

Kutina, 7.6.2013.



# PETROKEMIJA

## KUTINA

Fertilizer Company  
Aleja Vukovar 4, 44320 Kutina, Croatia

Ordinary share, PTKM-R-A ISIN HRPTKMRA0005  
listed on the Official Market of the Zagreb Stock Exchange  
Notice pursuant to the Capital Market Act

### General Assembly

Source:

Petrokemija, Plc. Kutina  
Fertilizer Company  
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**Petrokemija Plc.**  
**MANAGEMENT BOARD**  
**Number: OD-140/2013**  
**Kutina, June 6, 2013**

Pursuant to the provisions of Article 277 of the Companies Act and Article 13 of the Articles of Association of Petrokemija Plc., on June 6, 2013 the Management Board of Petrokemija Plc. adopted the decision on convocation and hereby invites you to participate in the

**GENERAL ASSEMBLY of Petrokemija Plc.**  
**to be held on July 15 (Monday), 2013, at 12.00 hours, at Petrokemija Plc. head office in**  
**Kutina, Aleja Vukovar 4**

The proposed Agenda for the General Assembly is as follows:

1. Opening of the General Assembly meeting and establishing the list of participants;
2. Annual financial statements for 2012, previously approved by the Management Board and the Supervisory Board, and Report of the Management Board on the Status of the Company;
3. Report of the Supervisory Board;
4. Decision on covering of losses of the Company;
5. Decision on granting discharge to the members of the Management Board and Supervisory Board:
  - A – Decision on granting discharge to the members of the Management Board
  - B – Decision on granting discharge to the members of the Supervisory Board;
6. Decision on amount and manner of calculation of the Supervisory Board Members' remuneration;
7. Decision on appointment of auditor for 2013;
8. Decision on amendments to the scope of the Company's business activities;
9. Decision on simplified reduction of the Company's share capital;
10. Decision on amendments to the Articles of Association;
11. Decision on increase of the Company's share capital through cash contributions with partial exclusion of the pre-emptive right of existing shareholders;
12. Decision on granting approval for acquiring of shares without the obligation to publish a takeover bid

## **PROPOSALS OF DECISIONS**

**Under item 4, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

**Ad – 4**

Pursuant to Article 275 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly passes the following

### **DECISION ON COVERING OF THE COMPANY'S LOSSES**

#### **Article 1**

Remaining loss of the Company carried forward from 2009 in the amount of HRK 886,114.83, loss carried forward from 2010 in the amount of HRK 136,105,960.46 and loss of the Company from 2012 in the amount of HRK 187,171,870.32, making a total of HRK

324,163,945.61, shall be covered by simplified reduction of the Company's share capital, in accordance with the special Decision of the General Assembly on reduction of the Company's share capital, from the amount of HRK 902,101,590.00 by the amount of HRK 334,111,700.00 to the amount of HRK 567,989,890.00.

**Under item 5, the Management Board and Supervisory Board propose to the General Assembly to pass the following decisions:**

**A** – pursuant to Article 276 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc. passes the following

**DECISION  
ON GRANTING DISCHARGE TO MEMBERS OF THE MANAGEMENT BOARD**

Article 1

It is hereby determined that the Members of the Management Board of Petrokemija Plc. in 2012 managed the business operations of the Company in accordance with the law and the Articles of Association and they are hereby granted discharge.

Article 2

This Decision comes into effect on the day of its passing.

**B** – pursuant to Article 276 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc. passes the following

**DECISION  
ON GRANTING DISCHARGE TO MEMBERS OF THE SUPERVISORY BOARD**

Article 1

It is hereby determined that the Members of the Supervisory Board of Petrokemija Plc. performed their functions in accordance with the law and the Articles of Association and they are hereby granted discharge.

Article 2

This Decision comes into effect on the day of its passing.

**Under item 6, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

**Ad – 6**

Pursuant to Article 269 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc. passes the following



**DECISION  
ON AMOUNT AND MANNER OF CALCULATION OF THE SUPERVISORY BOARD  
MEMBERS' REMUNERATION**

Article 1

Members of the Supervisory Board of Petrokemija Plc. will be paid a monthly remuneration for their work in the Supervisory Board in the amount of an average net salary in Petrokemija Plc. paid out in the previous month.

For the Chairman of the Supervisory Board such amount is increased by 20 %.

Petrokemija Plc. shall pay all taxes, contributions and other levies for the said remuneration amount.

Article 2

The remuneration from Article 1 of this Decision will be calculated and paid to the Supervisory Board Members' bank accounts by the Finance and Controlling Department each month for the previous month.

Article 3

This Decision comes into effect on the day of its passing.

**Under item 7, the Supervisory Board proposes to the General Assembly to pass the following decision:**

**Ad – 7**

Pursuant to Article 275, paragraph 1, item 4 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc. passes the following

**DECISION  
ON APPOINTMENT OF AUDITOR FOR PETROKEMIJA Plc. FOR 2013**

Article 1

KPMG Ltd. from Zagreb are appointed auditors of Petrokemija Plc. for 2013.

Article 2

This Decision comes into effect on the day of its passing.

**Under item 8, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

**Ad – 8**

Pursuant to Article 33 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc., passes the following

**DECISION  
on amendments to the scope of the Company's business activities**

The Company's scope of business activities is amended so that the existing business activity:

"24 Manufacture of chemicals and chemical products" is deleted.

Scope of the Company's business activities is amended, with the following business activities being added to the existing ones:

- "\* Manufacture, placement on the market and use of chemicals
- \* Wholesale of oil derivatives
- \* Retail of oil derivatives,
- \* Storage of oil and oil derivatives"

**Under item 9, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

**Ad – 9**

Pursuant to Article 349 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc. passes the following

**DECISION  
on simplified reduction of the share capital to cover losses**

1. Share capital of the Company amounts to HRK 902,101,590.00 and it is divided in 3,341,117 ordinary registered shares, each with nominal value of HRK 270.00. Share capital of the Company was entirely paid in.
2. Share capital is reduced solely to cover the Company's losses accumulated in the previous period, ending with 31 December 2012, for the purpose of stabilization of the Company, after all the reserves have been spent to cover the losses. The amount obtained by reducing of the share capital shall be used to cover the Company's losses from previous periods in the total amount of HRK 324,163,945.61, of which the amount of HRK 886,114.83 pertains to the remaining loss carried forward from 2009, the amount of HRK 136,105,960.46 pertains to the loss carried forward from 2010, and the amount of HRK 187,171,870.32 pertains to the Company's loss from 2012. The funds remaining after covering of the Company's losses shall be entered in the capital reserves of the Company. Due to the reduction of the Company's share capital, there will be no payments made to the shareholders.
3. Reduction of the Company's share capital is conducted by reduction of the nominal amount of the Company's shares.
4. Share capital in the amount of HRK 902,101,590.00 is reduced by the amount of HRK 334,111,700.00 to the amount of HRK 567,989,890.00.
5. Nominal value of the Company's share of HRK 270.00 is reduced by the amount of HRK 100.00 to the amount of HRK 170.00.
6. Upon the performed reduction of the share capital, the Company's share capital amounts to HRK 567,989,890.00 and it is divided in 3,341,117 registered shares, each with nominal value of HRK 170.00.
7. Difference in the amount of HRK 9,947,754.39, occurring as a result of rounding the share value to HRK 170.00, is entered in the capital reserves of the Company.



8. All the costs pertaining to the reduction of the share capital shall be borne by the Company.

**Under item 10, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

**Ad – 10**

Pursuant to Article 301 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) and Article 38, paragraph 1 of the Articles of Association of Petrokemija Plc. – complete /consolidated/ text of May 17, 2012, the General Assembly of the Company passes the following

**DECISION  
on amendments to the Articles of Association**

Article 1

Articles of Association of Petrokemija Plc. – complete /consolidated/ text of May 17, 2012 are amended as follows:

In Article 6, defining the scope of the Company's business activities, the following business activity is deleted:

“24 Manufacture of chemicals and chemical products”.

Scope of the Company's business activities is amended by adding the following business activities to the existing ones:

- \* Manufacture, placement on the market and use of chemicals
- \* Wholesale in oil derivatives
- \* Retail in oil derivatives
- \* Storage of oil and oil derivatives

Article 2

Article 7 of the Articles of Association is amended and it now reads:

“Share capital of the Company amounts to HRK 567,989,890.00 (five hundred and sixty-seven million nine hundred and eighty-nine thousand eight hundred and ninety Kuna). Share capital of the Company is divided in 3,341,117 (three million three hundred and forty-one thousand one hundred and seventeen) dematerialized ordinary registered shares, each with the nominal value of HRK 170.00 (one hundred and seventy Kuna).”

Article 3

In Article 13 of the Articles of Association paragraph 2 is modified and it now reads:

“Management Board of the Company has to obtain previous consent of the Supervisory Board to adopt business decisions and acts, to conclude legal deals, give statements, or undertake any action which pertains to:

- Alienation and imposing of lien on the Company's real estate,
- Founding, acquiring or disposing of stakes or shares in other companies,
- Increase or decrease of capital in the Company's associated companies, and appointing or revoking members of their bodies,
- Establishing, changing or terminating of right or obligation of the Company (also when a business deal is concluded with the same third party through concluding more related legal deals, statements or other actions by means of which the Company's rights or obligations are established, changed or terminated), when such right or obligation meets any of the following prerequisites:
  - o It exceeds 10% of the Company's share capital
  - o It exceeds 5% of the Company's annual income realized in the previous year
  - o It is concluded for a period longer than 1 (one) year;
- Appointing or revoking of a proxy or holder of general power of attorney,
- Founding or termination of the Company's subsidiaries,
- Deciding on the payment of advance for dividend,
- Deciding on other matters, when it is so prescribed by the law, these Articles of Association or special decision of the Supervisory Board"

#### Article 4

This Decision comes into effect on the day of its passing, and it becomes valid as of the day of its entering into the Court Register.

**Under item 11, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

#### **Ad – 11**

Pursuant to Article 304 and Article 308 of the Companies Act (Official Gazette No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11 and 152/11) the General Assembly of Petrokemija Plc. passes the following

#### **DECISION**

**on increase of the share capital through cash contributions with partial exclusion of the pre-emptive right of existing shareholders**

1. The Company's share capital amounts to HRK 567,989,890.00 and is divided in 3,341,117 ordinary registered shares, each with nominal value of HRK 170.00. The Company's share capital was entirely paid in.
2. The Company's share capital is increased by issuing of new shares with contribution payments in cash for the purpose of raising the funds for necessary investments ensuring production, restructuring and financing of current business operations.
3. By means of this Decision, the Company's share capital is increased from the amount of HRK 567,989,890.00 by the amount of up to HRK 187,436,730.00 to the amount of up to HRK 755,426,620.00.
4. Increase of the Company's share capital from item 3 of this Decision shall be conducted by payments in cash, upon issuing a minimum of 551,285 up to the maximum of 1,102,569 new ordinary registered shares, each with nominal value of HRK 170.00.
5. Shares will be subscribed by means of a written statement (Subscription Note). Payment for the shares will be effected on the Company's special purpose bank



account which will be opened with Privredna banka Zagreb d.d. for that purpose and stated on the Subscription Note.

6. Subscription and payment of new shares will take place in a maximum of three rounds.

In the **first round**, the right of subscription belongs to the existing Company shareholders who have registered shares on their account of dematerialized securities in the Central Depository and Clearing Company ("CDCC") on the day of publishing of the Invitation to the General Assembly in the Official Gazette. In the first round shares are subscribed 14 (fourteen) days from the invitation to the first round of shares subscription. Publicly announced invitation to shareholders for the subscription of shares will state the time and venue for subscription of shares by means of Subscription Notes. Existing Company shareholders will be entitled to subscribe and pay for the shares up to 100% of the total number of offered shares, i.e. up to 1,102,569 shares. Existing Company shareholders are obliged to pay for the subscribed shares within the deadline determined by the Management Board of the Company in the invitation to the first round of shares subscription. Minimum number of shares that the existing shareholders may subscribe and pay for is calculated by dividing EUR 100,000.00, in HRK counter value, by the lowest value of the price range for issuing of new shares, with rounding that number to the first higher multiple of 100.

Final minimum number of shares each existing shareholder is entitled to subscribe and pay for ("minimum subscription") will be stated in the public invitation to the shareholders for the first round of shares subscription. Maximum number of shares each shareholder is entitled to subscribe in the first round ("maximum subscription right") is calculated by dividing 1,102,569 by 3,341,117 and then multiplying with the number of shares the existing shareholder holds on the day of publishing of the invitation to General Assembly in the Official Gazette, rounded to the first lower whole number. If such calculated maximum subscription right is lower than the minimum subscription right, the maximum subscription right will be equal to the minimum subscription right. Any Subscription Notes subscribing less than the minimum subscription will not be considered. Any Subscription Notes subscribing more than the maximum subscription right will be considered only up to the maximum subscription right. In case that, due to the provision on the minimum subscription, the total number of subscribed and paid shares in the first round exceeds the maximum offered number of shares in the first round, i.e. 1,102,569 shares:

The Company's Management Board will, with the consent of the Supervisory Board, define the rules of allocation of shares in the first round and announce them in the public invitation to the shareholders for the first round of shares subscription.

In the **second round**, the right to subscription of all remaining shares which were not subscribed and paid for in the first round ("shares offered in the second round") belongs only to the existing shareholders who had subscribed shares in the first round. In the second round shares are subscribed 5 (five) business days from the invitation to the second round of shares subscription. Publicly announced invitation to shareholders for the subscription of shares will state the time and venue for subscription of shares by means of Subscription Notes, as well as the total number of shares offered in the second round. Shareholders who subscribed their shares in the second round are obliged to pay for the subscribed shares within the deadline determined by the Management Board of the Company in the public invitation to the second round of shares subscription. Minimum number of shares that a shareholder may subscribe and pay for is calculated by dividing EUR 100,000.00 in HRK counter value by the lowest value of the price range for issuing of new shares, with rounding that number to the first higher multiple of 100.

Minimum subscription will be stated in the public invitation to the shareholders for the second round of shares subscription. Maximum subscription right in the second round is limited to the number of shares offered in the second round. Any Subscription Notes subscribing less than the minimum subscription will not be considered. Any



Subscription Notes subscribing more than the number of shares offered in the second round will be considered only up to the number of shares offered in the second round. In case that the total number of subscribed and paid shares in the second round exceeds the number of shares offered in the second round:

The Company's Management Board will, with the consent of the Supervisory Board, define the rules of allocation of shares in the second round and announce them in the public invitation to the shareholders for the second round of shares subscription.

In the **third round**, the right to subscription of all remaining shares which were not subscribed and paid for in the first and second round ("shares offered in the third round") belongs to all investors. In the case that the threshold of success, as defined under item 11 of this Decision, is reached in the first and second round and it is assessed that it is not economically viable to conduct the third round, the Company's Management Board may decide, with the consent of the Supervisory Board, that the Company will not conduct the third round.

In the third round shares are subscribed 8 (eight) days from the invitation to the third round of shares subscription. Publicly announced invitation to shareholders for the subscription of shares will state the time and venue for subscription of shares by means of Subscription Notes, as well as the total number of shares offered in the third round. Shareholders who subscribed their shares in the third round are obliged to pay for the subscribed shares within the deadline determined by the Management Board of the Company in the invitation to the third round of shares subscription. Minimum number of shares that a shareholder may subscribe and pay for is calculated by dividing EUR 100,000.00, in HRK counter value, by the lowest value of the price range for issuing of new shares, with rounding that number to the first higher multiple of 100.

Minimum subscription will be stated in the public invitation for the third round of shares subscription. Maximum subscription right in the third round is limited to the number of shares offered in the third round. Any Subscription Notes subscribing less than the minimum subscription will not be considered. Any Subscription Notes subscribing more than the number of shares offered in the third round will be considered only up to the number of shares offered in the third round. In case that total number of subscribed and paid shares in the third round exceeds the number of shares offered in the third round, the Company's Management Board will, with the consent of the Supervisory Board, define the rules of allocation of shares in the third round and announce them in the public invitation for the third round of shares subscription.

7. Subscription and payment of shares will be conducted as stated in the public invitation to the Company's shareholders, and, in the third round, as stated in the public invitation to investors for subscription of shares. The Company's Management Board is authorized to independently decide when to announce the invitation for the subscription of shares. The invitation for subscription of shares will be published on the Company's web site and in at least one daily newspaper published in the Republic of Croatia.
8. In case that the Company's shares are held by a custodian bank, for the account of the shareholder, then the custodian bank must state in the Subscription Note the name and surname (company name) and residence address (head office) of the final holder of the Issuer's shares. Otherwise, such persons will not be entitled to participate in the subscription of new shares.

Shares will be offered for sale within the price range from HRK 170.00 to HRK 228.00 per share. Upon the completion of collecting bids for subscription and payment of shares in the procedure of offering the shares to the Company's shareholders in the first and second round, the Management Board will, with the consent of the Supervisory Board, determine the final share price within the said price range.



9. Increase of the Company's share capital based on this Decision, will be conducted with partial exclusion of the pre-emptive right of existing shareholders of the Company, under the condition of payment for subscribed shares, which per the Company's shareholder cannot be less than EUR 100,000.00 in HRK counter value according to the mean exchange rate of the Croatian National Bank.
10. Pursuant to Article 351, paragraph 1 of the Capital Market Act, the Company issues shares with the utilization of exception from the obligation to publish a prospectus and therefore the Company will not publish a prospectus for issuing of shares.
11. Final amount of increase of the share capital will depend on the success of issuing, i.e. on the number of shares that will be subscribed and paid for. Issuing of shares will be considered successful if at least 50% of the total amount of issued shares is subscribed and paid for within the set deadlines for subscription and payment, i.e. at least 551,285 shares. Total amount of successful issuance determined in that manner will represent the exact amount of increase of the Company's share capital through issuing of new shares. The Company's Management Board will, with the consent of the Supervisory Board, determine the success of the issuing of shares, the exact amount of the share capital increase and the exact number of new ordinary shares. After the increase of the share capital by virtue of this Decision, the Company's Supervisory Board is authorized to harmonize the provisions of the Company's Articles of Association pertaining to the amount of the share capital and the number of shares, in the full text of the Articles of Association, with the changes resulting from the increase of the share capital and issuing of new shares. If the subscription of new shares is not successful, the Company will pay back the paid funds to the investors, within 7 days from the last deadline for subscription and payment of shares, as provided in items 6 and 7 of this Decision. In such case, the Company will not bear the costs of transactions or any other costs borne by the investor for effecting of transaction, and it will not pay any interest to the investors for the period from the payment of funds to the Company's bank account mentioned in Article 5 of this Decision by the time such funds are returned to the investor.
12. New shares will bear the same rights and rank as all the existing Company's shares. They will be issued in dematerialized form, as an electronic record in the computer system of the CDCC, with a mark given to them by the CDCC. Every share carries the right to one vote in the General Assembly of the Company. The shares are registered and they entitle the shareholders to all the rights determined by the law and the Company's Articles of Association, as of the day of entering the increase of the share capital into the Court Register. Newly issued shares will be included in the regulated market of the Zagreb Stock Exchange, in accordance with the relevant regulations. Newly issued shares may be traded with in the regulated market after their inclusion in the regulated market.
13. In case some investors have overpaid the due amount, the Issuer will repay such overpaid funds to the investors, within 7 business days upon the expiration of the last deadline for subscription and payment of new shares, to the bank accounts stated in the Subscription Notes of such investors. In such case, the Company will not bear the costs of transactions or any other costs borne by the investor for effecting of transaction, and it will not pay any interest to the investors for the period from the payment of funds to the Company's bank account mentioned in Article 5 of this Decision by the time such funds are returned to the investor.
14. Multiple subscriptions of new shares are allowed, but the Issuer will treat such multiple subscriptions as one.
15. If the increase in the share capital is not entered into the Court Register within 12 months of the day of adopting of this Decision, the Subscription Note will cease to be binding for the subscriber and the payments which were effected will be returned to the investors without delay. In such a case it will be deemed that the increase of the share capital and issuing of shares were unsuccessful.



16. Matters not regulated by this Decision shall be appropriately governed by the applicable laws and Articles of Association of the Company.
17. This Decision comes into effect on the day of its passing. The Company's Management Board is authorized to file for entering of this Decision into the Court Register of the competent Commercial Court.

**Under item 12, the Management Board and Supervisory Board propose to the General Assembly to pass the following decision:**

**Ad – 12**

The Republic of Croatia, represented by the Government Asset Management Agency, is allowed, upon the increase of the Company's share capital by contributions in cash obtained through issuing of shares, to acquire the Company's newly issued shares carrying voting rights without the obligation to publish a takeover bid.

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All shareholders of the Company are entitled to participate and vote in the General Assembly if they have submitted their application for participation to the Management Board, in writing, until July 9, 2013.

Applications are submitted to the Management Board Office of Petrokemija Plc., Aleja Vukovar 4, Kutina.

Shareholders - natural persons - may be represented in the General Assembly by their proxies with powers of attorney certified by a Notary Public or by an authorized person in the Department of Legal Affairs, head office of Petrokemija Plc., Aleja Vukovar 4, Kutina, on business days from 8:00 a.m. to 12:00 noon.

Shareholders - legal persons - shall have the authority for representation signed by an authorized person and certified by a stamp, drawn up as a document with the letterhead of the legal entity, containing the data from Article 21 of the Companies Act.

Materials for the General Assembly will be made available in the Finance and Controlling Department of the Company, Ulica Kralja Petra Krešimira IV, Kutina, every business day (Monday to Friday) between 8:00 a.m. and 2 p.m., starting from the day of publication of the invitation. The materials will also be available on the Company's web site, [www.petrokemija.hr](http://www.petrokemija.hr), where the data will be published in accordance with Article 280a of the Companies Act.

Pursuant to Article 277, paragraph (4) of the Companies Act, the shareholders are informed as follows:

- The shareholders who together hold a twentieth part of the share capital of the Company have the right to request that an additional item be included in the agenda of the General Assembly and that their request be published. Such a request must be accompanied by an explanation and respective decision proposal and it has to be received by the Company at least 30 days prior to the day the General Assembly takes place. This period does not include the day the request is received by the Company;
- Each shareholder has the right to submit a counter proposal to the decision proposal which was given to the General Assembly by the Company's Management Board and / or Supervisory Board. This includes the proposals of shareholders regarding the election of the Supervisory Board Member or the appointment of the Company auditor. Such a request has to be received by the Company at least 14 days prior to the day the General Assembly takes place (not exercising this right does not result in the loss of right to make counter proposals at the Company's General Assembly meeting). If the request is made within the stated period, the Company's Management Board shall submit the request to all persons referred to in Article 281 of the Companies Act, except in cases under Article 282, paragraph (2) and Article 283 of the Companies Act;

- Every shareholder has the right to request the Company's Management Board in the General Assembly to provide information about the Company's business operations if such information is necessary to come to a decision on the issues included in the agenda of the General Assembly, except in cases foreseen in Article 287, paragraph (2) of the Companies Act.

Registration of participants in the General Assembly will take place on July 15, 2013, in the atrium of the head office of Petrokemija Plc., Aleja Vukovar 4, Kutina, from 10.00 a.m. to 11.30 a.m., after which time it will not be possible to register. The investors (shareholders) are requested to register on time.

If the requirements regarding the quorum in the ordinary General Assembly, as prescribed by the provisions of the Articles of Association, are not met, a new General Assembly meeting with the same agenda and same decision proposals will be held on July 30, 2013 (Tuesday), beginning at 12.00 noon.

This invitation to the ordinary General Assembly will be published in the Official Gazette, on the web site of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)), via HINA (Croatian News Agency), on the web site of the Croatian Financial Services Supervisory Agency ([www.hanfa.hr](http://www.hanfa.hr)) and the Company's web site ([www.petrokemija.hr](http://www.petrokemija.hr)).

Every shareholder, their representative or proxy, shall bear the costs of their participation in the General Assembly.

President of the Management Board:

/Josip Jagušt, BSc (Eng)/



**Petrokemija, Plc.**  
**SUPERVISORY BOARD**

Number : **9/2013**  
Kutina, 29 March 2013

Based on Article 21 of Statute of Petrokemija, Plc. and Articles 300.c and 300.d of the Companies Act, at a meeting No.5 /2013 held on 29 March 2013 , the Supervisory Board of Petrokemija, Plc. issued the following

**D E C I S I O N**

**ON GRANTIG APPROVAL TO THE FINANCIAL STATEMENTS FOR YEAR 2012**

**I**

After reviewing the audited annual financial statements, Supervisory Board of Petrokemija, Plc. grants its approval for the Annual Financial Statements of Petrokemija, Plc. for 2012 as prepared by the Management Board of the Company.

By granting the above approval, the financial statements are considered to be confirmed by the Management and Supervisory Board.

The Management and Supervisory Board will send information on thus confirmed financial statements to the General Assembly.

**II**

The annual financial statements referred to in the agreement from point I are made up of:

- Balance Sheet
- Profit and Loss Account
- Cash Flow Statement
- Statement of Changes in Equity
- Petrokemija, Plc. Annual Report
- Petrokemija Plc. Management Board Report and non-consolidated financial reports of 31 December 2012 (Independent Auditors' opinion and notes)

**III**

Balance sheet assets and liabilities are recorded in the amount of **HRK 1,932,592,284.66**.  
The actual loss of business in 2012 amounts to **HRK 187,171,870.32**.

Reports from point II are an annex to this Decision and are its integral part.

**IV**

This Decision shall enter into force upon its adoption.

Chairman of the Supervisory Board:

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/ Goran Kralj /

**Petrokemija, Plc.**  
**SUPERVISORY BOARD**

Number : **11/2013**  
Kutina, 29 March 2013

Based on Article 21 of Statute of Petrokemija, Plc. and Articles 300.c and 300.d of the Companies Act, at a meeting No.5 /2013 held on 29 March 2013 , the Supervisory Board of Petrokemija, Plc. issued the following

**D E C I S I O N**

**ON GRANTIG APPROVAL TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2012**

**I**

After reviewing the consolidated annual financial statements, Supervisory Board of Petrokemija, Plc. grants its approval for the Consolidated Annual Financial Statements of Petrokemija Group, Plc. for 2012.

By granting the above approval, the consolidated financial statements are considered to be confirmed by the Management and Supervisory Board.

The Management and Supervisory Board will send information on thus confirmed consolidated financial statements to the General Assembly.

**II**

The consolidated annual financial statements referred to in the agreement from point **I** are made up of:

- Consolidated Balance Sheet
- Consolidated Profit and Loss Account
- Consolidated Cash Flow Statement
- Consolidated Statement of Changes in Equity
- Petrokemija, Plc. Annual Report
- Management Board Report and consolidated financial reports of 31 December 2012 (Independent Auditors' opinion and notes)

**III**

The consolidated Balance Sheet assets and liabilities are recorded in the amount of **HRK 1.935.769.867,25**.

The consolidated actual loss of business in 2012 amounts to **HRK 184.511.614,96**.

Reports from point **II** are an annex to this Decision and are its integral part.

**IV**

This Decision shall enter into force upon its adoption.

Chairman of the Supervisory Board:

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/ Goran Kralj /



**Petrokemija, Plc.**  
**SUPERVISORY BOARD**

Number : 10/2013  
Kutina, 29 March 2013

Based on Article 21 of Statute of Petrokemija, Plc. and Articles 220 through 223 and in line with Article 300.b. pt.2 of the Companies Act, at a meeting No.5 /2013 held on 29 March 2013 , the Supervisory Board of Petrokemija, Plc. issued the following

**DECISION**  
on coverage of loss for the year 2012

**I**

The proposal of the Management Board that the actual loss of business for year 2012 in the amount of **HRK 187,171,870.32 HRK** be carried forward as uncovered into the 2013 is adopted.

The so-established proposal of the loss coverage will be jointly submitted to the General Assembly by the Company's Management and Supervisory Boards.

**II**

This Decision shall enter into force on the date of enactment.

**III**

This Decision shall enter into force upon its adoption.

Chairman of the Supervisory Board:

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/ Goran Kralj /



## MANAGEMENT

Kutina, 29 March 2013

### *Report on the Company status as at 31 December 2012*

Dear shareholders!

The year that is behind us was marked by economic uncertainties and business challenges. After a very successful year 2011, in which we made significant progress in the economic position of our Company, in 2012 we were faced with a crisis of demand and a drop in market prices of fertilizers, as well as with an increase in prices of petroleum products. This, with the growth of the U.S. dollar, created the historical record level of our purchase price of gas and this is what to a large extent determined the bulk of the negative financial effects of the Company in 2012.

Despite the challenging environment, owing to the joint efforts of all the employees, we were oriented towards the set goals, developed partnerships with customers, invested more than in any one of the preceding years, maintained the stability and continuity of the Company's key business processes. In doing so, as compared to the year 2011, we had significant negative developments in the financial performance indicators, which when summarized can be interpreted as a result of slower growth in revenues over expenses. Although the situation with a key raw material (natural gas) started to stabilize at the end of the year, unfortunately, we still do not have permanently secured stability and success of the Company, reasonably expected by the investors, employees of Petrokemija and the wider community.

The market environment was dynamic, with characteristics of the delayed effects of the global financial crisis, especially in the European Economic Area and the region. Our openness to the world market kept showing its strengths and weaknesses in 2012, and export orientation proved to be a condition for the survival and maintenance of business continuity. As many as 776,800 tons of fertilizer (5.9% less in volume than in 2011) and the actual revenues in foreign markets amounted to EUR 255 million (0.6% higher than in 2011). It is also important to emphasize increasing sales of fertilizers in the region of about 100,000 tons, which is a key commitment of long-term sales strategy. During the year, the prices of raw materials and finished products were rising and falling with changing intensity and in different time intervals. Along with the usual seasonal fluctuations, it took a lot of effort and skill to avoid the pitfalls of market and exchange rate risks.



Our individually most significant, domestic market, showed in 2012 stagnation and a slight decline, with increasingly pronounced effects of import competition and a competing manufacturer of compact fertilizers. Meteorological influence of the second consecutive dry year had an unusually pronounced effect on the structure and dynamics of the demand for fertilizers in the domestic market in the region. Apart from disturbed normal agro technical schedules for sowing and top dressing of certain agricultural crops, much more significant were the negative effects of reduced yields, which led to the critical economic position of many local farmers in 2012. In such a situation, the state agriculture subsidies were decisive factor in the levels and dynamics of demand for fertilizers.

The price of our most important raw material, natural gas, grew reflecting the increase in prices of petroleum products in the Mediterranean, the rise of the U.S. dollar and the specific nature of pricing natural gas on the Croatian market. The average annual price of gas increased in 2012 by 31.1%. Under the influence of the oil price rise in the third quarter the growth trend reached its peak, in the fourth quarter there was a slight decline, and about the same price was maintained in the first quarter of 2013. After the formal prerequisites had been made, in the second half Petrokemija, Plc. started supplying gas from alternative suppliers insofar as it was possible under the still valid contract with Natural Gas Ltd. Zagreb. At the time of preparing this Report there are ongoing negotiations with the supplier Natural Gas Ltd. on amendments to the current contract in the part of its essential elements.

The growth of revenue and expenditure in 2012 was the result of the inflationary trends of in- and output prices. As regards changes in range, influenced by the market there was an increase in the share of nitrogen fertilizers – a greater share of CAN sales, and reduced share in sales of complex NPK fertilizers. Fluctuations in prices of raw materials and finished products, which were passed on from the world market, had an impact on the price relationship in the domestic market. **The total actual revenue was HRK 3030.1 million and total expenses were HRK 3217.3 million** (in which the cost of natural gas had a share of 57%). Total revenues increased by 2.0% while expenditures increased by 12.4% over the previous year. **The actual loss of Petrokemija, Plc. in 2012 was HRK 187.2 million.** In the structure of loss for 2012, a part of the loss incurred due to unplanned outages of individual plants was HRK 39.4 million, wherein HRK 13.0 million accounts for direct cost of natural gas and HRK 26.4 million accounts for fixed costs of Ammonia and Urea plants during outages.

Petrokemija made a consolidation of financial statements of the Petrokemija, Plc. Kutina parent company and its 100% owned daughter companies - Restoran Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad and Petrokemija, Ltd. Novo Mesto and since the purchase of a majority stake of Luka Šibenik Ltd. Included its financial reports and the consolidated result is shown for the Petrokemija Group. All financial statements of the Petrokemija Group's business for 2012 were identified, audited and made public, in accordance with International Financial Reporting Standards approved for use in the Republic of Croatia.

**The Petrokemija Group achieved total consolidated revenues of HRK 3,053.7 million, total expenses of HRK 3238.4 million, so that the loss before tax in 2012 was HRK 184.7 million.**



During 2012, the share of Petrokemija, Plc. was traded on the Zagreb Stock Exchange, and commercial papers were traded in the same market, which were released in collaboration with Privredna Banka, Plc. Zagreb as registered agents and brokers. The share price ranged under the influence of global financial flows, the specific characteristics of the Croatian securities market, actual quarterly financial results of the Company and the occasional announcements of privatization. On the last day of trading in 2010 on the Zagreb Stock Exchange, the share of Petrokemija, Plc. achieved the price of HRK 165.44, and on the last day of 2011, HRK 193.31. In 2012, the value of share increased by 10.9% and December 31 the price was HRK 214.45. There was an annual turnover of about HRK 179.6 million, or 92% increase over 2011, when the turnover was HRK 93.6 million.

In line with the commitment to establish high standards of transparency in business, Petrokemija, Plc. had been applying the Code of Corporate Governance of the Zagreb Stock Exchange since 2007, and this was continued in 2012. Since September 2011, the Company Code of Conduct has been adopted and implemented.

In 2012, Petrokemija, Plc. did not change the organizational structure of the company, but there were certain organizational adjustments and reallocation of workers from the plants that had been stalled to meet the process requirements for staff in other departments. In most of the management structure there was not a significant change. After the expiry of the reporting period, in January and February 2013, based on the recommendation of the Croatian Government as a major shareholder, three new members of the Management Board were appointed.

During 2012, the number of employees was reduced by seven employees, or 0.3%. At the same time, by purchasing shares in the Port of Šibenik, the Group enlarged the number of employees to 169 employees, or 7.3%.

There are still changes in the product range of Petrokemija, Plc. due to the temporary halt of production at a part of the facilities. Mineral fertilizers are dominant, and their structure (NPK fertilizers) is adjusted to the change raw material base and sources of raw materials due to stopping of sulfuric and phosphoric acid and MAP since the second half of 2009. Production with purchased MAP and DAP proved to be a cost-favorable alternative at the current market price. Production of carbon black has also been stopped since the second half of 2009 due to market and technological reasons, so that clay-based products, liquid fertilizers and chemicals accounted for about 2% of the business potential in the overall business; fertilizers employ the majority of production facilities and employees, and determine the total business results.

The Quality Management System according to ISO 9001:2008, Environmental Management System to ISO 14001:2004 and calibration and testing laboratories accredited according to ISO / IEC 17025:2007 have been further developed, for which there are corresponding verified records. In 2012, HRK 83.1 million was invested in facilities upgrading and environmental projects. In addition, HRK 24.3 million was paid to buy 50% stake of Luka Šibenik Ltd. This strategic investment was financially challenging, but long-term necessary in



order to provide logistical route for the supply of raw materials and export of finished products overseas.

With higher environmental requirements and energy and technology efficiency we are faced with the obligation to intensify the investment cycle in the current and following years, and on the other hand, financial constraints and the relatively high indebtedness ask for an extremely cautious and selective approach to new investments. The selection of priorities and determining the dynamics of investment in accordance with the forthcoming Croatian EU accession, suggest the search for new sources and forms of financing including a potential recapitalization of the Company.

The actual sales of fertilizers was 1,121 tons, which is 6.2% less than in 2011. Out of the total sales, 344,000 tons (6.8% less than in 2011) was sold in the domestic market and the rest in export. The domestic market had a share of 30.7% in the total sales of fertilizer, which is approximately the same as the actual share in 2011.

Since the middle of 2009, Petrokemija has been conducting through Privredna Banka Zagreb as registered agents and brokers a framework programme issuing 100 million worth of commercial bills to provide for short-term working capital. During 2012 liabilities on commercial papers were fulfilled. The lack of working capital was due to the loss in the previous periods very pronounced. However, the increase in input-output prices and the total volume of financial transactions require a greater level of engagement of permanent working capital. As at 31 December 2012, the total current assets amounted to HRK 1,165 million, and total current liabilities HRK 1,216 million, which means that the net working capital is 51 million in the negative. Long-term liabilities as at 31 December 2012 amounted to HRK 138 million, and account for the long-term loan for working capital and long-term provisions. The explanation of changes in the presentation of individual items of fixed and current assets of the Company as compared to the previous reporting period, is shown in detail in the Annual Report and the Auditors' Report in accordance with IAS and IFRS.

Dependence of fertilizer industry on changes in the world food and energy markets opens up certain risks in prediction of business in 2013 and the years to come. Constant changes in oil prices and food prices on the world market create new relations of supply and demand, and thus the price of fertilizers in the future.

At the turn of 2012/2013 the following business risks are to be observed:

- The prices of petroleum products, as well as the U.S. dollar exchange rate, are still very unstable, and in this context gas prices on the Croatian market should be observed. According to current knowledge, the opening of alternative natural gas supply will partially mitigate this risk.
- The trend of changes in the prices of other raw materials (phosphates, potassium chloride, MAP / DAP and others) is uncertain.
- High dependence of the results on the movement of price of fertilizers and raw materials for their production on the world market, the exchange rate of kuna against the USD and EUR and their interrelationship (currency risk).



- Annex to the contract for the supply of gas with INA – Oil Industry, Plc. Zagreb, i.e. their company Natural Gas Ltd. at the time of preparation of these financial statements has not yet been signed.
- Potential adverse effects of strong drought in the past two years on the purchasing power of Croatian farmers, as well as on the demand in the region, is difficult to assess at the moment.
- Croatian accession to the EU opens up the potential risks of the fall of domestic sales of fertilizers due to unpreparedness of the domestic agricultural sector to terms of increased competition of agricultural producers from the EU. There may also be potential negative effects of administrative measures on sales market conditions in the region, and the level and duration of the potential risk is very difficult to estimate.
- Liquidity risk and high cost of working capital are still present due to debt levels and relatively high interest rates in the Republic of Croatia.
- Price developments in stock markets of agricultural products show the volatility of the prices in 2012, raising the risks in terms of positive effects in agriculture, and indirectly in fertilizer sales.
- Prices of the sea and rail transport are also a significantly present risks to price increases of raw materials and the cost of fertilizer sales to distant markets.
- Environmental requirements to reduce emissions, including reducing greenhouse gas emissions have caused an obligation of high investment in environmental protection in the next period.

With hardly predictable price developments of basic raw materials - phosphate, chloride, MAP and DAP, one of the significant long-term risk lies in the fact of change in gas prices in the European market. On the Croatian gas market, a part of eligible customers was protected from the rising prices of gas by a government decision on the maximum gas prices for eligible customers from September 2011 to September 2012. Petrokemija, Plc was not included in these measures, which adversely affected its financial results.

Business Plan for 2013 predicts further growth in total revenues and expenditures and actual profit of HRK 6.8 million, which is a very ambitious strategic goal of the Management Board and all the employees, in view of the loss in 2012. The estimate of business in the next few years at this point is very difficult to make because of these numerous unforeseen impacts on the financial result.

Assessing the business risks of our daughter companies 2013, we estimate that these companies do not have a significant impact on the operating result of the Petrokemija Group because of their small share in the overall business performance.

**Restoran Petrokemija, Ltd Kutina** is in its operations mainly oriented to provide food services to employees of Petrokemija and has stable operating conditions and relatively low exposure to market risks.

Subsidiary **Petrokemija Ltd. Novi Sad** operates in the markets of Serbia and does not have a significant share in the total volumes in the market. Given the stable supplier of products of proven quality and tradition, which it has in the parent company Petrokemija, Plc. Kutina, it is estimated that there is no significant market risk in the supply and sales of fertilizers in 2012.

**Petrokemija, Ltd. Novo Mesto** daughter company is tasked to implement the REACH program activities, in accordance with EU standards, which are fully funded by Petrokemija,



Plc. and there are no particular risks in the business, which would not be reliant on the Petrokemija, Plc. parent company

Luka Šibenik, Ltd. is a company under the concession contract, performing port and other economic activities in the port area. Its main activities include cargo handling, warehousing, mooring and departing. Most of the business activities are related to transport of goods of Petrokemija, Plc. - import of raw materials and export of finished products.

All other data, that under the provisions of the Companies Act are an integral part of the Annual Report of the Company, are to be found in the publicly released Annual Report for year 2012, prescribed financial statements and auditors' report for Petrokemija, Plc. as well as for the Petrokemija Group.

Finally I would like to thank the Supervisory Board, the trade unions and Workers' council for their fair cooperation and all shareholders and partners for the confidence they have placed in us and in the past year. In 2013, we are encouraged by positive effects of the natural gas supply market, the expected demand for fertilizers in the region, as well as the opening of the potential that the Croatian accession to the EU brings along. The limited demand on the Croatian market is according to our estimates only temporary, so this year we will continue to invest maximum effort in approaching and meeting the needs of each of our customers. We have shown our ability to export finished products to choosiest European and world markets many years now, which gives us hope that we are all together capable this year, too, to meet the challenges set by the future business. Our main objective is a positive financial result and we will make every effort to achieve it.

Behind us is a year in which we were focused on overcoming the many uncertainties and challenges in the business that were brought upon us by the turbulent business environment. We have entered the year 2013 with optimism, although aware that we must seek space for internal savings and rationalization, because in front of us is a year in which we can again expect significant challenges from the closer and wider environment. Repeatedly and persistently, we have to prove the potential of our Company, which is expert staff and management, technological potential of production facilities and logistics, market reputation built over decades of business relationships with our customers, suppliers and banks that support us. We cannot give a stable outlook due to fluctuations in the price of fertilizers and raw materials for their production, but we are positive that most of the problems that we are faced with today will be solved when our surrounding comes out of the recession and we have secured the long-term supply of natural gas at reasonable prices. From you, our shareholders, we expect the trust and support in the activities of the recapitalization, implementation of the rationalization measures and opening of a new investment cycle that the Management plans to start in 2013.

President of the Petrokemija, Plc. Management Board:

Josip Jaguš, MS Mech. Eng.



## **SUPERVISORY BOARD**

Kutina, 6 June 2013

In line with Article 263, Paragraph 3 and Article 300.c. of Companies Act, the Supervisory Board of Petrokemija Plc. Kutina, at its eight meeting held on 4 June 2013, adopted as follows:

### *Report of the Supervisory Board to General Assembly of Petrokemija, Plc. for 2012*

**I** As many as 11 meetings of the Supervisory Board of Petrokemija Plc. (hereinafter referred to as the Supervisory Board) were held in 2012 at which matters related to business provided by the law and the Articles of Association were discussed.

#### **II** Composition of the Supervisory Board

In 2012, there were following changes in the composition of the Supervisory Board:

- On 27 January 2012, SB member, Mario Radaković resigned as SB member
- SB members: Miroslav Golub, Zlatan Kuljiš and Mijo Šepak were revoked at General Assembly. Ivan Nekvapil, Ivan Majstrović, Sonja Ivoš and Krešimir Huljev were appointed SB members.
- At SB meeting on 20 June 2012, Goran Kralj was appointed SB vice chairman (to replace Mijo Šepak who was revoked at the General Assembly)
- At SB meeting on 27 July 2012, Goran Kralj was appointed SB chairman and Ivan Majstrović SB vice chairman

#### **On 31 December 2012 Supervisory Board had the following members:**

1. Goran Kralj, SB chairman,
2. Ivan Majstrović, SB vice chairman,
3. Sonja Ivoš, SB member,
4. Ivan Nekvapil, SB member,
5. Krešimir Huljev, SB member,
6. Željko Klaus, SB member
7. Jozo Bilobrk, SB member,
8. Ivan Čar, SB member,
9. Dragutin Vajnaht, SB member.



**III** In the reporting period, the Supervisory Board performed its tasks and made decisions in line with their competence defined by the law and the Articles of Association.

Through written and oral reports of the Management Board, the Supervisory Board was regularly informed about business policies, business plans, actual operating results of Petrokemija, Plc. and other important issues **such as:**

- The issue of gas supply,
- Prices of mineral fertilizers,
- Annual Report for 2011
- Auditors' Report,
- Annual Questionnaire of Corporate Governance Code,
- Preparations for the General Assembly,
- Business Report – January to March 2012,
- Business Report – January to June 2012,
- Business Report – January to September 2012,
- Business Plan for 2012,
- Various approvals for the establishment of a lien on real estate and stocks of mineral fertilizers for additional borrowing,
- Liabilities and debt of the Company,
- Anti-corruption program for the 2010 - 2012 period and report on the implementation of anti-corruption measures on a quarterly basis,
- Establishment of the Revision Committee and Committee for Appointments and Remuneration,
- Purchase of stock of Luka Šibenik, Ltd.
- Cogeneration project status,
- Project of deep analysis of the business and market position improvement of Petrokemija,
- Business Plan for 2013,
- Calendar of important events for 2013.

The Supervisory Board has concluded that the Management Board acted in accordance with the law and the Articles of Association of the Company.

#### **IV** Supervisory Board's work bodies

In 2012, Supervisory Board's work bodies were active as follows:

- Revision Committee – held 7 meetings
- Committee for Appointments and Remuneration

The Supervisory Board found that the Revision Committee contributed very well in the preparation of the key topics within its scope of competence. The Committee for Appointments and Remuneration did not meet in 2012, as they had no tasks within their scope of competence.

V The Supervisory Board reviewed the reports of the auditors, KPMG Croatia d.o.o. Zagreb, who examined the annual financial statements of Petrokemija, Plc. for the year ended on 31 December 2012 and accepts the Auditors' report.

The audited annual financial reports were made in line with the business books of the Company and give a true and fair account of the Company's assets and business.

VI The Supervisory Board reviewed the annual financial statements for 2012, which were compiled by the Management Board, as follows:

- Annual financial report for 2012 for Petrokemija, Plc.
- Consolidated financial statement for 2012 for Petrokemija Group.

The Supervisory Board found that the financial reports were prepared in accordance with the business records and properly and accurately show the status of assets and business of Petrokemija, Plc.

The Supervisory Board approved the financial reports and thus in accordance with Art. 300.d. of the Companies Act, these reports are considered established.

An integral part of the annual financial statements for the year ended on 31 December 2012 year, and to which the aforesaid approval of the Supervisory Board relates to, are:

**For Petrokemija, Plc.:**

1. Balance Sheet,
2. Profit and Loss Account
3. Statement on Cash Flow,
4. Statement on Changes in Equity,
5. Auditors' Report with notes on financial reports,
6. Annual Report,
7. Management Report on the Company Status,
8. Corporate Governance Code - annual questionnaire.

**For Petrokemija Group:**

1. Balance Sheet,
2. Profit and loss Account
3. Statement on Cash Flow,
4. Statement on Changes in Equity,
5. Auditors' Report with notes on financial reports,
6. Annual Report.

**VII Loss coverage of 2012**

The actual business loss of Petrokemija, Plc. in 2012 in the amount of HRK 187,171,870.32, is carried forward as an uncovered loss into the next accounting period, i.e. 2013. This, along with the losses carried forward from previous years in the amount of HRK 136,992,075.29, makes total losses carried forward in the business for 2013 amounting to HRK 324,163,945.61. As a result of this situation, the Supervisory Board has deemed it necessary to initiate in 2013 the activities of the recapitalization of the Company, in order to ensure business continuity and initiated the development investment cycle in the next period.



### **VIII Evaluation of overall performance of the Company**

The Supervisory Board believes that, with regard to the financial results there was a significant negative deviation in the Company's business in 2012 as compared to the year 2011. Production and sales had a slightly decreasing trend, and financial impacts were less favorable than in the previous year and than planned. It can not be said that there is ongoing basis for a positive financial result, which is still significantly threatened by unfavorable conditions in the immediate and wider environment of the company. However, there are indications that by the opening of the gas market in the Republic of Croatia and overcoming the global crisis, there are prospects for improving financial results in the next period.

### **IX Evaluation of Company Management Board performance**

The Supervisory Board evaluates the performance of the Management Board in 2012 as partially successful, because they made significant efforts and with their professionalism and dedication managed to realize a part of the key strategic and operational objectives of the Company in a very complex business environment. This is manifested in the preservation of its market position, the stability of cash flows, technical and technological safety, environmental responsibility, investing in spite of limited long-term sources of funds, ensuring preconditions to improve long-term strategic logistics route through the port of Šibenik and the preservation of the level of social dialogue and the general social responsibility. The poor results prevailingly reflect the effects of unfavorable factors in the environment, so the significant efforts to consolidate financial effects gave limited results.

An enviable level of social sensitivity was achieved, as evidenced by the maintenance of employment and the achieved wage levels and other workers' rights from employment. Proper cooperation of the Management with the unions and the workers' council, resulted in the preservation of the stability of the social dialogue and accepting the real limitations in employee benefits.

After the expiry of the reporting period, the Supervisory Board, taking into account its assessment of the development priorities in 2013 and the years to come, terminated by mutual agreement the membership of the three Management Board members and appointed new members, who according to their estimates, will successfully respond to future challenges in the business of the Company, which will be strategically based on the restructuring, recapitalization, and a new investment cycle.

### **X Review of the cooperation of the Supervisory Board with the Management**

The Supervisory Board evaluates the cooperation with the Management of the company in the 2012 as very correct and useful in the interest of the Company, with a mutual appreciation and respect for the law. All decisions with the voting results were recorded in the minutes of the Supervisory Board meetings

### **XI Final evaluation of the Supervisory Board for 2012**

The Supervisory Board assesses its own performance in the previous period as partially successful in the circumstances. Despite numerous changes in the composition of the Supervisory Board, a continuity was preserved and progress was achieved in the approach to key development issues of the Company, with the contribution of each member to the joint

work of the Board and in respecting the law in the Company business. It is estimated that the planned operational objectives of the Company on an annual basis were partially realized, and prospect were opened to addressing strategic development issues in the forthcoming period.

The Company's business 2012 was in compliance with the law, the Company regulations and the decisions of the General Assembly.

**XII** Supervisory Board is submitting this Report on the Supervision of Business Operations for the year 2012 to the General Assembly of Petrokemija, Plc and suggests its approval.

Supervisory Board Chairman:  
Goran Kralj