
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	2.834.581	2.826.871
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	5.377.515	4.920.389
6. Other intangible assets	009		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	<b>710.518.222</b>	<b>700.335.816</b>
1. Land	011	49.482.153	49.482.153
2. Buildings	012	276.722.239	271.255.301
3. Plant and equipment	013	309.397.663	290.756.780
4. Tools, plant inventory and transportation assets	014	15.626.648	23.887.544
5. Biological assets	015		
6. Advances for tangible assets	016	3.352.925	5.024.060
7. Tangible assets in progress	017	55.434.274	59.427.658
8. Other tangible assets	018	502.320	502.320
9. Investments in real estates	019		
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	<b>7.537</b>	<b>7.537</b>
1. Investments (shares) in related companies	021		
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		
<b>IV. TRADE RECEIVABLES (030 do 032)</b>	<b>029</b>	<b>250.168</b>	<b>0</b>
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032	250.168	
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>	<b>315.094</b>	<b>315.094</b>
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>877.887.496</b>	<b>886.177.903</b>
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	<b>448.552.343</b>	<b>400.835.294</b>
1. Raw and other material	036	208.306.972	197.984.739
2. Work in progress	037	42.595.847	37.895.466
3. Finished products	038	194.190.474	161.780.280
4. Merchandise inventory	039	1.237.523	1.291.144
5. Advances for inventories	040	2.221.527	1.883.665
6. Long-term assets intended for sale	041		
7. Biological assets	042		
<b>II. TRADE RECEIVABLES (044 do 049)</b>	<b>043</b>	<b>382.994.741</b>	<b>400.628.074</b>
1. Receivables from related companies	044		
2. Receivables from customers (buyers)	045	185.068.208	102.431.895
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	35.289	25.036
5. Receivables from state and other institutions	048	71.782.384	76.810.051
6. Other receivables	049	126.108.860	221.361.092
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	<b>24.511.788</b>	<b>35.348.485</b>
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053	12.838.576	14.395.952
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	5.068.235	6.178.377
6. Loans given, deposits and similar assets	056	6.604.977	14.774.156
7. Other financial assets	057		
<b>IV. CASH IN BANK AND ON HAND</b>	<b>058</b>	<b>21.828.624</b>	<b>49.366.050</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>12.550.972</b>	<b>1.673.382</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.609.741.585</b>	<b>1.596.256.992</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>513.934.610</b>	<b>452.860.610</b>

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>438.063.174</b>	<b>375.035.327</b>
I. SUBSCRIBED CAPITAL	<b>063</b>	754.195.990	754.195.990
II. CAPITAL RESERVES	<b>064</b>		
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	<b>7.967.248</b>	<b>7.967.248</b>
1. Legal reserves	<b>066</b>		
2. Reserve for treasury shares	<b>067</b>		
3. Treasury shares and investment (deductable item)	<b>068</b>		
4. Statutory reserves	<b>069</b>		
5. Other reserve	<b>070</b>	7.967.248	7.967.248
IV. REVALUATION RESERVES	<b>071</b>		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	<b>2.006.043</b>	<b>-328.253.196</b>
1. Retained earning	<b>073</b>	3.858.116	
2. Loss carried forward	<b>074</b>	1.852.073	328.253.196
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	<b>075</b>	<b>-330.259.239</b>	<b>-62.627.989</b>
1. Profit for the year	<b>076</b>		
2. Loss for the year	<b>077</b>	330.259.239	62.627.989
VII. MINORITY INTEREST	<b>078</b>	4.153.132	3.753.274
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>14.231.661</b>	<b>14.231.661</b>
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	12.659.799	12.659.799
2. Provisions for tax liabilities	<b>081</b>		
3. Other provisions	<b>082</b>	1.571.862	1.571.862
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>63.460.181</b>	<b>63.377.917</b>
1. Liabilities to related companies	<b>084</b>		
2. Liabilities for loans, deposits and similar	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	63.460.181	63.377.917
4. Liabilities for advances	<b>087</b>		
5. Liabilities to suppliers	<b>088</b>		
6. Liabilities for securities	<b>089</b>		
7. Liabilities to companies with participating interest	<b>090</b>		
8. Other long-term liabilities	<b>091</b>		
9. Deferred tax liability	<b>092</b>		
<b>D) SHORT-TERM LIABILITIES (094 do 105)</b>	<b>093</b>	<b>1.074.607.653</b>	<b>1.124.233.171</b>
1. Liabilities to related companies	<b>094</b>		
2. Liabilities for loans, deposits and similar	<b>095</b>	64.427.181	15.000.000
3. Liabilities to banks and other financial institutions	<b>096</b>	362.388.889	341.222.222
4. Liabilities for advances	<b>097</b>	108.333.045	22.196.932
5. Liabilities to suppliers	<b>098</b>	285.051.764	403.556.816
6. Liabilities for securities	<b>099</b>	91.833.225	91.856.052
7. Liabilities to companies with participating interest	<b>100</b>		
8. Liabilities to employees	<b>101</b>	14.488.053	13.240.486
9. Liabilities for taxes, contributions and other payments	<b>102</b>	21.560.648	14.029.639
10. Liabilities as per share in result	<b>103</b>		
11. Liabilities as per long-term assets intended for sales	<b>104</b>		
12. Other short-term liabilities	<b>105</b>	126.524.848	223.131.024
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>19.378.916</b>	<b>19.378.916</b>
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.609.741.585</b>	<b>1.596.256.992</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	513.934.610	452.860.610
<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	<b>109</b>	433.910.042	371.282.053
2. Credited to minority interest	<b>110</b>	4.153.132	3.753.274

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 01.01.2014. to 31.03.2014.

The Group Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	<b>598.904.034</b>	<b>598.904.034</b>	<b>595.240.694</b>	<b>595.240.694</b>
1. Sales revenues	112	590.476.483	590.476.483	590.921.297	590.921.297
2. Other operating revenues	113	8.427.551	8.427.551	4.319.397	4.319.397
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>643.980.213</b>	<b>643.980.213</b>	<b>650.231.214</b>	<b>650.231.214</b>
1. Changes in value of work in progress and finished products	115	24.728.324	24.728.324	37.110.574	37.110.574
2. Material costs (117 do 119)	116	518.085.517	518.085.517	515.590.441	515.590.441
a) Cost of raw and production materials	117	497.675.512	497.675.512	502.143.446	502.143.446
b) Cost of goods sold	118	3.487.683	3.487.683	1.011.139	1.011.139
c) Other external costs	119	16.922.322	16.922.322	12.435.856	12.435.856
3. Employees costs (121 do 123)	120	61.302.638	61.302.638	57.498.575	57.498.575
a) Net salaries and wages	121	38.989.020	38.989.020	36.391.735	36.391.735
b) Costs for taxes and contributions from salaries	122	14.237.697	14.237.697	13.521.673	13.521.673
c) Contributions on salaries	123	8.075.921	8.075.921	7.585.167	7.585.167
4. Depreciation	124	23.825.948	23.825.948	24.368.375	24.368.375
5. Other costs	125	16.003.633	16.003.633	15.662.575	15.662.575
6. Value adjustments (127+128)	126	34.153	34.153	674	674
a) of long-term assets (except for financial assets)	127				
b) of short-term assets (except for financial assets)	128	34.153	34.153	674	674
7. Provisions	129				
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>3.048.083</b>	<b>3.048.083</b>	<b>1.242.701</b>	<b>1.242.701</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132				
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	2.176.020	2.176.020	1.242.701	1.242.701
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135	872.063	872.063		
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>14.283.107</b>	<b>14.283.107</b>	<b>8.880.170</b>	<b>8.880.170</b>
1. Interest, exchange rate fluctuations and other costs with associated companies	138				
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	14.283.107	14.283.107	8.880.170	8.880.170
3. Unrealised losses (costs) from financial assets	140				
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. EXTRAORDINARY - 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>601.952.117</b>	<b>601.952.117</b>	<b>596.483.395</b>	<b>596.483.395</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>658.263.320</b>	<b>658.263.320</b>	<b>659.111.384</b>	<b>659.111.384</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>-56.311.203</b>	<b>-56.311.203</b>	<b>-62.627.989</b>	<b>-62.627.989</b>
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	56.311.203	56.311.203	62.627.989	62.627.989
<b>XII. PROFIT TAX</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-56.311.203</b>	<b>-56.311.203</b>	<b>-62.627.989</b>	<b>-62.627.989</b>
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	56.311.203	56.311.203	62.627.989	62.627.989

<b>APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	155	-56.063.419	-56.063.419	-62.228.131	-62.228.131
2. Credited to minority interest	156	-247.784	-247.784	-399.858	-399.858
<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>-56.311.203</b>	<b>-56.311.203</b>	<b>-62.627.989</b>	<b>-62.627.989</b>
<b>II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)</b>	<b>158</b>	<b>287.272</b>	<b>287.272</b>	<b>0</b>	<b>0</b>
1. Exchange rate differences from translation of foreign currency operations	159	287.272	287.272		
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>287.272</b>	<b>287.272</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-56.023.931</b>	<b>-56.023.931</b>	<b>-62.627.989</b>	<b>-62.627.989</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	-55.776.147	-55.776.147	-62.228.131	-62.228.131
2. Credited to minority interest	170	-247.784	-247.784	-399.858	-399.858

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2014. to 31.03.2014.

The Group Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
<b>CASH FLOW FROM PPERATIONG ACTIVITIES</b>			
1. Cash increase from buyers	001	488.328.658	505.105.957
2. Cash increse from royalites, fees commissions and other	002		
3. Cash increse from insuarance compensations	003	1.876.185	1.188.754
4. Cash increase from tax return	004	88.290.284	67.944.206
5. Other cash increase	005	29.025	501.720
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>578.524.152</b>	<b>574.740.637</b>
1. Expenses to suppliers	007	650.564.560	497.643.794
2. Expenses for employees	008	62.620.367	59.620.725
3. Expenses for insuarance compensations	009	1.237.967	3.547.527
4. Expenses for interest	010	6.569.913	7.168.813
5. Expenses for taxes	011	45.855.084	25.959.803
6. Other cash decrease	012	3.547.258	1.946.901
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>770.395.149</b>	<b>595.887.563</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>191.870.997</b>	<b>21.146.926</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016		10.469
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		
5. Other cash proceeds from investing activities	020		10.039.376
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>0</b>	<b>10.049.845</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	27.736.288	14.983.873
2. Cash outflow for acquisition of equity and debt financial instruments	023		
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>27.736.288</b>	<b>14.983.873</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>27.736.288</b>	<b>4.934.028</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	470.500.000	432.000.000
3. Other inflows from financial activities	030	172.798.607	132.381.406
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>643.298.607</b>	<b>564.381.406</b>
1. Cash outflows for repayment of loan principal and bonds	032	422.077.778	502.593.848
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	27.094.000	
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>449.171.778</b>	<b>502.593.848</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>194.126.829</b>	<b>61.787.558</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>35.706.604</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>25.480.456</b>	<b>0</b>
<b>Cash and cash equivalents at the begining of the period</b>	<b>042</b>	<b>50.659.152</b>	<b>28.433.601</b>
<b>Increase of cash and cash equivalents</b>	<b>043</b>		<b>35.706.604</b>
<b>Decrease of cash adn cash equivalents</b>	<b>044</b>	<b>25.480.456</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	<b>25.178.696</b>	<b>64.140.205</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 1.1.2014 to 31.3.2014

Position	AOP code	Previous year	Current year
1	2	3	4
1. Suscribed capital	001	754.195.990	754.195.990
2. Capital reserves	002		
3. Reserves from profit	003	7.967.248	7.967.248
4. Retained profit or loss carried forward	004	2.006.043	-328.253.196
5. Profit or loss for the year	005	-330.259.239	-62.627.989
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	4.153.132	3.753.274
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>438.063.174</b>	<b>375.035.327</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	433.910.042	371.282.053
17 b. Creadited to minority interest	019	4.153.132	3.753.274

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 GROUP

As can be seen from the data in the tables of the Profit and Loss account and Balance sheet, the subsidiaries have no significant impact on the performance of the Petrokemija Group. Subsidiaries are: Restoran Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija Ltd. Novo Mesto and Luka Šibenik, Ltd. Šibenik.

In the period from January to March of 2014, Petrokemija Group had total actual income of HRK 596.5 million and total expense of HRK 659.1 million; thus the Petrokemija Group reported loss in business operations of HRK 62.6 million or 10.5% of the total revenues. For the quarter, the total income was by 0.9% lower and the total expense by 0.1% higher than for 2013. The intensity of the fall in the price of fertilizers is evident from the fact that with a 24.3% increase in volumes sold, the same level of operating income was achieved.

Out of the total loss, HRK 55.0 million or 87.8% is loss from business operations, while HRK 7.6 or 12.2% is loss from financial operations. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 30.6 million in the negative. The EBITDA for the same period of 2013 was HRK 18.2 million in the negative.

The trend of prices and supply and demand in the global market of mineral fertilizers did not significantly change compared to the second half of 2013. 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. The main export product of Petrokemija Plc. – nitrogen fertilizer Urea – realized approximately 20% lower price in the EU in the agricultural season 2013/2014 than in the season 2012/2013 and the main exporting countries were Egypt and Russia. Low sales 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 imbalance 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 low sales which does not allow for optimal use of capacity, there were higher fixed costs per unit of product and loss in business operations. In the period, there was a further fall of prices of finished products in the global fertilizer market that in some markets could not cover even the direct costs of raw materials and energy. 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 certain raw materials in the production of fertilizers changed differently depending on market forces, but on the whole were lower than in the same period last year.

It should be noted that, regardless of the business activities of the Company, when the prices in the market keep almost 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 were low 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, operating income was at the same level as for the January to March period of 2013 (index 99.4), but due to falling prices of fertilizers in the domestic, regional and world markets 24.3% larger volumes of fertilizers were sold. Domestic sales of fertilizers increased by 12.8%, while exports by 30.9% compared to the same period of the last year.

Higher actual operating expenses (1.0%) compared to the same period previous year were caused by 8.7% higher production, changes in the product range and lower average input prices of raw materials. There was a slight decline in purchase prices of almost all key raw materials. The average actual purchase price of gas in the first quarter of 2014, was 3.9% lower than in the same period of

2013.

In the first quarter of 2014, Petrokemija had by 8.7% higher actual production than in the year before, but with the change in the product structure – Urea production was increased by 43.4%, CAN by 31.9% and the production of NPK fertilizers was reduced by 41.9%.

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. At the time of preparation of these financial statements, negotiations on more favorable conditions of natural gas supply are underway, but the outcome is still uncertain.

Due to the market situation, some facilities had been halted in the second half of 2009 and this problem has been carried over into the second quarter of 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 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 liabilities to the factoring companies, in the event that the debtors fail to meet their obligation), as of 31 March 2014 Petrokemija included these liabilities and receivables in their Balance Sheet. In the Balance Sheet positions they are indicated in the current assets and liabilities in the amount of HRK 221 million. Compared with the balance of December 31, 2013, the status of these transactions is increased by HRK 96 million or 76.8%. In the Cash Flow Statement inflows (receipts) from the collection of trade receivables through factoring are included in inflows from financial activities for the first quarter of 2014 in the amount of HRK 132.4 million, while for the same period last year they amounted to HRK 125.7 million.

The future trends in financial results of Petrokemija Group 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:

Change in price of basic raw materials in the world market (MAP, DAP, phosphate, potassium chloride and sulfur);

Change in demand and sales price of fertilizers;

Price movement of energy fluids - gas and heating oil;

Price movement of basic agricultural crops;

Exchange rate of USD and EUR to the local currency and

Financing costs and inter-currency relations.

The Company is considering models of securing liquidity in order to stabilize its operations, including a capital injection from existing shareholders and the issue of debt instruments. To this end, the Company prepared the Program for Restructuring and Financial Consolidation of Petrokemija, Plc. for 2014–2018. This document defines detailed prerequisites and restructuring measures as well as funding requirements necessary to ensure a basis for sustainable operations of the Company. These measures include, amongst other, the implementation of a comprehensive restructuring process, optimization of procurement costs, refocusing production activities, work force optimization, disinvestment of non-operational and non-core assets as well as debt refinancing measures and recapitalization.

The cumulated losses for Jan-Dec 2013 and the first quarter of 2014 have reached the level of 51.4% of the stock capital, so after the process of finding a strategic partner for Petrokemija failed, the Management prepared the above mentioned Program of Restructuring and Financial Consolidation of the Company, approved by the Petrokemija Supervisory Board.

The realized market and financial results in the first quarter, as well as the assessment of the Company market position at the time of these financial statements, point to caution in forecasting the future business trends, also to the possibility of temporary shutdowns of parts of facilities and

the future business trends; also to the possibility of temporary shutdowns of parts of facilities and major changes in the Company and Petrokemija Group organization.