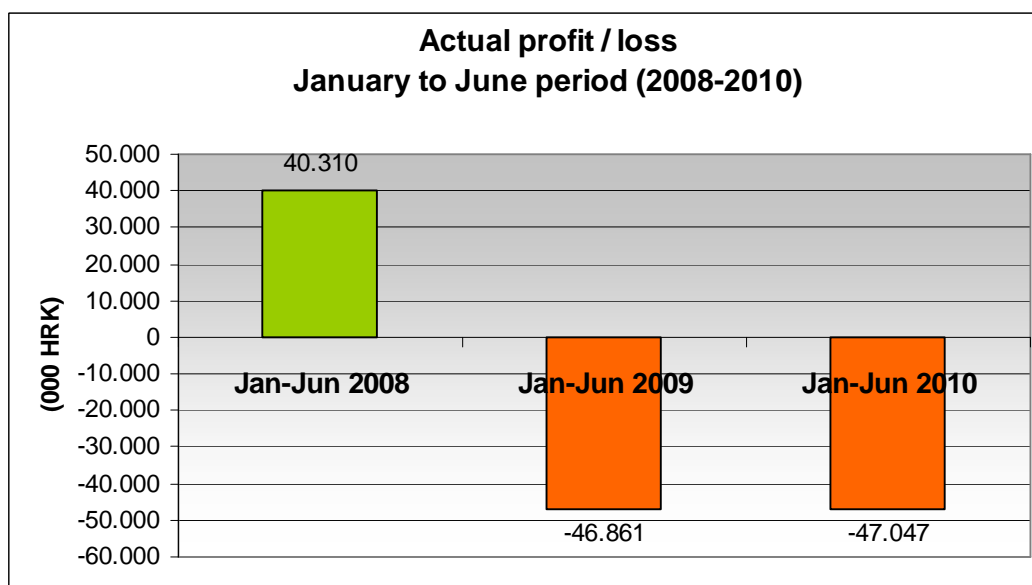




SEMI-ANNUAL REPORT PETROKEMIJA d.d. KUTINA PETROKEMIJA GROUP

**REPORT FOR PERIOD January to June 2010
INTERIM REPORT FOR PERIOD April to June 2010**

- **Actual production of 537 and sales of 499 thousand tons of fertilizer**
- **Actual total income of Petrokemija d.d. of HRK 921.6 million, Petrokemija Group HRK 922.6 million**
- **Actual loss of Petrokemija d.d. HRK: 47.0 million (5,1% of total revenues), Petrokemija Group HRK 46.9 million**
- **Invested funds of HRK 7.2 million**
- **Number of employees of Petrokemija d.d. 2,355, Petrokemija Group 2,366**



MANAGEMENT'S REPORT ON THE STATE OF THE COMPANY FOR Jan – Jun 2010 PERIOD

1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA d.d.

In 1st half of 2010, as compared to the same period of 2009, Petrokemija increased production by 28.1%, reduced staff costs by 21.8%, and most of other costs, with the exception of raw materials and energy. However, all this could not compensate for the 15.7% fall in operating income and prevent from reporting loss.

In the 1st half of 2010, Petrokemija incurred an operating loss, approximately at the same level as the same period last year (index 100.4) and smaller than that in the 2nd half of 2009. The effects of the global financial crisis of 2009 on the business are still present. A reduced activity of the real sector and fall in price of agricultural goods in world markets and consequently the fall of demand for fertilizers, have had a negative impact on Petrokemija's d.d. business operations. Some of the facilities were shut down as a reaction to the market situation and this problem was carried over to the 2nd half of 2010.

The total income of Petrokemija d.d. in the 1st half of 2010 was HRK 921.6 million, the total expenses of HRK 968.6 million and the reported loss before taxation was HRK 47.0 million or 5.1% of total revenues. The loss in the reported period was the result of low income from sales, i.e. the impossibility to cover the total mass of fixed costs in the situation of the sales turnover and low sales prices. The loss is approx. HRK 3.6 million smaller than the calculated depreciation and the EBITDA indicator (profit before interest, taxation, depreciation and amortization) is positive and amounts to HRK 23.2 million.

(HRK 000)

	Jan- Jun 2010	Jan- Jun 2009	Difference	% change
Operating income	908 528	1 077 406	-168 878	-15.67%
Operating expense	936 022	1 111 685	-175 663	-15.80%
EBITDA *	23 156	15 899	7 257	45.64%
Amortization	50 650	50 178	472	0.94%
Net financial income (expenses)	-19 553	-12 583	-6 970	55.39%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-47 047	-46 861	-186	0.40%
Non-current assets	831 494	895 498	-64 004	-7.15%
Current assets	636 017	969 368	-333 351	-34.39%
Shareholders' equity	746 344	1 014 164	-267 820	-26.41%
Non-current liabilities	0	0	0	
Current liabilities	721 167	850 702	-129 535	-15.23%

* EBITDA= profit before interest, taxation depreciation and amortization

Financial indicators reported in quarters and cumulative for the six-month period of 2010:

(HRK 000)

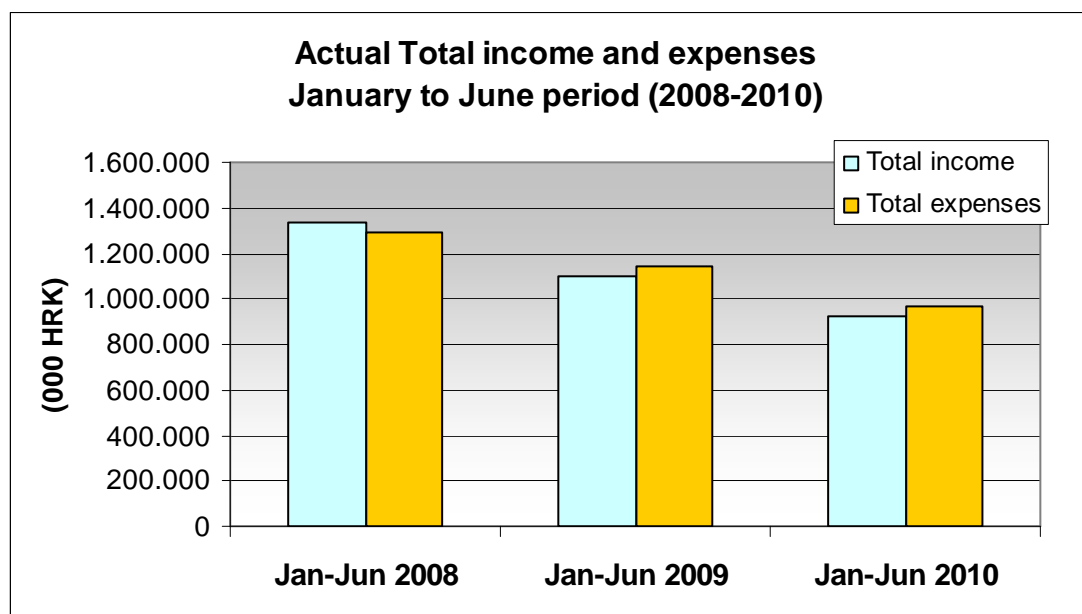
	Jan- Mar 2010	Apr- Jun 2010	Jan- Jun 2010
Operating income	398 326	510 202	908 528
Operating expense	428 866	507 156	936 022
EBITDA *	-5 272	28 428	23 156

	Jan- Mar 2010	Apr- Jun 2010	Jan- Jun 2010
Amortization	25 268	25 382	50 650
Net financial income (expenses)	-5 913	-13 640	-19 553
Net extraordinary income (expenses)	0	0	0
Profit / loss / before taxation	-36 453	-10 594	-47 047

* EBITDA= profit before interest, taxation depreciation and amortization

During the second quarter, a seasonal profit was recorded from business relations in the amount of HRK 3.0 million, but also there was an actual loss of HRK 13.6 million from financial relations, due to high costs, interest and exchange rates.

The balance between input and output prices and that of supply and demand of fertilizers in domestic, regional and global markets was expected to gradually take place by the end of 2009 and beginning of 2010. However, Petrokemija d.d. failed to achieve the planned effects on the domestic and export markets, because the price disparity lasted longer than was previously estimated, and for some raw materials and products there is still no visible improvement of market position.



When compared to the result for the same period last year, there was a negative difference of HRK 0.2 million due to the mentioned negative market trends brought about by global financial crisis, whose impact is reflected through price fluctuation, reduction of demand and growth of gas prices.

**PROFIT AND LOSS ACCOUNT OF PETROKEMIJA d.d. KUTINA
(HRK 000)**

P O S I T I O N	Petrokemija d.d. Jan-Jun 2010	Petrokemija d.d. Jan-Jun 2009
Total operating income	908 528	1 077 406
Total operating expenses	936 022	1 111 685
PROFIT / LOSS FROM ORDINARY	-27 494	-34 279

POSITION	Petrokemija d.d. Jan-Jun 2010	Petrokemija d.d. Jan-Jun 2009
ACTIVITIES		
Total financial income	13 017	18 363
Total financial expenses	32 570	30 945
PROFIT / LOSS FROM FINANCIAL ACTIVITIES	-19 553	-12 582
TOTAL INCOME	921 545	1.095 769
TOTAL EXPENSES	968 592	1.142 630
Profit/loss before taxation	- 47 047	- 46 861
Profit tax		
Profit/Loss after taxation	-47 047	-46 861

BALANCE SHEET OF PETROKEMIJA d.d. KUTINA

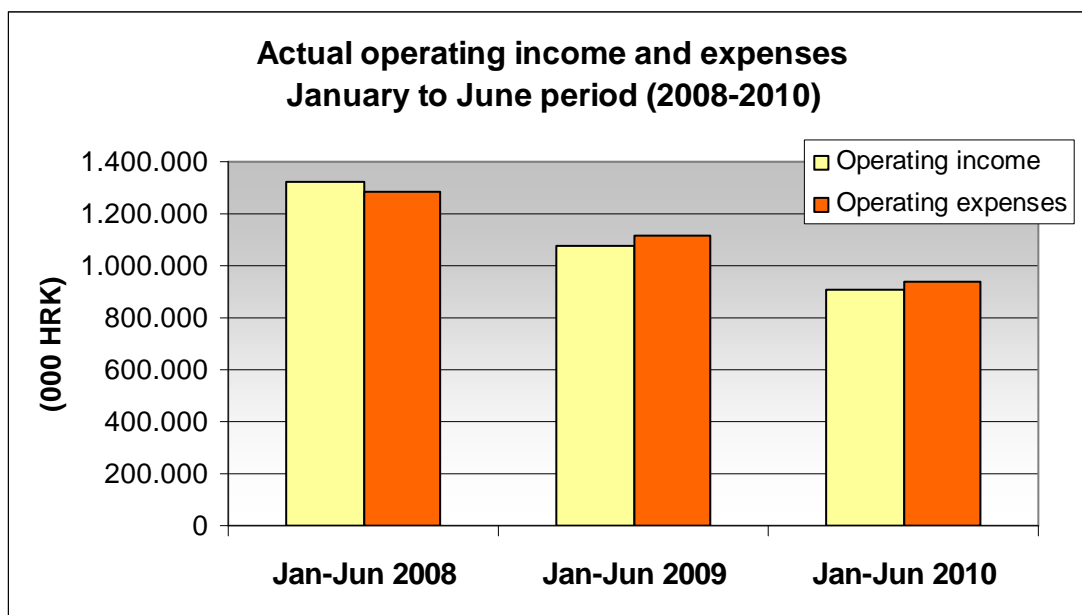
POSITION	(HRK 000)	
	Petrokemija d.d. 30.06.2010	Petrokemija d.d. 30.06.2009
Total long-term assets	831 494	895 498
Total short-term assets	632 774	965 616
Prepaid costs and accrued income	3 242	3 752
TOTAL ASSETS	1 467 510	1.864.866
Total capital	746 343	1 014 164
Long-term liabilities	0	0
Total short-term liabilities	718 317	842 378
Accruals and deferred income	2 850	8 324
TOTAL LIABILITIES	1 467 510	1 864 866

Due to gas shortages in winter months in the gas system of Republic of Croatia, Petrokemija still has to do technical overhauls in winter. The production standstill in January of 2010 was used for annual overhaul of facilities.

Because of modified product range, fall of sales prices and the sales structure by markets, 15.7 % lower operating income was realised, as compared to the same period last year. The fall in domestic demand of fertilizers is connected with the ratio of price of production materials and finished products in agriculture (the fall in price of basic agricultural crops in global market). As regards the price, imports of fertilizers were still only moderately

unattractive – approx. 28.4 thousand tons were imported in the first five months of 2010 which is a 12% market share and a part of the products were those not normally produced by Petrokemija.

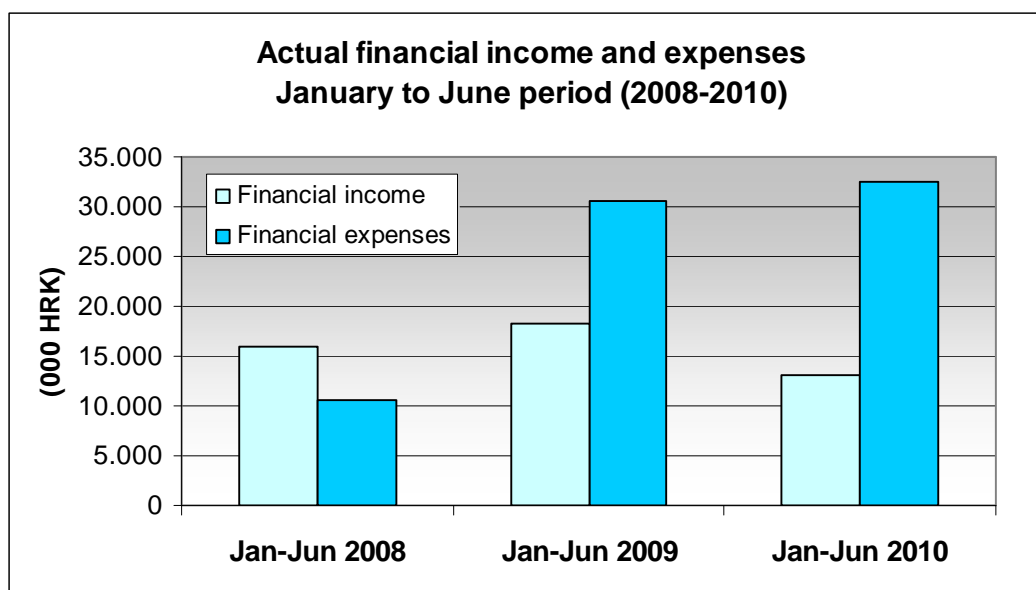
A trend of instability of input-output prices continued in the reported period – the gas price grew through quarters in accordance with the agreed formula, and it is estimated that the growth trend will continue until the end of 2010. There was a growth in price of some other raw materials, as compared to the end of last year. Operating expenses were by 15.8% lower as compared to the same period of the previous year, due to the reduction of costs (personnel, spare parts, financial expenses, etc.), as well as changes in inventories.



Financial expenses are by 5.2% larger than in the same period last year. Loss from financial relations in the amount of HRK 19.6 million was the result of exchange rate differences and high level of interest on short-term loans. Positive exchange rate differences have 67% share in financial income, while 33% share is made up of income from interest and other financial income. Negative exchange rate differences have 52% share in financial expenses, while 48% share is made up of interest and other financial expenses.

By means of interest rates, business banks are still creating high price of capital. At the end of May 2009, Petrokemija issued approx. HRK 100 million worth of commercial bills through Privredna banka Zagreb, to provide for short-term current assets. During the reported period, the liabilities as per commercial bills were carried out regularly. After Petrokemija d.d. paid out due bills from 7th and 8th tranches of commercial bills from their own funds on 25 February this year amounting to EUR 2.000.000 and HRK 2.000.000, Petrokemija also paid out 11th tranche of commercial bills from their own funds on 21 April, in the amount of EUR 4.150.000.

In May 2010, Petrokemija issued 13th and 14 tranche of commercial bills in the total amount of 21.9 million kunas for a period of 364 days. The net proceeds from issuance of commercial bills was used for the refinancing of the tranche of commercial bills, which was due in May this year. The next tranche of commercial bills is due in September 2010.



2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

After consolidation the financial results of Petrokemija d.d. and its daughter companies – Restoran Petrokemija d.o.o. Kutina, Petrokemija d.o.o. Novi Sad and Petrokemija d.o.o. Novo Mesto, the financial result is as follows:

- Total income HRK 922.6 million,
- Total expenses HRK 969.5 million,
- Loss before taxation HRK -46.9 million.

It is evident from the Profit and Loss and Balance Sheet tables that the daughter companies have no significant influence on the Petrokemija Group result.

Business results of daughter companies in 100% ownership:

(HRK 000)

POSITION	Actual Jan-Jun 2010	Actual Jan-Jun 2009	Ind 2/3
1	2	3	4
RESTORAN PETROKEMIJA d.o.o.			
TOTAL INCOME	1 027	1 353	75.9
TOTAL EXPENSES	1 045	1 332	78.5
GROSS PROFIT /LOSS	-18	21	0
PETROKEMIJA d.o.o. Novi Sad			
TOTAL INCOME	5 133	16 375	31.3
TOTAL EXPENSES	4 959	15 682	31.6
GROSS PROFIT	174	693	25.1
PETROKEMIJA d.o.o. Novo Mesto			
TOTAL INCOME	374	384	97.4
TOTAL EXPENSES	372	371	100.3
GROSS PROFIT	2	13	15.4

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(HRK 000)

POSITION	Petrokemija Group Jan-Jun 2010	Petrokemija Group Jan-Jun 2009
Total operating income	909 558	1 078 974
Total operating expenses	936 934	1 112 644
PROFIT/LOSS FROM ORDINARY ACTIVITIES	- 27 376	-33 670
Total financial income	13 023	17 703
Total financial expenses	32 537	30 823
PROFIT/LOSS FROM FINANCIAL ACTIVITIES	- 19 514	-13 120
TOTAL INCOME	922 581	1 096 677
TOTAL EXPENSES	969 471	1 143 467
Profit/Loss before taxation	-46 890	-46 790
Profit tax	17	71
Profit/Loss after taxation	-46 907	-46 861

CONSOLIDATED BALANCE SHEET

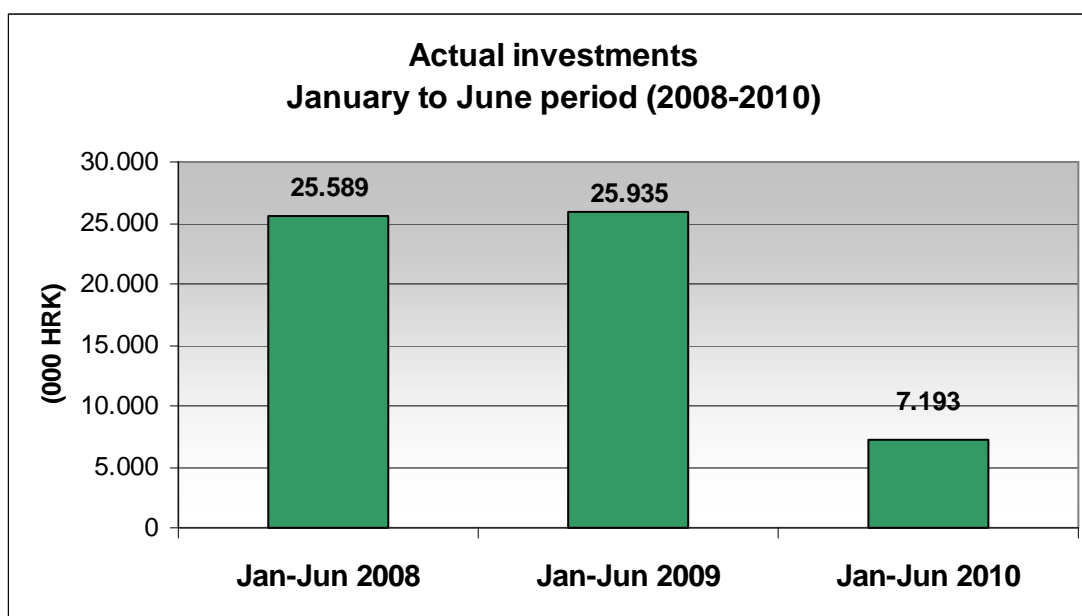
(HRK 000)

POSITION	Petrokemija Group 30.06.2010	Petrokemija Group 30.06.2009
Total long-term assets	824 528	888 401
Total short-term assets	636 150	970 473
Prepaid costs and accrued income	3 249	3 755
TOTAL ASSETS	1 463 927	1 862 629
Total capital	745 765	1 013 892
Long-term liabilities	0	0
Total short-term liabilities	715 312	840 412
Accruals and diferred income	2 850	8 325
TOTAL LIABILITIES	1 463 927	1 862 629

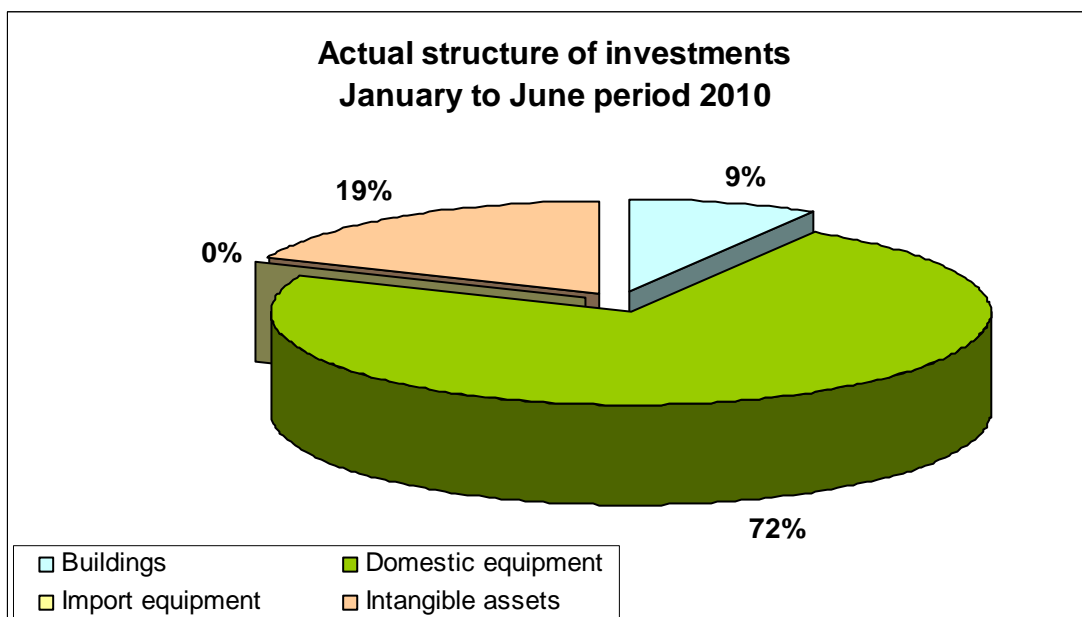
3. INVESTMENTS

Actual investments in 1st half of 2010 amounted to HRK 7.2 million, approximately 28% of the value for the previous year. Compared to earlier years, a considerable rise in investments was planned in the field of environmental protection and upgrading facilities. However, the investment rate has slowed down in compliance with the availability of funds.

HRK 6.0 million was invested in the parent company – Fertilizer Production and ancillary services HRK 1.2 million was invested in other production plants.



The technical structure of investments is depicted in the following chart:



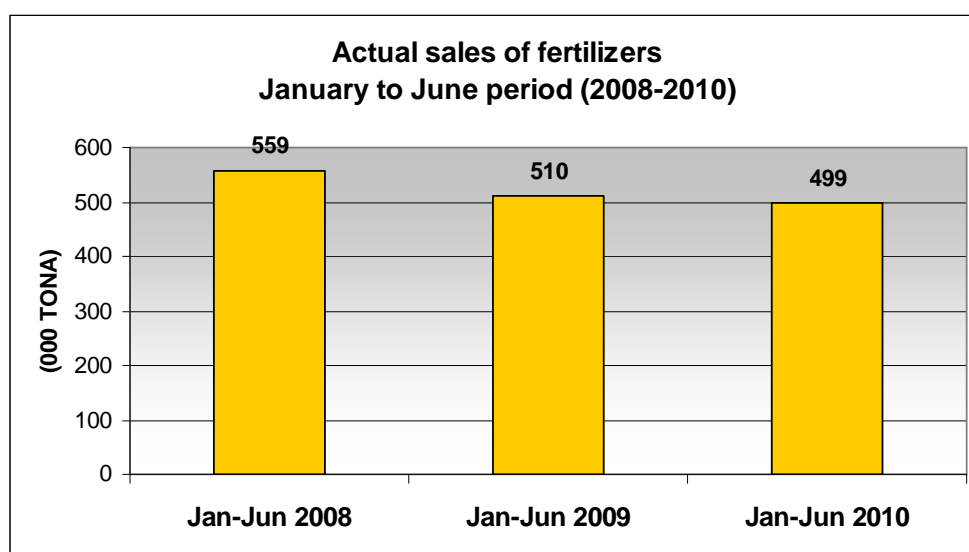
4. ACTUAL PRODUCTION AND SALES

Production Actual in the January to June 2010 period:

- **fertilizers** 536.6 thousand tons
- **clay-based products** 11.7 thousand tons
- **TGUS products** 0.7 thousand tons

In line with the production plan realization, available supplies and market circumstances, the sales results were as follows:

- **fertilizers** 499.1 thousand tons
- **clay-based products** 12.0 thousand tons
- **TGUS products (+chemicals)** 2.3 thousand tons

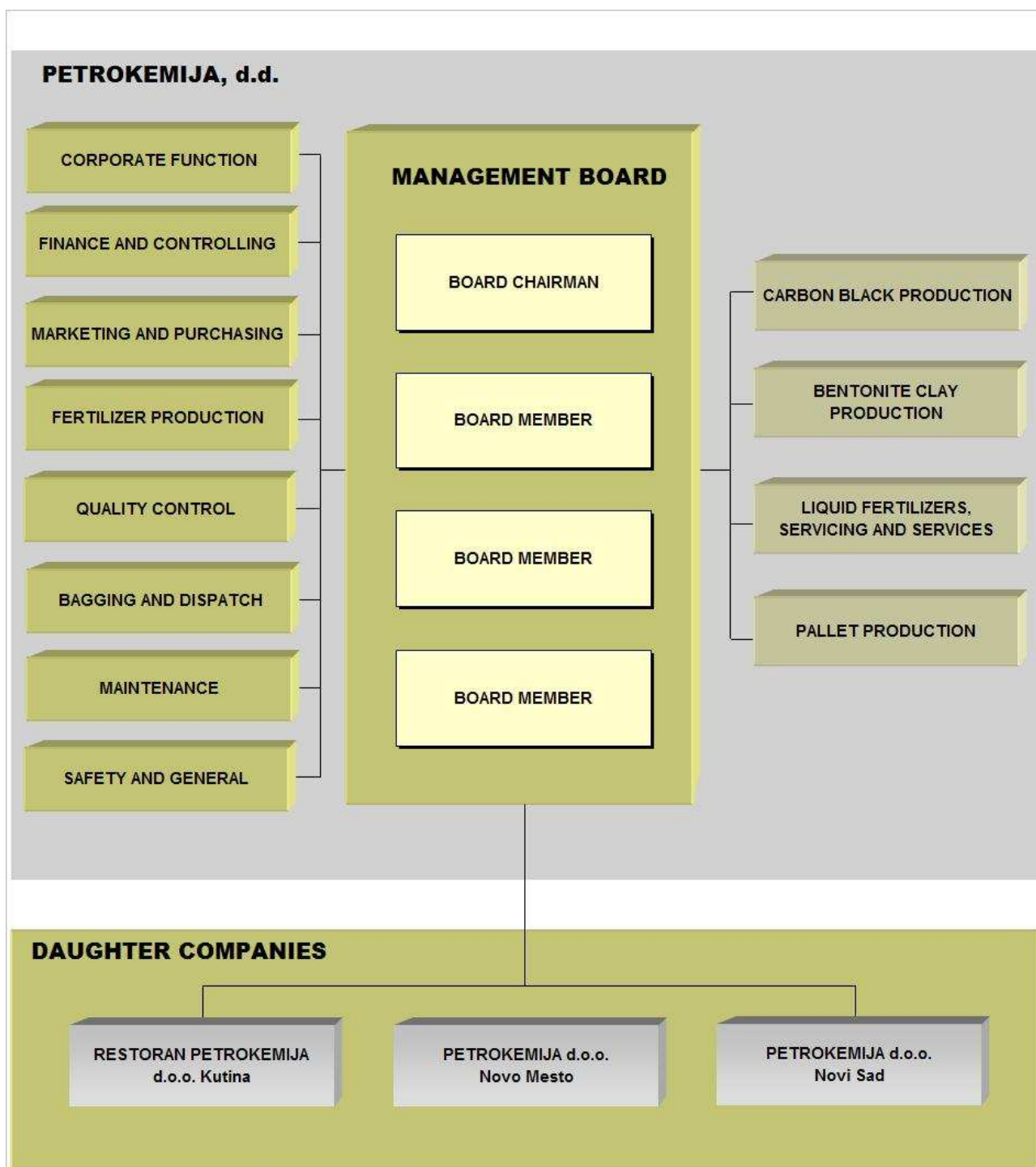


5. ORGANIZATION CHART AND HUMAN RESOURCES

In 1st half of 2010, there was no major change in organization chart, established in previous years.

Petrokemija Group is made up of Petrokemija d.d. Kutina as the parent company and daughter companies:

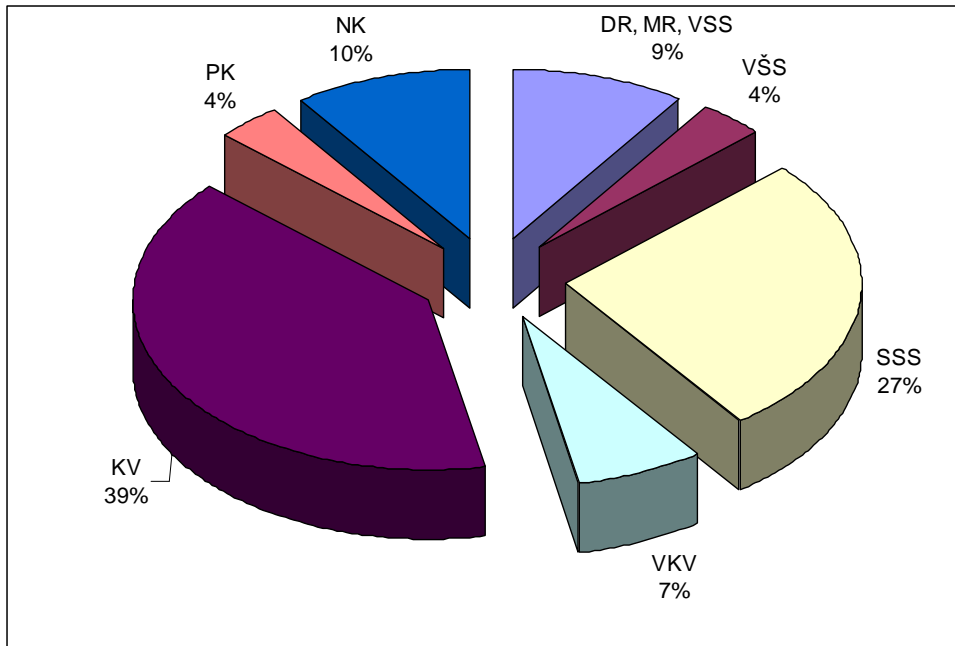
- Restoran Petrokemija d.o.o. Kutina,
- Petrokemija d.o.o. Novi Sad and
- Petrokemija d.o.o. Novo Mesto.



As of June 30, 2010, Petrokemija d.d. had 2,355 employees and their daughter-companies, members of the Petrokemija Group, had a total of 11 employees, which makes a total number of 2,366 employees. High qualification structure corresponds to the complexity of the production and other systems of the Company.

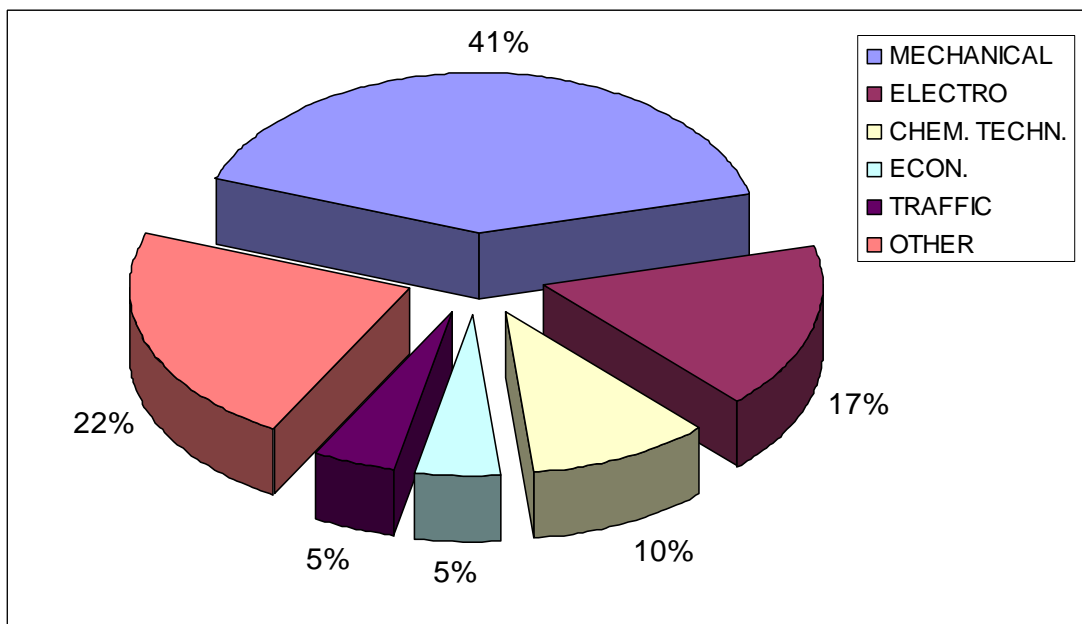
In May 2010 there was a change of the chairman of Petrokemija d.d. Management Board, while in another part of the management structure there have been no significant changes in the structure of middle and higher management. During the 1st half of 2010, the number of employees was reduced by 16 workers. Workers from part of the plants that were temporarily stalled, have been deployed on operations in other business units.

EMPLOYEES BY QUALIFICATION:



The employee structure by profession indicates that Petrokemija has maintenance of production and auxiliary facilities in place, as well as other supporting departments such as bagging and dispatch which dispatches and receives about 1.5 million tons a year of raw materials and finished products.

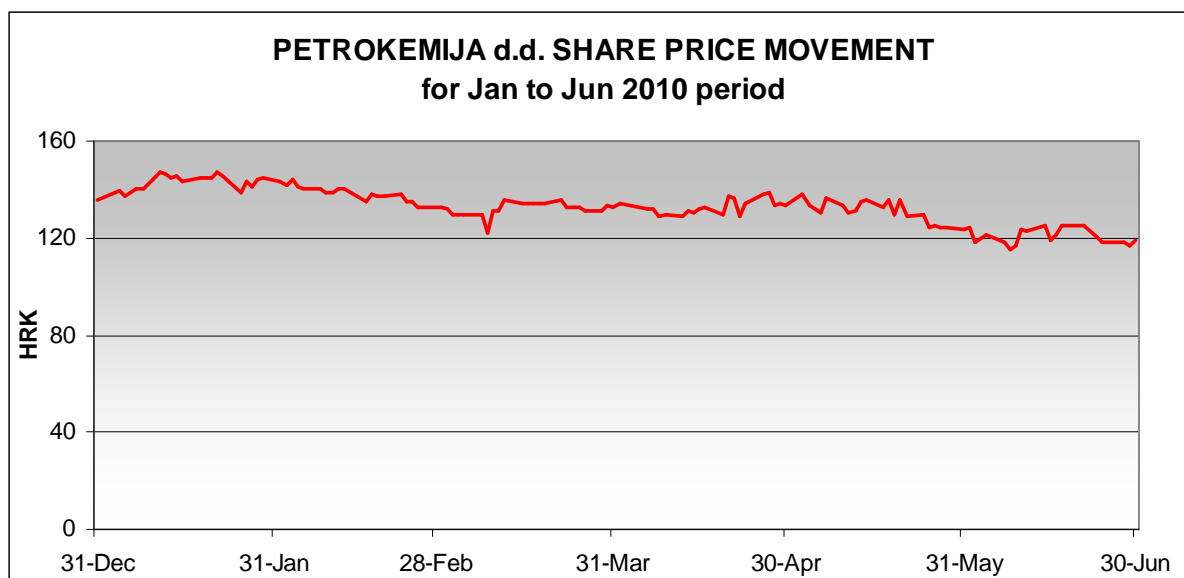
EMPLOYEES BY PROFESSION:



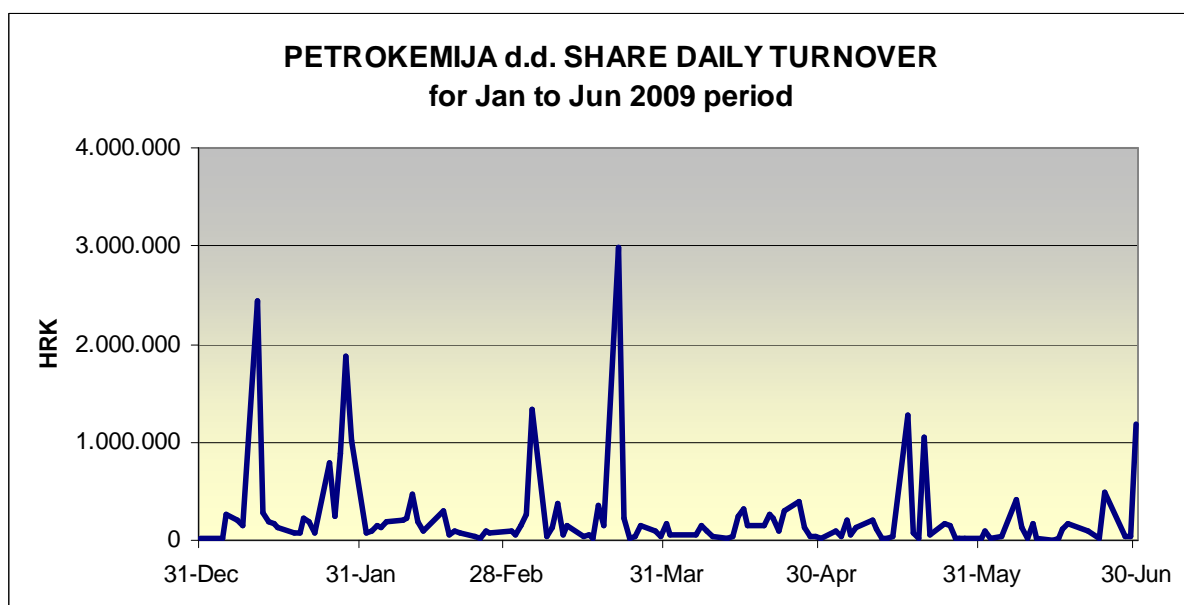
6. PETROKEMIJA'S d.d. SHARE TRADING AND PRICE MOVEMENTS

Petrokemija d.d. share is quoted in the Official Zagreb Stock Exchange Market. The nominal value of share is HRK 270.00.

Petrokemija's share value was HRK 136.00 at the end of December 2009 and HRK 113,64 on 30 June 2010. The share turnover at the Zagreb Stock Exchange was HRK 28.6 million in first half of 2010, with price fluctuations mainly influenced by the global financial crisis and actual financial results.



Source: ZSE



Source: ZSE

7. ENVIRONMENTAL PROTECTION - JANUARY TO JUNE 2010

Introduction

Petrokemija d.d. with its core production of fertilizers, carbon black and bentonite clay-based products, has a significant impact on environment. The environmental management system of the Company is in compliance with, and certified against ISO 14001:2004 standard requirements.

The overall goal of Petrokemija is to improve efficiency of the environmental management system in order to achieve a more effective environmental protection and pollution prevention.

Major environmental aspects are pollutant emissions to air and water and waste management. Detailed reports on environmental protection and impact of Petrokemija's production on environment are annually made in accordance with the regulations. What follows is a summary of actual indicators of environmental management for January to June period by main environmental aspects.

1. Air pollutant emissions and air quality in the Kutina area

According to the data from 2009, greenhouse gases, carbon dioxide, nitrous oxide and methane (CO₂, N₂O and CH₄) have the largest share (about 99 %) in the total emissions into air from Petrokemija. As regards other typical pollutant emissions (ammonia-NH₃, sulphur dioxide-SO₂, nitrogen dioxide-NO₂, hydrogensulphide-H₂S, gaseous fluorides-HF, dust), without greenhouse gases and carbon monoxide (CO) from Petrokemija's technological processes, ammonia and nitrogen oxides, with 45,5 % i 31,6 %. respectively, have the largest share in total pollutant emissions.

In line with the regulations, emission monitoring was done by individual, periodical measuring throughout calendar year except for measurements of air emissions from Power Plant, Ammonia Plant that were continuous. Continuous, automatic measurements in place at Sulphuric Acid Plant and Carbon Production Plant are not being conducted due to a temporary production standstill at these plants. Air quality monitoring in the Kutina area is continuous, by means of automatic and semi-automatic methods.

In the January to June 2010 period, the results of air quality monitoring at six local network measuring stations for the seven pollutants (NH₃, SO₂, NO₂, H₂S, HF, smoke and sediment), showed exceedings of 24-hour limit for ammonia as follows: one exceeding at K2 (Fire-fighters' Home) and two exceedings at K6 (Husain) measuring stations. Furthermore, one exceeding of 24-hour limit value and one exceeding of 24-hour tolerance value was recorded for nitrogen oxides (NO₂) at K3 measuring station (Meteorological Site). In the January to June 2010 period the air quality, measured by the local network was 1st category (clean or slightly polluted air) for all pollutants.

According to unofficial measuring results of the Kutina-1 State Measuring Station, the air quality was 1st category (clean or slightly polluted air) for all pollutants.

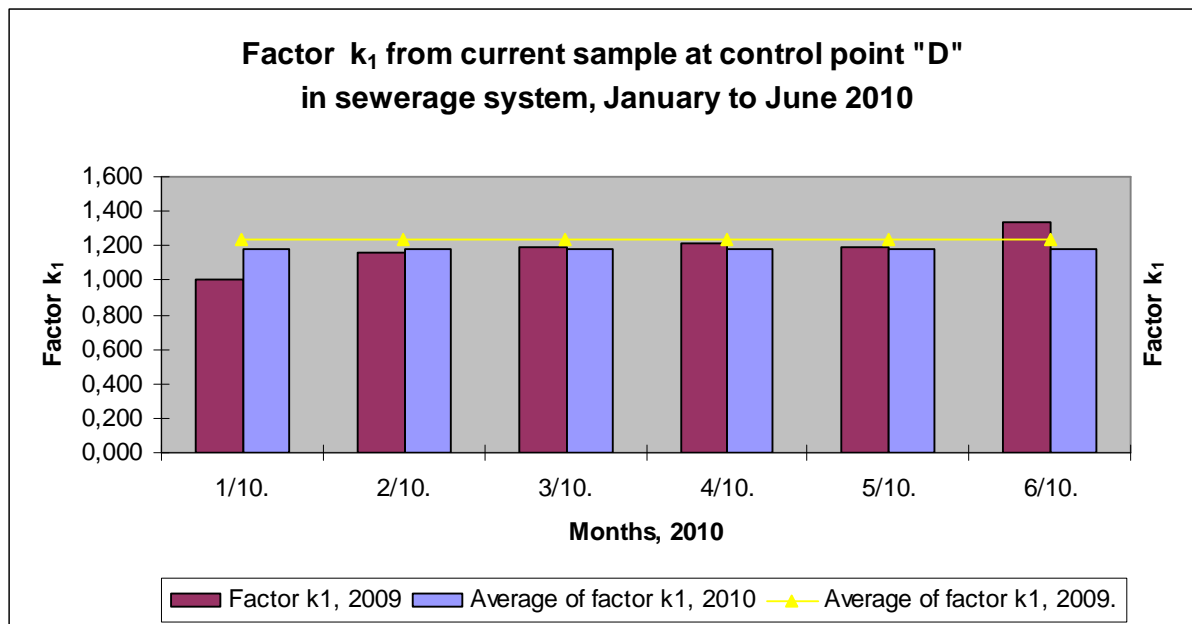
5 exceedings of the 24-hour limit value were recorded for ammonia which was under the allowed 7 exceedings per calendar year for 1st air quality category.

For PM₁₀, there were 21 exceedings of the 24-hour limit value and 16 exceedings of the 24-hour tolerance value as compared to 35 exceedings of the limit and 35 exceedings of the tolerance values that are acceptable in a calendar year for 1st and 2nd category air.

2. Water management

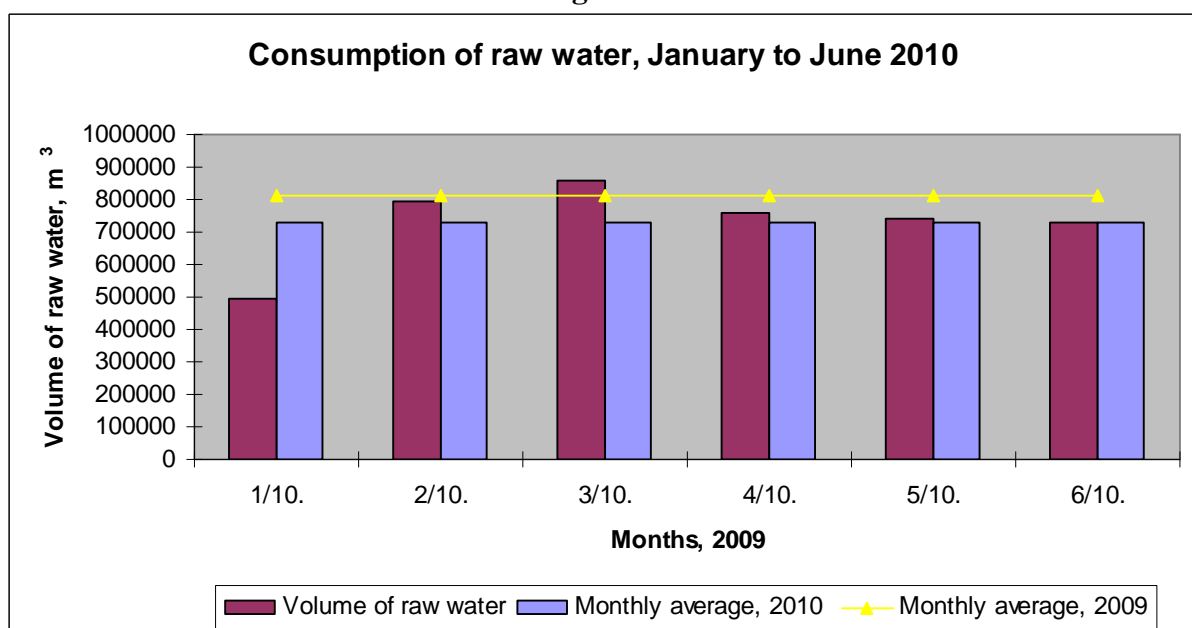
In the January to June 2010 period, improvement of water protection was achieved which is shown in the reduction of k1 factor as compared to the 2009 average rate (Figure 1), regardless of an increase in June 2010.

Figure 1.



In the same period of 2010 reduction of raw water consumption was achieved (Figure 2.).

Figure 2.



3. Waste management

The generated production waste (e.g. calcium fluoride) was regularly disposed at the phosphogypsum disposal pond, in accordance with the valid permit. Other kinds of waste were handed over to licensed collecting and processing companies. There was no further generation of phosphogypsum or its disposal at the non-hazardous waste disposal pond of Petrokemija d.d. due to a temporary standstill of phosphoric acid production.

8. MAIN FEATURES OF BUSINESS ACTIVITIES IN THE NEXT PERIOD

Business plan for 2010 anticipates a faster growth of total income than expenses and actual profit of HRK 1.6 million, provided a mutually acceptable gas price is agreed with the gas supplier. In view of the present market situation – fall of GDP and activities in the real sector in Croatia and the countries of the region to which Petrokemija largely exports its products – the Managing Board estimate that it is going to be very difficult to achieve any positive moves in business.

It will be possible to give a more realistic estimate for the business in the following years after the price of gas for this and the subsequent years has been defined.

After the general overhaul of the facilities in January, the only productions that started up were those necessary to supply sufficient fertilizer volumes for the 2010 spring sowing season. The emphasis will still be on the domestic and the markets of neighboring countries, Petrokemija's traditional markets. Monthly delivery schedules and operational planning of sales volumes on the domestic and export markets will depend on oncoming non-season consumption time in the third quarter.

Other segments of operational planning – employment and salaries – were significantly downsized; a part of the plants is still at a standstill due to market reasons and the current solvency is maintained with the support of business banks, HBOR and issuing of commercial bills.

9. SIGNIFICANT FINANCIAL RISKS IN 2010

The overall considerations of Petrokemija's business position include a number of parameters whose impact is difficult to estimate. However, in view of the present market situation a special attention should be given to:

- Petrokemija's d.d. result is highly dependent on the price movements of fertilizers and raw materials used for their production on the world market, the exchange rate of HRK against USD and EUR and their interrelations.
- A new contract on gas supply is still not signed with INA Industrija nafte. d.d. Zagreb, i.e. their daughter-company Prirodni plin d.o.o. at the time being. If the price calculation containing a formula for quarterly pricing of gas is negotiated – linked to the USD exchange rate and the movement of petroleum products prices on the world market – it will result in an additional exposure to HRK exchange rate and energy price fluctuations in the world market.
- In the beginning of 2010, there were signs of fertilizer sales price recovery in the global markets, but the oncoming non-season consumption time in the third quarter will bring along additional challenges in the business.
- The fluctuations of raw material prices in the world market, which have been present so far, are also following a rising trend, which will have impact on material costs in the next period.
- High costs of working capital – because of insufficient own working capital, high interest rate and necessary credit resources, due to extension of due payment period of sold goods in the domestic market.
- The global financial crisis and connection of fertilizer industry with changes in the world food and energy market bring about certain risks in business planning in 2010 and the years to come. The price of cereals on world stock exchanges are somewhat higher than in the same period of last year and some of the price estimates in stock exchanges of agricultural products the USA indicate their rise in 2011, which gives us reason to be optimistic about positive impact in agriculture and indirectly in fertilizer sales.

10. STATEMENT OF MANAGEMENT LIABILITY

In line with Articles 407 through 410 of Capital Market Act (OG 88/08 and 146/08), the Managing Board of Petrokemija d.d. Kutina, A. Vukovar 4 make a

Statement on Management Liability

Financial reports were made in accordance with International Financial Standards (IFRS). Financial reports are also compliant to Croatian Accounting Act, effective at the time of issuing of the financial reports.

Financial reports for the January 1 to June 30, 2010 period, make an exact and truthful account of the Company financial state and the business and cash flow results, in compliance with the applicable accounting standards.

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

Chairman of Petrokemija
Management Board
Josip Jagušt, M.Sc.

Member of Petrokemija
Management Board
Zdenka Krstanović, M.Sc.Econ.

Member of Petrokemija
Management Board
Nedjeljko Klopček, M.Sc.Econ.

Member of Petrokemija
Management Board
Tomislav Seletković, M.Sc.

Encl: Quarterly financial report of the company - TFI-POD
Quarterly financial report of the Petrokemija Group - TFI-POD

ATTACHMENT 1.

Reporting period

1.1.2010.

to

30.06.2010.

Quarterly financial statements -TFI-POD

Tax number (MB): 03674223

Registration number (MBS): 080004355

Personal identification number: 24503685008

(OIB):

Issuer: PETROKEMIJA d.d.

Postal code and location: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

E-mail: fin@petrokemija.hrInternet address: www.petrokemija.hr

Code and city / municipality: 220 KUTINA

Code and county: 3 SISAČKO-MOSLAVAČKA

Number of employees: 2.355

(at the end of trimester)

Consolidated Report: NO

Business activity code: 2015

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office: PETROKEMIJA d.d.

KUTINA

Contact person: MARINA MARIĆ

(name and surname of the contact person)

Telephone: 044 647 829

Fax: 044 682 819

E-mail: marina.maric@petrokemija.hr

Name and surname: JOSIP JAGUŠT, ZDENKA KRSTANOVIĆ

(authorized representatives)

Documents to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons in charge of making Financial Statements
3. Management Board's Report

(seal)

(signature of authorized representative)

BALANCE SHEET

as of

30.06.2010.

in HRK 000

PETROKEMIJA d.d.			
Position	AOP code	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED AND UNPAID EQUITY	001	0	0
B) NON-CURRENT ASSETS	002	876.035	831.494
I. INTANGIBLE ASSETS	003	6.998	8.240
II. TANGIBLE ASSETS	004	840.961	796.661
III. LONG-TERM FINANCIAL ASSETS	005	28.076	26.593
IV. TRADE RECEIVABLES	006		
V. DEFERRED TAX	007		
C) CURRENT ASSETS	008	639.953	632.774
I. INVENTORIES	009	375.037	438.434
II. TRADE RECEIVABLES	010	237.973	138.235
III. SHORT-TERM FINANCIAL ASSETS	011	752	47.494
IV. CASH IN BANK AND ON HAND	012	26.191	8.611
D) PREPAID EXPENSES AND ACCRUED INCOME	013	5.103	3.242
E) LOSS IN EXCESS OF VALUE AND CAPITAL	014		
F) TOTAL ASSETS	015	1.521.091	1.467.510
G) OFF BALANCE SHEET ITEMS	016	129.325	116.813
LIABILITIES			
A) CAPITAL AND RESERVES	017	793.390	746.343
I. SHARE (SUBSCRIBED) CAPITAL	018	902.102	902.102
II. CAPITAL RESERVES	019		
III. RESERVES FROM PROFIT	020	69.399	69.399
IV. REVALUATION RESERVES	021		
V. RETAINED PROFIT	022	89.524	89.524
VI. LOSS CARRIED FORWARD	023		267.635
VII. PROFIT FOR THE YEAR	024		
VIII. LOSS FOR THE YEAR	025	267.635	47.047
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028		
D) CURRENT LIABILITIES	029	724.851	718.317
E) ACCRUALS AND DEFERRED INCOME	030	2.850	2.850
F) TOTAL – LIABILITIES	031	1.521.091	1.467.510
G) OFF BALANCE SHEET ITEMS	032	129.325	116.813
BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement)			
CAPITAL AND RESERVES			
1. Credited to parent company capital owners	033		
2. Credited to minority interest	034		

INCOME STATEMENT

for the period

1.1.2010

to

30.6.2010

in HRK 000

PETROKEMIJA d.d.					
Position	AOP code	Previous period		Current period	
1	2	Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUE	035	1.077.406	465.147	908.528	510.202
1. Sales revenue	036	1.029.839	438.284	895.961	503.980
2. Income from own consumption of products, goods and services	037	3.218	2.687	2.476	1.269
3. Other operating revenue	038	44.349	24.176	10.091	4.953
II. OPERATING EXPENSES	039	1.111.685	515.287	936.022	507.156
1. Decrease of inventories in work in progress and finished products	040	85.849	69.292		
2. Increase of inventories in work in progress and finished products	041			27.873	44.974
3. Cost of material	042	793.948	324.821	770.031	448.414
4. Staff costs	043	136.380	66.048	106.637	54.102
5. Depreciation and amortisation	044	50.178	25.153	50.650	25.382
6. Other expenses	045	43.609	29.963	36.254	23.962
7. Impairment and charges	046	1.721	10	323	270
8. Provisions	047				
9. Other operating expenses	048				
III. FINANCE REVENUE	049	18.363	13.163	13.017	8.316
1. Interest, exchange rate fluctuations, dividend and similar from associated companies	050	25	20	15	10
2. Interest, exchange rate fluctuations, dividend and similar from non-associated companies	051	13.520	8.325	11.887	7.937
3. Part of revenue from associated companies and participating interest	052	4.818	4.818	369	369
4. Unrealised gains (revenues)	053			746	0
5. Other financial revenue	054				
IV. FINANCE COSTS	055	30.945	12.874	32.570	21.956
1. Interest, exchange rate fluctuations and other costs with associated companies	056	158	79	206	78
2. Interest, exchange rate fluctuations and other costs with non-associated companies	057	30.787	12.795	30.169	19.683
3. Unrealised losses (costs) from finance assets	058			2.195	2.195
4. Other finance costs	059				
V. EXTRAORDINARY - OTHER REVENUE	060	0	0	0	0
VI. EXTRAORDINARY - OTHER COSTS	061	0	0	0	0
VII. TOTAL REVENUES	062	1.095.769	478.310	921.545	518.518
VIII. TOTAL EXPENSES	063	1.142.630	528.161	968.592	529.112
IX. PROFIT BEFORE TAX	064				
X. LOSS BEFORE TAX	065	46.861	49.851	47.047	10.594
XI. PROFIT TAX	066	0	0	0	0
XII. PROFIT FOR THE PERIOD	067				
XIII. LOSS FOR THE PERIOD	068	46.861	49.851	47.047	10.594
SUPPLEMENT TO INCOME STATEMENT (to be completed by companies that prepare consolidated financial statements)					
XIV.* PROFIT CREDITED TO PARENT COMPANY CAPITAL OWNERS	069				
XV.* PROFIT CREDITED TO MINORITY INTEREST	070				
XVI.* LOSS CHARGED TO PARENT COMPANY CAPITAL OWNERS	071				
XVII.* LOSS CHARGED TO MINORITY INTEREST	072				

CASH FLOW STATEMENT - Indirect method

for the period 1.1.2010 to 30.6.2010

in HRK 000

PETROKEMIJA d.d.			
Position	AOP code	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-46.851	-47.047
2. Depreciation and amortisation	074	50.178	50.650
3. Increase in short-term liabilities	075		
4. Decrease in short-term receivables	076		
5. Decrease in inventories	077	95.649	
6. Other increase of cash flow	078	5.478	142.550
I. Total increase of cash flow from operating activities	079	104.454	146.153
1. Decrease in short-term liabilities	080	91.438	18.440
2. Increase in short-term payables	081	141.454	9.314
3. Increase in inventories	082		63.397
4. Other decrease in cash flow	083	26.691	
II. Total decrease in cash flow from operating activities	084	259.583	91.151
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	085		55.002
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES	086	155.129	
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	087	8.406	
2. Cash proceeds from sale of equity and debt security instruments	088		
3. Cash proceeds from interest payment	089		
4. Cash proceeds of dividend payment	090		
5. Other cash proceeds from investing activities	091		370
III. Total cash inflow from investing activities	092	8.406	370
1. Cash outflow for acquisition of non-current tangible and intangible assets	093	18.639	10.466
2. Cash outflow for acquisition of equity and debt security instruments	094		
3. Other cash outflows from investing activities	095		20
IV. Total cash outflow from investing activities	096	18.639	10.486
B1) NET CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	098	10.233	10.116
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	099	101.924	21.160
2. Cash inflow from loan principals, debentures, credits and other borrowings	100	84.876	160.988
3. Other cash inflows from finance activities	101	22.000	25.867
V. Total cash inflow from finance activities	102	208.800	208.015
1. Cash outflow for repayment of loan principal and bonds	103	3.318	123.679
2. Cash outflow for dividend payment	104		
3. Cash outflow for finance lease	105		
4. Cash outflow for buyback of own shares	106		
5. Other cash outflow from finance activities	107	33.643	146.802
VI. Total cash outflow for finance activities	108	36.961	270.481
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES	109	171.839	
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES	110		62.466
Total increase of cash flow	111	321.660	354.538
Total decrease of cash flow	112	315.183	372.118
Cash and cash equivalents at the beginning of the period	113	10.846	26.191
Increase of cash and cash equivalents	114	6.477	
Decrease of cash and cash equivalents	115		17.580
Cash and cash equivalents at the end of the period	116	17.323	8.611

STATEMENT ON CHANGES IN EQUITY

from 1.1.2010 to 30.6.2010

in HRK 000

PETROKEMIJA d.d.					
Position	AOP code	Previous period	Increase	Decrease	Current period
1	2	31.12. previous year		3	4
1. Subscribed capital	117	902.102			902.102
2. Capital reserves	118				
3. Reserves from profit	119	69.399			69.399
4. Retained profit or loss carried forward	120	89.524	-267.635		-178.111
5. Profit or loss for the year	121	-267.635	-47.047	-267.635	-47.047
6. Revaluation of non-current tangible assets	122				
7. Revaluation of intangible assets	123				
8. Revaluation of financial assets available for sale	124				
9. Other revaluation	125				
10. Exchange differences on translation of financial statements of foreign operations	126				
11. Current and deferred taxes (part)	127				
12. Protection of cash flow	128				
13. Changes in accounting policies	129				
14. Adjustment of significant errors from previous periods	130				
15. Other changes in capital	131				
16. Total increase or decrease of capital	132	793.390	-314.682	-267.635	746.343
16a. Credited to parent company capital owners	133				
16b. Credited to minority interest	134				

Note

PETROKEMIJA d.d.

In 1st half of 2010 as compared to the same period of 2009, Petrokemija d.d. increased production by 28.1%, reduced staff costs by 21.8%, and most of other costs, with the exception of raw materials and energy. However, all this could not compensate for the 15.7% fall in operating income and prevent from reporting loss.

The reported business loss Petrokemija d.d. is HRK 47.0 million, approximately at the same level as in the same period last year (index 100.4) and smaller than that in the 2nd half of 2009. The loss was partially caused by a month of shutdown due to overhaul in January and partly by the rise of gas price, as the most important raw material for the production, purchased on the domestic market by the so called Russian formula.

As Petrokemija d.d. is influenced by the movements in the global market, the effects of the global financial crisis of 2009 are still present in the Company business. The fall in activity of the real sector and low price of agricultural products in global market and consequently weak demand for fertilizers still have negative impact on Petrokemija's business. Due to market conditions, a number of facilities were shut down in the second half of 2009 and the problem was carried over into 2nd half of 2010.

As compared to the same period of 2009, there was a 15.9% fall in total income, while the expenses were reduced by 15.2%. The loss is approx. HRK 3.8 million smaller than the calculated depreciation and the EBITDA indicator (Earning before Interest, Taxation, Depreciation and Amortization) is positive and amounts to HRK 23.2 million.

The lower business income and expense compared to the previous year is the result of lower in- and output prices in a part of product range. The crisis in demand of complex NPK fertilizers and carbon black is still present. In the further course of the year, a growing concern is to be expected over an increasing difference between the gas price and difference arising between the price of gas on the spot market, which is approximately 30-50% lower than the price of gas associated with the movement of petroleum products (so-called Oil-Linked). It is estimated that during the 3rd and 4th quarters, the price of gas will continue to grow. Lower gas price on the spot market in part causes the fall of nitrogen fertilizer price in the global market and results in unfavorable position of fertilizer manufacturers buying Russian gas.

In addition to the own current assets and short-term bank loans, Petrokemija secured the funds by issuing commercial bills at the Zagreb Stock Exchange, by way of Privredna banka Zagreb as the program dealer and agent. In the course of the reporting period, Petrokemija successfully paid off all due tranches of this program.

Numerous factors will influence the future financial movements of Petrokemija d.d.. The Management Board of the Company claims that internally a significant progress in terms of staff and pay reduction was made. Thus the actual staff costs in 1st half of 2010 were 21.8% lower as compared to the same period of 2009.

Except for the gas price, defined in the domestic market, the majority of future risks comes from the international scene, mainly through:

1. Change in price of basic raw materials in world market (MAP, DAP, phosphate, potassium chloride, sulfur;
2. Change in sales price of fertilizer;
3. Price fluctuation of energy fluids - gas and heating oil;
4. Exchange rate of USD and EUR to HRK;
5. Costs of financing and inter-currency relations.

As a result of the global crisis and low demand, payment deadlines for receivables were extended and products were sold at cut prices in domestic market. Furthermore, there is certain concern with regard to

products were sold at cut prices in domestic market. Furthermore, there is certain concern with regard to the new contract on gas supply .

In the situation of a falling GDP on domestic market and with a problem of collection of receivables which will be a major challenge in 2010 business, any further rise of gas price, while there is constant pressure to review and lower fertilizer price, is a threat to the continuity of the Company business.

In May 2010 there was a change of the chairman of Petrokemija.d.d. Management Board, while in another part of the management structure there have been no significant changes in the structure of middle and higher management. On July 1st, the General Assembly conducted the election of three new members of the Supervisory Board.

ATTACHMENT 1.

Reporting period

1.1.2010.

to

30.06.2010.

Quarterly financial statements -TFI-POD

Tax number (MB): 03674223

Registration number (MBS): 080004355

Personal identification number: 24503685008

(OIB):

Issuer: PETROKEMIJA d.d.

Postal code and location: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

E-mail: fin@petrokemija.hrInternet address: www.petrokemija.hr

Code and city / municipality: 220 KUTINA

Code and county: 3 SISAČKO-MOSLAVAČKA

Number of employees: 2.366
(at the end of trimester)

Consolidated Report: YES

Business activity code: 2015

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

RESTORAN PETROKEMIJA D.O.O.	KUTINA	01335316
PETROKEMIJA D.O.O.	NOVI SAD	08754608
PETROKEMIJA D.O.O.	NOVO MESTO	12034614

Book-keeping office: PETROKEMIJA d.d.

KUTINA

Contact person: MARINA MARIĆ

(name and surname of the contact person)

Telephone: 044 647 829

Fax: 044 682 819

E-mail: marina.maric@petrokemija.hr

Name and surname: JOSIP JAGUŠT, ZDENKA KRSTANOVIĆ

(authorized representatives)

Documents to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons in charge of making Financial Statements
3. Management Board's Report

(seal)

(signature of authorized representative)

BALANCE SHEET

as of

30.06.2010.

in HRK 000

PETROKEMIJA GROUP d.d.			
Position	AOP code	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED AND UNPAID EQUITY	001	0	0
B) NON-CURRENT ASSETS	002	869.323	824.528
I. INTANGIBLE ASSETS	003	7.003	8.243
II. TANGIBLE ASSETS	004	843.317	798.765
III. LONG-TERM FINANCIAL ASSETS	005	19.003	17.520
IV. TRADE RECEIVABLES	006		
V. DEFERRED TAX	007		
C) CURRENT ASSETS	008	643.478	636.150
I. INVENTORIES	009	375.145	438.543
II. TRADE RECEIVABLES	010	237.129	138.362
III. SHORT-TERM FINANCIAL ASSETS	011	752	47.495
IV. CASH IN BANK AND ON HAND	012	30.452	11.750
D) PREPAID EXPENSES AND ACCRUED INCOME	013	5.108	3.249
E) LOSS IN EXCESS OF VALUE AND CAPITAL	014		
F) TOTAL ASSETS	015	1.517.909	1.463.927
G) OFF BALANCE SHEET ITEMS	016	129.325	116.813
LIABILITIES			
A) CAPITAL AND RESERVES	017	792.861	745.765
I. SHARE (SUBSCRIBED) CAPITAL	018	902.102	902.102
II. CAPITAL RESERVES	019		
III. RESERVES FROM PROFIT	020	69.399	69.399
IV. REVALUATION RESERVES	021		
V. RETAINED PROFIT	022	88.995	90.669
VI. LOSS CARRIED FORWARD	023		269.498
VII. PROFIT FOR THE YEAR	024		
VIII. LOSS FOR THE YEAR	025	267.635	46.907
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028		
D) CURRENT LIABILITIES	029	722.198	715.312
E) ACCRUALS AND DEFERRED INCOME	030	2.850	2.850
F) TOTAL – LIABILITIES	031	1.517.909	1.463.927
G) OFF BALANCE SHEET ITEMS	032	129.325	116.813
BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement)			
CAPITAL AND RESERVES			
1. Credited to parent company capital owners	033	792.861	745.765
2. Credited to minority interest	034		

INCOME STATEMENT

for the period

1.1.2010

to

30.6.2010

in HRK 000

PETROKEMIJA GROUP d.d.					
Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUE	035	1.078.974	465.474	909.558	510.433
1. Sales revenue	036	1.031.397	438.603	896.980	504.206
2. Income from own consumption of products, goods and services	037	3.218	2.687	2.475	1.268
3. Other operating revenue	038	44.359	24.184	10.103	4.959
II. OPERATING EXPENSES	039	1.112.644	515.598	936.934	507.263
1. Decrease of inventories in work in progress and finished products	040	85.849	69.292		
2. Increase of inventories in work in progress and finished products	041			27.873	44.974
3. Cost of material	042	793.469	324.502	769.753	448.009
4. Staff costs	043	137.149	66.439	107.291	54.436
5. Depreciation and amortisation	044	50.239	25.183	50.713	25.414
6. Other expenses	045	44.217	30.172	36.727	24.108
7. Impairment and charges	046	1.721	10	323	270
8. Provisions	047				
9. Other operating expenses	048				
III. FINANCE REVENUE	049	17.703	13.083	13.023	8.318
1. Interest, exchange rate fluctuations, dividend and similar from associated companies	050				
2. Interest, exchange rate fluctuations, dividend and similar from non-associated companies	051	12.866	8.246	11.892	7.941
3. Part of revenue from associated companies and participating interest	052	4.837	4.837	385	377
4. Unrealised gains (revenues)	053			746	
5. Other financial revenue	054				
IV. FINANCE COSTS	055	30.823	12.796	32.537	21.986
1. Interest, exchange rate fluctuations and other costs with associated companies	056	36	1		
2. Interest, exchange rate fluctuations and other costs with non-associated companies	057	30.787	12.795	30.342	19.791
3. Unrealised losses (costs) from finance assets	058			2.195	2.195
4. Other finance costs	059				
V. EXTRAORDINARY - OTHER REVENUE	060				
VI. EXTRAORDINARY - OTHER COSTS	061				
VII. TOTAL REVENUES	062	1.096.677	478.557	922.581	518.751
VIII. TOTAL EXPENSES	063	1.143.467	528.394	969.471	529.249
IX. PROFIT BEFORE TAX	064				
X. LOSS BEFORE TAX	065	46.790	49.837	46.890	10.498
XI. PROFIT TAX	066	71	59	17	10
XII. PROFIT FOR THE PERIOD	067				
XIII. LOSS FOR THE PERIOD	068	46.861	49.896	46.907	10.508
SUPPLEMENT TO INCOME STATEMENT (to be completed by companies that prepare consolidated financial statements)					
XIV.* PROFIT CREDITED TO PARENT COMPANY CAPITAL OWNERS	069				
XV.* PROFIT CREDITED TO MINORITY INTEREST	070				
XVI.* LOSS CHARGED TO PARENT COMPANY CAPITAL OWNERS	071	46.861	49.896	46.907	10.508
XVII.* LOSS CHARGED TO MINORITY INTEREST	072				

CASH FLOW STATEMENT - Indirect method

for the period 1.1.2010 to 30.6.2010

in HRK 000

PETROKEMIJA GROUP d.d.			
Position	AOP code	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-46.790	-46.890
2. Depreciation and amortisation	074	50.239	50.713
3. Increase in short-term liabilities	075		
4. Decrease in short-term receivables	076		
5. Decrease in inventories	077	97.002	
6. Other increase of cash flow	078	5.478	139.415
I. Total increase of cash flow from operating activities	079	105.929	143.238
1. Decrease in short-term liabilities	080	91.827	15.552
2. Increase in short-term payables	081	141.817	10.408
3. Increase in inventories	082		63.398
4. Other decrease in cash flow	083	26.193	
II. Total decrease in cash flow from operating activities	084	259.837	89.358
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	085		53.880
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES	086	153.908	
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	087	8.406	
2. Cash proceeds from sale of equity and debt security instruments	088		
3. Cash proceeds from interest payment	089		
4. Cash proceeds of dividend payment	090		
5. Other cash proceeds from investing activities	091		370
III. Total cash inflow from investing activities	092	8.406	370
1. Cash outflow for acquisition of non-current tangible and intangible assets	093	18.639	10.466
2. Cash outflow for acquisition of equity and debt security instruments	094		
3. Other cash outflows from investing activities	095		20
IV. Total cash outflow from investing activities	096	18.639	10.486
B1) NET CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	098	10.233	10.116
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	099	101.924	21.160
2. Cash inflow from loan principals, debentures, credits and other borrowings	100	84.876	160.988
3. Other cash inflows from finance activities	101	22.000	25.867
V. Total cash inflow from finance activities	102	208.800	208.015
1. Cash outflow for repayment of loan principal and bonds	103	3.318	123.679
2. Cash outflow for dividend payment	104		
3. Cash outflow for finance lease	105		
4. Cash outflow for buyback of own shares	106		
5. Other cash outflow from finance activities	107	33.643	146.802
VI. Total cash outflow for finance activities	108	36.961	270.481
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES	109	171.839	
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES	110		62.466
Total increase of cash flow	111	323.135	351.623
Total decrease of cash flow	112	315.437	370.325
Cash and cash equivalents at the beginning of the period	113	13.915	30.452
Increase of cash and cash equivalents	114	7.698	
Decrease of cash and cash equivalents	115		18.702
Cash and cash equivalents at the end of the period	116	21.613	11.750

STATEMENT ON CHANGES IN EQUITY

from 1.1.2010 to 30.6.2010

in HRK 000

PETROKEMIJA GROUP d.d.					
Position	AOP code	Previous period	Increase	Decrease	Current period
1	2	31.12. previous year		3	4
1. Subscribed capital	117	902.102			902.102
2. Capital reserves	118				
3. Reserves from profit	119	69.399			69.399
4. Retained profit or loss carried forward	120	88.995	-267.635	189	-178.829
5. Profit or loss for the year	121	-267.635	-46.907	-267.635	-46.907
6. Revaluation of non-current tangible assets	122				
7. Revaluation of intangible assets	123				
8. Revaluation of financial assets available for sale	124				
9. Other revaluation	125				
10. Exchange differences on translation of financial statements of foreign operations	126				
11. Current and deferred taxes (part)	127				
12. Protection of cash flow	128				
13. Changes in accounting policies	129				
14. Adjustment of significant errors from previous periods	130				
15. Other changes in capital	131				
16. Total increase or decrease of capital	132	792.861	-314.542	-267.446	745.765
16a. Credited to parent company capital owners	133	792.861	-314.542	-267.446	745.765
16b. Credited to minority interest	134				

Note

PETROKEMIJA GROUP

It is evident from the Profit and Loss and Balance Sheet tables that the daughter companies have no significant influence on the Petrokemija Group result. Daughter companies are: Restoran Petrokemija d.o.o. Kutina, Petrokemija d.o.o. Novi Sad and Petrokemija d.o.o. Novo Mesto.

In 1st half of 2010 as compared to the same period of 2009, Petrokemija increased production by 28.1%, reduced staff costs by 21.8%, and most of other costs, with the exception of raw materials and energy. However, all this could not compensate for the 15.7% fall in operating income and prevent from reporting loss.

The reported business loss Petrokemija Group is HRK 46.9 million, approximately at the same level as the same period last year (index 100.1) and smaller than that in the 2nd half of 2009. The loss was partially caused by a month of shutdown due to overhaul in January and partly by the rise of gas price, as the most important raw material for the production, purchased on the domestic market by the so called Russian formula.

As Petrokemija's business is influenced by the movements in the global market, the effects of the global financial crisis of 2009 are still present in the Company business. The fall in activity of the real sector and low price of agricultural products in global market and, consequently weak demand for fertilizers, still have negative impact on Petrokemija's business. Due to market conditions, a number of facilities were shut down in the second half of 2009 and the problem was carried over into 2nd half of 2010.

As compared to the same period of 2009, there was a 15.9% fall in total income, while the expenses were reduced by 15.2%. The loss is approx. HRK 3.8 million smaller than the calculated depreciation and the EBITDA indicator (Earning before Interest, Taxation, Depreciation and Amortization) is positive and amounts to HRK 23.3 million.

The lower business income and expense compared to the previous year is the result of lower in- and output prices in a part of product range. The crisis in demand of complex NPK fertilizers and carbon black is still present. In the further course of the year, a growing concern is to be expected over an increasing difference between the gas price and the difference arising between the price of gas on the spot market, which is approximately 30-50% lower than the price of gas associated with the movement of petroleum products (so-called Oil-Linked). It is estimated that during the 3rd and 4th quarters, the price of gas will continue to grow. Lower gas price on the spot market in part causes the fall of nitrogen fertilizer price in the global market and results in unfavorable position of fertilizer manufacturers buying Russian gas.

In addition to the own current assets and short-term bank loans, Petrokemija secured the funds by issuing commercial bills at the Zagreb Stock Exchange, by way of Privredna banka Zagreb as the program dealer and agent. In the course of the reporting period, Petrokemija successfully paid off all due tranches of this program.

Numerous factors will influence the future financial movements of Petrokemija Group. The Management Board of the Company claims that internally a significant progress in terms of staff and pay reduction was made. Thus the actual staff costs in 1st half of 2010 were 21.8% lower as compared to the same period of 2009.

Except for the gas price, defined in the domestic market, the majority of future risks comes from the international scene, mainly through:

1. Change in price of basic raw materials in world market (MAP, DAP, phosphate, potassium chloride, sulfur;
2. Change in sales price of fertilizer;
3. Price fluctuation of energy fluids - gas and heating oil;
4. Exchange rate of USD and EUR to HRK;

3. Price fluctuation of energy fluids - gas and heating oil;
4. Exchange rate of USD and EUR to HRK;
5. Costs of financing and inter-currency relations.

As a result of the global crisis and low demand, payment deadlines for receivables were extended and products were sold at cut prices in domestic market. Furthermore, there is certain concern with regard to the new contract on gas supply.

In the situation of a falling GDP on domestic market and with a problem of collection of receivables which will be the major challenge in 2010 business, any further rise of gas price, while there is constant pressure to review and lower fertilizer prices, is a threat to the continuity of the Company business.

In May 2010, there was a change of the chairman of Petrokemija d.d. Management Board, while in another part of the management structure there have been no significant changes in the structure of middle and higher management. On July 1, General Assembly conducted the election of three new members of the Supervisory Board.