

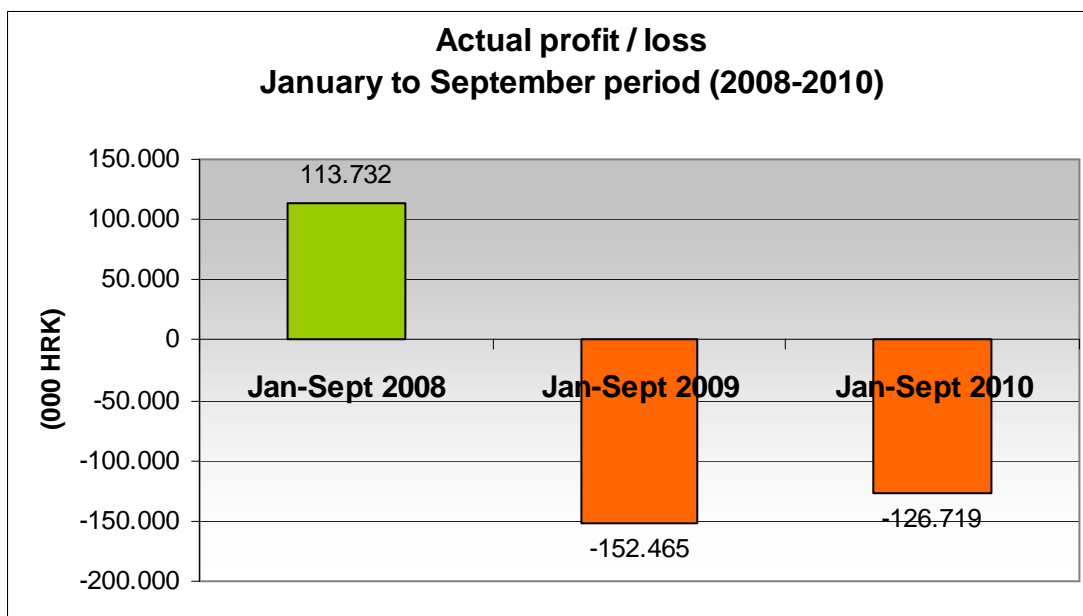
QUARTERLY REPORT

PETROKEMIJA d.d. KUTINA

PETROKEMIJA GROUP

REPORT FOR PERIOD January to September 2010
 INTERIM REPORT FOR PERIOD July to September 2010

- Actual production of 876 and sales of 854 thousand tons of fertilizer
- Actual total income of Petrokemija d.d. of HRK 1,539.2 million, Petrokemija Group HRK 1,540.3 million
- Actual loss of Petrokemija d.d. HRK: 126.7 million (8.2% of total revenues), Petrokemija Group HRK 126.6 million
- Invested funds of HRK 11.0 million
- Number of employees of Petrokemija d.d. 2,351, Petrokemija Group 2,361



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

1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA d.d.

The total income of Petrokemija d.d. in Jan to Sept 2010 was HRK 1,539.2 million, the total expenses were HRK 1,665.9 million and the reported loss before taxation was HRK 126.7 million or 8.2% of total revenues.

In the nine months of 2010, as compared to the same period of 2009, Petrokemija increased production by 34.9%, increased fertilizer sales by 18.7%, reduced staff costs by 20.2%, and most of other costs (spare parts, nonmaterial expenses), with the exception of raw materials and energy. However, all this could not compensate for the increase in raw material costs (especially natural gas) and prevent from reporting loss.

In the nine months of 2010, Petrokemija incurred an operating loss, 16.9% lower than for the same period last year. The delayed effects of the global financial crisis of 2009 on the business are still present. Some of the facilities were shut down as a reaction to the market situation and this problem was carried over to the 4th quarter of 2010.

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 existing situation of the sales turnover and low sales prices. The loss is approx. HRK 50.4 million higher than the calculated depreciation; the EBITDA indicator (profit before interest, taxation, depreciation and amortization) is negative and amounts to HRK 26.3 million.

(HRK 000)

	Jan- Sept 2010	Jan- Sept 2009	Difference	% change
Operating income	1.509.153	1.398.839	110.314	7,89%
Operating expense	1.611.820	1.535.011	76.809	5,00%
EBITDA *	-26.349	-60.739	34.390	-56,62%
Amortization	76.318	75.433	885	1,17%
Net financial income (expenses)	-24.051	-16.293	-7.758	47,62%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-126.719	-152.465	25.746	-16,89%
Non-current assets	808.687	880.877	-72.190	-8,20%
Current assets	809.620	842.190	-32.570	-3,87%
Shareholders' equity	666.672	908.560	-241.888	-26,62%
Non-current liabilities	0	0	0	
Current liabilities	951.635	814.507	137.128	16,84%

* EBITDA= profit before interest, taxation depreciation and amortization

The total income of Petrokemija d.d. in the period July - September of 2010 was HRK 617.6 million, the total expenses were HRK 697.3 million and the reported loss before taxation was HRK 79.7 million.

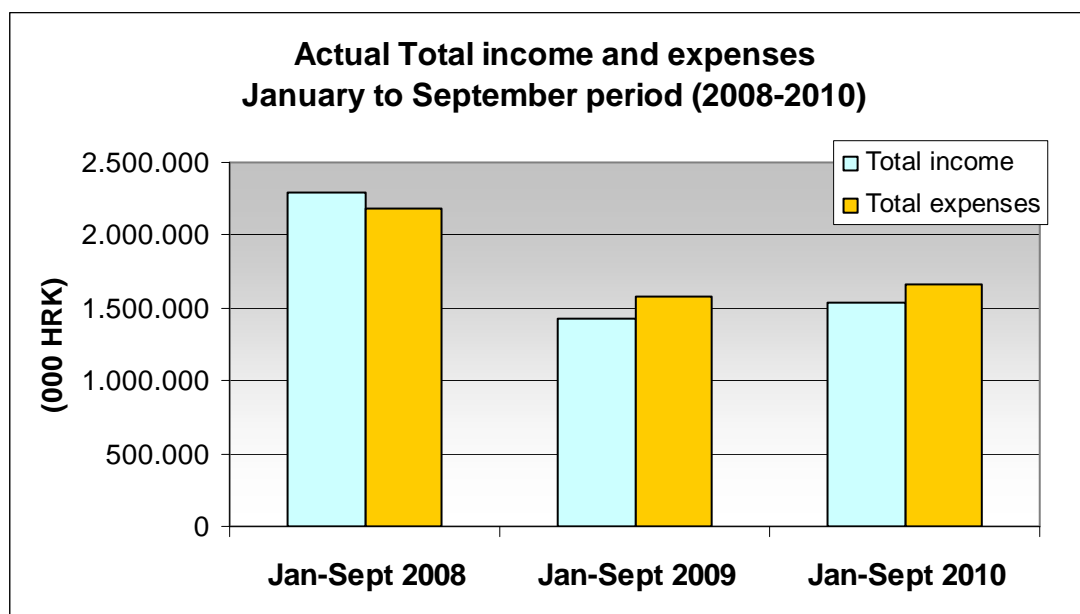
Financial indicators reported in quarters and cumulatively for the nine-month period of 2010:
(HRK 000)

	Jan- Jun 2010	Jul- Sept 2010	Jan- Sept 2010
Operating income	908.528	600.625	1.509.153
Operating expense	936.022	675.798	1.611.820
EBITDA *	23.156	-49.505	-26.349
Amortization	50.650	25.668	76.318
Net financial income (expenses)	-19.553	-4.498	-24.051
Net extraordinary income (expenses)	0	0	0
Profit / loss / before taxation	-47.047	-79.672	-126.719

* EBITDA= profit before interest, taxation depreciation and amortization

During the third quarter, a growth in export sales was achieved to compensate for weak domestic demand, ensure the continuity of the course of production and to maintain liquidity in terms of lack of working capital. A seasonal loss was recorded from business relations in the amount of HRK 75.2 million, but also there was an actual loss of HRK 4.5 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 in the first half 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. For some raw materials and products, there is still no visible improvement of market position. Also particularly emphasized is the open problem of exceptional growth in gas prices.



When compared to the result for the same period last year, there was a positive difference of HRK 25.8 million due to improved market trends. There was however, a considerable pressure of high transport costs in export prices, which despite a growing demand prevented full coverage of the cost. In the domestic market, sales of fertilizers were encouraged by discount prices and delayed payment through vouchers (additional cost of interest and exchange rate differences around HRK 5 million).

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

P O S I T I O N	Petrokemija d.d. Jan-Sept 2010	Petrokemija d.d. Jan-Sept 2009
Total operating income	1 509 153	1 398 839
Total operating expenses	1 611 820	1 535 011
PROFIT / LOSS FROM ORDINARY ACTIVITIES	-102 667	-136 172
Total financial income	30 005	27 466
Total financial expenses	54 056	43 759
PROFIT / LOSS FROM FINANCIAL ACTIVITIES	-24 051	-16 293
TOTAL INCOME	1 539 158	1 426 305
TOTAL EXPENSES	1 665 877	1 578 770
Profit/loss before taxation	-126 719	-152 465
Profit tax		
Profit/Loss after taxation	-126 719	-152.465

BALANCE SHEET OF PETROKEMIJA d.d. KUTINA

(HRK 000)

P O S I T I O N	Petrokemija d.d. 30.09.2010	Petrokemija d.d. 30.09.2009
Total long-term assets	808.687	880.877
Total short-term assets	807.351	836.801
Prepaid costs and accrued income	2.269	5.389
TOTAL ASSETS	1.618.307	1.723.067
Total capital	666.672	908.560
Long-term liabilities	0	0
Total short-term liabilities	948.780	806.183
Accruals and deferred income	2.855	8.324
TOTAL LIABILITIES	1.618.307	1.723.067

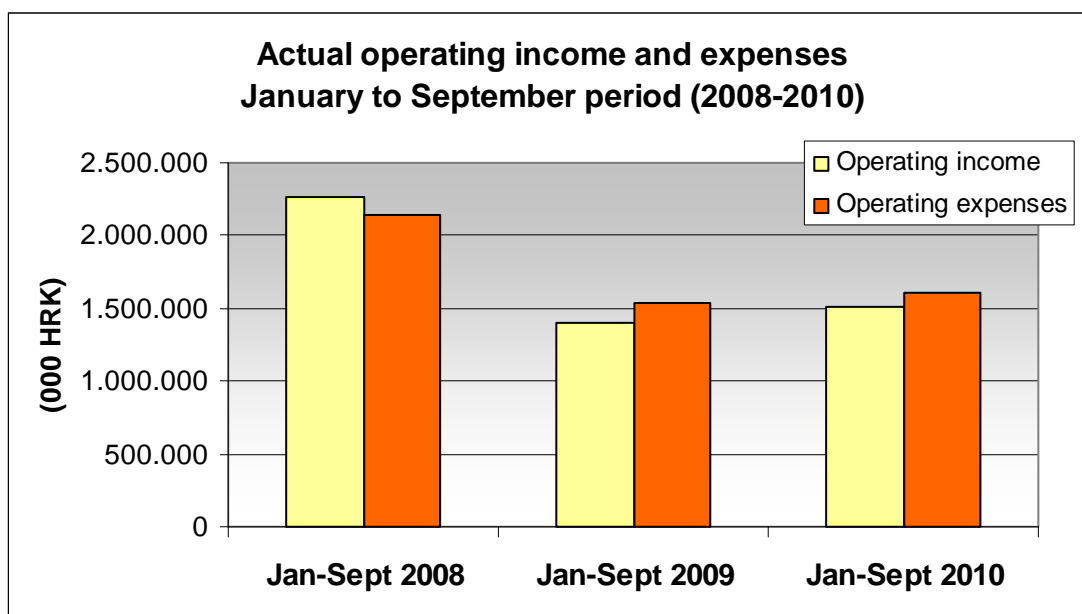
Due to gas shortfall in winter months in the gas system of Republic of Croatia, Petrokemija still has to do technical overhauls in winter. The production standstill in January 2010 was

used for annual facilities overhaul. The same is foreseen for next year, provided by the plan for 2011.

As a result of positive changes in sales prices and sales structure of the product, the Company achieved an operating income increased by 7.9%, in comparison with the same period last year. The fall in domestic demand for fertilizers is connected with the long-lasting crisis in agricultural production and the price ratio of production materials and finished products in agriculture (low prices for agricultural crops generate the extensiveness of the use of agro-technical measures). With regard to the price, imports of fertilizers were still moderately unattractive – approx. 38.1 thousand tons were imported in the first eight months of 2010 which is a 13% market share with a portion of those products not normally produced by Petrokemija.

A trend of instability of input-output prices continued in the reported period. Generally, the price of raw materials in world markets was gradually rising, while the gas price in the domestic market was growing strongly in quarters. This growth reflects the pricing methodology applied – the gas price grew in accordance with the agreed formula (the so-called oil-linked). The growth trend is estimated to stop in the fourth quarter of 2010, if there is no change in the methodology of calculating rates.

Operating expenses were by 5% higher from those in the same period of the previous year, due to larger volumes and changes of assortment.

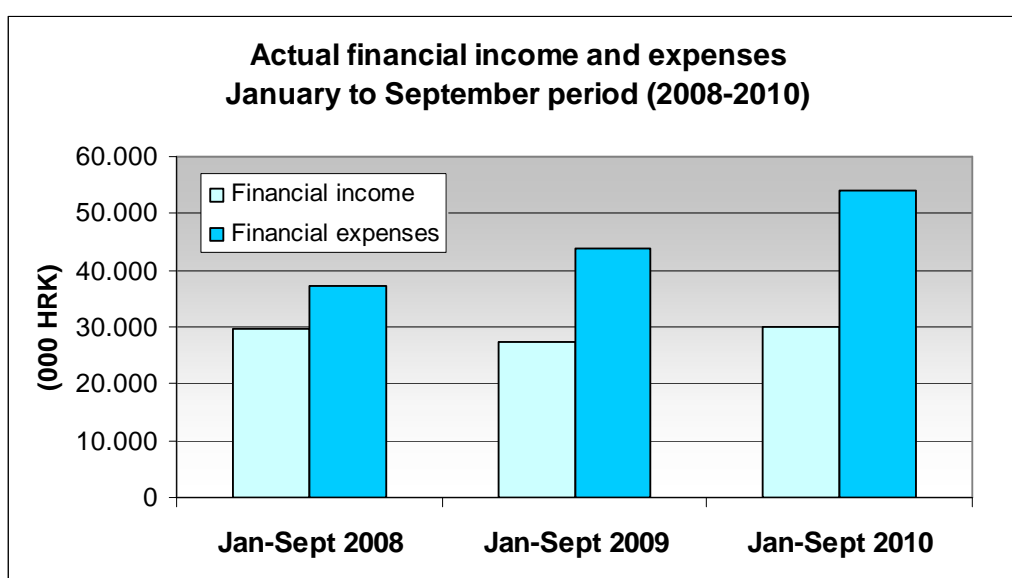


Financial expenses were by 23.5% larger than in the same period last year. The HRK 24.1 million loss from financial relations was the result of foreign exchange differences and high interest on short-term loans. Foreign exchange gains have 81% share in financial income, while 19% share is made up of income from interest and other financial income. Foreign exchange losses 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 on commercial bills were fulfilled regularly. Petrokemija d.d. redeemed EUR 2.000.000 and HRK 2.000.000 from 7th and 8th tranches of due commercial

bills on 25 February and EUR 4,150,000 from 11th tranche on 21 April this year, all from own funds. In May 2010, Petrokemija issued 13th and 14 tranche of commercial bills in the total amount of HRK 21.9 million for a period of 364 days. The net proceeds from issuance of commercial bills were used for the refinancing of the tranche of commercial bills, which was due in May this year. The 10th tranche of commercial bills of HRK 10.4 million that matured in September 2010, was redeemed from own resources. During preparation of this Report, on 19 October, Petrokemija redeemed from own resources 12th tranche of commercial bills amounting to EUR 875,000 and the next is due in May 2011.



2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

After consolidation of 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 1,540.3 million,
- Total expenses HRK 1,666.9 million,
- Loss before taxation HRK -126.6 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-Sept 2010	Actual Jan-Sept 2009	Ind 2/3
1	2	3	4
RESTORAN PETROKEMIJA d.o.o.			
TOTAL INCOME	1 515	1 816	83.4
TOTAL EXPENSES	1 512	1 859	81.3
GROSS PROFIT /LOSS	3	43	0

POSITION	Actual Jan-Sept 2010	Actual Jan-Sept 2009	Ind 2/3
1	2	3	4
PETROKEMIJA d.o.o. Novi Sad			
TOTAL INCOME	25 713	19 455	132.2
TOTAL EXPENSES	25 540	18 623	137.1
GROSS PROFIT	173	832	20.8
PETROKEMIJA d.o.o. Novo Mesto			
TOTAL INCOME	1 217	560	217.3
TOTAL EXPENSES	1 216	511	238.0
GROSS PROFIT	1	49	2.0

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(HRK 000)

POSITION	Petrokemija Group Jan-Sept 2010	Petrokemija Group Jan-Sept 2009
Total operating income	1 510 112	1 399 527
Total operating expenses	1 612 878	1 535 045
PROFIT/LOSS FROM ORDINARY ACTIVITIES	- 102 766	-135 518
Total financial income	30 230	26 630
Total financial expenses	54 006	43 577
PROFIT/LOSS FROM FINANCIAL ACTIVITIES	- 23 776	-16 947
TOTAL INCOME	1 540 342	1 426 157
TOTAL EXPENSES	1 666 884	1 578 622
Profit/Loss before taxation	-126 542	-152 465
Profit tax	17	71
Profit/Loss after taxation	-126 559	-152 536

CONSOLIDATED BALANCE SHEET

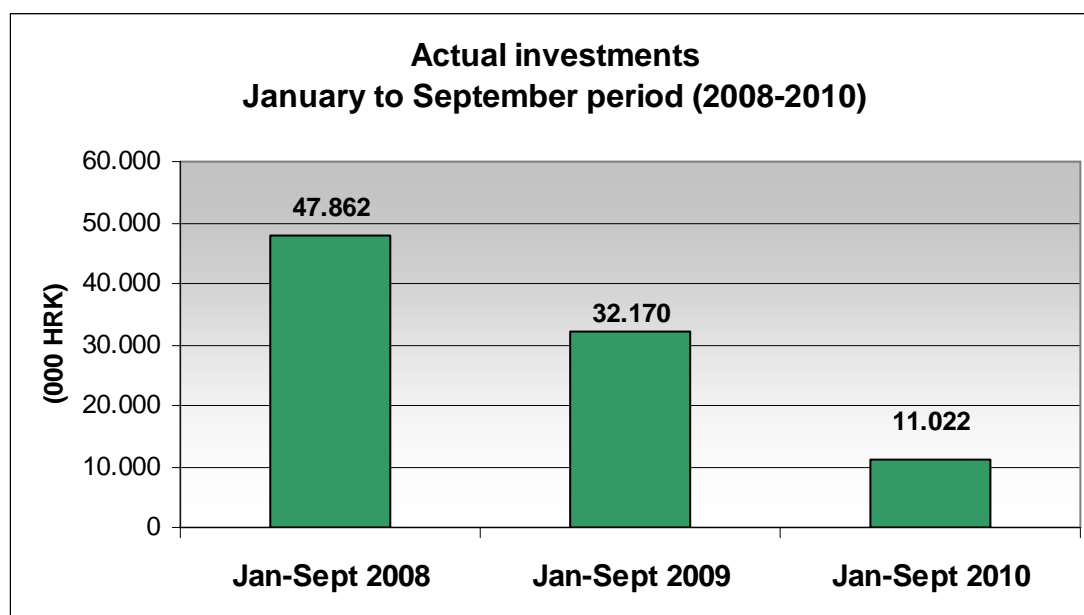
(HRK 000)

POSITION	Petrokemija Group 30.09.2010	Petrokemija Group 30.09.2009
Total long-term assets	801 750	935 174
Total short-term assets	811 512	1.176 685
Prepaid costs and accrued income	2 280	354

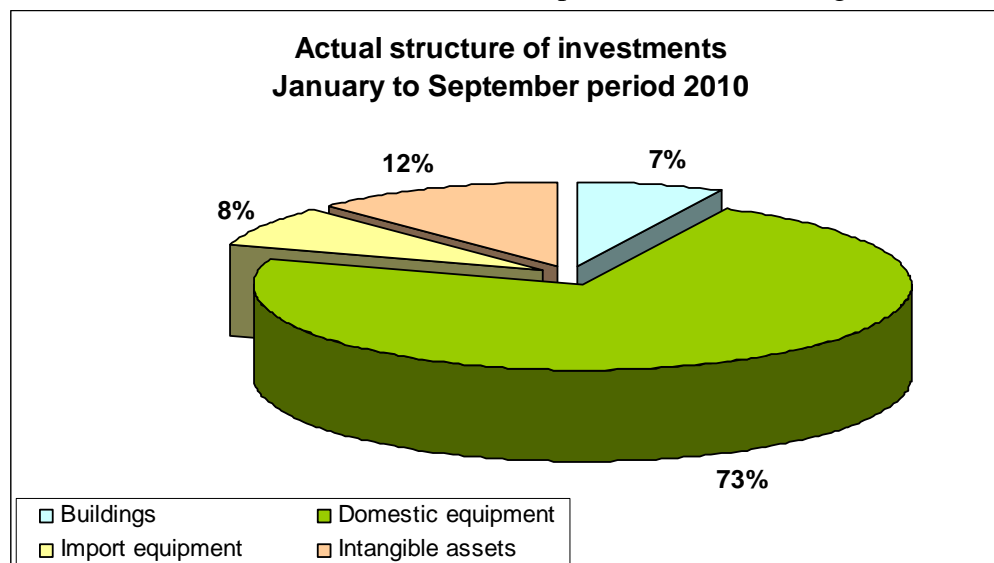
POSITION	Petrokemija Group 30.09.2010	Petrokemija Group 30.09.2009
TOTAL ASSETS	1 615 542	2 112 213
Total capital	666 150	1 118 813
Long-term liabilities	0	30 000
Total short-term liabilities	946 537	816 949
Accruals and diferred income	2 855	146 451
TOTAL LIABILITIES	1 615 542	2 112 213

3. INVESTMENTS

Actual investments in the nine months of 2010 amounted to HRK 11.0 million, approximately 34% 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 accordance with the availability of funds. HRK 9.8 million was invested in the parent company – Fertilizer Production and ancillary services and HRK 1.2 million was invested in other production plants.



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



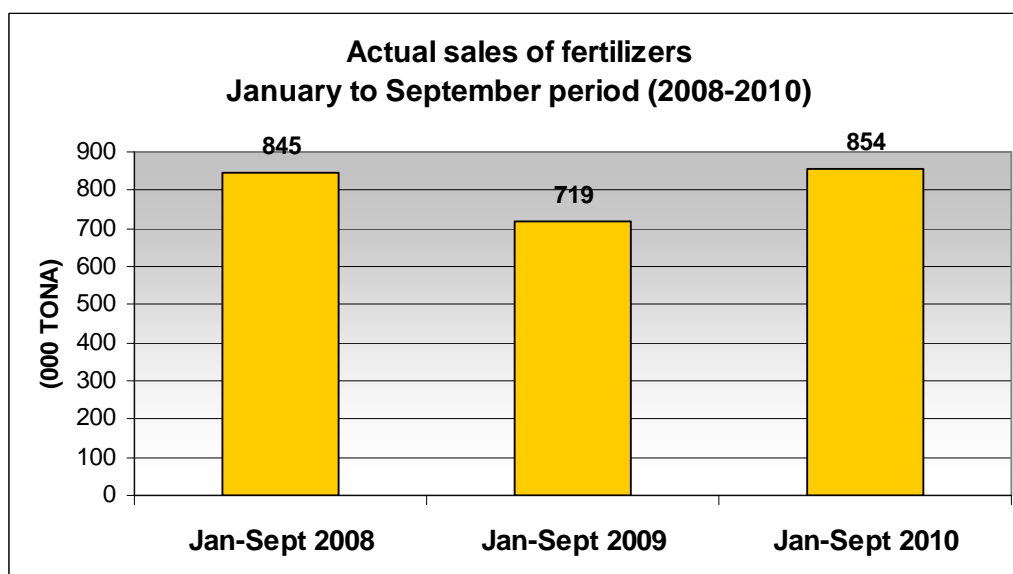
4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to September 2010 period:

- **fertilizers** 876.2 thousand tons
- **clay-based products** 17.1 thousand tons
- **TGUS products** 1.0 thousand tons

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

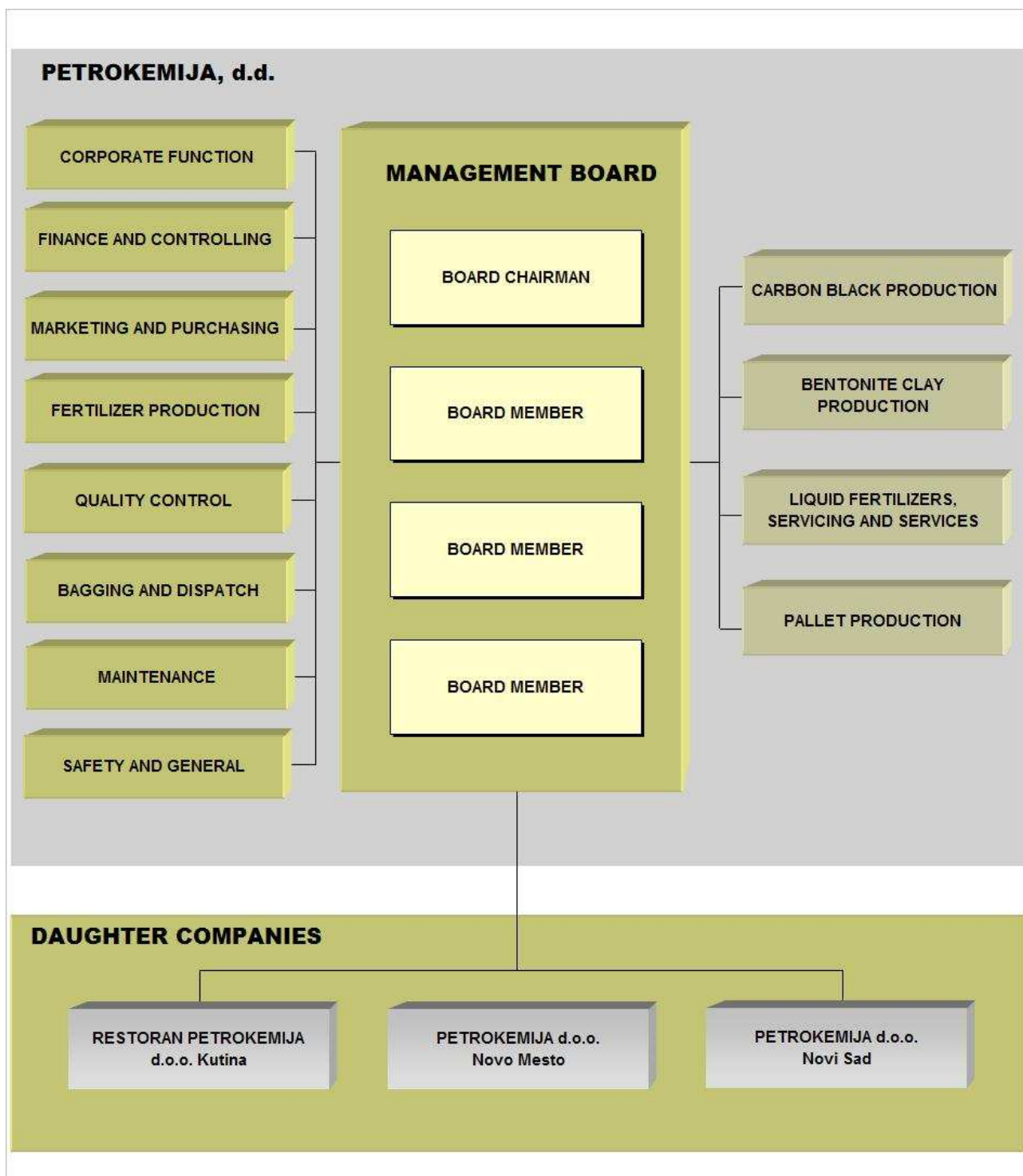
- **fertilizers** 853.5 thousand tons
- **clay-based products** 17.3 thousand tons
- **TGUS products (+chemicals)** 3.4 thousand tons



5. ORGANIZATION CHART AND HUMAN RESOURCES

In the nine months of 2010, there was no major change in the existing organization chart. Petrokemija Group is made up of Petrokemija d.d. Kutina as the parent company and daughter companies:

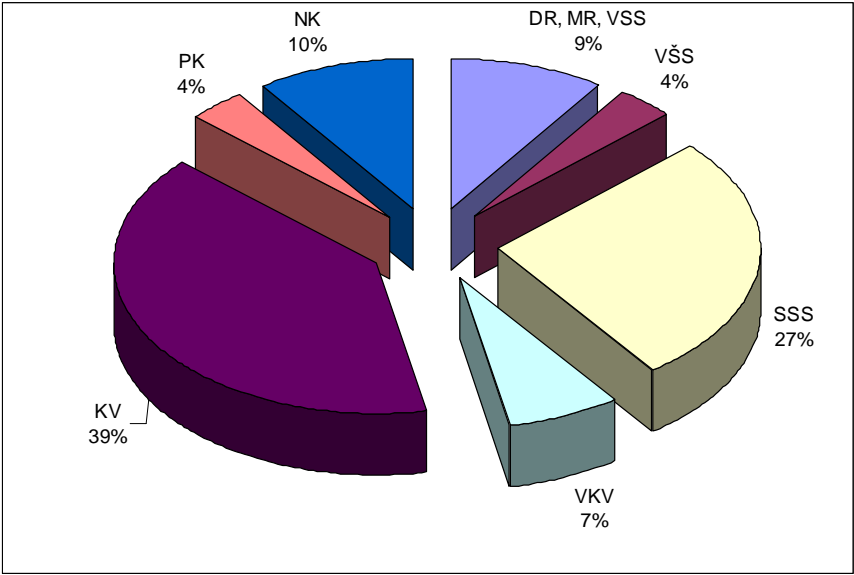
- Restoran Petrokemija d.o.o. Kutina,
- Petrokemija d.o.o. Novi Sad and
- Petrokemija d.o.o. Novo Mesto.



As of September 30, 2010, Petrokemija d.d. had 2,351 employees and their daughter-companies, members of the Petrokemija Group, had 10 employees, which makes a total number of 2,365 employees. The high qualification structure corresponds to the complexity of the production and other systems of the Company.

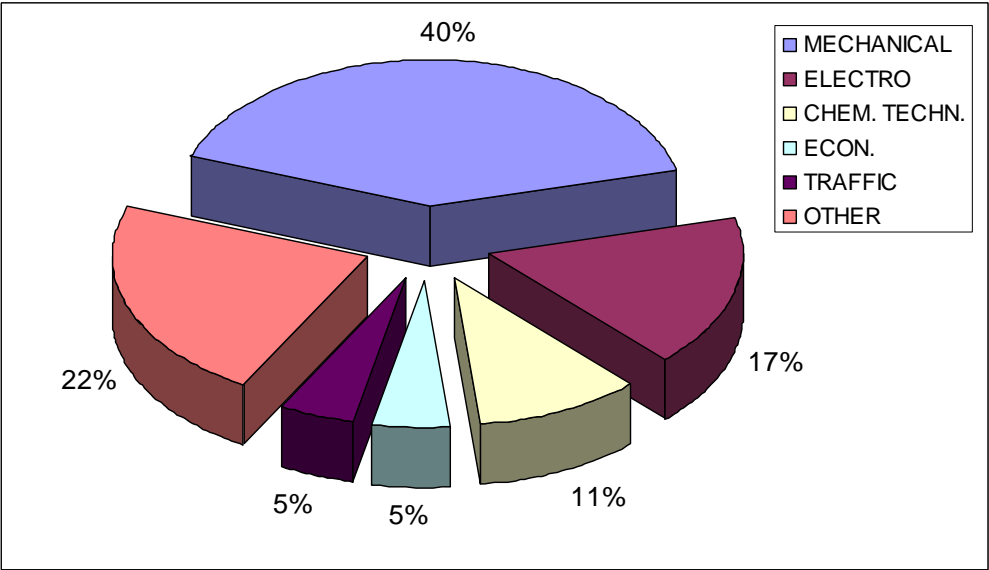
In May 2010, a new chairman was appointed to Petrokemija Management Board, while in other parts of the management structure there have been no significant changes in the middle and higher management. During the nine months of 2010, the number of employees was reduced by 21 workers or 0.9%. Workers from 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 ancillary facilities in place, as well as other supporting departments such as bagging and dispatch which receives and dispatches over 1.5 million tons a year of raw materials and finished products.

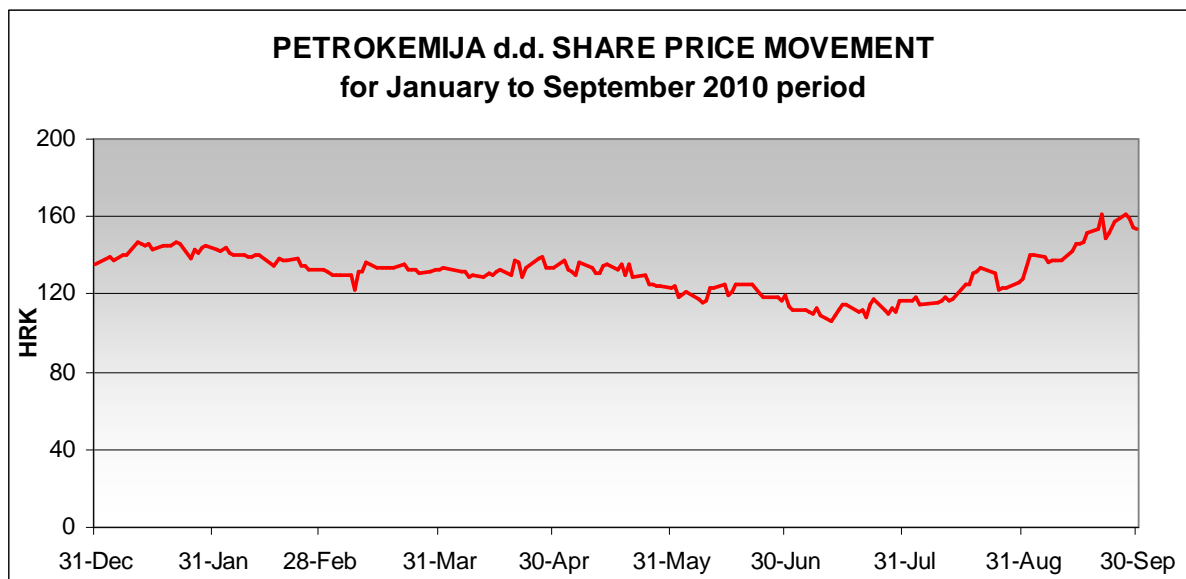
EMPLOYEES BY PROFESSION:



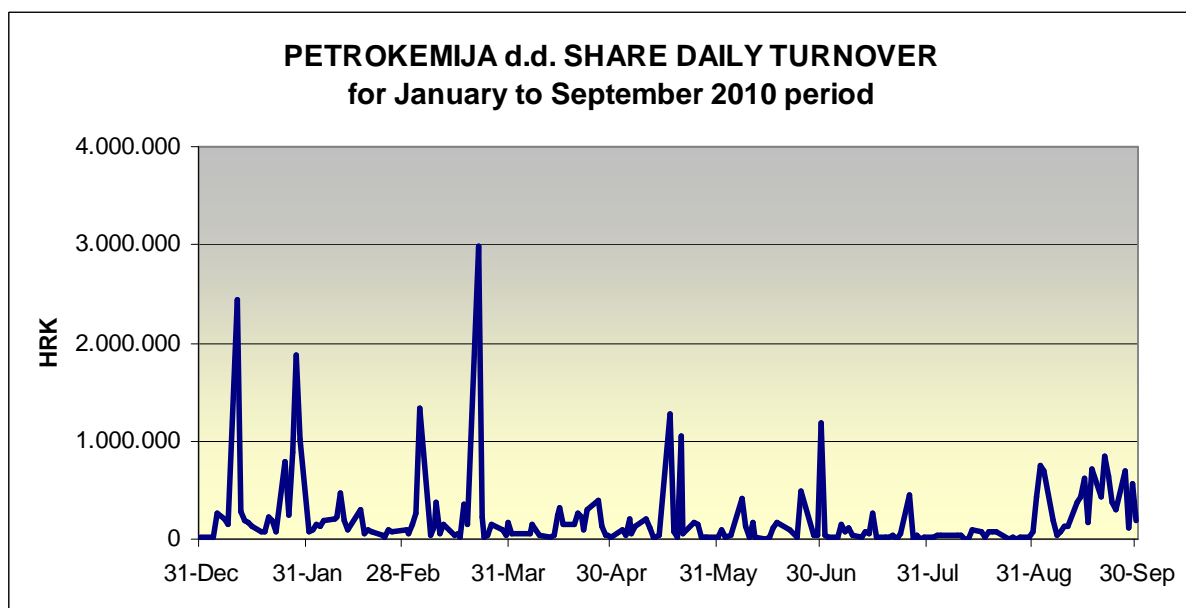
6. PETROKEMIJA'S d.d. SHARE TRADING AND PRICE MOVEMENTS

The share of Petrokemija d.d. 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 its average price was HRK 152.81 on 30 September 2010. The share turnover at the Zagreb Stock Exchange was HRK 39.7 million in the nine months 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 SEPTEMBER 2010

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 September 2010 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 % and 31.6 % respectively, have the largest share in total pollutant emissions.

In line with the regulations, air emission monitoring was carried out by individual, periodical measuring throughout calendar year, except for measurements of air emissions from Power Plant and Ammonia Plant that were continuous. Continuous, automatic measurement in place at Sulfuric Acid and Carbon Black Production Plants is 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 September 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 reporting 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.

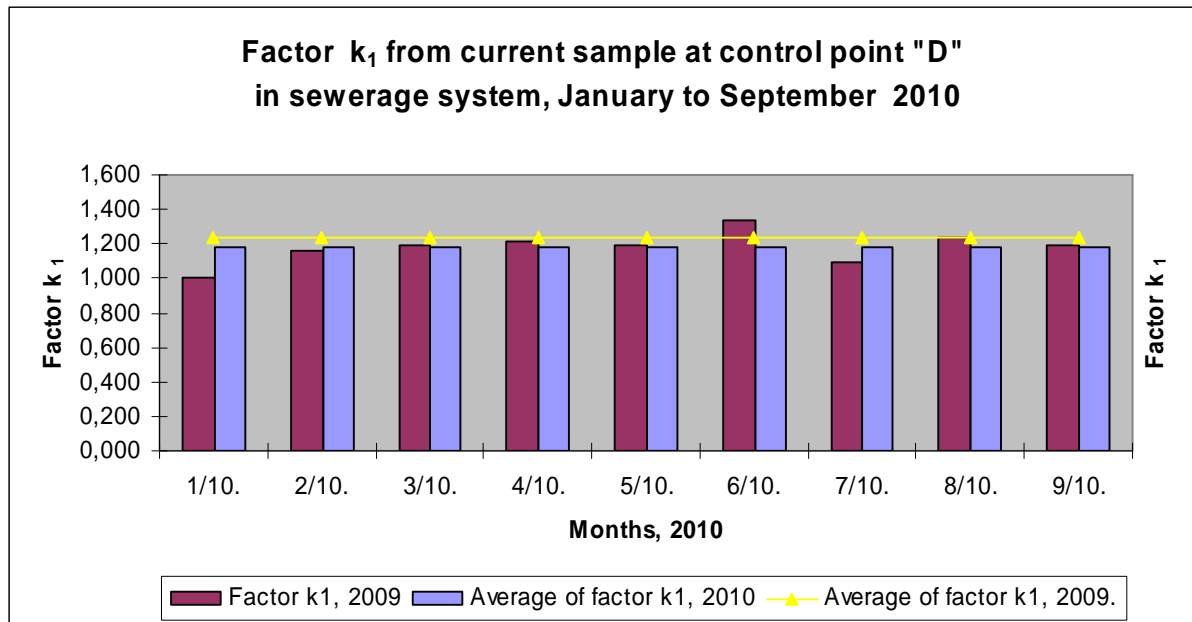
5 exceedings of the 24-hour limit value were recorded for ammonia which was under the allowed 7 exceedings per calendar year for 1st air quality category.

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

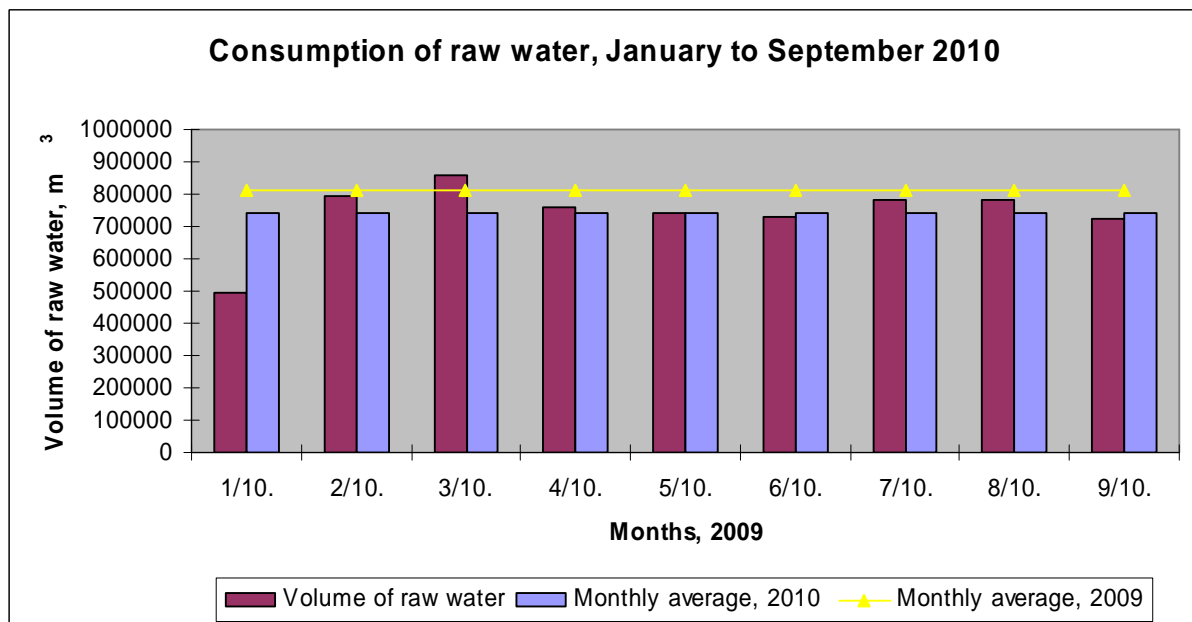
In the January to September 2010 period, improvement of water protection was achieved which is shown in the reduction of k_1 factor as compared to the 2009 average rate (Figure 1), regardless of an increase in August 2010.

Figure 1.



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

Figure 2.



3. Waste management

The generated production of 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 in 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, on condition that the planned marketing results are achieved and mutually acceptable gas price is agreed with the gas supplier. In view of the present market situation – faster growth of major raw materials price than that of fertilizers, 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 movements in business.

Employment and wages have been significantly reduced, a part of the plants is still temporarily shut down due to market reasons and the current solvency is maintained with the support of business banks, HBOR and issuing of commercial papers.

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

During the reporting period, the plants in continuous or occasional operation were those necessary to supply sufficient volumes of fertilizer for the market. The emphasis will still be placed on the domestic and the markets of neighboring countries, i.e. Petrokemija's traditional markets.

The fourth quarter will try to take advantage of the higher production and sales and provide transitional supplies for delivery during the winter downtime and overhaul of facilities in January 2011.

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 risks as follows:

- Petrokemija's d.d. result is highly dependent on the movements of fertilizer and their raw material price in 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. If the price calculation containing a formula for quarterly pricing of gas is negotiated – linked to the USD exchange rate and the movement of oil products prices in the world market – it will result in an additional exposure to HRK foreign exchange rate and energy price fluctuations in the world market.
- The year 2010 showed signs of fertilizer price recovery in the global markets. However, due to the high cost of transportation the stronghold of Petrokemija is the domestic and closer markets of neighboring countries.
- The fluctuations of raw material prices present so far in the world market, will have impact on material costs in the next period.
- High costs of working capital – because of insufficient own working capital, high interest rates and necessary credit resources as a result of extended due payment period of sold goods in the domestic market.
- The global financial crisis and dependence of fertilizer industry on changes in the world food and energy market, bring about certain risks in business planning for end 2010 and the years to come. The price of cereals on world stock exchanges are somewhat higher than in the same period last year and some price estimates in agricultural products stock exchanges in 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 reports.

Financial reports for the January 1 to September 30, 2010 period, make an exact and true 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 Jagušć

Member of Petrokemija
Management Board
Zdenka Krstanović

Member of Petrokemija
Management Board
Nedjeljko Klopćek

Member of Petrokemija
Management Board
Tomislav Seletković

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

30.09.2010.

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: 2.351

(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

30.09.2010.

in HRK

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	876.035.455	808.687.354
I. INTANGIBLE ASSETS	003	6.998.360	8.601.671
II. TANGIBLE ASSETS	004	840.961.341	773.905.427
III. LONG-TERM FINANCIAL ASSETS	005	28.075.753	26.180.257
IV. TRADE RECEIVABLES	006		
V. DIFERRED TAX	007		
C) CURRENT ASSETS	008	639.952.937	807.350.803
I. INVENTORIES	009	375.036.932	500.749.443
II. TRADE RECEIVABLES	010	237.973.296	167.756.282
III. SHORT-TERM FINANCIAL ASSETS	011	751.842	59.807.976
IV. CASH IN BANK AND ON HAND	012	26.190.868	79.037.102
D) PREPAID EXPENSES AND ACCRUED INCOME	013	5.102.874	2.269.028
E) LOSS IN EXCESS OF VALUE AND CAPITAL	014		
F) TOTAL ASSETS	015	1.521.091.266	1.618.307.186
G) OFF BALANCE SHEET ITEMS	016	129.325.059	116.242.600
LIABILITIES			
A) CAPITAL AND RESERVES	017	793.390.293	666.671.549
I. SHARE (SUBSCRIBED) CAPITAL	018	902.101.590	902.101.590
II. CAPITAL RESERVES	019		
III. RESERVES FROM PROFIT	020	69.398.969	
IV. REVALUATION RESERVES	021		
V. RETAINED PROFIT	022	89.524.248	
VI. LOSS CARRIED FORWARD	023		108.711.297
VII. PROFIT FOR THE YEAR	024		
VIII. LOSS FOR THE YEAR	025	267.634.514	126.718.744
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028		
D) CURRENT LIABILITIES	029	724.850.972	948.779.736
E) ACCRUALS AND DIFERRED INCOME	030	2.850.000	2.855.900
F) TOTAL – LIABILITES	031	1.521.091.266	1.618.307.186
G) OFF BALANCE SHEET ITEMS	032	129.325.059	116.242.600
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

30.9.2010

in HRK

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	1.398.838.968	321.432.832	1.509.152.529	600.625.018
1. Sales revenue	036	1.343.950.328	314.111.108	1.488.179.915	592.219.095
2. Income from own consumption of products, goods and services	037	4.760.930	1.543.101	3.847.985	1.372.415
3. Other operating revenue	038	50.127.710	5.778.623	17.124.628	7.033.508
II. OPERATING EXPENSES	039	1.535.011.309	423.326.456	1.611.820.201	675.798.554
1. Decrease of inventories in work in progress and finished products	040	94.262.116	8.413.646		10.727.233
2. Increase of inventories in work in progress and finished products	041			17.145.700	
3. Cost of material	042	1.093.440.136	299.491.961	1.333.089.042	563.057.611
4. Staff costs	043	201.352.277	64.972.276	160.600.936	53.964.681
5. Depreciation and amortisation	044	75.432.894	25.254.978	76.317.665	25.667.246
6. Other expenses	045	68.644.127	25.034.796	57.733.123	21.479.610
7. Impairment and charges	046	1.879.759	158.799	1.225.136	902.173
8. Provisions	047				
9. Other operating expenses	048				
III. FINANCE REVENUE	049	27.466.150	9.102.882	30.005.253	16.988.037
1. Interest, exchange rate fluctuations, dividend and similar from associated companies	050	51.846	26.553	20.713	5.643
2. Interest, exchange rate fluctuations, dividend and similar from non-associated companies	051	19.764.519	6.244.728	28.869.431	16.982.394
3. Part of revenue from associated companies and participating interest	052	7.649.785	2.831.602	369.664	0
4. Unrealised gains (revenues)	053			745.444	0
5. Other financial revenue	054				
IV. FINANCE COSTS	055	43.759.063	12.813.613	54.056.324	21.486.493
1. Interest, exchange rate fluctuations and other costs with associated companies	056	221.938	63.672	287.616	81.891
2. Interest, exchange rate fluctuations and other costs with non-associated companies	057	43.537.126	12.749.941	51.075.958	20.906.732
3. Unrealised losses (costs) from finance assets	058			2.692.751	497.869
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	1.426.305.118	330.535.714	1.539.157.782	617.613.055
VIII. TOTAL EXPENSES	063	1.578.770.372	436.140.069	1.665.876.526	697.285.046
IX. PROFIT BEFORE TAX	064				
X. LOSS BEFORE TAX	065	152.465.254	105.604.355	126.718.744	79.671.991
XI. PROFIT TAX	066	0	0	0	0
XII. PROFIT FOR THE PERIOD	067				
XIII. LOSS FOR THE PERIOD	068	152.465.254	105.604.355	126.718.744	79.671.991
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 30.9.2010

in HRK

PETROKEMIJA d.d.			
Position	AOP code	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-152.465.254	-126.718.744
2. Depreciation and amortisation	074	75.432.894	76.317.665
3. Increase in short-term liabilities	075		345.707.752
4. Decrease in short-term receivables	076		70.217.014
5. Decrease in inventories	077	154.873.767	
6. Other increase of cash flow	078	5.478.272	6.963.416
I. Total increase of cash flow from operating activities	079	83.319.679	372.487.102
1. Decrease in short-term liabilities	080	122.597.421	
2. Increase in short-term payables	081	81.072.324	
3. Increase in inventories	082		125.712.512
4. Other decrease in cash flow	083	31.037.702	
II. Total decrease in cash flow from operating activities	084	234.707.447	125.712.512
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	085		246.774.591
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES	086	151.387.768	
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	087	8.419.200	
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	152.077	369.664
5. Other cash proceeds from investing activities	091		370
III. Total cash inflow from investing activities	092	8.571.277	370.034
1. Cash outflow for acquisition of non-current tangible and intangible assets	093	31.088.600	15.703.964
2. Cash outflow for acquisition of equity and debt security instruments	094		
3. Other cash outflows from investing activities	095		145.931
IV. Total cash outflow from investing activities	096	31.088.600	15.849.895
B1) NET CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	098	22.517.323	15.479.861
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	099	145.854.034	21.448.077
2. Cash inflow from loan principals, debentures, credits and other borrowings	100	104.860.636	210.682.579
3. Other cash inflows from finance activities	101	77.296.197	137.052.836
V. Total cash inflow from finance activities	102	328.010.867	369.183.492
1. Cash outflow for repayment of loan principal and bonds	103	30.000.000	267.330.040
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	119.564.308	280.301.578
VI. Total cash outflow for finance activities	108	149.564.308	547.631.618
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES	109	178.446.559	
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES	110		178.448.126
Total increase of cash flow	111	178.446.559	246.774.591
Total decrease of cash flow	112	173.905.091	193.927.987
Cash and cash equivalents at the beginning of the period	113	10.846.040	26.190.868
Increase of cash and cash equivalents	114	4.541.468	
Decrease of cash and cash equivalents	115		52.846.234
Cash and cash equivalents at the end of the period	116	15.387.508	79.037.102

STATEMENT ON CHANGES IN EQUITY

from 1.1.2010 to 30.9.2010

in HRK

PETROKEMIJA d.d.					
Position	AOP code	Previous period	Increase	Decrease	Current period
1	2	31.12. previous year		3	4
1. Subscribed capital	117	902.101.590			902.101.590
2. Capital reserves	118				
3. Reserves from profit	119	69.398.969		69.398.969	0
4. Retained profit or loss carried forward	120	89.524.248	-108.711.297	89.524.248	-108.711.297
5. Profit or loss for the year	121	-267.634.514	-126.718.744	-267.634.514	-126.718.744
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	793.390.293	-235.430.041	-108.711.297	666.671.549
16a. Creditet to parent company capital owners	133				
16b. Credited to minority interest	134				

Note

PETROKEMIJA d.d.

In the nine months of 2010, as compared to the same period of 2009, Petrokemija d.d. increased production by 34.9%, fertilizer sales increased by 18.7%, reduced staff costs by 20.2%, and most of other costs (spare parts, nonmaterial expenses), but all this could not compensate for the increase in raw material costs (especially natural gas) and prevent from reporting loss.

The reported business loss of Petrokemija d.d. is HRK 126.7 million, which is HRK 25.8 million less than in the same period last year (index 83.1). The loss was partially caused by low sales prices and relatively weak demand in the domestic and regional markets, and partly by the growth of gas prices 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 delayed effects of the global financial crisis of 2009 are still present in the Company 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 4th quarter of 2010.

As compared to the same period of 2009, there was a 7.9 % growth in total income, while the expenses grew by 5.5%. The loss is approx. HRK 50.4 million higher than the calculated depreciation and the EBITDA indicator (Earning before Interest, Taxation, Depreciation and Amortization) is negative and amounts to HRK 26.3 million.

The higher business income and expense compared to the previous year is the result of the increased amount of production and sales in most part of product range. The crisis in demand of carbon black is still present. In the year 2010 a growing concern is to be expected over an increasing gas price and difference arising between the price of gas on the spot market, which is approximately 30-40% lower than the price of gas associated with the movement of petroleum products (so-called Oil-Linked). It is estimated that during the 4th quarter, the Russian gas prices will stagnate, but its movement in 2011 is uncertain. 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 the nine months of 2010 were 20.2% lower as compared to the same period of 2009.

Except for the gas price, defined in the domestic market, the majority of future risks come 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. Price fluctuation of basic agricultural crops,
5. Exchange rate of USD and EUR to HRK;
6. Costs of financing and inter-currency relations.

As a result of the global crisis and low demand, payment deadlines for receivables were extended, products were sold through vouchers (additional cost of interest and exchange rate differences around HRK 5 million) and 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 the rest of 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, a new chairman was appointed to 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

30.09.2010.

Quarterly financial statements -TFI-PODTax 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.hrCode and city / municipality: **220** **KUTINA**Code and county: **3** **SISAČKO-MOSLAVAČKA**Number of employees: **2.361**

(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.hrName 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

30.09.2010.

in HRK

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	869.323.369	801.749.533
I. INTANGIBLE ASSETS	003	7.003.489	8.608.571
II. TANGIBLE ASSETS	004	843.317.288	776.033.866
III. LONG-TERM FINANCIAL ASSETS	005	19.002.593	17.107.096
IV. TRADE RECEIVABLES	006		
V. DEFERRED TAX	007		
C) CURRENT ASSETS	008	643.477.512	811.512.430
I. INVENTORIES	009	375.144.361	500.860.392
II. TRADE RECEIVABLES	010	237.129.214	167.735.697
III. SHORT-TERM FINANCIAL ASSETS	011	751.842	59.807.976
IV. CASH IN BANK AND ON HAND	012	30.452.095	83.108.365
D) PREPAID EXPENSES AND ACCRUED INCOME	013	5.108.357	2.280.456
E) LOSS IN EXCESS OF VALUE AND CAPITAL	014		
F) TOTAL ASSETS	015	1.517.909.239	1.615.542.420
G) OFF BALANCE SHEET ITEMS	016	129.325.059	116.242.600
LIABILITIES			
A) CAPITAL AND RESERVES	017	792.861.462	666.149.639
I. SHARE (SUBSCRIBED) CAPITAL	018	902.101.590	902.101.590
II. CAPITAL RESERVES	019		
III. RESERVES FROM PROFIT	020	69.398.969	
IV. REVALUATION RESERVES	021		
V. RETAINED PROFIT	022	88.995.416	1.181.768
VI. LOSS CARRIED FORWARD	023		110.574.788
VII. PROFIT FOR THE YEAR	024		
VIII. LOSS FOR THE YEAR	025	267.634.514	126.558.931
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028		
D) CURRENT LIABILITIES	029	722.197.777	946.536.881
E) ACCRUALS AND DEFERRED INCOME	030	2.850.000	2.855.900
F) TOTAL – LIABILITIES	031	1.517.909.239	1.615.542.420
G) OFF BALANCE SHEET ITEMS	032	129.325.059	116.242.600
BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement)			
CAPITAL AND RESERVES			
1. Credited to parent company capital owners	033	792.861.462	666.149.639
2. Credited to minority interest	034		

INCOME STATEMENT

for the period

1.1.2010

to

30.9.2010

in HRK

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	1.399.527.297	320.553.130	1.510.112.404	600.553.829
1. Sales revenue	036	1.344.628.064	313.230.412	1.489.085.260	592.105.204
2. Income from own consumption of products, goods and services	037	4.760.930	1.543.101	3.847.985	1.372.415
3. Other operating revenue	038	50.138.303	5.779.617	17.179.159	7.076.210
II. OPERATING EXPENSES	039	1.535.045.043	422.401.152	1.612.877.476	675.943.909
1. Decrease of inventories in work in progress and finished products	040	94.262.116	8.413.646		10.727.233
2. Increase of inventories in work in progress and finished products	041			17.145.700	
3. Cost of material	042	1.091.541.265	298.072.244	1.332.446.621	562.693.496
4. Staff costs	043	202.473.433	65.324.072	161.554.134	54.263.282
5. Depreciation and amortisation	044	75.525.366	25.286.127	76.410.605	25.697.742
6. Other expenses	045	69.363.104	25.146.263	58.386.680	21.659.983
7. Impairment and charges	046	1.879.759	158.799	1.225.136	902.173
8. Provisions	047				
9. Other operating expenses	048				
III. FINANCE REVENUE	049	26.629.369	8.926.506	30.229.570	17.207.005
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	18.954.839	6.089.167	29.114.462	17.222.099
3. Part of revenue from associated companies and participating interest	052	7.674.530	2.837.338	369.664	-15.094
4. Unrealised gains (revenues)	053			745.444	0
5. Other financial revenue	054				
IV. FINANCE COSTS	055	43.576.878	12.753.498	54.006.168	21.469.001
1. Interest, exchange rate fluctuations and other costs with associated companies	056				
2. Interest, exchange rate fluctuations and other costs with non-associated companies	057	43.576.878	12.753.498	51.313.417	20.971.132
3. Unrealised losses (costs) from finance assets	058			2.692.751	497.869
4. Other finance costs	059				
V. EXTRAORDINARY - OTHER REVENUE	060				
VI. EXTRAORDINARY - OTHER COSTS	061				
VII. TOTAL REVENUES	062	1.426.156.666	329.479.636	1.540.341.974	617.760.834
VIII. TOTAL EXPENSES	063	1.578.621.920	435.154.650	1.666.883.643	697.412.910
IX. PROFIT BEFORE TAX	064				
X. LOSS BEFORE TAX	065	152.465.254	105.675.014	126.541.669	79.652.076
XI. PROFIT TAX	066	70.659	0	17.262	-110
XII. PROFIT FOR THE PERIOD	067				
XIII. LOSS FOR THE PERIOD	068	152.535.913	105.675.014	126.558.931	79.651.965
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	152.535.913	105.675.014	126.558.931	79.651.965
XVII.* LOSS CHARGED TO MINORITY INTEREST	072				

CASH FLOW STATEMENT - Indirect method

for the period 1.1.2010 to 30.9.2010

in HRK

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	-152.465.254	-126.541.669
2. Depreciation and amortisation	074	75.525.366	76.410.605
3. Increase in short-term liabilities	075		346.118.092
4. Decrease in short-term receivables	076		69.393.517
5. Decrease in inventories	077	156.067.420	
6. Other increase of cash flow	078	5.478.273	6.920.114
I. Total increase of cash flow from operating activities	079	84.605.805	372.300.658
1. Decrease in short-term liabilities	080	123.202.875	
2. Increase in short-term payables	081	81.116.803	
3. Increase in inventories	082		125.716.031
4. Other decrease in cash flow	083	30.513.149	
II. Total decrease in cash flow from operating activities	084	234.832.827	125.716.031
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	085		246.584.627
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES	086	150.227.022	
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	087	8.419.200	
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	152.077	369.664
5. Other cash proceeds from investing activities	091		
III. Total cash inflow from investing activities	092	8.571.277	369.664
1. Cash outflow for acquisition of non-current tangible and intangible assets	093	31.088.600	15.703.964
2. Cash outflow for acquisition of equity and debt security instruments	094		
3. Other cash outflows from investing activities	095		145.931
IV. Total cash outflow from investing activities	096	31.088.600	15.849.895
B1) NET CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	098	22.517.323	15.480.231
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	099	145.854.034	21.448.077
2. Cash inflow from loan principals, debentures, credits and other borrowings	100	104.860.636	210.682.579
3. Other cash inflows from finance activities	101	77.296.197	137.052.836
V. Total cash inflow from finance activities	102	328.010.867	369.183.492
1. Cash outflow for repayment of loan principal and bonds	103	30.000.000	267.330.040
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	119.564.308	280.301.578
VI. Total cash outflow for finance activities	108	149.564.308	547.631.618
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES	109	178.446.559	
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES	110		178.448.126
Total increase of cash flow	111	178.446.559	246.584.627
Total decrease of cash flow	112	172.744.345	193.928.357
Cash and cash equivalents at the beginning of the period	113	13.914.937	30.452.095
Increase of cash and cash equivalents	114	5.702.214	52.656.270
Decrease of cash and cash equivalents	115		
Cash and cash equivalents at the end of the period	116	19.617.151	83.108.365

STATEMENT ON CHANGES IN EQUITY

from 1.1.2010 to 30.9.2010

in HRK

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	902.101.590			902.101.590
2. Capital reserves	118				0
3. Reserves from profit	119	69.398.969		69.398.969	0
4. Retained profit or loss carried forward	120	88.995.416	-109.393.020	88.995.416	-109.393.020
5. Profit or loss for the year	121	-267.634.514	-126.558.931	-267.634.514	-126.558.931
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	792.861.462	-235.951.951	-109.240.128	666.149.639
16a. Credited to parent company capital owners	133	792.861.462	-235.951.951	-109.240.128	666.149.639
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 the nine months of 2010, as compared to the same period of 2009, Petrokemija Group increased production by 34.9%, fertilizer sales increased by 18.7%, reduced staff costs by 20.2%, and most of other costs (spare parts, nonmaterial expenses), but all this could not compensate for the increase in raw material costs (especially natural gas) and prevent from reporting loss.

The reported business loss of Petrokemija Group is HRK 126.6 million, which is HRK 26.0 million less than in the same period last year (index 83.0). The loss was partially caused by low sales prices and relatively weak demand in the domestic and regional markets, and partly by the growth of gas prices as the most important raw material for the production, purchased on the domestic market by the so-called Russian formula.

As Petrokemija Group is influenced by the movements in the global market, the delayed effects of the global financial crisis of 2009 are still present in the Company 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 4th quarter of 2010.

As compared to the same period of 2009, there was a 8.0 % growth in total income, while the expenses grew by 5.6%. The loss is approx. HRK 50.1 million higher than the calculated depreciation and the EBITDA indicator (Earning before Interest, Taxation, Depreciation and Amortization) is negative and amounts to HRK 26.4 million.

The higher business income and expense compared to the previous year is the result of the increased amount of production and sales in most part of product range. The crisis in demand of carbon black is still present. In the year 2010 a growing concern is to be expected over an increasing gas price and difference arising between the price of gas on the spot market, which is approximately 30-40% lower than the price of gas associated with the movement of petroleum products (so-called Oil-Linked). It is estimated that during the 4th quarter, the Russian gas prices will stagnate, but its movement in 2011 is uncertain. 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 the nine months of 2010 were 20.2% lower as compared to the same period of 2009.

Except for the gas price, defined in the domestic market, the majority of future risks come 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. Price fluctuation of basic agricultural crops,
5. Exchange rate of USD and EUR to HRK;
6. 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 a major challenge in the rest of 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, a new chairman was appointed to 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.