Kutina, 10.4.2014.

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 Meeting

Source:
Petrokemija, Plc. Kutina
Fertilizer Company
Aleja Vukovar 4, 44320 Kutina
Phone: +385 44 647 270
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PETROKEMIJA, d.d.
URED UPRAVE
Broj: OD-83/2014.
Kutina, 09.04. 2014.

In line with the provisions of Article 277 of the Companies Act and Article 13 of the Articles of Association of Petrokemija, Plc., the Company Management Board made a decision on March 8, 2011 on calling a meeting of, and is inviting you to participate in the

GENERAL MEETING of

PETROKEMIJA, Plc. on Tuesday, 20 May 2014 at 12.00hrs at Petrokemija Headquarters in Kutina, Aleja Vukovar 4

The proposed A G E N D A of the Assembly is as follows:

1. Opening of the General Meeting and establishing list of participants;
2. Annual financial reports for 2013, after having been approved by the Management and Supervisory Boards and Report of the Management Board on the Company Status
3. Supervisory Board Report;
4. Decision on the Company debt coverage
5. Decision on dismissal notes to members of Management and Supervisory Board:
   A – Decision on dismissal notes to Management Board members
   B – Decision on dismissal notes to Supervisory Board members
6. Decision on appointment of a Supervisory Board member
7. Decision on appointment of auditors for 2014
8. Decision on the Company simplified share capital decrease
9. Decision on amendments to the Articles of Association
10. Decision on increase of share capital against contributions in cash with partial exclusion of pre-emptive rights of existing shareholders and on the amendments to the Articles of Association
11. The decision on granting approval for the acquisition of shares without the obligation to publish a takeover bid.

DECISION PROPOSALS

In Item 4, the Management and Supervisory Boards propose to the General Meeting to pass the following decisions:

In line with Article 275 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13 the General Meeting of Petrokemija, Plc. passes the

DECISION
on the Company loss coverage

Article 1

In the business year ended on 31 December 2013, the actual operating loss was HRK 327,382,822.92.

Article 2

The loss realized from Article 1 will be covered as follows:
(a) the amount of HRK **7.967.247,62 kn**, for the accounnt of other Company reserves,
(b) the amount of HRK **319.415.575,30** will be covered by the simplified reduction of the Company share capital pursuant to a special decision of the General Meeting on reduction of the Company share capital from the amount HRK 754,195,990.00 by an amount of HRK 354,915,760.00 to the amount of HRK 399,280,230.00.

This decision becomes effective on the day of its passing.

In Item 5, the Management and Supervisory Boards propose to the General Meeting the passing of decisions as follows:

A – In line with Article 276 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13, the General Meeting of Petrokemija, Plc. is passing the following

DECISION
on giving dismissal notices to Management Board Members

Article 1

It was established that Members of the Board of Petrokemija, Plc. were running the business of the Company in 2013 in accordance with the Law and the Article of Association, so they are given a dismissal notice.

Article 2

This decision becomes effective on the day of its passing.

B - In line with Article 276 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13), the General Meeting of Petrokemija, Plc. is passing the following

DECISION
on giving dismissal notices to Supervisory Board Members

Article 1

It was established that members of the Supervisory Board of Petrokemija, Plc. were performing their functions in accordance with the Law and Articles of Association, so they are given dismissal notices.

Article 2

This decision becomes effective on the day of its passing.

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In Item 6, the Supervisory Board proposes to the General Meeting the passing of decision as follows:

In line with Article 256 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13),

DECISION
on appointment of a Supervisory Board Member

Article 1

Branimir Fleković B.Sc.Ec. from Zagreb with residence at Radićevo šetalište 22, ID (OIB)99787847191 is appointed into Supervisory Board for a mandate of four years.

Article 2

This decision becomes effective on the day of its passing.

In Item 7, the Supervisory Board propose to the General Meeting the passing of decision as follows:

On the basis of Article 275, paragraph 1, item 4 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13), the General Meeting of Petrokemija, Plc. passes the following

DECISION
on the appointment of auditors of Petrokemija, Plc. for 2014

Article 1
KPMG Croatia d.o.o. Zagreb, are appointed auditors of Petrokemija, Plc. for 2014.

Article 2

This decision becomes effective on the day of its passing.

In Item 8 – The Management and Supervisory Boards propose to the General Meeting the passing of decision as follows:

In line with Article 349 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13), the General Meeting of Petrokemija, Plc. passes the following

DECISION
on simplified share capital decrease for debt coverage

1. The share capital of the Company amounts to HRK 754,195,990.00 and is divided into 4,436,447 ordinary shares, with a nominal value of HRK 170.00. Company's share capital is fully paid.
2. The share capital is reduced solely to cover the uncovered loss of the Company made in the previous period ended on 31 December 2013 for the purpose of rehabilitating the Company and after all reserves had been spent to cover the losses. The amount obtained by reducing the share capital will be used to cover the uncovered losses from the Company's previous period amounting to HRK 319,415,575.30, and refers to the uncovered loss of the Company realized in the period from 01.01.2013 to 31.12.2013 reduced by reserves. The amount remaining after covering the loss of the Company shall be entered in the Company reserve capital. Due to the reduction of the share capital of the Company, there will be no payments to shareholders.
3. Reduction of the share capital of the Company is carried out by reducing the nominal value of the Company shares.
4. The share capital in the amount of HRK 754,195,990.00 shall be reduced by the amount of HRK 354,915,760.00 to HRK 399,280,230.00.
5. The nominal value of the Company share of HRK 170.00 shall be reduced by the amount of HRK 80.00 to the amount of HRK 90.00.
6. Following the completion of the share capital reduction, the Company share capital amounts to HRK 399,280,230.00 and is divided into 4,436,447 registered shares, nominal value of HRK 90.00 each.
7. The difference of HRK 35,500,184.70 created by the need for rounding up the share value to HRK 90.00 is entered the Company capital reserves.
8. All costs of the share capital reduction shall be borne by the Company.

In Item 9 – The Management and Supervisory Boards propose to the General Meeting the passing of decision as follows:

In line with Article 301 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13), the General Meeting of Petrokemija, Plc. passes the following

DECISION
on amendments of the Articles of Association

Article 1

The Articles of Association of Petrokemija, Plc - Complete (revised) text of 9 August 2013, specifically Article 7 to read as follows:

"The share capital of the company amounts to HRK 399,280,230.00 (three hundred and ninety-nine million two hundred and eighty thousand two hundred and thirty Kuna)."

The Company share capital is divided into 4,436,447 (four million four hundred and thirty-six thousand four hundred and fourty-seven) dematerialized ordinary registered shares, each at a nominal value of HRK 90.00 (ninety Kuna)."

Article 2

This decision shall enter into force upon its adoption and is valid from its incorporation.

In Item 10 – The Management and Supervisory Boards propose to the General Meeting the passing of decision as follows:

In line with Article 304 and 308 of the Companies Act (OG No.152/11 – revised text, 111/12 and 68/13), the General Meeting of Petrokemija, Plc. passes the following

DECISION
Decision on increase of share capital against contributions in cash with partial exclusion of pre-emptive rights of existing shareholders and on the amendments to the Articles of Association

1. The Company share capital of the amounts to HRK 399,280,230.00 and is divided into 4,436,447 ordinary registered shares, with a nominal value of HRK 90.00. The Company share capital is fully paid.
2. The Company share capital is increased by issuing new shares with payment of the money deposit in order to collect funds for the necessary investments to ensure the production, restructuring and financing of current operations.
3. With this decision, the share capital of the Company is increased from the amount of HRK 399,280,230.00 by an amount of not higher than 399,999,960 kuna to the amount not higher than HRK 799,280,190.00.
4. The increase of the share capital from pt. 3 of this decision will be carried out by payment in cash by issuing not less than 2,222,222 and not more than 4,444,444 new ordinary registered shares, with a nominal value of HRK 90.00.
5. Shares will subscribed by a written statement (Subscription Form). The payment of shares will be made to Company account for special purposes which will be opened at Privredna banka Zagreb d.d. and will be listed in the Subscription Form
6. Subscription and payment of the new shares shall be made in a maximum of three rounds.
   In the first round the right of subscription of shares is with existing Company shareholders who have registered shares in their dematerialized securities account with the Central Depository and Clearing Company Inc. (CDCC) on the date of Invitation to the General Meeting in the Official Gazette. In the first round the shares are subscribed 14 (fourteen) days from the date of the public call to subscribe for shares in the first round. In the public call to shareholders to subscribe for shares will be specified in detail the time and place provided for the subscription of shares of shares by way of Subscription Form. The existing shareholders of the Company will be allowed to subscribe and pay for up to 100 % of the total number of offered shares, i.e. up to 4,444,444 shares. The existing shareholders of the Company are required to pay for the subscribed shares within the time that will be determined by the Company

Management in the call to shareholders to subscribe for shares in the first round. The minimum number of shares that each existing shareholder can subscribe and pay for is calculated by dividing EUR 100,000.00 in kuna equivalent by the lower limit of price range of the issuance of new shares and the number is rounded up to the next multiplier of 100.

The final minimum number of shares that each existing shareholder can subscribe and pay for (minimum subscruption) will be specified in the public call to shareholders to subscribe in the first round. The maximum number of shares that existing shareholder may subscribe for in the first round (maximum right to subscribe) is obtained by dividing 4,444,444 by 4,436,447 and multiplied by the number of shares that the existing shareholder has on the date of announcement of the call for the General Meeting in the Official Gazette, rounded to the closest lower integer, or in the event that such Maximum right to subscribe is lower than the Minimum Subscription, the Maximum right to subscribe will be equal to the Minimum Subscription. All Subscription Forms for less than the Minimum Subscription will not be considered. All Subscription Forms for more than the Maximum Subscription, will be considered only to the extent of Maximum subscription right. In case that, due to the provision on Minimum Subscription, the total offered number of shares subscribed and paid for in the first round is greater than the maximum number of shares in the first round , ie 4,444,444 shares:

The Management Board shall, with the consent of the Supervisory Board, adopt rules of allocation of shares in the first round and announce them in the public call to shareholders to subscribe for shares in the first round.

In the second round, the right to for all remaining shares not subscribed and paid for in the first round (shares offered in the second round) belongs only to the existing shareholders who subscribed for shares in the first round. The subscription of shares in the second round will be possible in five (5) work days from the date of the public call to subscribe for shares in the second round. The public call to shareholders to subscribe for shares will include the details of the time and place provided for the subscription of shares by Subscription Forms and the total the number of shares offered in the second round. The shareholders who subscribed for shares in the second round are required to pay for the subscribed shares within time that will be determined by the Company Management in the public invitation to subscribe for shares in the second round. The minimum number of shares that each shareholder can subscribe and pay for is obtained by dividing EUR 100,000.00 in kuna equivalent by the lower limit of the price range of the new shares issuance and rounding up the result to the next greater multiplier of 100.

The Minimum subscription will be stated in the public call to shareholders to subscribe in the second round. The Maximum right to subscribe in the second round is limited to the number of shares offered in the second round. All Subscription Forms for subscription of less than the minimum subscription will not be considered. All Subscription Forms subscribing for more than the number of shares offered in the second round will be considered only to the extent of the number of shares offered in the second round. In the event that the total number of shares subscribed and paid for in the second round is greater than the number of shares offered in the second round:

The Management Board shall, with the consent of the Supervisory Board, adopt rules of allocation of shares in the second round and announce them in the public call to shareholders to subscribe for shares in the second round.

In the third round, the right to subscribe for all remaining shares not subscribed and paid for in the first and second rounds (shares offered in the third round) is with all investors. In case the performance threshold, defined in paragraph 11 of this decision is attained in the first and second rounds, or if it is deemed economically non-viable to implement a third round, the Management Board may, with the approval of the Supervisory Board, decide not to conduct the third round altogether.
The subscription of shares in the third round will last eight (8) days from the date of the public call to subscribe for shares in the third round. The public call to subscribe for shares will specify in detail the time and place provided for the subscription of shares by Subscription Forms and the total number of Shares offered in the third round. The shareholders who subscribed for shares in the third round are required to pay for the subscribed shares within time that will be determined by the Company Management in the public callto subscribe for shares in the third round. The minimum number of shares that each shareholder can subscribe and pay for is obtained by dividing EUR 100,000.00 in kuna equivalent by the lower limit of the price range of the new shares issuance and rounding up the result to the next greater multiplier of 100.

The Minimum subscription will be stated in the public call to shareholders to subscribe in the third round. The Maximum right to subscribe in the third round is limited to the number of shares offered in the third round. All Subscription Forms for subscription of less than the minimum subscription will not be considered. All Subscription Forms subscribing for more than the number of shares offered in the third round will be considered only to the extent of the number of shares offered in the third round. In the event that the total number of shares subscribed and paid for in the third round is greater than the number of offered shares in the third round, the Management Board shall, with the consent of the Supervisory Board, adopt rules of allocation of shares in the third round and announce them in the public call to shareholders to subscribe for shares in the third round.

7. The subscription and payment for shares will be specified in the public call to the Company shareholders and in the third round in the public call to investors to subscribe for shares. The Management Board is authorized to independently decide when to publish the call to subscribe for shares. The Company Management will publish the call to subscribe for shares on the Company website and at least in one daily newspaper published in the Croatian territory.

8. In the event that the Company shares are held by a custodian bank on behalf of a shareholder, the custodian bank must include in the Subscription Form the name and surname (company name) and address (headquarters) of the final holder of the Issuer's shares. Otherwise, such a person shall not be entitled to participate in the subscription of new shares.

   The shares will be offered for sale at a price of HRK 90.00 per share.

9. The increase of the Company share capital based of this decision is implemented with partial exclusion of preemptive rights of the existing Company shareholders on the condition of payment for subscribed shares of the amount which shall not be less than EUR 100,000.00 in kuna equivalent per shareholder of the Company at the middle exchange rate of the Croatian National Bank.

10. In accordance with Article 351 Paragraph 1 of the Capital Market Act, the Company is issuing shares with the use of exception to the publication of the prospectus – the Company will not publish a Prospectus for the purposes of shares issue.

11. The final amount of the increase in share capital will depend on the success of issue, i.e. on the number of shares subscribed and paid for. The issue of shares shall be deemed successful if at least 50 % of the total release or at least 2,222,222 shares are subscribed and paid for within the set deadlines. Thus defined total amount of the successful issuance will also be the exact amount of the increase in share capital by issuing new shares. The Management Board shall, with the approval of the Supervisory Board determine the success of the issue of shares, the exact amount of the share capital increase and the exact number of new ordinary shares. With this decision, the General Meeting authorizes the Supervisory Board of the Company to, after the share capital increase, in accordance with this decision, amend the Articles of Association to harmonize its provisions on the share capital amount and the number of shares (Article 7 of the Articles of Association) with the changes that occurred as a result of the share capital increase and issuing new shares. If the subscription of newly issued shares is not successful, the Company will not later than 7 days after the expiry of the last date for subscription and payment of the shares, and as defined in paragraph 6 and 7 of these decisions, refund the paid amounts to the investors. In this case the Company will not bear the cost of payments or any other costs that the Investor may have had by the execution of the transaction. Also, the Company will not pay interest for the period from the date of payment of funds to the account of the Company, referred to in Article 5 of this decision, to the moment of return of the above funds to the Investor.

12. The new shares will have the same rights and rank as all the existing shares of the Company. They will be issued in dematerialized form, as electronic record in the CDCC computer system, with the ticker allocated by the CDA. Each share carries the right to one vote in the General Meeting. The shares are registered in the name and give shareholders all rights provided by the law and the Company Articles of Association since the date of registration of the share capital increase in the court register. The newly issued shares shall be listed on the regulated market of the Zagreb Stock Exchange, in accordance with the applicable regulations. The newly issued shares of the Company will be possible to be traded with on the regulated market after their listing on the regulated market.

13. In case of any overpaid amounts by individual investors, the Issuer shall, within 7 work days after the expiry of the deadline for subscription and payment for the new shares return the overpaid funds to the investors, to their account number indicated in the Subscription Form. In this case the Company will not bear the cost of payments or any other costs that the Investor may have had by the execution of the transaction. Also, the Company will not pay interest for the period from the date of payment of

funds to the account of the Company, referred to in Article 5 of this decision, to the moment of return of the above funds to the Investor.

14. Multiple subscriptions of new shares are allowed, however such multiple entries will be treated by the Issuer as single ones.
15. .If the capital increase is not incorporated within 12 months from the date of this decision, the Subscription Form is not longer binding for the Subscriber and payments made will be returned to investors without delay. In this case the share capital increase and the issue of shares shall be deemed not successful.
16. The Company Articles of Association amended at today's General Meeting in Article 7 is amended in the way that after the release of new Company shares, pursuant to this decision and implementation of the Company share capital increase, in accordance with this decision and the result of subscription of new Company shares, the amount of the Company share capital in Article 7 Paragraph 1 and the number of shares in Article 7 Paragraph 2 of the Company Articles of Association is changed. In doing so, the Company Supervisory Board is authorized and obliged, with respect to the amount of the Company share capital increase and the number of the Company shares, in accordance with the result of the subscribed and paid for new Company shares: a) to harmonize the provisions of Article 7 Paragraph 1 of the Company Articles of Association in the part referring to the amount of the Company share capital and in Article 7 Paragraph 2 of the Company Articles of Association which refers to the number of shares to which the Company share capital is divided in such a way that the current amount of the Company share capital: "HRK 399,280,230 (three hundred and ninety-nine million two hundred and eighty thousand two hundred and thirty Kuna)" in paragraph 1 Article 7 is replaced by the figure that corresponds to the increased amount of the Company share capital and that in paragraph 2 Article 7 of the Company Articles of Association the current figure "HRK 4,436,447 (four million four hundred and thirty-six thousand four hundred and fourty-seven Kuna)" is replaced by the number of shares corresponding to the sum of the current number of shares and the Company shares issued for share capital increase, defined by this decision, and b) to determine the revised version of the Articles of Association. These amendments to the Articles of Association will enter into force on the date of their incorporation.
17. For anything not regulated by this decision, the provisions of applicable laws and the Company Articles of Association will apply as appropriate.
18. This decision shall enter into force on the date of its adoption. The Management Board is authorized to submit an application for incorporation of the decisions at the competent Commercial Court.

In Item 11 – The Management and Supervisory Boards propose to the General Meeting to pass the decision as follows:

Decision on granting approval for the acquisition of shares without the obligation to publish a takeover bid.

In the Company share capital increase, each acquirer is granted newly-issued shares with voting rights against money contributions, without the obligation of publishing a takeover bid.

All shareholders of the Company shall be entitled to attend and vote at the General Meeting if they have submitted their application for participation to the Management Board in writing until May 14, 2014.

Applications for participation are to be sent to the Head Office of Petrokemija d.d, Aleja Vukovar 4, Kutina.

Shareholders - physical persons may be represented at the General Meeting by their proxies with full powers of attorney certified by a notary public or by an authorized person in the Legal Department, Headquarters Building of Petrokemija, Plc., Aleja Vukovar 4, Kutina, weekdays 8:00 to 12:00 a.m.

Shareholders - legal entities shall have the authority to represent signed by an authorized person, certified by a stamp and written on the official stationery of the said entity, containing the data from Article 21 of the Companies Act.

An insight into the materials for the General Meeting can be made in Finance and Controlling Department of the Company, Ulica Kralja Petra Krešimira IV, Kutina, from 8:00 to 14:00 pm every work day (Monday to Friday) starting on the date of publication of the call. The materials are also available on the Company web site, www.petrokemija.hr where the data will be posted in accordance with Article 280a of the Companies Act.

In accordance with Article 277, Paragraph (4) of the Companies Act, the shareholders are informed as follows:

- Shareholders who together have a share amounting to the twentieth part of the Company share capital have the right to require an item to be placed on the agenda of the General Meeting and their request to be announced. Such a request must have an explanation and decision proposal and must be received at the Company not later than 30 days before the General Meeting, excluding the day of the receipt of the request by the Company;

- Each shareholder has the right to submit a counter proposal to the decision proposal which was given to the General Meeting by the Management Board of the Company and / or Supervisory Board. This includes the proposal of shareholders for the election of a member of the Supervisory Board or the appointment of company auditors. Such a request must be received by the Company not later than 14 days before the General Meeting (where not using this right does not result in the loss of the right to put up the counter proposal at the General Meeting of the Company). If the request is made within this period, the Management Board of the Company shall submit such request to all persons referred to in Art. 281 of the Companies Act, except in cases of Art. 282 Paragraph (2) and Art. 283 of the Companies Act;

- Each shareholder has the right to request information from the Company's Management Board at the General Meeting about the affairs of the Company if it is necessary to judge issues on the agenda of the General Meeting, except in cases provided for in Art. 287, Paragraph (2) of the Companies Act.

The registration of participants of the General Meeting will take place on May 20, 2014, at the entrance to the Headquarters Building of Petrokemija, Plc., Aleja Vukovar 4, Kutina, from 10.00 to 11.30 inclusive, after which registration will not be possible. The investors (shareholders) are requested to register on time.

If the requirements of the quorum at the regular annual General Meeting, required by the provisions of the Company Articles of Association are not met, the new session of the General Meeting with the same agenda and the same draft decisions will take place on Tuesday May 27, 2014, starting at 12.00 hours.

This call for the regular General Meeting will be published in the Official Gazette, and posted on the website of the Zagreb Stock Exchange (www.zse.hr), via e-HINA, on the website of the Croatian Agency for Supervision of Financial Services (www.hanfa.hr) and on the website of the Company (www.petrokemija.hr).
Every shareholder or their representative or proxy, shall bear the cost of their participation in the General Meeting.

Dragan Marčinko

President of the Board

Petrokemija, Plc.
SUPERVISORY BOARD

Number: 1/2014
Kutina, 09 April 2014

Based on Article 21 of the Statute of Petrokemija, Plc. and Articles 300.c and 300.d of the Companies Act, at a meeting No. 4/2014 held on 9 April 2014 , 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 2013

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 2013 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 approval 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
- Management Board Report and Non-Consolidated Financial Reports of 31 December 2013 (Independent Auditor's opinion and notes)

III

Balance sheet assets and liabilities are recorded in the amount of **HRK 1,606,396,856.75.**

The actual loss of business in 2013 amounts to **HRK 327,382,822.92**.

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

IV

This Decision shall enter into force upon its adoption.

President of the Supervisory Board:

/ Tomislav Radoš /

Petrokemija, Plc.
SUPERVISORY BOARD

Number: 2/2014
Kutina, 09 April 2014

Based on Article 21 of Statute of Petrokemija, Plc. and Articles 300.c and 300.d of the Companies Act, at a meeting No. 4/2014 held on 09 April 2014, the Supervisory Board of Petrokemija, Plc. issued the following

D E C I S I O N

ON GRANTING APPROVAL TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR 2013

I

After reviewing the consolidated annual financial statements, Supervisory Board of Petrokemija, Plc. grants its approval to the Consolidated Annual Financial Statements of Petrokemija Group, Plc. for 2013.

By granting the above approval, the Management and Supervisory Board confirm these consolidated financial statements.

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

II

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

- Consolidated Balance
- Consolidated Profit and Loss Account
- Consolidated Cash Flow Statement
- Consolidated Statement of Changes in Equity
- Notes on consolidated financial statements
- Petrokemija Group Annual Report
- Petrokemija, Plc. Management Board Report and Consolidated Financial Reports of 31 December 2013 (Independent Auditor's Opinion and Notes).

III

Consolidated Balance Sheet assets and liabilities are recorded in the amount of **HRK 1,609,741,584.86**

The consolidated loss of Petrokemija Group, Plc. business for 2013 amounts to **HRK 330,259,239.28.**

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

IV

This Decision shall enter into force upon its adoption.

President of the Supervisory Board:

/ Tomislav Radoš/

Petrokemija, Plc.
SUPERVISORY BOARD

Number : 3/2014
Kutina, 09 April 2014

Based on Article 21 of the Statute of Petrokemija, Plc. and Articles 220 through 223 and in line with Article 300b., pt.2. of the Companies Act, at a meeting No. 4/2014 held on 09 April 2014, the Supervisory Board of Petrokemija, Plc. issued the following

D E C I S I O N

on coverage of loss for the year 2013

I

Adoption of the proposal of the Management Board that the actual operational loss for the year 2013 in the amount of **HRK 327,382,822.92** is covered for the account of other reserves in the amount of **HRK 7,967,247.62** and the remaining amount of **HRK 319,415,575.30 is** carried forward as uncovered loss into the year 2014.

Thus established proposal for the loss coverage will be jointly addressed to the General Assembly by the Company's Management and Supervisory Boards.

II

This Decision shall enter into force upon its adoption.

Chairman of the Supervisory Board:

/ Tomislav Radoš /

PETROKEMIJA
KUTINA

MANAGEMENT BOARD

Kutina, 02.04.2014.

Report on the Company Status as of 31 December 2013

Introduction

The past year was extremely dynamic – it was the year in which all cumulative negative effects of the Company inefficiency were manifested, or rather all the missed internal opportunities, mainly delayed restructuring and modernization of production facilities from previous periods and pronounced disruption of demand and price of mineral fertilizers in the foreign market surroundings.

In 2013, Petrokemija, Plc. achieved an average yield of total production capacity, was faced with a marked problem of sales price drop in the global market, drop in sales volumes and income in the domestic market, rising stocks, and the threat of insolvency. The conducted recapitalization gave the Company an essential positive financial impact and extra time necessary to prepare and carry out the restructuring in 2014. The challenges that the Company could not respond to by corresponding cost reductions resulted in high losses so it was necessary to make an urgent turnaround in business by seeking strategic partners or additional capital increase from the current owners. Otherwise, without a prominent positive shift in the supply and sales markets, the continuity of the Company business in the next period will be called into question.

Changes in the Management and Supervisory Boards in 2013

The owners' dissatisfaction with the achieved business results in the previous period, especially with slow-moving changes and restructuring, led to changes in the Company Management Board. The first change took place in mid-February, when the members of the former Management Board Antonija Perošević-Galović, Tomislav Seletković and Nenad Marinović were dismissed. On February 15, they were replaced by Karlo Došen, Krešimir Kvaternik and Žarko Rijetković. A new change of the Board followed in September when Josip Jagušt was recalled and replaced by Dragan Marčinko as the Board President and Žarko Rijetković was replaced by Nenad Zečević as a Member of the Board for Production.

In addition to the changes in the Management Board, there were substantial changes in the Supervisory Board as well. On 30 September, Tomislav Radoš took over the function of the SB President from Goran Kralj. Thereafter in 2013, two SB members left the Board: Ivan Majstrović (resigned), Vice-President and Ivan Nekvapil (appointment to another office). Ivan Čar's mandate as the Workers' Council representative in the Supervisory Board expired and he was replaced by Davor Rakić.

The situation at the beginning of Fourth Quarter 2013

In September 3013 the management of Petrokemija, Plc. and Petrokemija Group was taken over by the present Board.

- Company had losses in operation for the past eight quarters;
- Capital was falling and the debt rising; long-term assets were used without reinvestment;
- Loss of nine months was HRK 189.4 million; HRK 121.3 million in Q3 only;
- Capital amounted to HRK 574.8 million:
- Fall of revenues was -12%;
- Warehouses were full of fertilizers (the value of finished and semi-finished products was HRK 424 million) and the Company was facing suspension of production;
- Some plants were closed or operated at reduced capacity;
- The contract with Prirodni plin d.o.o. (gas supplier) is extremely unfavorable for Petrokemija, as we buy more expensive gas than our competitors.
- The Management did not function properly;
- The Company restructuring process was not initiated, although it had been approved by the Supervisory Board in May 2013.
-

Upon its appointment in September 2013, the current Management Board, took the following major measures:

- Initiated negotiations with Prirodni plin, d.o.o. and other suppliers on the price of natural gas for the last quarter of 2013;
- Restructuring process in collaboration with AT Kearney consultants;
- The process of finding a strategic partner;
- Numerous changes in the management of the Company processes;
- Brought the serious problem of dramatic impoverishment of the soil resulting in drop in yields of agricultural crops, all due to inadequate application and consumption of fertilizers, to the attention to the Ministry of Agriculture.
- Proposed to the Ministry of Agriculture amendments to the Law on State Aid.
- Initiated a Redundancy Program (for 158 people);
- Completed the reconstruction of a steam turbine operation, which made possible more efficient production of own electricity,
- Conducted a technical feasibility study of modernization of Ammonia plant by KBR in order to increase production capacity, reduce energy consumption and meet environmental requirements.

At the session of the Croatian Government of 14 November 2013, the Decision was adopted on the establishment of Commission for Selection of Strategic Partner for Petrokemija, Plc. Company Kutina. Appointed to the Commission were: Ivan Vrdoljak, Minister of Economy as Chairman of the Commission, and as members Mladen Pejnović, Head of the National Office for State Property Management, Tomislav Radoš, President of the Supervisory Board of Petrokemija, Dragan Marčinko, President of the Management Board of Petrokemija, Goran Kralj and Željko Klaus, members of the Company Supervisory Board, and Karlo Došen, member of the Petrokemija Management Board. The Commission's job was to carry out the process of selecting a strategic partner for Petrokemija in accordance with applicable regulations, so that the Republic of Croatia retains at least 25% + one share. In the process of choosing a strategic partner, Societe Generale was selected as financial advisor. Three non-binding proposals were received in the Request for Proposals for the Privatization of Petrokemija. In mid-January, the Commission decided that the three bidders go into the second round and allowed them in-depth analysis of the Petrokemija business. The potential strategic partners carried out the due diligence. No binding proposal was received in the given period, but in their letters of intent two potential investors confirmed their interest in the continuation of negotiations. The Commission has completed its work and reported the results to the public and the Croatian Government.

The achieved results:

After a very successful year 2011, in which Petrokemija made a significant progress in the Company business position, in 2012 and 2013 it was faced with a crisis in demand and a drop in market price of fertilizers and an increase in raw material prices, which to a large extent accounts for the bulk of negative financial impacts on the Company.

The market surroundings in 2013 were very dynamic, with characteristics of delayed effects of the global financial crisis, especially in the European Economic Area and the region. Our exposure to the world market showed all the advantages and disadvantages in 3013, too and export orientation proved to be a condition of survival and business continuity. As many as 790 thousand tons were sold in export (1.7% more than in 2012) and actual sales income from export was HRK 1.6 billion (15.5% less than in 2012).

Our individually most important, domestic market had a further decline of fertilizer consumption in 2013 with gradually more pronounced effects of import competition and a competing manufacturer of compacted fertilizers. Therefore, the actual sales were 312 thousand tons (9.2% lower than the year before) and the income from domestic market was by 13.8% lower. The weather conditions had an unusually marked impact on the structure and schedule of demand on the domestic and regional markets. Apart from the disturbed normal agro technical sowing times and top dressing of certain crops, more significant were the years-long negative effects of reduced yields that have threatened the economic position of numerous domestic farmers. In such circumstances, state incentives to agriculture were decisive in the level and dynamics of demand for fertilizers, but even they were not realized to an expected extent.

In 2013, the price of the key raw material – natural gas – was 15% lower than in 2012 when it was historically at its highest, influenced by the rise of the oil derivatives price and the method of pricing in the domestic market. The actual price of gas in 2013 was still 12% higher compared to that in 2011 and was not competitive in the global market – the drop of fertilizer price was significantly more pronounced than the drop of raw materials price. Towards the year end, the situation with natural gas was beginning to stabilize. However, the stability and success in the Company business, reasonably expected by the investors, Petrokemija employees and the wider community was still not ensured.

As regards change in product range, under the influence of the market there was an increase in the share of nitrogen fertilizers – a higher share of CAN sales and a lower share of complex NPK fertilizer share. The price fluctuations of raw materials and finished products, transferred from the global market, had also influence on reduction of sales prices of fertilizers in the domestic market.

The Petrokemija product range still reflects the changes due to temporary production shutdown at some plants. Mineral fertilizers were dominant and their structure (NPK fertilizers) was adapted to the changed raw material base and source due to shutdown of sulfuric and phosphoric acid and MAP since the second half of 2009. The production with purchased MAP and DAP was a more cost-effective alternative at the current market price relationship. The carbon black production was also stopped since the second half of 2009 due to technical and process reasons. As a result, the clay-based products, liquid fertilizers and chemicals have less than 2% share in the total business potential. Production of mineral fertilizers accounts for the majority of production facilities and employees and determine the overall business results.

Quality Management System according to ISO 9001:2008, Environmental Management System after the ISO 14001:2004 standard and the calibration and testing laboratories accredited to ISO/IEC 17025:2007 were further developed, supported by relevant verified records. In 2013, Petrokemija became a full member of Fertilizers Europe association and started the process for obtaining the Product Stewardship Certification.

In 2013, HRK 64.9 million was invested in facilities modernization and environmental investments. Higher environmental requirements and energy and process efficiency impose an obligation to intensify investment cycle in the current year and the oncoming years. On the other hand, financial limitations and comparatively high indebtedness ask for an extremely cautious and selective approach to new investments. The choice of priorities and determining the pace of investment calls for the search of new sources and forms of financing including the recapitalization of the Company.

In 2013, largely through the Retirement Incentives Program, the number of employees in Petrokemija was reduced by 175 employees, or 7.6%. HRK 20.5 million severance pay, paid for the 158 workers who were covered by the Program increased the loss of the fourth quarter. The organizational structure of the company did not significantly change but first organizational changes were prepared, and implemented at the beginning of 2014, primarily in the area of centralized maintenance. Over the past years, workers from plants that had been stalled were employed in other organizational units; decisions on the permanent status of these plants will be made in the next period.

Total actual income for 2013 was HRK 2,565.9 million and total expenses HRK 2,893.3 million (with the share of natural gas cost of 54 %). Total revenues were by 15.3 % down while expenses were up by 10.1 % on the previous year. **The actual loss of Petrokemija, Plc. for 2013 was HRK 327.4 million.** Compared to the previous year, significant negative developments in the financial performance indicators were recorded in 2013, which can be summarized as the result of a faster decline in revenue compared to the costs. High losses led to the growth of short-term debt and uncertainty of the business continuity in the next year. This was the reason for the majority owners to initiate the activities of finding a strategic partner that would provide financial support and carry out a long-term consolidation of the Company business. Unfortunately, this process did not have a positive outcome, so the Company Board has started an alternative process of business restructuring.

Petrokemija, Plc. Kutina conducted the consolidation of financial statements for the parent company Petrokemija, Plc. Kutina and its subsidiaries, in its 100%-ownership – Restoran Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija, Ltd. Novo Mesto and Luka Šibenik, Ltd. (since 2012 majority owned), and the consolidated result was reported for the Petrokemija Group. All financial statements of the Petrokemija Group for the business year 2013 were prepared, reviewed and made public, in accordance with International Financial Reporting Standards approved for use in the Republic of Croatia.

The Petrokemija Group achieved consolidated total revenues of HRK 2,584.7 million and total expenses of HRK 2,914.9 million, so that the actual loss before tax for 2013 is HRK 330.2 million.

High actual losses led to the necessity of implementing recapitalization in 2013, which was successfully carried out in the amount of HRK 186.2 million, whereby investors opened the possibility of restructuring and the Company's long-term survival.

In 2013, Petrokemija's share was traded on the Official Market of the Zagreb Stock Exchange, as well as the commercial papers, which were issued in collaboration with Privredna Banka

Zagreb as agents and brokers. Until the decision of the General Assembly, the nominal value of the share had been HRK 270.00. By Assembly decision of 15 July 2013, the nominal value of the share was reduced to HRK 170.00 and the process of increasing the share capital was initiated. The share value changed under the influence of global financial flows, the specific characteristics of the Croatian securities market, the Company quarterly financial results and the announcement of privatization. On the last day of trading in 2010 Petrokemija's share on the Zagreb Stock Exchange achieved the price of HRK 165.44, on the last day of 2011 the price was HRK 193.31 and on the last day of 2012 it was HRK 214.45. In 2013, the value of the share fell by 21.5% and on 31 December it was HRK 168.38. At the time of making this report, on 2 April 2014, the share price was HRK 52.31, assessed as a result of failure of the process of finding a strategic partner and uncertain business situation in 2014.

In accordance with the commitment on the establishment of high standards of business transparency, since 2007 Petrokemija has been applying the Code of Corporate Governance of the Zagreb Stock Exchange, which continued in 2012. Since September 2011, the Code of Business Conduct of Petrokemija has been adopted and implemented.

Evaluation of operational risks

At the turn of 2013/2014 the following business risks can be observed:

- The price of natural gas on the Croatian market is higher than the purchase price in the environment. The opening of alternative natural gas supply possibilities from multiple suppliers and with a larger influence of the gas spot market in gas pricing is the subject of constant efforts of the Board in order to mitigate this risk.
- Uncertainty of the trend of changes in the prices of other raw materials (phosphates, potassium chloride, MAP/DAP and others).
- High dependence of results on the price movement of fertilizers and raw material for their production in the world market, on the exchange rate of HRK against the USD and EUR and their interrelationship (currency risk).
- Potential adverse effects of the announced reduction of subsidies in agriculture on the purchasing power of Croatian farmers, which at the moment are difficult to assess.
- Liquidity risk and high cost of working capital are still present because of the level of loss in business, debt and relatively high interest rates in the Republic of Croatia.
- Price developments on the stock markets of agricultural products show the volatility of the price in 2013 and 2014, raising the risks in terms of positive effects in agriculture, and indirectly in the sales of fertilizers.
- Cost of sea and rail transport are also a significant risk in terms of increase in raw material prices and the cost of fertilizer sold to distant markets.
- Environmental requirements for emission reductions, including reducing greenhouse gases, are the cause of high operating costs and commitment of significant investments in environmental protection in the next period.

The estimate of business in the next few years is very difficult to make at this point because of the above numerous unforeseen impacts on the financial result. In estimating the business risks of the subsidiaries in the 2014, our assessment is that these companies do not have a significant impact on the operating result of the Petrokemija Group because of their small share in the total business result.

The program of restructuring and financial consolidation

The process of the Company organizational changes initiated in 2013 will be continued in 2014, particularly in rationalizing energy and raw materials consumption, efficient maintenance of the facilities, rationalization of procurement and sales systems and other services.

As an alternative strategy to the process of including a strategic partner, the Company has prepared a model of ensuring the stability and long life operation through Program of Restructuring and Financial Consolidation of Petrokemija for the 2014-2018 period. The Program defines in detail the prerequisites and restructuring measures as well as the need for financing. The measures include the implementation of a comprehensive restructuring, cost optimization, workforce optimization, disinvestment of inoperable and non-core assets and the measures of debt refinancing and recapitalization.

Conclusion

Finally I would like to thank the Supervisory Board, trade unions and the Workers' Council for good cooperation and all the shareholders and partners for their faith in us in the past year. In 2014, there will be significant changes in business due to the possible change in the Company ownership structure and necessary changes in the business influenced by increased competition in the domestic and regional markets. The Company is currently considering alternative ways to provide liquidity, including recapitalization by the existing shareholders and the issuance of debt instruments. From you, our shareholders, we expect the trust and support in taking measures for the consolidation of the Company, i.e. rationalization of operations and the opening of more intensive investment cycle from 2014 to 2018.

Dragan Marčinko

President of the Petrokemija, Plc.
Management Board

PETROKEMIJA
KUTINA

SUPERVISORY BOARD
Kutina, 9.4.2014.

In line with Article 263, Paragraph 3 and Article 300.c. of the Companies Act, the Supervisory Board of Petrokemija Plc., Kutina, at its 4/2014 meeting held on 9 April 2014, adopted as follows:

Report of the Supervisory Board for 2013
to General Assembly of Petrokemija, Plc.

I As many as 20 meetings of the Supervisory Board of Petrokemija Plc. (hereinafter: the Supervisory Board) were held in 2013 at which matters related to business provided by the law and the Company Articles of Association were discussed.

II Composition of the Supervisory Board

In 2013, there were following changes in the composition of the Supervisory Board:

- At the General Assembly on 15 July 2013, SB member Ivan Nekvapil was recalled and Tomislav Radoš was appointed;
- On 11 September 2013, Ivan Majstrović, SB member and Vice-President, resigned from SB membership
- At SB meeting on 30 September 2013, Tomislav Radoš was appointed SB President (to replace Goran Kralj)
- On 19 December 2013 Ivan Čar's mandate as SB Member expired. He was appointed workers' representative.
- On 20 December 2012, the Workers' Council of Petrokemija, Plc. appointed Davor Rakić as a new SB member, workers' representative.

On 31 December 2013 Supervisory Board had the following members:

1. Tomislav Radoš, SB President,
2. Goran Kralj, SB member
3. Sonja Ivoš, SB member,
4. Krešimir Huljev, SB member,
5. Željko Klaus, SB member
6. Jozo Bilobrk, SB member,

7. Davor Rakić, SB member,
8. 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:**

- Gas supply
- Prices of mineral fertilizers
- Annual Report for 2012
- Auditors' Report
- Annual Questionnaire of Corporate Governance Code
- Preparations for the General Assembly
- Business Report – January to March 2013
- Business Report – January to June 2013
- Business Report – January to September 2013
- Various approvals for the establishment of a lien on real estate and stocks of mineral fertilizers for additional borrowing, for sales of real estate, sales of shares with PBZ, contract on business relationship, closure of Petrokemija, Ltd. Novo Mesto, etc.
- Liabilities and debt of the Company
- Anti-corruption program for the 2010 - 2013 period and reports on the implementation of anti-corruption measures
- Appointment of members of the Revision Committee and Committee for Appointments and Remuneration
- Appointment of members of the Management Board
- Consensual termination of MB membership
- All decisions on the Company capital increase
- Cogeneration project
- Restructuring Program
- Process of selecting strategic partner
- Calendar of important events for 2013

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

IV Supervisory Board's work bodies

In 2013, Supervisory Board's work bodies were active as follows:

- Revision Committee – held 5 meetings
- Committee for Appointments and Remuneration – held one meeting

The Supervisory Board found that the Revision Committee contributed very well in the preparation of the key topics within their scope of competence.

V The Supervisory Board reviewed the reports of the auditors, KPMG Croatia d.o.o. Zagreb, who audited the annual financial statements of Petrokemija, Plc. for the year ended on 31 December 2013 and accepted 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 2013, which were prepared by the Management Board, as follows:

- Annual financial report for 2013 for Petrokemija, Plc.
- Consolidated financial statement for 2013 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 2013, and to which the above approval of the Supervisory Board relates, 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 2013

The actual business loss of Petrokemija, Plc. in 2013 in the amount of HRK 327,382,822.92, is carried forward as an uncovered loss into the next accounting period, i.e. 2014. By the Decision of the General Assembly of 15 July 2013, a simplified reduction of share capital was conducted to cover losses from previous periods and the equity was reduced from HRK 902,101,590.00 to HRK 334,111,700.00. Based on the same Decision, an increase of the share capital was carried out in the amount of HRK 186,206,100.00 by issuing new shares and so the share capital of the Company now amounts to HRK 754,195,990.00.
Due to an extremely difficult year 2013 and poor operating results, the Company Supervisory Board has secured, after completion of the recapitalization in August 2013, the continuation of

the process of selecting strategic partners to ensure business continuity and initiated development investment cycle in the next period.

VIII Evaluation of overall business 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 as compared to the year 2012 and especially to 2011. The fall of fertilizer sales price in the global market, low sales on the domestic market as a reflection of the several-years crisis in Croatian agriculture, the necessity of sales to distant markets at unfavorable prices in order to preserve liquidity and continuity of production and the high price of natural gas compared to the average market price, led to significantly less favorable financial effects on the previous year and plan. It cannot be estimated that there are any grounds towards a positive financial result, which is still significantly threatened by the unfavorable conditions in the immediate and wider surroundings of the Company. However, there are indications that with the complete liberalization of the gas market in the Republic of Croatia, the restructuring of the Company and overcoming the global crisis, there are prospects for an inproved financial result in the next period.

IX Evaluation of Company Managemant Board performance

The Supervisory Board, judging that the key objectives of the Company would not be met, with its decisions changed the composition of the Management Board twice during the past year. The Supervisory Board was thereby led by its estimate that the selection of the new members of the Board was carried out in accordance with the desired direction of change in the Company.
This is first of all 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, and the preservation of the level of social dialogue and the general social responsibility. The poor result is in part a reflection of the prevailing effects of unfavorable factors in the surroundings, so that the significant efforts made to consolidate the financial effects have only given limited results.
Proper cooperation of the Board with the unions and the Workers' Council has resulted in the preservation of the stability of social dialogue and understanding the realistic limits of material rights of the employees.
Taking into account its assessment of the development priorities in 2013/14 and following the appointment of new members of the Management Board, the Supervisory Board began the process of restructuring; the Company carried out a capital increase and the process of choosing a strategic partner was initiated as the future generator of the development and investment cycle of the Company.

X The cooperation of the Supervisory Board with the Management Board

The Supervisory Board evaluates the cooperation with the Management of the company in the 2013 as correct and useful for the interests of the Company, with mutual appreciation and respect for the law. All decisions with voting results have been recorded in the minutes of the Supervisory Board meetings.

XI Final evaluation of the Supervisory Board for 2013

The Supervisory Board assesses its own performance in the previous period as partially successful in the given circumstances. Despite numerous changes in the composition of the Supervisory Board, continuity has been maintained and progress made in the approach to key developmental issues of the Company, with the contribution of each member to the joint work of the Board and the law-abiding activities in the Company business. The assessment is that the planned operational objectives of the Company on an annual basis were partially realized, and a prospect has been opened for addressing strategic development issues in the forthcoming period.

In the 2013, the Company's business was in compliance with the law and Company regulations as well as with the decisions of the General Assembly.

XII The Supervisory Board submit this Report on the Supervision of Business Operations for the year 2013 to the General Assembly of Petrokemija, Plc with the recommendation to adopt it.

President of
Supervisory Board:

Tomislav Radoš