

NON-AUDITED
NON-CONSOLIDATED



QUARTERLY REPORT PETROKEMIJA Plc. KUTINA

REPORT FOR PERIOD January to March 2014



Kutina, April 2014

Key indicators for Petrokemija Plc. for January - March 2014 period



- 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, Plc.: HRK 595.9 million, 0.3% less than in the same period last year,
- Actual loss of Petrokemija, Plc.: HRK 60.6 million (10.2% of total revenues),
- EBITDA for Petrokemija, Plc.: HRK -29.1 million,
- Equity at 31 March 2014: Petrokemija, Plc.: HRK 374.2 million
- Invested in Petrokemija, Plc.: HRK 13.4 million
- Number of employees at 31 Mar 2014: Petrokemija, Plc. 2,125, Petrokemija Group 2,289

Management Board Report on the Company Status for January–March 2014 period



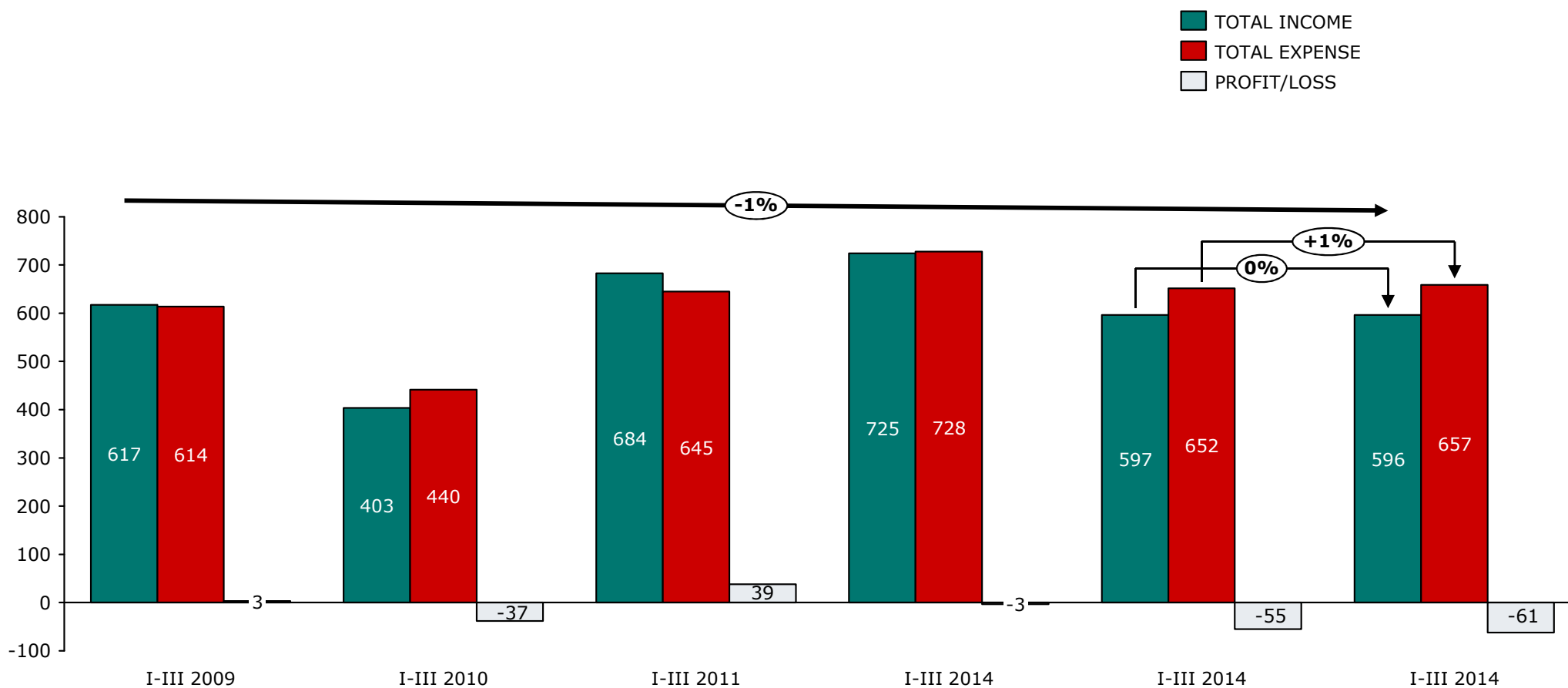
- In Jan-Mar period 2014 Petrokemija, Plc. had total income of HRK 595.9 million and total expense of HRK 656.5 million. The Company reported loss in business operations of HRK 60.6 million or 10.2% of the total revenues. On a quarterly basis, total revenues were by 0.3% lower and total expenses by 0.6 % higher than in 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) in the Croatian market and sales prices of nitrogen fertilizers 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 the Company Status for January–March 2014 (continued)

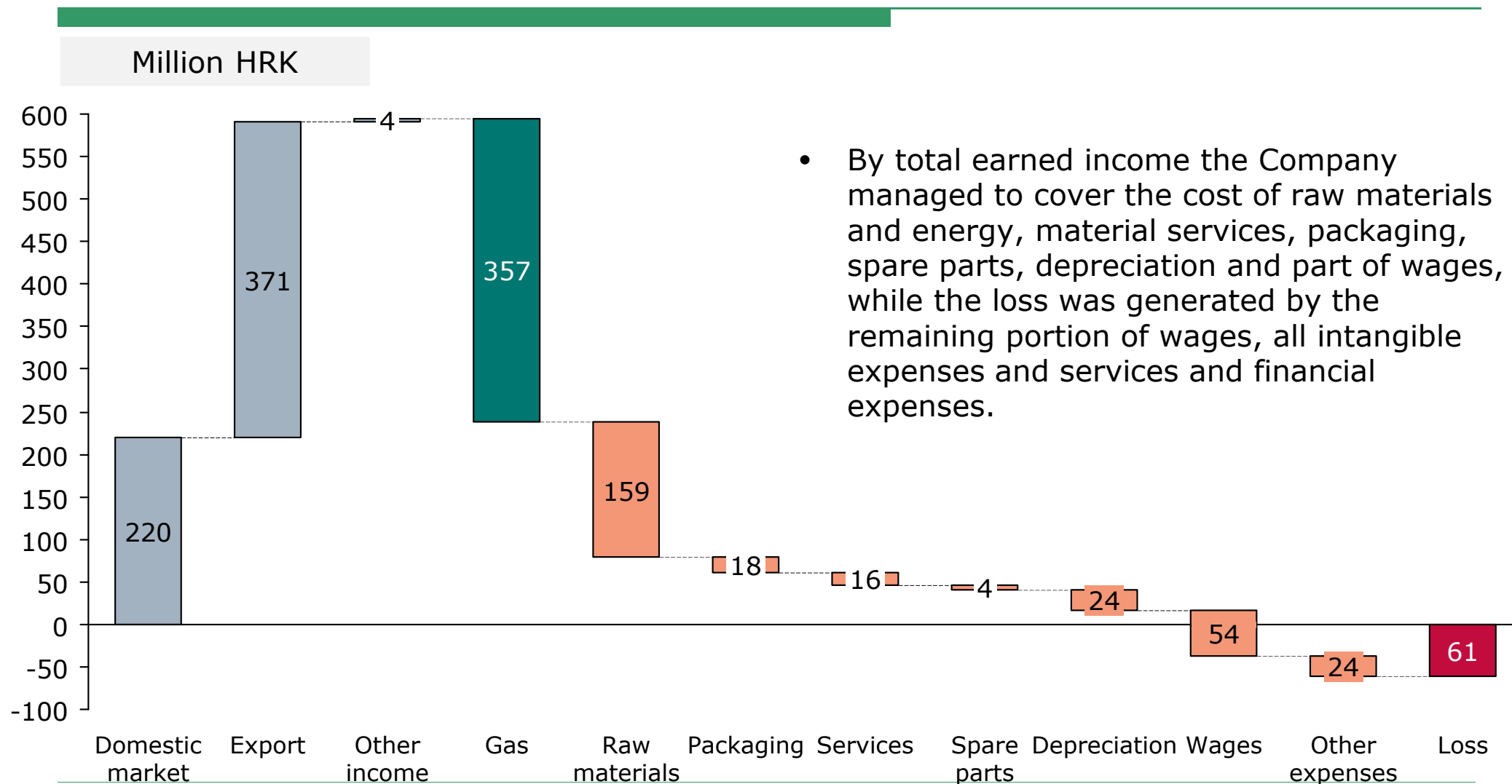


- In the reporting period, operating income was at the same level as in the same period of 2013 (indeks 100); total fertilizer sales volumes increased by 24.3% compared to the same period last year.
- Higher actual operating expenses by 1.5% compared to the previous year reflect 8.7% higher production volumes and change in 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 actual purchase price of Q1 2014 was 3.9% lower than the one realized in the same quarter last year.
- Income from domestic sales in Q1 2014 decreased by 6.2% as compared to 2013 and income from exports increased by 5.3%%.
- EBITDA indicator (earnings before interest, taxes, depreciation and amortization) was HRK 29.1 million negative. In Q1 2013, EBITDA was HRK 20.0 million negative.
- Staff costs were down by 6.2 on the same period of 2013.
- The structure of loss: HRK 53.02 million or 87.5% accounts for operating loss and HRK 7.6 million or 12.5% for financial loss.
- Lack of current assets resulted in high short-term debt.

Profit and Loss 2009-2014

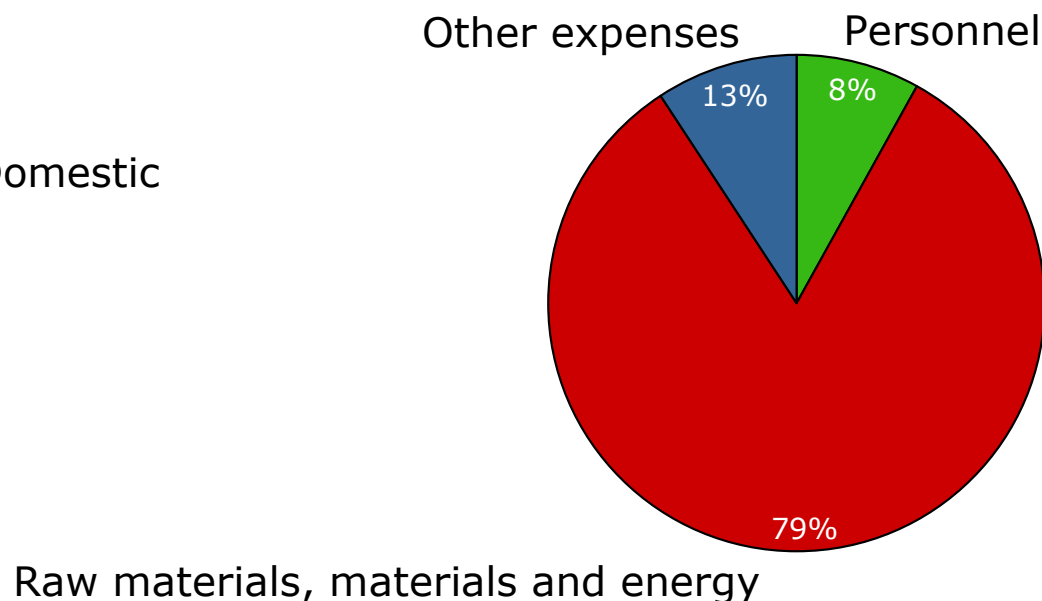
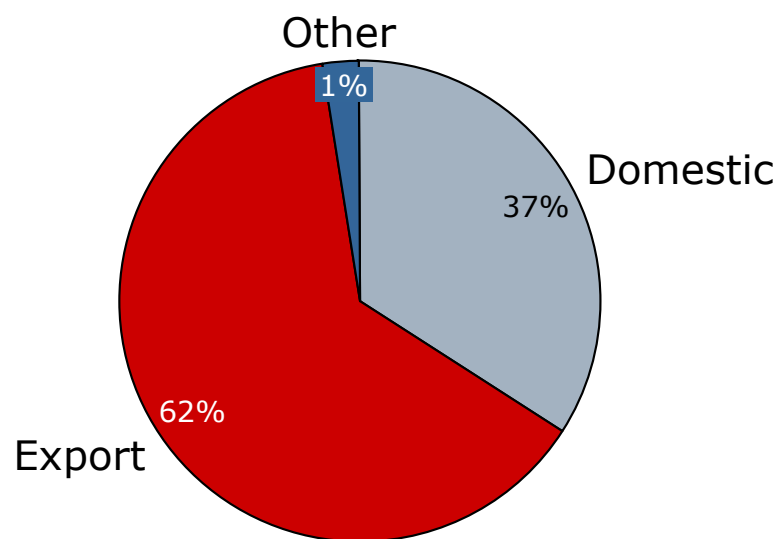


Structure of Profit and Loss in 2014



Structure of income and expenses Q1 2014

- In Q1 2014 Petrokemija earned 37% of income from domestic market, 62% from export, and financial and other income accounted for 1.0% of total income.
- In the structure of total expenses the dominant 79% accounted for raw materials materials and energy; personnel costs for 8%, while all other costs made 13%.



Key financial indicators

(HRK 000)

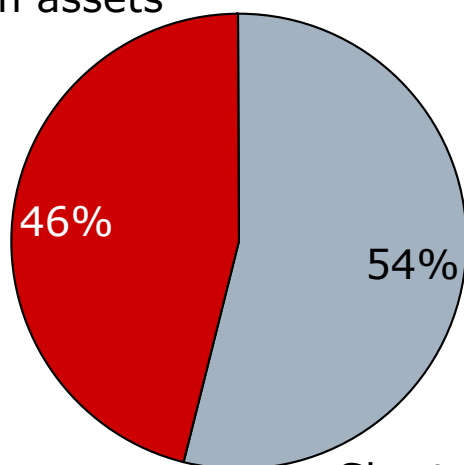
	Jan-March 2014	Jan-March 2013	Difference	% changes
Operating income	594.623	594.716	-93	0,02%
Operating expense	647.644	638.094	9.550	-1,50%
EBITDA *	-29.132	-19.997	-9.135	-45,68%
Amortization	23.889	23.381	508	-2,17%
Net financial income (expenses)	-7.601	-11.437	3.836	33,54%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-60.622	-54.815	-5.807	-10,59%
	31.III 2014.	31. XII 2013.		
Fixed assets	727.175	738.156	-10.981	1,49%
Current assets	867.271	868.240	-969	0,11%
Capital and reserves	374.158	434.780	-60.622	13,94%
Long-term liabilities + provisions	75.209	75.209	0	0,00%
Current liabilities + provisions	1.145.078	1.096.406	48.672	-4,44%

* EBITDA= profit before interest, taxation depreciation and amortization

Structure of assets and liabilities at 31 March 2014

- At 31 March 2014, Petrokemija had 54% value in short-term and 46% in long-term assets, which is the result of relatively high depreciation and the age of production and auxiliary facilities.
- The capital was reduced as a reflection of accumulated losses of 2013 and first quarter of 2014. 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).

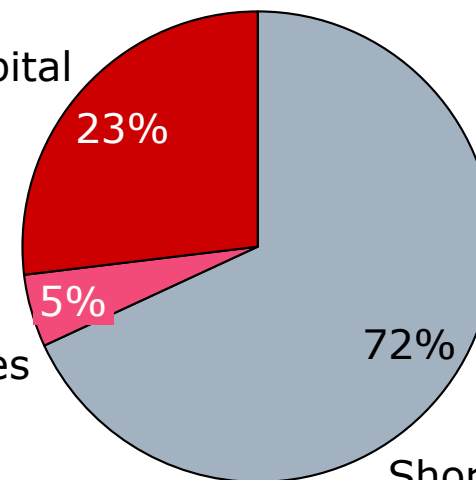
Long-term assets



Short-term assets

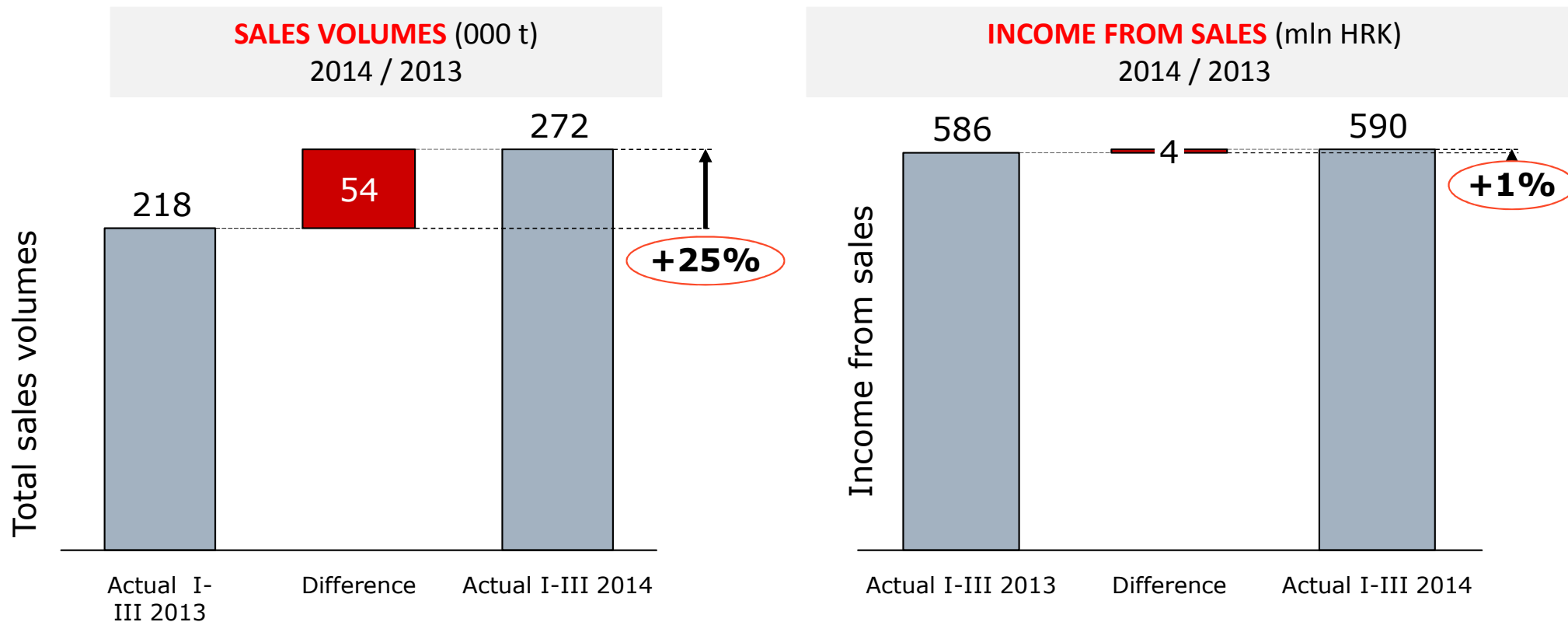
Capital

Long-term liabilities



Short-term liabilities

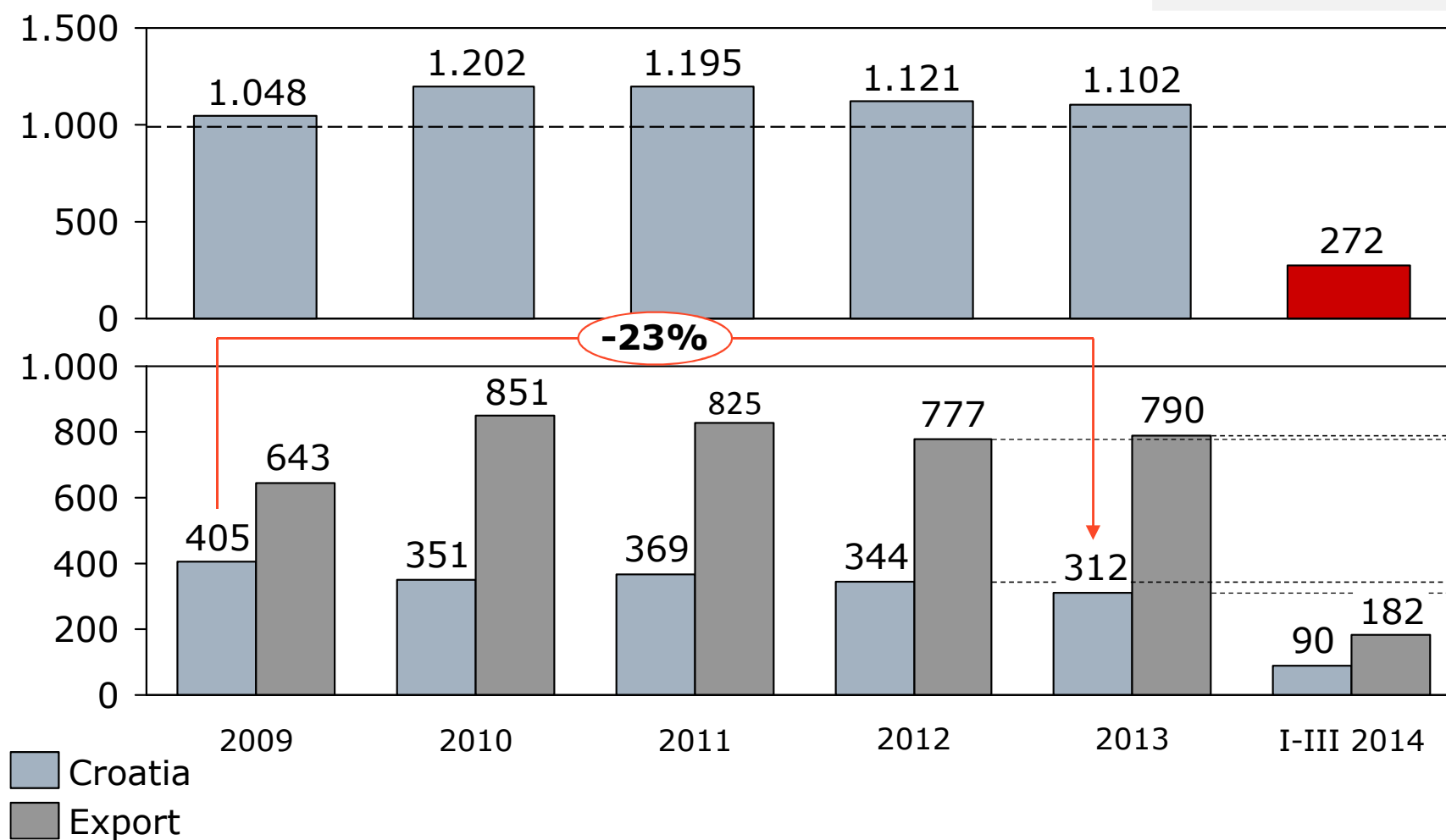
Total fertilizer sales



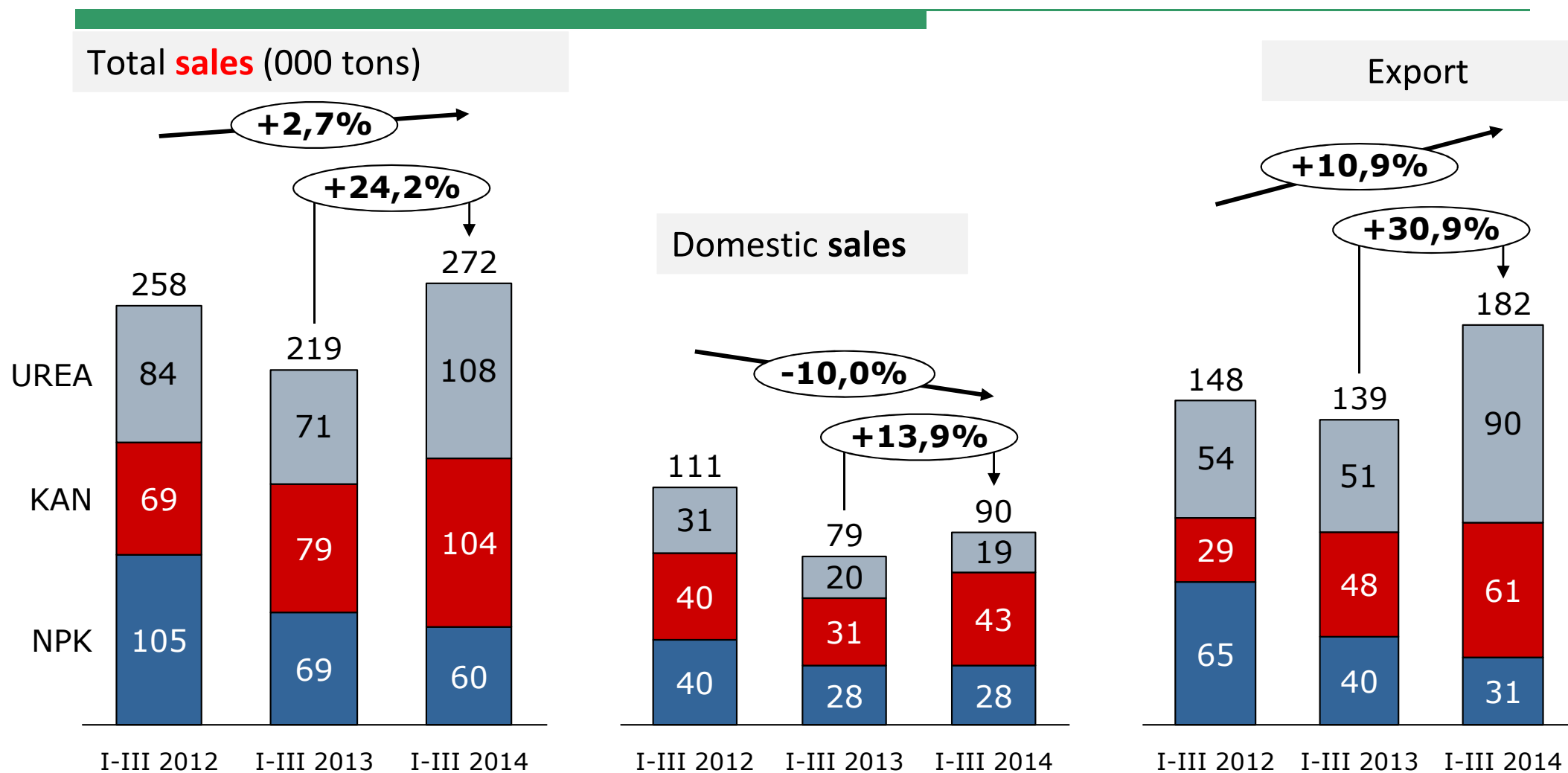
Realized volume sales growth of 25% resulted in a simultaneous slight increase in revenue sales of 1%, indicating a significant decline in average selling prices.

Actual fertilizer sales in Q1 2014

Total **sales** (000 tons)



Actual fertilizer sales in Q1 2014



Business Results of Petrokemija Group for Q1 2014

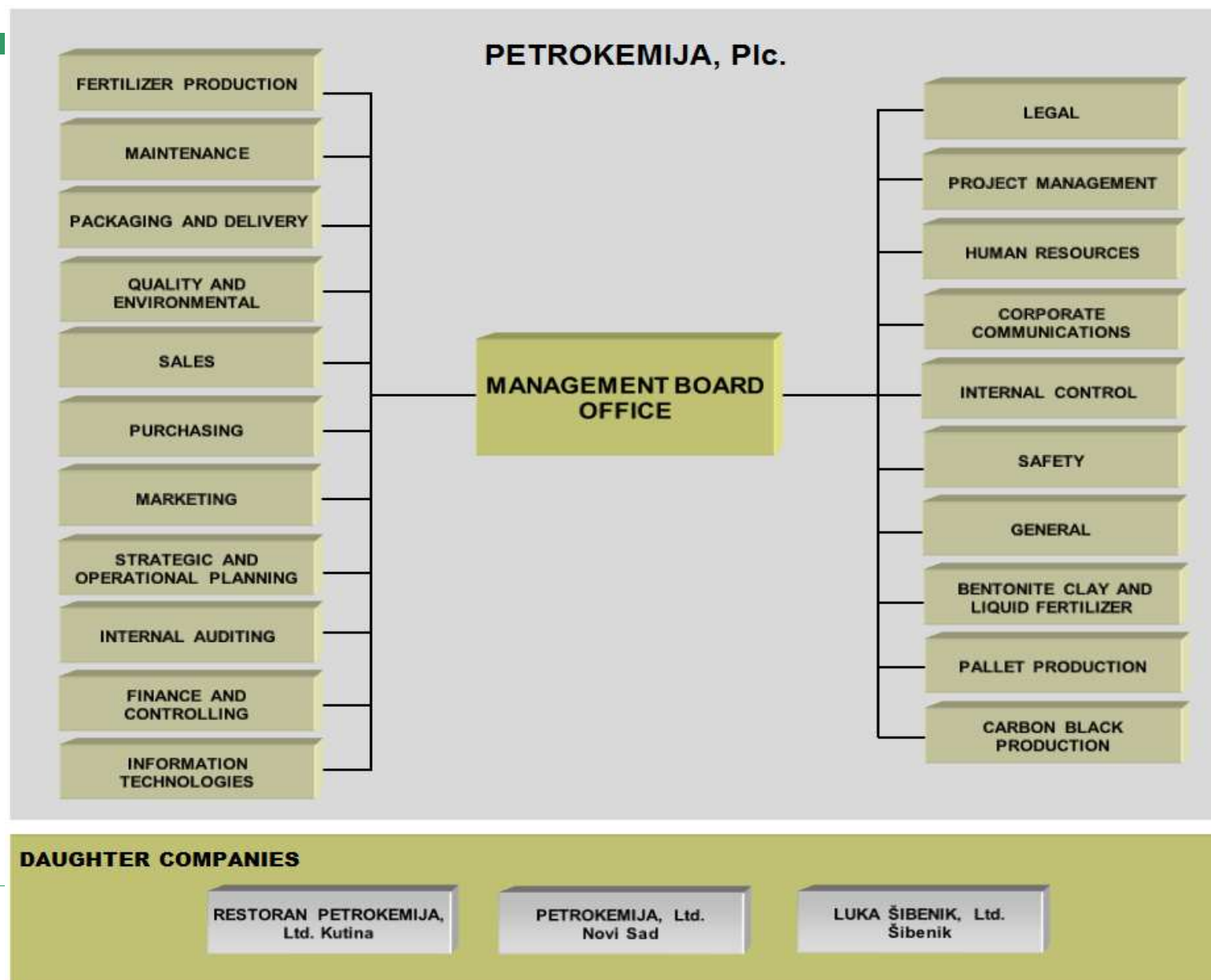


- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries Restaurant Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija, Ltd. Novo Mesto and Luka Šibenik, Ltd., the financial results Petrokemija Group for Q1 2014 are as follows:

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.
- 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

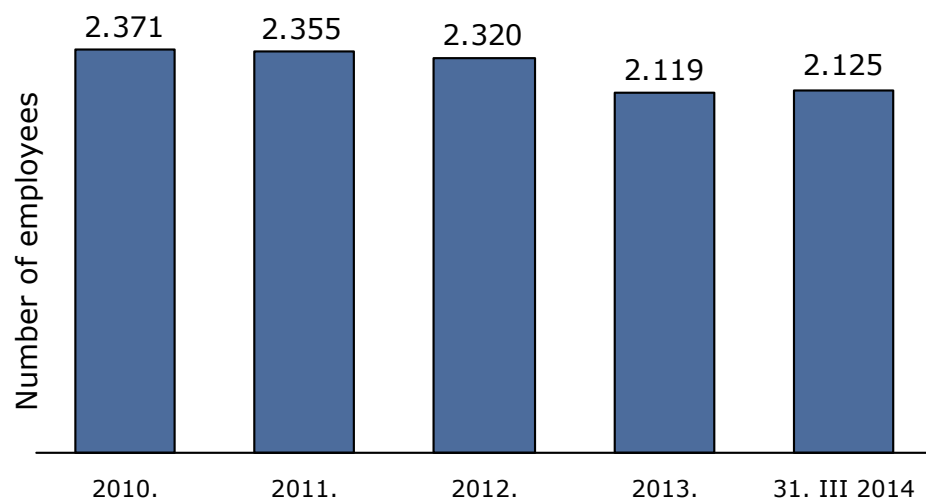


Operational income, personnel costs, number of employees



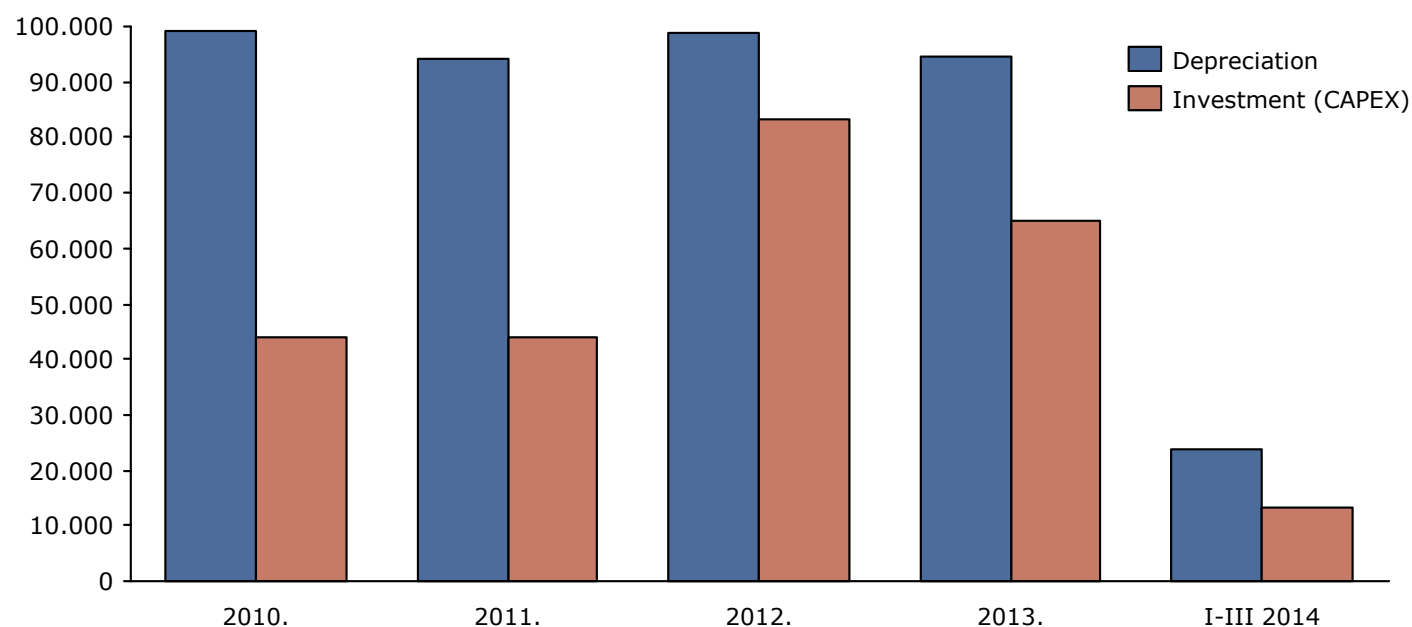
As at 31.03.2014 Petrokemija, Plc. had 2.125 employees, and daughter companies - members of Petrokemija Group - had 164 employees, which is a total of 2.289 employees.

The share of personnel costs in operating revenues was 9.81%, and in operating expenses 8.36%

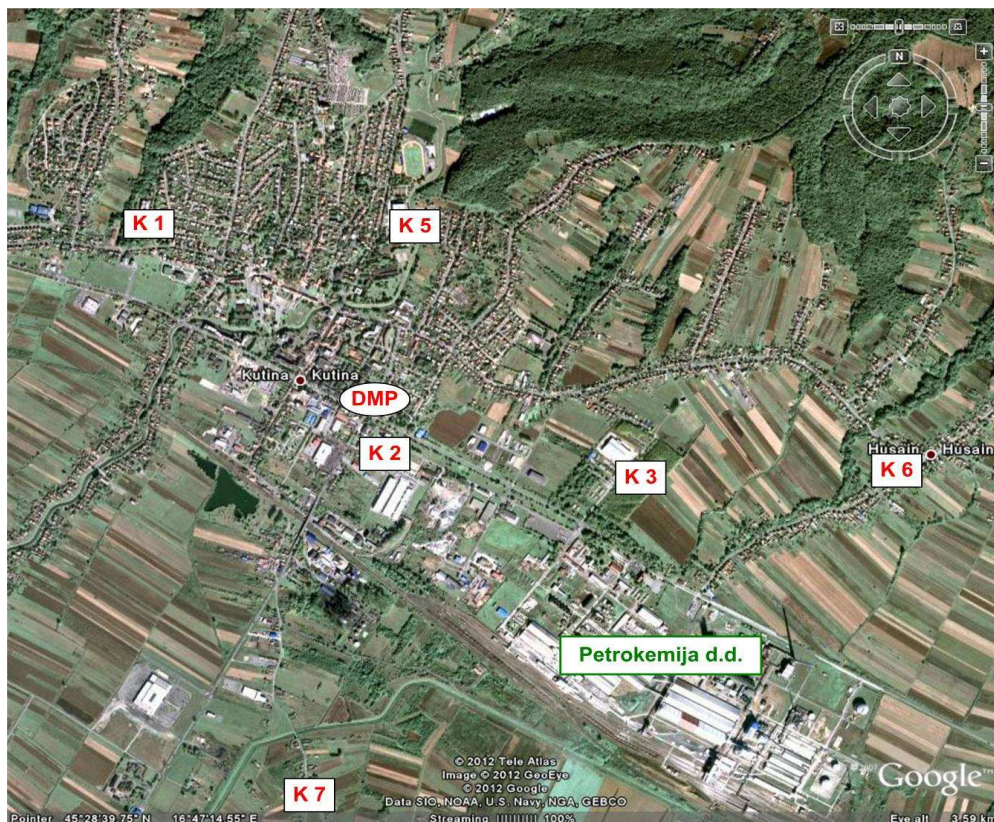


Realized investment

Investment realized in Q1 2014 amounted to 13.4 million, which is HRK 23.9 million or 64% lower than in the same time previous year. Despite the high losses and limited funding, necessary investment in Q1 2014 was made partly by from recapitalization funds .



Air quality in the Kutina area for Q1 2014 at local stations (K1,K2,K3,K5,K6 i K7) and the state monitoring station (DMP)



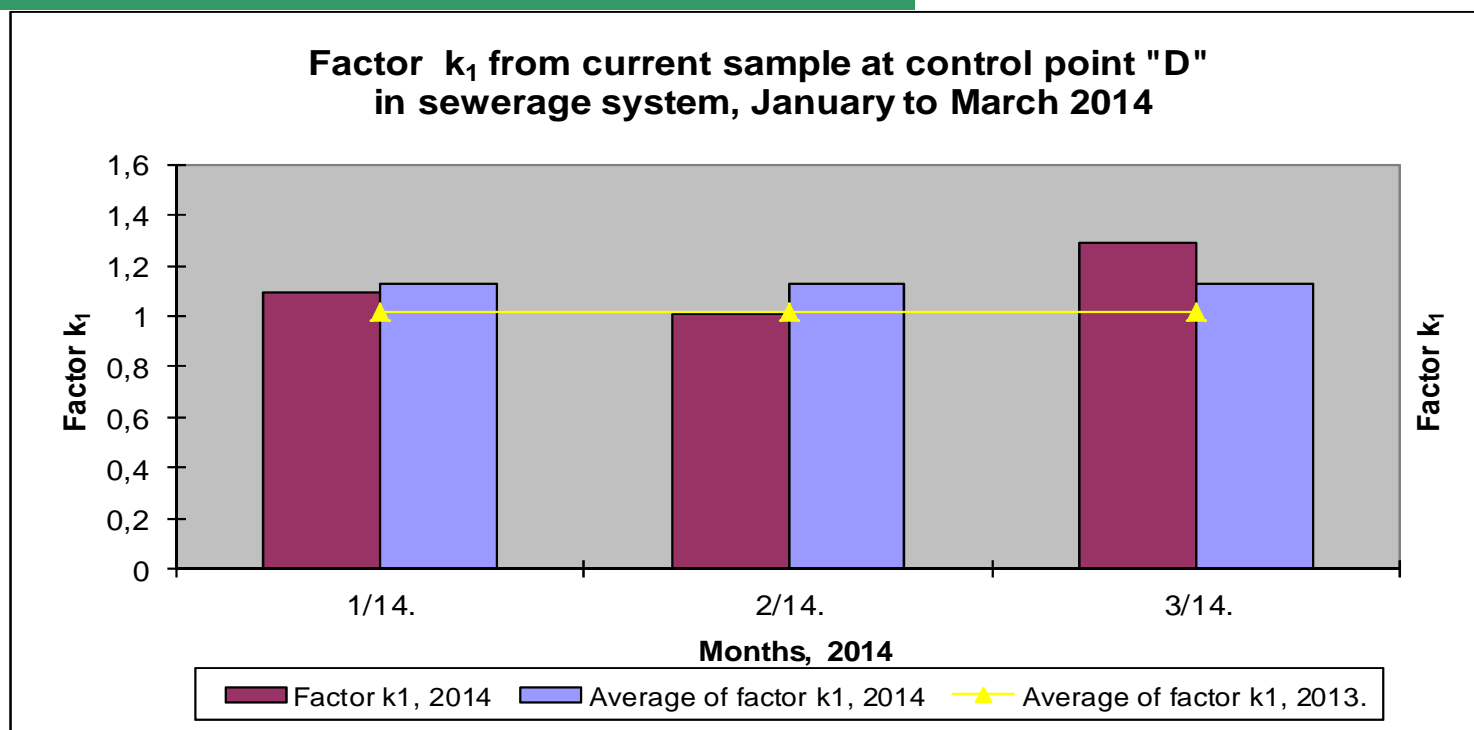
Clean or slightly polluted air	Polluted air	Pollutants
1 st category C<LV	2 nd category C>LV	
K2,K7, DMP		Sulphur dioxide (SO ₂)
K1,K2,K3,K6,K7		sediment
K1,K2,K3,K5, K6, K7, DMP		Ammonia (NH ₃)
K1,K2,K3,K5, K6,K7, DMP		Nitrogen dioxide (NO ₂)
K2,K7, DMP		Hydrogen sulphide (H ₂ S)
DMP		PM10

Note: The official categorization of air quality at DMP may be changed after the data validation of a competent body.

Ambient air limit value(LV) exceedance of AMMONIA in Q1 2014 (local network)

Measuring station	<i>The number of limit value (LV) exceedances in Q1 2014 / 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
TOTAL	5

Water management



The average value of k_1 factor for Jan to Mar 2014 is slightly higher compared to average value in 2013.

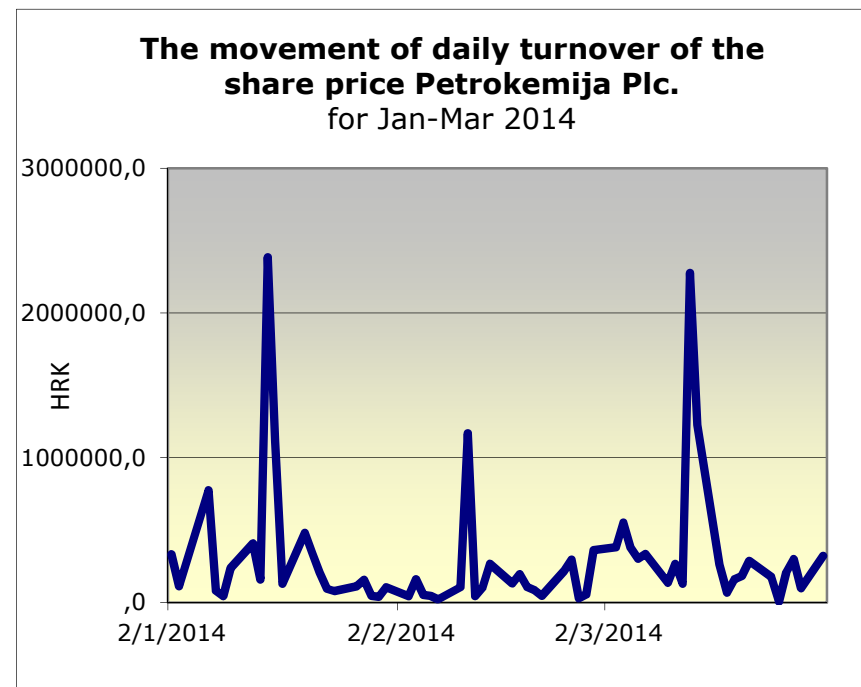
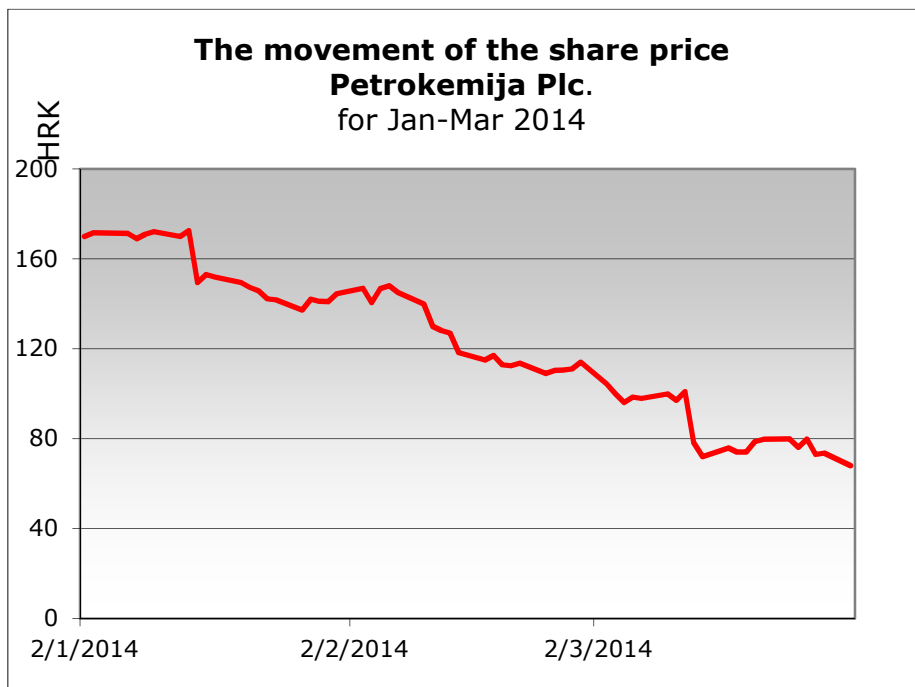
Average consumption of raw water in Jan-Mar 2014 was 572.619 m³, which is 7.2% less than average in 2013.

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%).

Petrokemija, Plc. share price and daily turnover movements



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)

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- 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 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 Quarterly Financial Report - TFI-POD
Petrokemija Plc.:**
 - **Balance Sheet**
 - **Profit and Loss Account**
 - **Report on Cash Flow**
 - **Report on Capital Change**
 - **Notes**

Attachment 1.

Reported period:

01.01.2014.

to

31.03.2014.

Quarterly financial statements TFI-POD

Registration number (MB): 03674223

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

Issuer company: PETROKEMIJA d.d.

Postal code and city: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

E-mail: fin@petrokemija.hr

Internet address: www.petrokemija.hr

Code and city/municipality: 220 KUTINA

Code and county name: 3 SISAČKO-MOSLAVAČKA ŽUPANIJA

Number of employees: 2.125
(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 31.03.2014.

Petrokemija d.d.			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	738.156.275	727.175.448
I. INTANGIBLE ASSETS (004 do 009)	003	8.212.096	7.747.261
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	3.291.706	2.826.871
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	4.920.390	4.920.390
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	703.319.704	695.227.663
1. Land	011	49.482.151	49.482.151
2. Buildings	012	275.009.650	271.162.734
3. Plant and equipment	013	303.981.972	285.783.589
4. Tools, plant inventory and transportation assets	014	15.556.412	23.845.150
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	59.427.659
8. Other tangible assets	018	502.320	502.320
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	26.374.307	24.200.524
1. Investments (shares) in related companies	021	26.366.770	24.192.987
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)	029	250.168	0
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032	250.168	
V. DEFERRED TAX ASSETS	033		
C) SHORT-TERM ASSETS (035+043+050+058)	034	856.005.143	866.147.125
I. INVENTORIES (036 do 042)	035	444.533.679	396.821.304
1. Raw and other material	036	204.418.531	194.090.995
2. Work in progress	037	42.595.846	37.895.466
3. Finished products	038	194.190.474	161.780.280
4. Merchandise inventory	039	1.107.301	1.172.638
5. Advances for inventories	040	2.221.527	1.881.925
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)	043	379.408.393	397.742.684
1. Receivables from related companies	044	15.770.480	140.417
2. Receivables from customers (buyers)	045	169.026.869	101.738.715
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	33.257	23.436
5. Receivables from state and other institutions	048	68.595.613	73.588.212
6. Other receivables	049	125.982.174	222.251.904
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	17.260.794	26.164.595
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	4.422.218	5.532.360
6. Loans given, deposits and similar assets	056		6.236.283
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	14.802.277	45.418.542
D) PREPAID EXPENSES AND ACCRUED INCOME	059	12.235.439	1.122.775
E) TOTAL ASSETS (001+002+034+059)	060	1.606.396.857	1.594.445.348
F) OFF BALANCE SHEET ITEMS	061	513.934.610	452.860.610

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	434.780.415	374.158.300
I. SUBSCRIBED CAPITAL	063	754.195.990	754.195.990
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	7.967.248	7.967.248
1. Legal reserves	066		
2. Reserve for treasury shares	067		
3. Treasury shares and invesment (deductable item)	068		
4. Statutory reserves	069		
5. Other reserve	070	7.967.248	7.967.248
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-327.382.823	-327.382.823
1. Retained earning	073		
2. Loss carried forward	074	327.382.823	327.382.823
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	0	-60.622.115
1. Profit for the year	076		
2. Loss for the year	077		60.622.115
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	13.265.513	13.265.513
1. Provisions for pensions, severance pay and similar labilites	080	11.854.385	11.854.385
2. Provisions for tax liabilities	081		
3. Other provisions	082	1.411.128	1.411.128
C) LONG-TERM LIABILITIES (084 do 092)	083	61.944.444	61.944.444
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	61.944.444	61.944.444
3. Liabilities to banks and other financial institutions	086		
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT-TERM LIABILITIES (094 do 105)	093	1.077.916.064	1.126.586.670
1. Liabilities to related companies	094	6.858.939	5.617.989
2. Liabilities for loans, deposits and similar	095	64.427.181	15.000.000
3. Liabilities to banks and other financial institutions	096	362.388.889	341.222.222
4. Liabilities for advances	097	108.333.045	22.196.932
5. Liabilities to suppliers	098	283.369.197	402.267.736
6. Liabilities for securities	099	91.833.225	91.856.051
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.635.074	12.537.894
9. Liabilities for taxes, contributions and other payments	102	20.557.948	12.757.822
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	126.512.566	223.130.024
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	18.490.421	18.490.421
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.606.396.857	1.594.445.348
G) OFF BALANCE SHEET ITEMS	108	513.934.610	452.860.610
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 01.01.2014. to 31.03.2014.

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	594.715.773	594.715.773	594.623.576	594.623.576
1. Sales revenues	112	586.411.624	586.411.624	590.383.900	590.383.900
2. Other operating revenues	113	8.304.149	8.304.149	4.239.676	4.239.676
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	638.093.566	638.093.566	647.644.219	647.644.221
1. Changes in value of work in progress and finished products	115	24.728.324	24.728.324	37.110.574	37.110.575
2. Material costs (117 do 119)	116	517.072.051	517.072.051	517.847.038	517.847.038
a) Cost of raw and production materials	117	496.190.077	496.190.077	501.302.443	501.302.443
b) Cost of goods sold	118	717.456	717.456	609.044	609.044
c) Other external costs	119	20.164.518	20.164.518	15.935.551	15.935.551
3. Employees costs (121 do 123)	120	57.772.755	57.772.755	54.195.572	54.195.572
a) Net salaries and wages	121	36.639.951	36.639.951	34.230.530	34.230.530
b) Costs for taxes and contributions from salaries	122	13.492.363	13.492.363	12.798.206	12.798.206
c) Contributions on salaries	123	7.640.441	7.640.441	7.166.836	7.166.836
4. Depreciation	124	23.381.245	23.381.245	23.889.420	23.889.420
5. Other costs	125	15.105.038	15.105.038	14.600.941	14.600.941
6. Value adjustments (127+128)	126	34.153	34.153	674	675
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	675
7. Provisions	129				
8. Other operating expenses	130				
III. FINANCIAL REVENUES (132 do 136)	131	2.857.845	2.857.845	1.231.744	1.231.744
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	47.479	47.479	20.903	20.903
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	1.938.302	1.938.302	1.210.841	1.210.841
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135	872.064	872.064		
5. Other financial revenues	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	14.295.346	14.295.346	8.833.216	8.833.216
1. Interest, exchange rate fluctuations and other costs with associated companies	138	55.181	55.181	56.787	56.787
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	14.240.165	14.240.165	8.776.429	8.776.429
3. Unrealised losses (costs) from financial assets	140				
4. Other financial expenses	141				
V. PORTION IN PROFIT OF ASSOCIATED COMPANIES	142				
VI. PORTION IN LOSS OF ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER REVENUES	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL REVENUES (111+131+142 + 144)	146	597.573.618	597.573.618	595.855.320	595.855.320
X. TOTAL EXPENSES (114+137+143 + 145)	147	652.388.912	652.388.912	656.477.435	656.477.437
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-54.815.294	-54.815.294	-60.622.115	-60.622.117
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	54.815.294	54.815.294	60.622.115	60.622.117
XII. PROFIT TAX	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-54.815.294	-54.815.294	-60.622.115	-60.622.117
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	54.815.294	54.815.294	60.622.115	60.622.117

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	-54.815.294	-54.815.294	-60.622.115	-60.622.117
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	-54.815.294	-54.815.294	-60.622.115	-60.622.117
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 01.01.2014. to 31.03.2014.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
CASH FLOW FROM PPERATIONG ACTIVITIES			
1. Cash increase from buyers	001	488.328.658	505.105.957
2. Cash increse from royalties, 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
I. Total increase of cash flow from operating activities (001 do 005)	006	578.524.152	574.740.637
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	3.763.178	800.957
II. Total decrease in cash flow from operating activities (007 do 012)	013	770.611.069	594.741.619
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	192.086.917	20.000.982
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proseeeds from sale of non-current tangible and intangible assets	016		10.469
2. Cash proceeeds from sale of equity and debt security instruments	017		
3. Cash proceeeds from interest payment*	018		
4. Cash proceeeds of dividend payment*	019		
5. Other cash proceeeds from investing activities	020		10.039.376
III. Total cash inflow from investing activities (016 do 020)	021	0	10.049.845
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		
IV. Total cash outflow from investing activities (022 do 024)	025	27.736.288	14.983.873
B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)	026	0	0
B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)	027	27.736.288	4.934.028
CASH FLOW FROM FINANCIAL ACTIVITIES			
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
V. Total cash inflow from financial activities (028 do 030)	031	643.298.607	564.381.406
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	
VI. Total cash outflow for financial activities (032 do 036)	037	449.171.778	502.593.848
C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)	038	194.126.829	61.787.558
C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)	039	0	0
Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)	040	0	36.852.548
Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)	041	25.696.376	0
Cash and cash equivalents at the begining of the period	042	38.170.591	14.802.277
Increase of cash and cash equivalents	043		36.852.548
Decrease of cash adn cash equivalents	044	25.696.376	
Cash and cash equivalents at the end of the period	045	12.474.215	51.654.825

*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		-327.382.823
5. Profit or loss for the year	005	-327.382.823	-60.622.115
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	434.780.415	374.158.300
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

PETROKEMIJA, Plc.

In the period from January to March of 2014, Petrokemija, Plc. had total actual income of HRK 595.9 million and total expense of HRK 656.5 million; thus the Company reported loss in business operations of HRK 60.6 million or 10.2% of the total revenues. For the quarter, the total income was by 0.3% lower and the total expense by 0.6% 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 53.0 million or 87.5% is loss from business operations, while HRK 7.6 or 12.5% is loss from financial operations. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 29.1 million in the negative. The EBITDA for the same period of 2013 was HRK 20.0 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 100), 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 (1.5%) 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

but with the change in the product structure – urea production was increased by 43.7%, 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, 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:

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 major changes in the Company organization.