

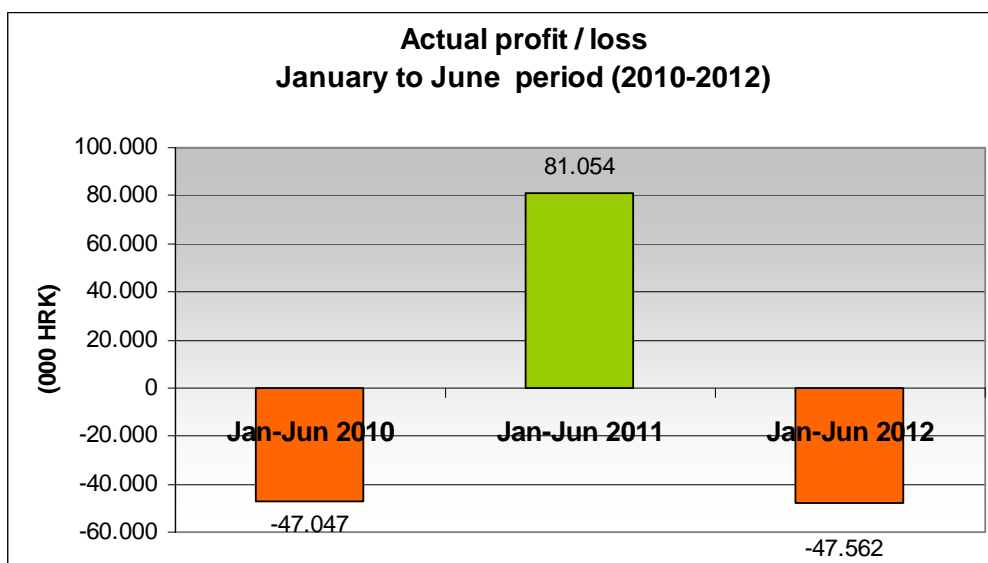
# SEMI-ANNUAL REPORT

## PETROKEMIJA d.d. KUTINA

### PETROKEMIJA GROUP

REPORT FOR PERIOD January to June 2012  
INTERIM REPORT FOR PERIOD April to June 2012

- Actual production 523 and sales 548 thousand tons of fertilizers;
- Actual total income of Petrokemija, Plc. HRK 1,473.2 million; Petrokemija Group HRK 1.482,2 million;
- Actual loss of Petrokemija, Plc. HRK 47.6 million (3.2% of total revenues); Petrokemija Group HRK 50.4 million;
- Invested funds HRK 24.7 million;
- Number of employees of Petrokemija, Plc. 2,299; Petrokemija Group 2,489.



# MANAGEMENT BOARD REPORT ON THE STATE OF THE COMPANY FOR Jan – June 2012 PERIOD

## 1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA, Plc.

The total income of Petrokemija, Plc. in the first half of 2012 was HRK 1,473.2 million, total expenses were HRK 1,520.7 million and the Company reported loss in business operations of HRK 47.5 million or 3.2% of total revenues. The total income of the 1<sup>st</sup> half was up by 2.5% and total expenses by 12.2% on the same period of 2011.

Greater actual operating income and expenses compared to the same period last year is a reflection of the growth of in- and output prices. In 1<sup>st</sup> half of 2012, Petrokemija Plc. decreased production by 14.3% and sales by 9.7% in comparison with the same period of the previous year.

The income from domestic sales in the 1<sup>st</sup> half of 2012 increased by 0.9% while the income from export sales increased by 3.8% in comparison with the year 2011.

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 16.9 million in the positive. The EBITDA for the same period of 2011 was HRK 143.1 million in the positive.

(HRK 000)

	Jan- Jun 2012	Jan- Jun 2011	Difference	% change
Operating income	1.461.374	1.423.312	38.062	2,67%
Operating expense	1.494.318	1.328.730	165.588	12,46%
EBITDA *	16.944	143.072	-126.128	-88,16%
Amortization	49.888	48.490	1.398	2,88%
Net financial income (expenses)	-14.618	-13.528	-1.090	8,06%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-47.562	81.054	-128.616	0,00%
Non-current assets	769.863	793.919	-24.056	-3,03%
Current assets	939.307	705.979	233.328	33,05%
Shareholders' equity	717.548	738.338	-20.790	-2,82%
Non-current liabilities	142.367	75.401	66.966	88,81%
Current liabilities	849.255	686.159	163.096	23,77%

\* EBITDA= profit before interest, taxation depreciation and amortization

Out of the total loss, HRK 32.9 million or 69% is loss from business operations, while HRK 14.6, or 31% is loss from financial operations. The actual loss of the 1<sup>st</sup> half, after operating profit of the previous year is the result of a number of factors. The main cause of this loss is the rise of gas price which was not accompanied by appropriate rise in sales prices for market reasons. The higher price of gas (by 45% higher than in the same period last year) as a result of oil derivatives fluctuation in the global market and the growth of US\$ exchange rate had a major impact on the costs in the reporting period.

What next contributed to the loss is lower production and sales, which had indirect influence on the growth of fixed costs per unit of product. The main reason for this reduction are unfavorable weather conditions in the first quarter and the associated longer than planned overhaul and

difficulties in starting up of the key plants and the blockade of shipment at the time of high snowfall and freezing temperatures.

The lost sales in the 1<sup>st</sup> quarter could not be made up for in the 2<sup>nd</sup> quarter, particularly since the situation in the fertilizer market in the meantime deteriorated. This is evident in the decrease in market demand and the consequent fall of prices, which was particularly pronounced in nitrogen fertilizers. In the 2<sup>nd</sup> quarter, next to the global fall in demand and fertilizer price, an additional negative impact on local and regional markets was caused by unfavorable financial situation of most farmers due to reduced yields in the last year (long drought). Late payments of subsidies to farmers had an additional negative impact on domestic fertilizer sales.

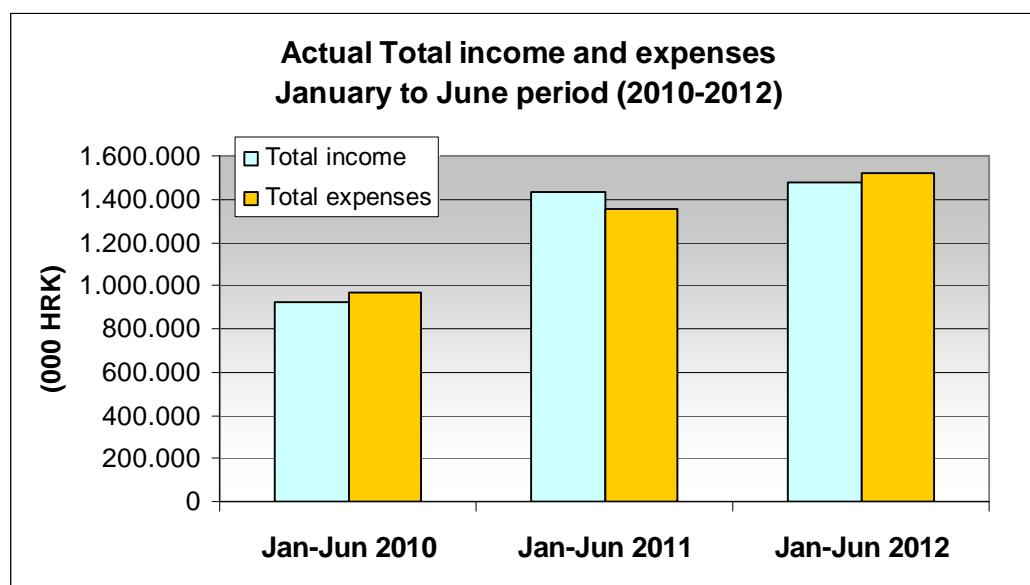
Financial indicators by quarters and cumulatively for the six-month period of 2012:

	Jan- Mar 2012	Apr- Jun 2012	Jan- Jun 2012
Operating income	714.788	746.586	1.461.374
Operating expense	715.385	778.933	1.494.318
EBITDA *	23.982	-7.038	16.944
Amortization	24.579	25.309	49.888
Net financial income (expenses)	-2.461	-12.157	-14.618
Net extraordinary income (expenses)	0	0	0
Profit / loss / before taxation	-3.058	-44.504	-47.562

\* EBITDA= profit before interest, taxation depreciation and amortization

During the 1<sup>st</sup> half of 2012, a significant share of sales in exports was continued, in order to ensure positive effect on the financial result, fill in the capacity, ensure continuity of production and maintain the liquidity.

Actual operating loss during the second quarter was HRK 32.3 million because of the said market reasons, but there was also a financial loss of HRK12.2 million, due to high interest and exchange rate differences. The actual loss before tax in the second quarter is HRK 44.5 million.



In comparison to the actual result in the same period of 2011, in the 1<sup>st</sup> half of 2012 there was a negative difference of HRK 128.6 million. The sales prices of fertilizers were increased in line with the growth of input prices and the evaluation of the market. However, this could not make

up for the negative impact of lower volumes and higher prices of major raw materials, especially gas.

Due to the market situation, a part of facilities was halted in the second half of 2009 and this problem was carried over into 2012. For a part of raw materials and products the improvement of market position is still uncertain. The open problem of exceptional growth of gas price, carried over from the European energy fluids market as a consequence of the political crisis in the Middle East that influenced the rise in price of oil and oil derivatives, is here particularly pronounced.

#### STATEMENT OF COMPREHENSIVE INCOME OF PETROKEMIJA, Plc.KUTINA

(HRK 000 )

POSITION	Petrokemija, Plc. Jan-Jun 2012	Petrokemija, Plc. Jan-Jun 2011
Total operating income	1.461.374	1.423.312
Total operating expenses	1.494.318	1.328.730
<b>PROFIT / LOSS FROM ORDINARY ACTIVITIES</b>	<b>-32.944</b>	<b>94.582</b>
Total financial income	11.786	13.357
Total financial expenses	26.404	26.885
<b>PROFIT / LOSS FROM FINANCIAL ACTIVITIES</b>	<b>-14.618</b>	<b>-13.528</b>
<b>TOTAL INCOME</b>	<b>1.473.160</b>	<b>1.436.669</b>
<b>TOTAL EXPENSES</b>	<b>1.520.722</b>	<b>1.355.615</b>
<b>Profit/loss before taxation</b>	<b>-47.562</b>	<b>81.054</b>
<b>Profit tax</b>		
<b>Total comprehensive loss</b>	<b>-47.562</b>	<b>81.054</b>

#### BALANCE SHEET OF PETROKEMIJA, Plc.KUTINA

(HRK 000)

POSITION	Petrokemija, Plc. 30.06. 2012	Petrokemija, Plc. 30.06. 2011.
Total long-term assets	769.862	793.919
Total short-term assets	936.367	705.979
Prepaid costs and accrued income	2.941	0
<b>TOTAL ASSETS</b>	<b>1.709.170</b>	<b>1.499.898</b>

	Petrokemija, Plc.	Petrokemija, Plc.
<b>POSITION</b>	<b>30.06. 2012</b>	<b>30. 06. 2011.</b>
<b>Total capital</b>	717.548	738.338
<b>Long-term liabilities</b>	142.367	75.401
<b>Total short-term liabilities</b>	849.255	669.212
<b>Accruals and deferred income</b>	0	16.947
<b>TOTAL LIABILITIES</b>	<b>1.709.170</b>	<b>1.499.898</b>

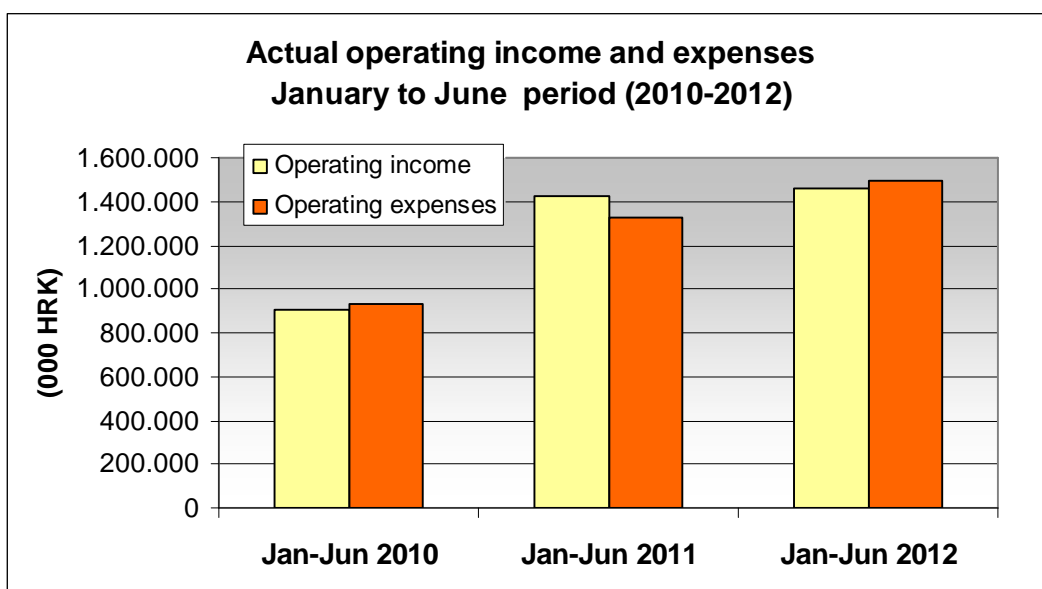
Due to gas consumption balancing in winter months in the gas system of Republic of Croatia, Petrokemija used the fertilizer production standstill in January 2012 for the planned annual facilities overhaul. The forecast for the long-awaited implementation of gas market in Croatia in 2011 by including a new supply route and potentially new suppliers, have not been fully realized. This was particularly pronounced during extremely low temperatures in February this year. Sufficient gas volumes in the months that follow are a good basis for optimum yearly schedule of fertilizers production and deliveries in 2012. The price will depend on the European gas market and USD exchange rate.

The domestic demand for fertilizers is connected with the situation in agricultural production, i.e. with the price ratio of production materials and finished products in agriculture (low prices of basic agricultural crops generate the extensiveness in use of agro-technical measures and vice versa). The imports of fertilizers have a moderately rising trend, having an approximate market share of 15% (by Petrokemija's assessment) with a portion of those products not normally produced by Petrokemija.

A trend of instability of in- and output prices continued in the reporting period. The prices of some raw materials in world markets were gradually rising, while the prices of key raw materials were reduced. The quarterly gas price in the domestic market was growing according to the formula. The gas price growth trend continued in the 2<sup>nd</sup> quarter of 2012, is estimated to continue in the 3<sup>rd</sup> quarter of the current year and to stop or slightly fall in the 4<sup>th</sup> quarter.

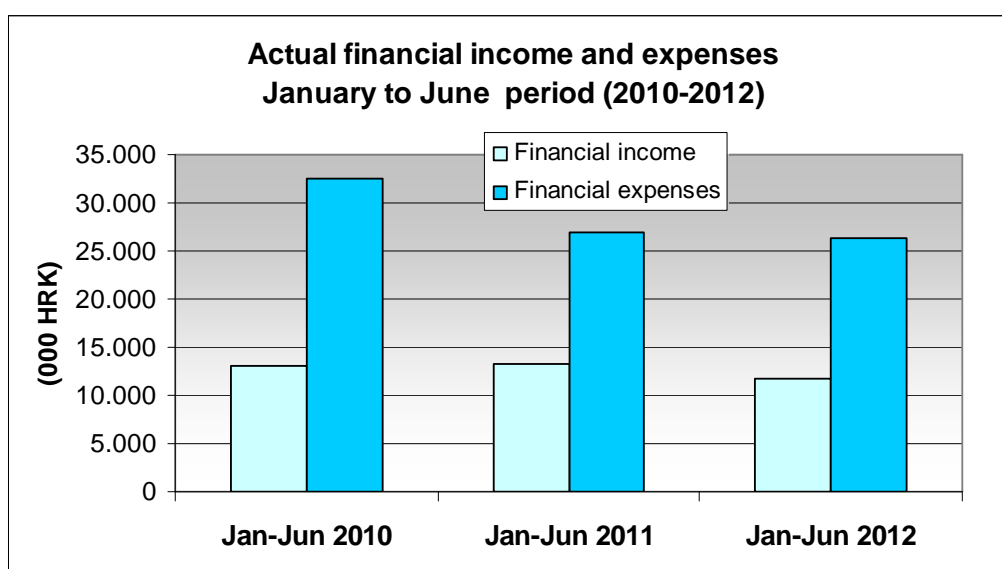
This most important raw material is supplied in the domestic market under the so-called Russian formula based on the price of oil derivatives and gas price in US\$. In the period from September 2011 to June 2012, Petrokemija, Plc. was not included in the Government Decision on the limited gas prices for privileged consumers and in the regulatory part of the gas market the Company did not have the possibility of simultaneous gas purchase from multiple suppliers. Therefore, the extreme growth of gas price is greatly reflected in the Company financial loss in the reporting period. At the time of preparation of this financial statement, Petrokemija, Plc. is expecting relevant Government decisions regarding further regulation of the gas market in the Republic of Croatia and considers the possibility of buying gas from multiple suppliers, as well as market justification for its execution.

The realization of the planned business objectives in 2012 could be jeopardized by a potential new wave of instability in demand and prices in the global market.



Financial income was by HRK 1.6 million or 11.8% lower, and financial expense by HRK 0.5 million or 1.8% lower than in the same period last year. The HRK 14.6 million loss from financial activities was by 8.1% higher than in the same period last year. Foreign exchange gains accounted for 40% and income from interest and other financial income for 60% share in the financial income. Foreign exchange losses have 39% share in financial expenses, while 61% is made up of interest and other financial expenses. Although the interest rates are lower than in the previous period, a disturbing trend is opened up by a potential financial crisis in the Eurozone in 2012, which can indirectly influence the terms of financing in Croatia.

Since 2009, Petrokemija, Plc. has been implementing a program of issuing commercial papers (up to HRK 100 million) through Privredna Banka Zagreb to provide for short-term working capital. During the whole period of the program, the liabilities on commercial bills were fulfilled regularly. In the remaining period of 2012, HRK 47.2 million of commercial bills are maturing in September. Repayment or refinancing of commercial papers will depend on the price of other sources of funding at the time of its maturity.



## 2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

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

• Total income	HRK	1,482.2 million
• Total expenses	HRK	1,532.6 million
• Loss before taxation	HRK	-50.4 million

The share capital of Luka Šibenik (Port of Šibenik), Ltd. consists of 12, 060 shares with a nominal value of HRK 1,300, which amounts to 15,678,000.00 HRK. Petrokemija, Plc. acquired shares in Luka Šibenik over the past 10 years by gradual purchase from the small shareholders. So as of June 1, 2012, the Company was in possession of 3,584 shares, which was 29.72% ownership of the Luka Šibenik. The acquisition costs amounted to HRK 3,544,982.30, and they were accounted by the equity method. On 19 June 2012, by signing the contract on sale and transfer of shares of the Luka Šibenik, Ltd., Šibenik Company with Transadria Plc. Rijeka - in bankruptcy, Petrokemija purchased additional 6,030 shares and 50% ownership, which with previously acquired shares makes 79.72% ownership. In this way, Petrokemija acquired a majority shareholder rights in Luka Šibenik, which thus became Petrokemija's subsidiary. Since 30 June 2012 Luka Šibenik, Ltd. is included in the Company's consolidated financial statements. On 30 June 2012, in its initial consolidation Petrokemija, Plc. reported the effects of acquisition the equity book value and the reserves of the balance sheet of the acquired company. By the end of the business year, the evaluation will be conducted at fair value.

### Business results of daughter companies:

(HRK 000)

POSITION	Actual Jan-Jun 2012	Actual Jan-Jun 2011	Ind 2/3
1	2	3	4
<b>RESTORAN PETROKEMIJA, Ltd.</b>			
TOTAL INCOME	1.075	1.077	99,8
TOTAL EXPENSES	1.069	1.027	104,1
GROSS PROFIT /LOSS	6	50	12,0
<b>PETROKEMIJA Novi Sad, Ltd.</b>			
TOTAL INCOME	69.678	28.630	243,4
TOTAL EXPENSES	69.523	28.396	244,8
GROSS PROFIT	155	234	66,2
<b>PETROKEMIJA Novo Mesto, Ltd.</b>			
TOTAL INCOME	352	519	67,8
TOTAL EXPENSES	352	510	69,0
GROSS PROFIT	0	9	0,0
<b>LUKA ŠIBENIK, Ltd.</b>			
TOTAL INCOME	8.281		
TOTAL EXPENSES	11.255		
GROSS PROFIT	-2.974		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(HRK 000)

P O S I T I O N	Petrokemija Group Jan-Jun 2012	Petrokemija Group Jan-Jun 2011
Total operating income	1.470.249	1.425.646
Total operating expenses	1.505.659	1.330.750
<b>PROFIT/LOSS FROM ORDINARY ACTIVITIES</b>	<b>-35.410</b>	<b>94.896</b>
Total financial income	11.931	13.379
Total financial expenses	26.895	26.927
<b>PROFIT/LOSS FROM FINANCIAL ACTIVITIES</b>	<b>-14.964</b>	<b>-13.548</b>
<b>TOTAL INCOME</b>	<b>1.482.180</b>	<b>1.439.025</b>
<b>TOTAL EXPENSES</b>	<b>1.532.554</b>	<b>1.357.677</b>
<b>Profit/Loss before taxation</b>	<b>-50.374</b>	<b>81.348</b>
<b>Profit tax</b>	<b>15</b>	<b>23</b>
<b>Profit/Loss after taxation</b>	<b>-50.389</b>	<b>81.325</b>

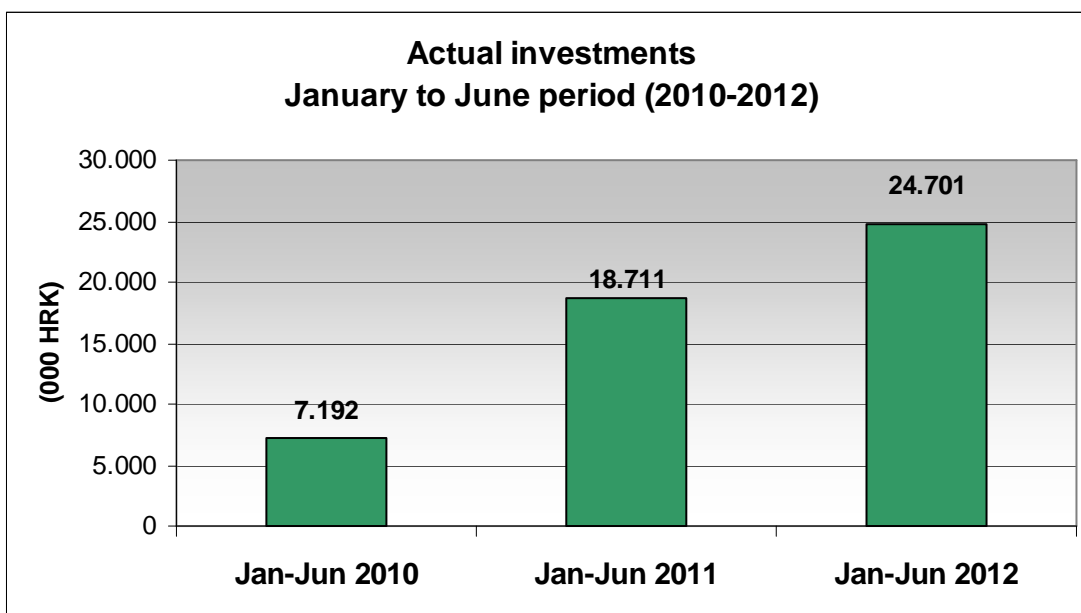
CONSOLIDATED BALANCE SHEET  
(HRK 000)

P O S I T I O N	Petrokemija Group 30.06. 2012	Petrokemija Group 30. 06. 2011.
Total long-term assets	751.741	785.280
Total short-term assets	957.027	711.223
Prepaid costs and accrued income	2.945	8
<b>TOTAL ASSETS</b>	<b>1.711.713</b>	<b>1.496.511</b>
Total capital	721.306	738.565
Long-term liabilities	142.752	75.401
Total short-term liabilities	847.655	665.598
Accruals and diferred income	0	16.947
<b>TOTAL LIABILITIES</b>	<b>1.711.713</b>	<b>1.496.511</b>

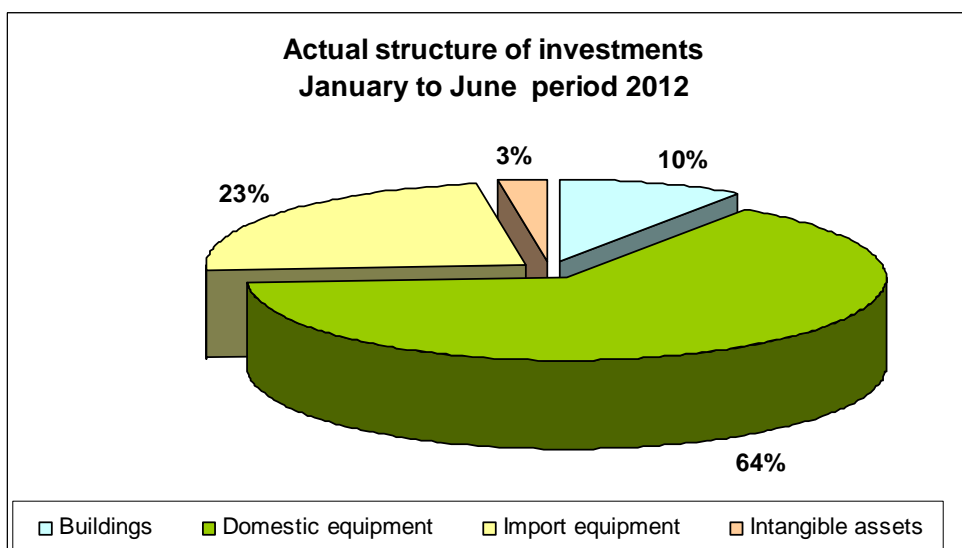


### 3. INVESTMENTS

Actual investment in the first half of 2012 amounted to HRK 24.7 million, approximately HRK 6.0 million over the previous year's amount. During the second quarter of this year, HRK 11.0 million was invested. Due to limited funds, a trend of relatively low investment from earlier years was continued in 2012. A more intensive investment activity in the remaining part of 2012 will depend on the provision of the funding sources.



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



In the next few years, increased investment is necessary in environmental protection projects, improvement of energy efficiency and condition of facilities. However, the extensiveness of investment will continue to be limited by available financial resources.

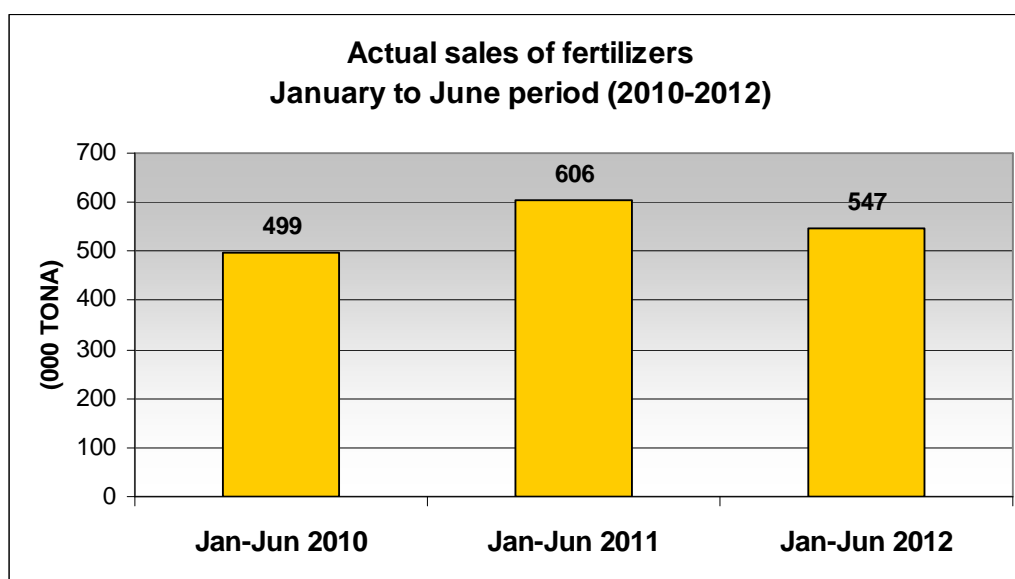
#### 4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to June 2012 period:

- **fertilizers** 522.6 thousand tons
- **clay-based products** 8.3 thousand tons
- **TGUS products** 0.7 thousand tons

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

- **fertilizers** 547.5 thousand tons
- **clay-based products** 8.6 thousand tons
- **TGUS products (+chemicals)** 2.2 thousand tons



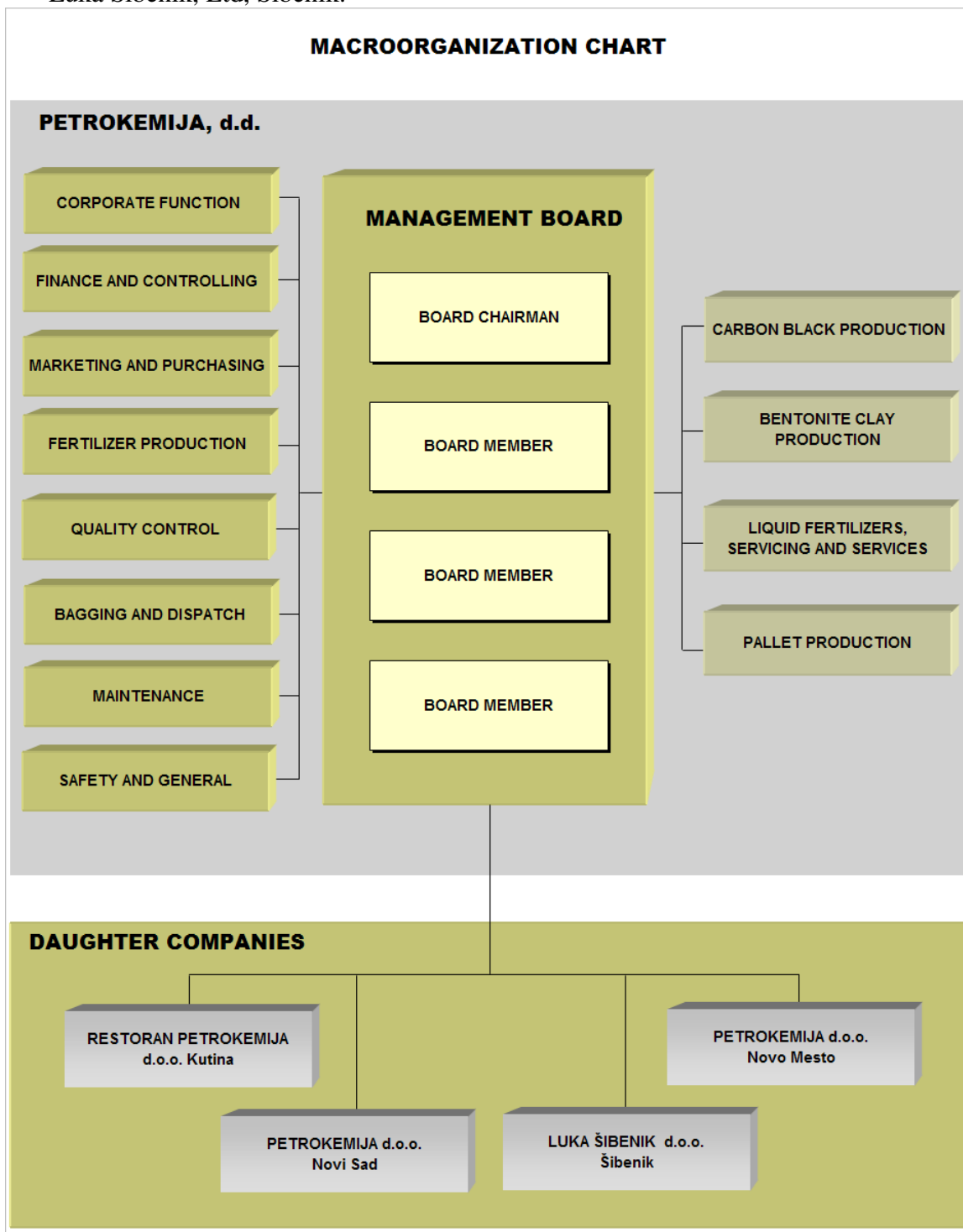
The actual total sales of fertilizers are 9.7% lower than in the same period last year, with certain changes in the structure of the product range. Due to unfavorable weather conditions in February the deliveries were aggravated, which was reflected in the lower than planned sales. For the same reason, the standstill of facilities and the start-up was prolonged. The sales of clay-based products were by 33.0% lower and those of liquid fertilizers and chemicals by 19.3% lower in comparison to the previous year. However, these products had no significant impact on total business result of Petrokemija, Plc. As the Carbon Black Plant is temporarily shut down for market reasons, there were no sales of carbon black.

#### 5. ORGANIZATION CHART AND HUMAN RESOURCES

In the first half of 2012, there was no significant change in the existing organization chart until almost to the very end of the reporting period. Towards the end of the 2<sup>nd</sup> quarter, Petrokemija acquired 6,030 business shares of Luka Šibenik (Port of Šibenik), Ltd. Company in the value of HRK 24,253,051, whereby Petrokemija Plc. became the owner of a total of 79.72% stake in the company. Luka Šibenik is of strategic interest to the business of Petrokemija, Plc. because most raw materials are shipped from overseas, and a significant portion of exports of finished products are delivered through sea port in Šibenik.

As of 30 June 2012, the Petrokemija Group is made up of Petrokemija, Plc. Kutina as the parent company and its daughter companies:

- Restoran Petrokemija, Ltd. Kutina,
- Petrokemija, Ltd. Novi Sad
- Petrokemija, Ltd. Novo Mesto and
- Luka Šibenik, Ltd, Šibenik.

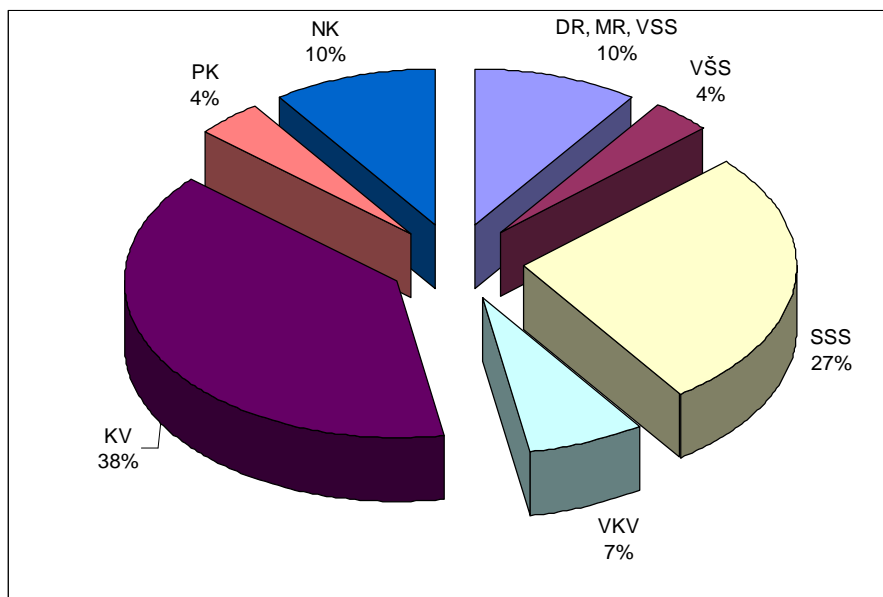


As of June 30, 2012, Petrokemija, Plc. had 2,299 employees and its daughter companies, members of the Petrokemija Group had 190 employees, which makes a total of 2,489 employees. The high qualification structure corresponds to the complexity of the production and other systems in place in the Company.

During the 1<sup>st</sup> half of 2012, the number of employees in Petrokemija, Plc. was reduced by 2 employees. Workers from the facilities that have been temporarily stalled, have been deployed to work in other organization units.

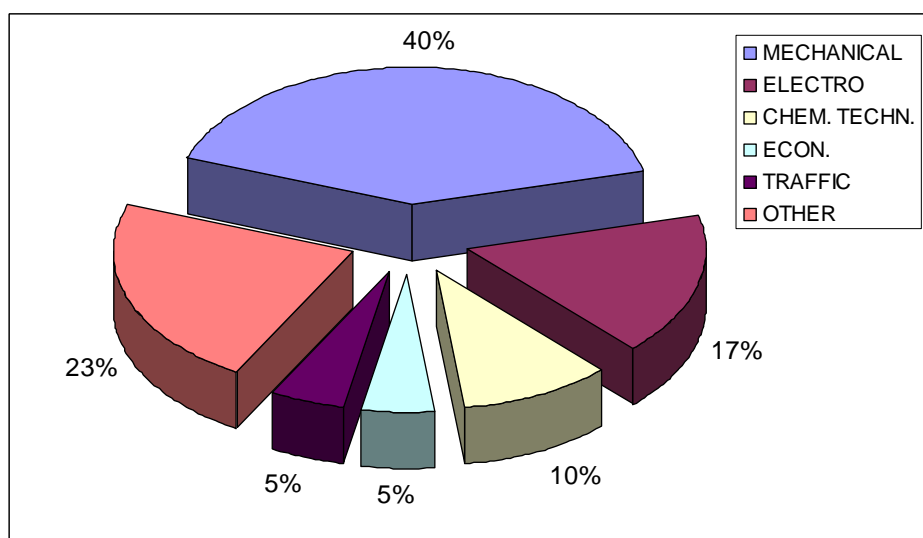
At the General Assembly Meeting on May 17 2012, four new members of the Supervisory Board were elected. There have been no significant changes in the other management structure of the Company in the 1<sup>st</sup> half of 2012.

**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 up to 2,0 million tons a year of raw materials and finished products.

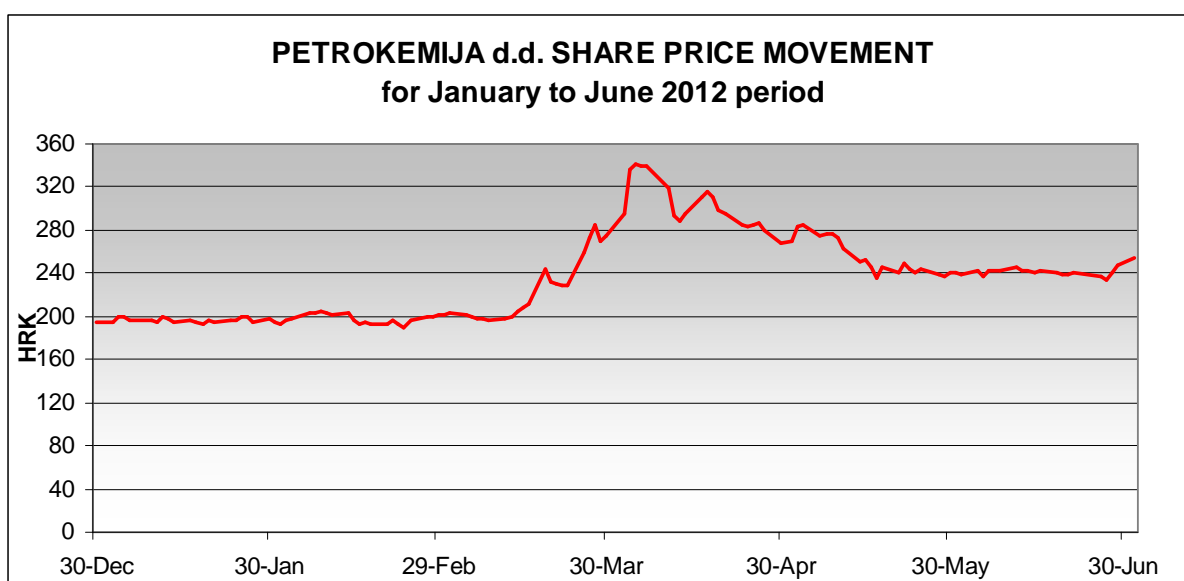
**EMPLOYEES BY PROFESSION:**



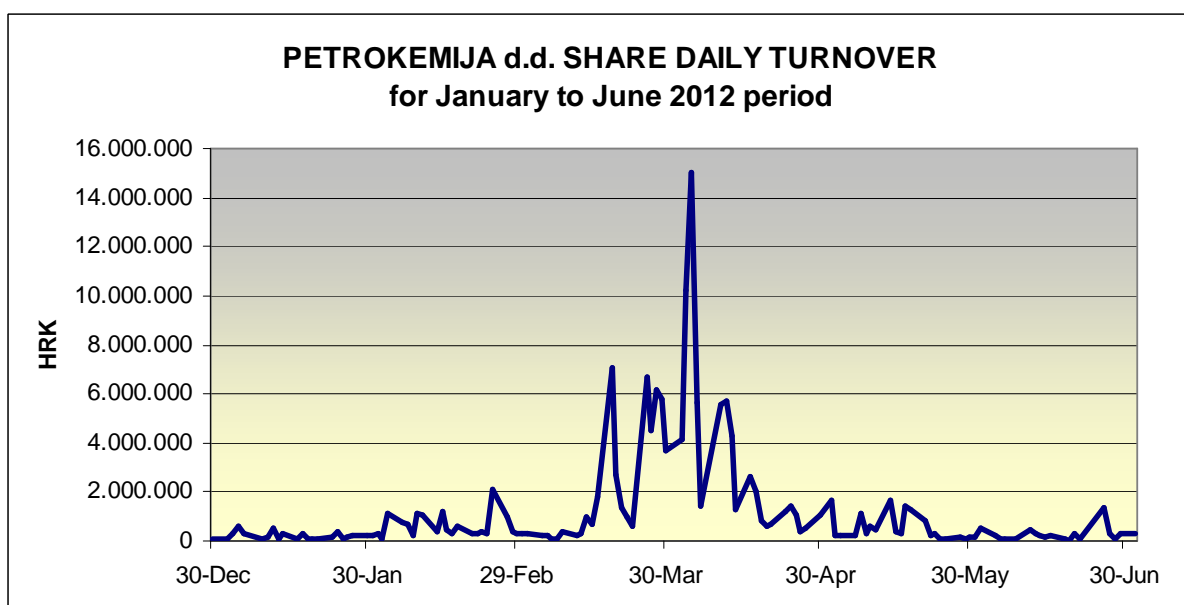
## 6. PETROKEMIJA, Plc. SHARE TRADING AND PRICE MOVEMENTS

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

At the end of December 2011, Petrokemija's share value was HRK 193.31, while on June 29, 2012, its average price was HRK 244.38 (26.4 % growth). The share turnover at the Zagreb Stock Exchange in the first half of 2012 was HRK 145.1 million (total amount in 2011 was HRK 93.6 million), with price fluctuations mainly influenced by the global financial movements, specific characteristics of the Croatian capital market, actual financial results of Petrokemija and media announcements of potential privatization.



Source: ZSE



Source: ZSE

## 7. ENVIRONMENTAL PROTECTION - JANUARY TO JUNE 2012 REPORT

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 the 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 2012 period by main environmental aspects.

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

According to the data from 2011 and also from the previous years, greenhouse gases, carbon dioxide and nitrous oxide (CO<sub>2</sub> and N<sub>2</sub>O), have the largest share (about 99 %) in the total emissions into air from Petrokemija. As regards other typical pollutant emissions (ammonia-NH<sub>3</sub>, sulphur dioxide-SO<sub>2</sub>, nitrogen dioxide-NO<sub>2</sub>, gaseous fluorides-HF, dust), without greenhouse gases and carbon monoxide (CO) from Petrokemija's technological processes, ammonia and nitrogen oxides, with 60,36 % and 27,49 % respectively, have the largest share in total pollutant emissions.

In line with the regulations, emission monitoring was done by individual or periodical measuring throughout the calendar year, except for measurements of air emissions from Power Plant and Ammonia Plant that were continuous. Air quality monitoring in the Kutina area is continuous, by means of automatic and semi-automatic methods.

In the January to June 2012 period, the results of air quality monitoring at six local network measuring stations for the seven pollutants (NH<sub>3</sub>, SO<sub>2</sub>, NO<sub>2</sub>, H<sub>2</sub>S, HF, smoke and sediment), recorded exceeding of 24-hour limit for:

a) ammonia: in two cases at K3 measuring station and one case at K 2 measuring station but the number of recorded exceedings were not higher than number of permitted exceedings for 1<sup>st</sup> air quality category (clean or slightly polluted air).

In the same period the air quality, measured by the local network was 1<sup>st</sup> category (clean or slightly polluted air) for all pollutants.

According to unofficial measuring results of the State established monitoring system *Kutina-1* for that period, the air quality was 1<sup>st</sup> category (clean or slightly polluted air) for ammonia-NH<sub>3</sub>, nitrogen dioxide-NO<sub>2</sub>, sulphur dioxide-SO<sub>2</sub>, carbon monoxide-CO and PM<sub>10</sub>.

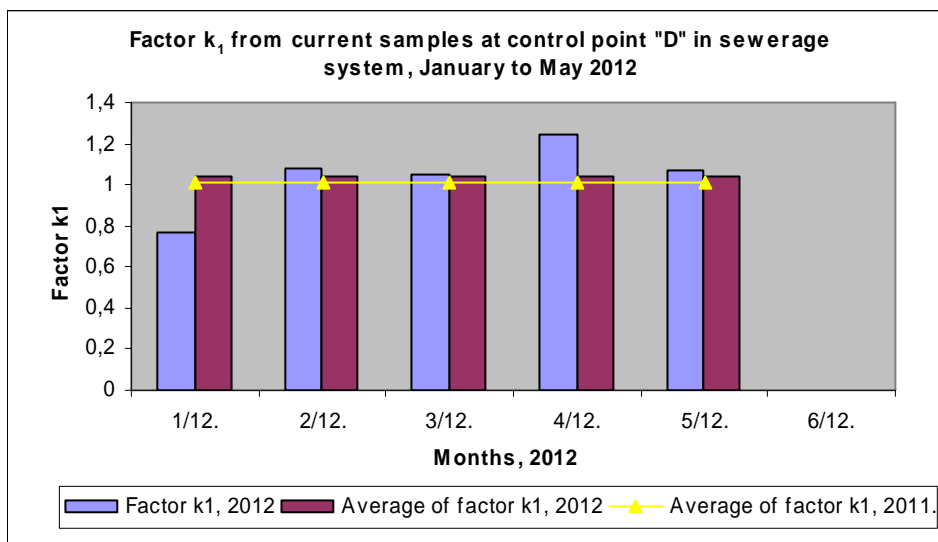
The air quality was 2<sup>nd</sup> category (polluted air) for hydrogensulphide-H<sub>2</sub>S based on hourly concentrations measured in May and June which can not be correlated with the Petrokemija production activities.

Measuring data of pollutants of State established monitoring system *Kutina-1* in the reporting period are incomplete.

## 2. Water management

Based on the values of k1 factors in the period from January to May 2012 it is evident that the protection of the water was at the average 2011. i.e. that there was no worsening compared to 2011. (Figure 1).

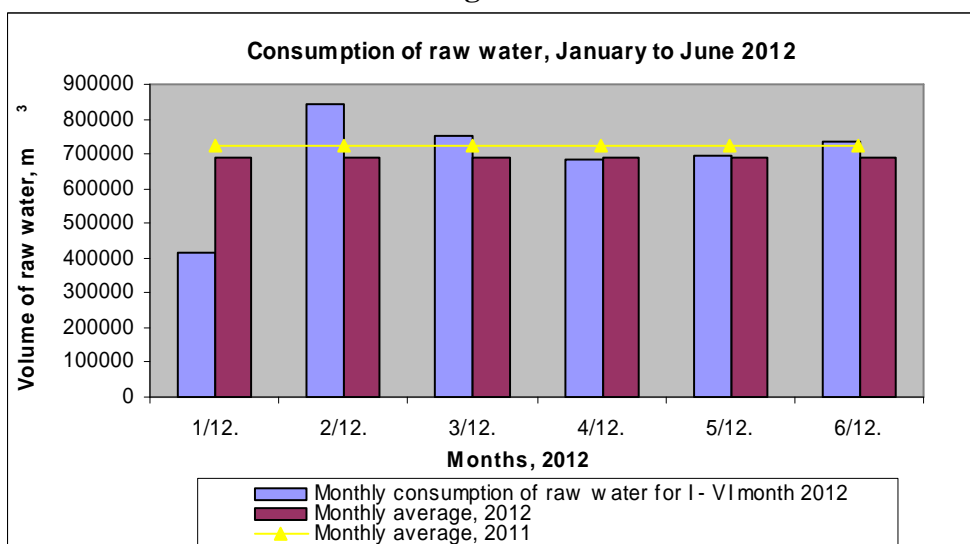
**Figure 1.**



**Remark:** Factor k<sub>1</sub> is not shown for June because of waste water analysis at control point Krč are in proceeding by Department of public health of Sisačko-moslavačka county.

In the January to June period of 2012, 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.

## **8. MAIN FEATURES OF BUSINESS ACTIVITIES IN THE NEXT PERIOD**

Current market situation - the parity of price of most important raw materials and price of fertilizers in the domestic and world markets suggest caution in predicting operating results in 2012.

In 2011, certain positive developments were achieved in the domestic market, which can be interpreted as a sign of permanent market recovery, despite the prolonged drought that has taken on proportions of natural disaster. In 2012 part of reported loss can be interpreted as an effect of time difference in the growth of in- and output prices. Employment and wages are under control, a part of the plants is still shut-down for market reasons and the current liquidity is maintained with support of commercial banks, Croatian Bank for Reconstruction and Development and by issuance of commercial papers.

During the reporting period, the planned annual overhaul was conducted. With a certain lag, due to unfavorable weather conditions, all production plants were successfully started up and were in continuous operation in order to provide sufficient fertilizer volumes needed to meet the market demand. Some of the plants occasionally operate at a reduced capacity for balancing inventory. The emphasis will continue to be on the domestic and neighboring markets, where Petrokemija is traditionally present, but strong sales activity will be continued in the global market, too. Assessment of long-term business prospects in the following years is aggravated by the fluctuation in global flows and unstable parity of energy, fertilizers and food prices in world markets.

## **9. SIGNIFICANT FINANCIAL RISKS IN THE REMAINING PERIOD OF 2012**

The overall considerations of Petrokemija's business position in 2012 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 Plc. 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 contract on gas supply was signed with INA Industrija nafte, Plc. Zagreb, i.e. their daughter company Prirodni plin, Ltd. for 2012 and 2013. The formula of quarterly pricing of gas is linked to the movement of oil products prices in the world market, while the monthly price in HRK is linked to USD exchange rate. This implies an additional exposure to foreign exchange rate of HRK and energy price fluctuations in the global market. The price of fuel oil, which is included in the formula, has risen significantly in the first half of 2012.
- The year 2011 saw the recovery of fertilizer sales price in the global markets but they continue to be influenced by cyclic and seasonal changes in 2012.
- 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, finance costs will continue to be present in the following period. A part of the short-term liabilities has been transformed into long-term liabilities (loans and reservation). In the next period efforts will be made to provide additional long-term resources to finance permanent working capital and the indispensable investments.
- Positive developments in the operations of 2011 opened certain optimism regarding the future trend of business. The possible new wave of global economic and financial crisis may compromise the actual positive impacts in 2012.
- The most significant individual risk is the growth of gas price in European and the local markets.



## 10. STATEMENT OF MANAGEMENT LIABILITY

In line with Articles 407 through 410 of Capital Market Act (OG 88/08, 146/08 and 74/09), the Managing Board of Petrokemija, Plc. Kutina, A. Vukovar 4, make a

### Statement on Management Liability

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

Financial reports for the January 1 to June 30, 2012 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, Plc. 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, Plc. or Petrokemija Group are heavily dependent on a large number of factors which may influence their being quite different from the originally set ones.

Chairman of Petrokemija  
Management Board  
Josip Jaguš

Member of Petrokemija  
Management Board  
Antonija Perošević-Galović

Member of Petrokemija  
Management Board  
Nenad Marinović

Member of Petrokemija  
Management Board  
Tomislav Seletković

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

**Attachment 1.**

Reported period:

01.01.2012.

to

30.06.2012.

**Quarterly financial statements TFI-POD**

Registration number (MB): 03674223

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

Issuer company: PETROKEMIJA d.d.

Postal code and city: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

E-mail: [fin@petrokemija.hr](mailto:fin@petrokemija.hr)Internet address: [www.petrokemija.hr](http://www.petrokemija.hr)

Code and city/municipality: 220 KUTINA

Code and county name: 3 SISAČKO-MOSLAVAČKA ŽUPANIJA

Number of employees: 2.299  
(at the end of the year)

Consolidated Report: NO

Code of NKD: 20.15

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

Book-keeping office:

Contact person: MARINA MARIĆ

(name and surname of the contact person)

Telephone number: 044-647-829

Fax: 044-682-819

E-mail: [marina.marić@petrokemija.hr](mailto:marina.marić@petrokemija.hr)

Name and surname: JOSIP JAGUŠT, ANTONIJA PEROŠEVIĆ-GALOVIĆ

(authorized representatives)

**Documentation to be published:**

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

(seal)

(signature of authorized representative)

**BALANCE SHEET**  
as at 30.06.2012.

<b>Petrokemija d.d.</b>			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
<b>A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>767.561.009</b>	<b>769.862.879</b>
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	<b>7.666.622</b>	<b>7.847.399</b>
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	5.691.975	5.363.068
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	1.974.647	2.484.331
6. Other intangible assets	009		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	<b>737.831.972</b>	<b>714.228.594</b>
1. Land	011	49.411.756	49.482.152
2. Buildings	012	303.807.515	293.862.791
3. Plant and equipment	013	354.706.148	328.420.086
4. Tools, plant inventory and transportation assets	014	12.502.844	15.440.126
5. Biological assets	015		
6. Advances for tangible assets	016	3.081.885	4.857.912
7. Tangible assets in progress	017	13.828.059	21.667.382
8. Other tangible assets	018	493.765	498.145
9. Investments in real estates	019		
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	<b>22.062.415</b>	<b>47.579.026</b>
1. Investments (shares) in related companies	021	7.770.691	35.568.724
2. Loans given to related companies	022		
3. Participating interest (shares)	023	10.766.762	12.010.302
4. Loans given to companies with participating interest	024		
5. Investment in securities	025		
6. Loans given, deposits and similar assets	026		
7. Other long-term financial assets	027		
8. Investments accounted for using the equity method	028	3.524.962	
<b>IV. TRADE RECEIVABLES (030 do 032)</b>	<b>029</b>	<b>0</b>	<b>207.860</b>
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032		207.860
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>		
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>876.527.328</b>	<b>936.366.484</b>
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	<b>653.760.359</b>	<b>727.037.122</b>
1. Raw and other material	036	307.535.935	367.904.891
2. Work in progress	037	41.135.157	61.912.483
3. Finished products	038	300.391.370	285.257.135
4. Merchandise inventory	039	4.261.657	9.789.523
5. Advances for inventories	040	436.240	2.173.090
6. Long-term assets intended for sale	041		
7. Biological assets	042		
<b>II. TRADE RECEIVABLES (044 do 049)</b>	<b>043</b>	<b>195.200.328</b>	<b>193.694.319</b>
1. Receivables from related companies	044	4.617.071	2.908.971
2. Receivables from customers (buyers)	045	147.436.701	109.197.765
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	21.316	3.963
5. Receivables from state and other institutions	048	39.789.121	81.450.649
6. Other receivables	049	3.336.119	132.971
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	<b>20.211.233</b>	<b>4.749.502</b>
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053		
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	5.150.393	4.749.502
6. Loans given, deposits and similar assets	056	15.060.840	
7. Other financial assets	057		
<b>IV. CASH IN BANK AND ON HAND</b>	<b>058</b>	<b>7.355.408</b>	<b>10.885.541</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>2.733.794</b>	<b>2.940.598</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.646.822.131</b>	<b>1.709.169.961</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>186.462.200</b>	<b>267.517.700</b>

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>765.109.515</b>	<b>717.547.976</b>
I. SUBSCRIBED CAPITAL	063	902.101.590	902.101.590
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	0
1. Legal reserves	066		
2. Reserve for treasury shares	067		
3. Treasury shares and investment (deductible item)	068		
4. Statutory reserves	069		
5. Other reserve	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-244.817.257	-136.992.076
1. Retained earning	073		
2. Loss carried forward	074	244.817.257	136.992.076
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	107.825.182	-47.561.538
1. Profit for the year	076	107.825.182	
2. Loss for the year	077		47.561.538
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>14.197.080</b>	<b>12.366.752</b>
1. Provisions for pensions, severance pay and similar liabilities	080	12.112.252	10.766.752
2. Provisions for tax liabilities	081		
3. Other provisions	082	2.084.828	1.600.000
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>80.000.000</b>	<b>130.000.000</b>
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	80.000.000	
3. Liabilities to banks and other financial institutions	086		130.000.000
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
<b>D) SHORT-TERM LIABILITIES (094 do 105)</b>	<b>093</b>	<b>784.052.266</b>	<b>849.255.233</b>
1. Liabilities to related companies	094	3.492.737	4.964.178
2. Liabilities for loans, deposits and similar	095	12.000.000	4.500.000
3. Liabilities to banks and other financial institutions	096	295.722.222	247.555.556
4. Liabilities for advances	097	25.990.680	25.975.692
5. Liabilities to suppliers	098	331.324.720	432.101.600
6. Liabilities for securities	099	81.176.464	109.176.464
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.613.928	13.266.150
9. Liabilities for taxes, contributions and other payments	102	9.921.035	10.157.332
10. Liabilities as per share in result	103		
11. Liabilities as per long-term assets intended for sales	104		
12. Other short-term liabilities	105	10.810.480	1.558.261
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>3.463.270</b>	
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.646.822.131</b>	<b>1.709.169.961</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>186.462.200</b>	<b>267.517.700</b>
<b>APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Credited to parent company capital owners	109		
2. Credited to minority interest	110		

Note 1.: The appendix to the balance sheet i to be filled if consolidated financial statements are to be compiled.

## PROFIT AND LOSS ACCOUNT

for the period 01.01.2012. to 30.06.2012.

Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	<b>1.423.311.744</b>	<b>745.507.572</b>	<b>1.461.373.996</b>	<b>746.585.929</b>
1. Sales revenues	112	1.403.060.683	734.623.058	1.439.957.589	734.414.903
2. Other operating revenues	113	20.251.061	10.884.514	21.416.407	12.171.026
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>1.328.730.180</b>	<b>693.497.264</b>	<b>1.494.318.324</b>	<b>778.932.771</b>
1. Changes in value of work in progress and finished products	115	7.480.207	-16.267.077	-6.846.185	-36.011.481
2. Material costs (117 do 119)	116	1.100.560.481	603.882.523	1.294.681.478	709.950.563
a) Cost of raw and production materials	117	1.050.577.656	576.637.978	1.248.721.539	683.657.791
b) Cost of goods sold	118	2.238.821	1.107.668	1.841.883	1.025.509
c) Other external costs	119	47.744.004	26.136.877	44.118.056	25.267.263
3. Employees costs (121 do 123)	120	113.249.808	57.247.869	117.991.285	58.883.137
a) Net salaries and wages	121	71.094.635	35.907.750	74.029.904	37.138.460
b) Costs for taxes and contributions from salaries	122	25.502.645	12.922.545	27.212.833	13.675.724
c) Contributions on salaries	123	16.652.528	8.417.574	16.748.548	8.068.953
4. Depreciation	124	48.490.124	24.874.020	49.888.314	25.309.788
5. Other costs	125	41.906.139	26.725.617	37.325.168	20.437.658
6. Value adjustments (127+128)	126	96.149	87.040	1.278.264	363.106
a) of long-term assets (except for financial assets)	127	11.088	3.783	11.811	11.811
b) of short-term assets (except for financial assets)	128	85.061	83.257	1.266.453	351.295
7. Provisions	129	16.947.272	-3.052.728		
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>13.356.802</b>	<b>6.957.850</b>	<b>11.786.404</b>	<b>1.692.190</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	25.159	24.610	49.317	8.128
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	13.331.643	6.933.240	10.493.547	1.684.062
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135			1.243.540	
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>26.884.485</b>	<b>17.386.422</b>	<b>26.403.614</b>	<b>13.848.714</b>
1. Interest, exchange rate fluctuations and other costs with associated	138	94.644	47.842	160.765	66.408
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	26.789.841	17.338.580	26.242.849	13.666.786
3. Unrealised losses (costs) from financial assets	140				115.520
4. Other financial expenses	141				
<b>V. PORTION IN PROFIT OF ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. PORTION IN LOSS OF ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EKSTRAORDINARY - OTHER REVENUES</b>	<b>144</b>				
<b>VIII. EKSTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL REVENUES (111+131+142 + 144)</b>	<b>146</b>	<b>1.436.668.546</b>	<b>752.465.422</b>	<b>1.473.160.400</b>	<b>748.278.119</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>1.355.614.665</b>	<b>710.883.686</b>	<b>1.520.721.938</b>	<b>792.781.485</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>81.053.881</b>	<b>41.581.736</b>	<b>-47.561.538</b>	<b>-44.503.366</b>
1. Profit before taxation (146-147)	149	81.053.881	41.581.736	0	0
2. Loss before taxation (147-146)	150	0	0	47.561.538	44.503.366
<b>XII. PROFIT TAX</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>81.053.881</b>	<b>41.581.736</b>	<b>-47.561.538</b>	<b>-44.503.366</b>
1. Profit for the period (149-151)	153	81.053.881	41.581.736	0	0
2. Loss for the period (151-148)	154	0	0	47.561.538	44.503.366

APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	155				
2. Credited to minority interest	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)</b>					
<b>I. PROFIT OR LOSS OF THE PERIOD (= 152)</b>	<b>157</b>	<b>81.053.881</b>	<b>41.581.736</b>	<b>-47.561.538</b>	<b>-44.503.366</b>
<b>II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Exchange rate differences from translation of foreign currency operations	159				
2. Change in revaluation reserves of fixed tangible and intangible assets	160				
3. Gain or loss from revaluation of financial assets held for sale	161				
4. Gain or loss from effective cash flow hedge	162				
5. Gain or loss from effective hedge in net investments in abroad	163				
6. Portion in other comprehensive gain/loss of associated companies	164				
7. Actuarial gains/losses on defined benefit plans	165				
<b>III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>81.053.881</b>	<b>41.581.736</b>	<b>-47.561.538</b>	<b>-44.503.366</b>
<b>APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	169				
2. Credited to minority interest	170				

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2012. to 30.06.2012.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
<b>CASH FLOW FROM PERATIONG ACTIVITIES</b>			
1. Cash increase from buyers	001	1.640.514.687	1.625.292.359
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	2.297.205	4.887.803
4. Cash increase from tax return	004	67.460.913	100.113.756
5. Other cash increase	005	1.764.034	5.885.888
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>1.712.036.839</b>	<b>1.736.179.806</b>
1. Expenses to suppliers	007	1.389.254.003	1.509.672.179
2. Expenses for employees	008	130.242.109	132.204.530
3. Expenses for insurance compensations	009	7.218.092	8.158.201
4. Expenses for interest	010	13.075.363	15.656.194
5. Expenses for taxes	011	42.250.922	47.955.874
6. Other cash decrease	012	12.048.158	6.096.500
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>1.594.088.647</b>	<b>1.719.743.478</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>117.948.192</b>	<b>16.436.328</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	38.253	136.165
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment*	018		
4. Cash proceeds of dividend payment*	019	359.018	677.265
5. Other cash proceeds from investing activities	020		
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>397.271</b>	<b>813.430</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	19.113.598	26.840.726
2. Cash outflow for acquisition of equity and debt financial instruments	023	28.210	24.273.071
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>19.141.808</b>	<b>51.113.797</b>
<b>B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)</b>	<b>027</b>	<b>18.744.537</b>	<b>50.300.367</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash infows from issuance of equity and debt financial instruments	028		
2. Cash inflows from loan pricipals, debentures, credits and other borrowings	029	374.249.483	1.341.077.709
3. Other inflows from financial activities	030	33.934.336	61.979.989
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>408.183.819</b>	<b>1.403.057.698</b>
1. Cash outflows for repayment of loan principal and bonds	032	485.468.896	1.331.683.536
2. Cash outflows for dividend payment	033		
3. Cas outflow for financial lease	034		
4. Cash outflows for buybackof own shares	035		
5. Other cash outflows for financial activities	036	22.059.632	33.979.989
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>507.528.528</b>	<b>1.365.663.525</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>0</b>	<b>37.394.173</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>99.344.709</b>	<b>0</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>0</b>	<b>3.530.134</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>141.054</b>	<b>0</b>
<b>Cash and cash equivalents at the begining of the period</b>	<b>042</b>	<b>21.338.547</b>	<b>7.355.408</b>
<b>Increase of cash and cash equivalents</b>	<b>043</b>		<b>3.530.134</b>
<b>Decrease of cash adn cash equivalents</b>	<b>044</b>	<b>141.054</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	<b>21.197.493</b>	<b>10.885.542</b>

\*Inflow from interest and dividend can be listed as operating activities (MRS 7 Appendix A)

## STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2012 to 30.6.2012

<b>PETROKEMIJA d.d.</b>			
Position	AOP code	Previous year	Current year
1	2	3	4
1. Suscribed capital	001	902.101.590	902.101.590
2. Capital reserves	002		
3. Reserves from profit	003		
4. Retained profit or loss carried forward	004	-244.817.257	-136.992.076
5. Profit or loss for the year	005	107.825.182	-47.561.538
6. Revaluation of fixed tangeble assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>765.109.515</b>	<b>717.547.976</b>
11. Exchange differences on translationof financial statements of foreign operations	011		
12. Curent and deferred taxes (part))	012		
13. Protektion of cash flow	013		
14. Changes in accounting policies	014		
15. Adjustment of significant errors from previous period	015		
16. Other changes in captal	016		
<b>17. Total increase or decrease of capital (AOP 011 do 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Creadited to parent company capital owners	018		
17 b. Creadited to minority interest	019		

Items that decrease the capital are entered with a minus sign.

Items under AOP marke 001 to 009 are entered as status on balance sheet date.



## Note

PETROKEMIJA, Plc.

In the first half of 2012, Petrokemija, Plc. had total actual income of HRK 1,473.2 million and total expense of HRK 1,520.7 million. The total revenues for the 1st half increased by 2.5%, and total expenditures by 12.2% on the same period of 2011.

Greater actual achievement in operating income and expenses compared to the same period last year is the result of the growth of in- and output prices as the actual production and sales were lower than in the same period last year - the total production of fertilizers was by 14.3% lower, while the sales fell by 9.7%.

The main causes of this decrease are unfavorable weather conditions in the first quarter, the associated longer overhaul and difficulties in starting-up and total blockage of facilities due to high snowfall and extremely low temperatures. The lost sales in the 1st quarter could not be made up for in the 2nd quarter, particularly since the situation in the fertilizer market in the meantime deteriorated. This is evident in the decrease in market demand and the consequent fall of prices, which was particularly pronounced in nitrogen fertilizers. In the 2nd quarter, next to the global fall in demand and fertilizer price, an additional negative impact on local and regional markets was caused by unfavorable financial situation of most farmers due to reduced yields in the last year (long drought).

In the first six months of 2012, the Company reported HRK 47.5 million loss in business, which is 3.2 % of the total actual income. Out of the total loss, HRK 32.9 million or 69% is loss from business operations, while HRK 14.6, or 31% is loss from financial operations. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 16.9 million in the positive.

As a reflection of global trends in the oil-products market and rise in USD exchange rate, there was a rise in gas price (45% as compared to the same period of 2011) which was a major cost stress in the reporting period. This most important raw material is supplied in the domestic market under the so-called Russian formula based on the price of oil derivatives and gas price in US\$. In the period from September 2011 to June 2012, Petrokemija, Plc. was not included in the Government Decision on the limited gas prices for privileged consumers and in the normative part of the gas market the Company did not have the possibility of simultaneous gas purchase from multiple suppliers. Therefore, the extreme growth of gas price is greatly reflected in the Company financial loss in the reporting period. At the time of preparation of this financial statement, Petrokemija, Plc. is expecting relevant Government decisions regarding further normative definition of the gas market in the Republic of Croatia and considers the possibility of buying gas from multiple suppliers, as well as market justification for its execution.

It is estimated that in the third quarter of 2012, the price of gas will reach its maximum, provided there are no critical changes in the price of fuel oil in Mediterranean markets and further growth of USD exchange rate.

Fertilizer prices in the global market declined in the fourth quarter of 2011 and except for some minor fluctuations, this trend did not change in the first half of 2012.

Due to the market situation, some facilities had been halted in the second half of 2009 and this problem was carried over into the second half of 2012. The crisis caused by disparity of in- and output prices in the carbon black market is still present. Petrokemija is influenced by developments in the global market which gives space to significant potential price risks and financial fluctuations in the remaining period of 2012.

In addition to their own working capital, short-term bank loans and long-term loans from the Croatian Bank for Reconstruction and Development, Petrokemija secured their working capital partly by the release of commercial papers in the Zagreb Stock Exchange through Privredna banka Zagreb as agent and dealer of the program.

The future trends in financial results of Petrokemija, Plc. will be influenced by many factors. In addition to the gas price, which is set in the domestic market, the majority of future risk comes from the global environment, i.e. mainly through:

environment, i.e. mainly through:

1. Change in price of basic raw materials in the world market (MAP, DAP, phosphate, potassium chloride, sulfur);
2. Change in demand and sales price of fertilizers;
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 the local currency and
6. Financing costs and inter-currency relations.

At the end of the second quarter, Petrokemija, Plc. bought 6,030 shares of Luka Šibenik (Port of Šibenik) Ltd. company business in the value of HRK 24,253,051. This has made Petrokemija, Plc. become the owner of a total of 79.72% stake in the company.

Luka Šibenik is of strategic interest to Petrokemija's Plc. business because most raw materials are shipped from overseas and a significant portion of exports of finished product is delivered through the sea port in Šibenik.

**Attachment 1.**

Reported period:

1.1.2012.

to

30.06.2012.

**Quarterly financial statements TFI-POD**Registration number (MB): **03674223**Registration number of subject  
(MBS): **080004355**Personal identification number  
(OIB): **24503685008**Issuer company: **THE GROUP PETROKEMIJA**Postal code and city: **44320****KUTINA**Street and number: **ALEJA VUKOVAR 4**E-mail: [fin@petrokemija.hr](mailto:fin@petrokemija.hr)Internet address: [www.petrokemija.hr](http://www.petrokemija.hr)Code and city/municipality: **220** **KUTINA**Code and county name: **3** **SISAČKO-MOSLAVAČKA ŽUPANIJA**Number of employees: **2.489**  
(at the end of the year)Consolidated Report: **YES**Code of NKD: **20.15**

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

**RESTORAN PETROKEMIJA d.o.o.****KUTINA****01335316****PETROKEMIJA d.o.o.****NOVI SAD****08754608****PETROKEMIJA d.o.o.****NOVO MESTO****12034614****LUKA ŠIBENIK d.o.o.****ŠIBENIK****03037525**

Book-keeping office:

Contact person: **MARINA MARIĆ**

(name and surname of the contact person)

Telephone number: **044-647-829**Fax: **044-682-819**E-mail: [marina.maric@petrokemija.hr](mailto:marina.maric@petrokemija.hr)Name and surname: **JOSIP JAGUŠT, ANTONIJA PEROŠEVIĆ-GALOVIĆ**

(authorized representatives)

**Documentation to be published:**

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

(seal)

(signature of authorized representative)

**BALANCE SHEET**  
as at 30.06.2012.

<b>The Group Petrokemija d.d.</b>			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
<b>A) RECIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>761.842.755</b>	<b>751.740.805</b>
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	<b>7.671.130</b>	<b>20.290.433</b>
1. Expense for development	<b>004</b>		
2. Concessions, patents, licences, trade and service marks, software and other rights	<b>005</b>	5.696.483	8.532.128
3. Goodwill	<b>006</b>		8.519.400
4. Advances for intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	1.974.647	3.238.905
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	<b>739.879.901</b>	<b>717.970.291</b>
1. Land	<b>011</b>	49.411.757	49.482.153
2. Buildings	<b>012</b>	305.696.063	295.677.788
3. Plant and equipment	<b>013</b>	354.712.044	330.135.213
4. Tools, plant inventory and transportation assets	<b>014</b>	12.656.327	15.651.698
5. Biological assets	<b>015</b>		
6. Advances for tangible assets	<b>016</b>	3.081.885	4.857.912
7. Tangible assets in progress	<b>017</b>	13.828.060	21.667.382
8. Other tangible assets	<b>018</b>	493.765	498.145
9. Investments in real estates	<b>019</b>		
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	<b>14.291.724</b>	<b>13.272.221</b>
1. Investments (shares) in related companies	<b>021</b>		
2. Loans given to related companies	<b>022</b>		
3. Participating interest (shares)	<b>023</b>	10.766.762	12.010.301
4. Loans given to companies with participating interest	<b>024</b>		
5. Investment in securities	<b>025</b>		
6. Loans given, deposits and similar assets	<b>026</b>		
7. Other long-term financial assets	<b>027</b>		43.020
8. Investments accounted for using the equity method	<b>028</b>	3.524.962	1.218.900
<b>IV. TRADE RECEIVABLES (030 do 032)</b>	<b>029</b>	<b>0</b>	<b>207.860</b>
1. Receivables from related companies	<b>030</b>		
2. Receivables for sales on loan	<b>031</b>		
3. Other receivables	<b>032</b>		207.860
<b>V. DIFERRED TAX ASSETS</b>	<b>033</b>		
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>878.243.235</b>	<b>957.027.572</b>
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	<b>653.884.464</b>	<b>733.143.053</b>
1. Raw and other material	<b>036</b>	307.619.209	372.198.844
2. Work in progress	<b>037</b>	41.135.157	61.912.483
3. Finished products	<b>038</b>	300.391.370	285.257.136
4. Merchandise inventory	<b>039</b>	4.302.489	11.575.823
5. Advances for inventories	<b>040</b>	436.239	2.198.767
6. Long-term assets intended for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
<b>II. TRADE RECEIVABLES (044 do 049)</b>	<b>043</b>	<b>191.226.074</b>	<b>196.300.845</b>
1. Receivables from related companies	<b>044</b>		
2. Receivables from customers (buyers)	<b>045</b>	147.738.558	113.014.555
3. Receivables from participating interest	<b>046</b>		
4. Receivables from employees and members	<b>047</b>	21.446	6.596
5. Receivables from state and other institutions	<b>048</b>	40.129.810	82.592.043
6. Other receivables	<b>049</b>	3.336.260	687.651
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	<b>20.211.233</b>	<b>13.478.264</b>
1. Investments (shares) in related companies	<b>051</b>		
2. Loans given to related companies	<b>052</b>		
3. Participating interest (shares)	<b>053</b>		
4. Loans given to companies with participating interest	<b>054</b>		
5. Investment in securities	<b>055</b>	5.150.393	4.749.501
6. Loans given, deposits and similar assets	<b>056</b>	15.060.840	8.728.763
7. Other financial assets	<b>057</b>		
<b>IV. CASH IN BANK AND ON HAND</b>	<b>058</b>	<b>12.921.464</b>	<b>14.105.410</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>2.734.013</b>	<b>2.944.953</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.642.820.003</b>	<b>1.711.713.330</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>186.462.200</b>	<b>267.517.700</b>

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>763.874.492</b>	<b>721.306.248</b>
I. SUBSCRIBED CAPITAL	063	902.101.590	902.101.590
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	12.067
1. Legal reserves	066		12.067
2. Reserve for treasury shares	067		
3. Treasury shares and investment (deductable item)	068		
4. Statutory reserves	069		
5. Other reserve	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-244.715.097	-138.296.247
1. Retained earning	073		472.710
2. Loss carried forward	074	244.715.097	138.768.957
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	106.487.999	-47.415.460
1. Profit for the year	076	106.487.999	
2. Loss for the year	077		47.415.460
VII. MINORITY INTEREST	078		4.904.298
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>14.197.080</b>	<b>12.752.498</b>
1. Provisions for pensions, severance pay and similar liabilities	080	12.112.252	10.766.752
2. Provisions for tax liabilities	081		
3. Other provisions	082	2.084.828	1.985.746
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>80.000.000</b>	<b>130.000.000</b>
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	80.000.000	130.000.000
3. Liabilities to banks and other financial institutions	086		
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
<b>D) SHORT-TERM LIABILITIES (094 do 105)</b>	<b>093</b>	<b>781.285.161</b>	<b>847.654.584</b>
1. Liabilities to related companies	094		
2. Liabilities for loans, deposits and similar	095	12.000.000	4.500.000
3. Liabilities to banks and other financial institutions	096	295.722.222	247.555.556
4. Liabilities for advances	097	25.990.680	25.975.692
5. Liabilities to suppliers	098	331.944.083	433.439.703
6. Liabilities for securities	099	81.176.464	109.176.464
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.650.046	14.120.071
9. Liabilities for taxes, contributions and other payments	102	9.968.720	11.243.568
10. Liabilities as per share in result	103		
11. Liabilities as per long-term assets intended for sales	104		
12. Other short-term liabilities	105	10.832.946	1.643.530
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>3.463.270</b>	<b>0</b>
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.642.820.003</b>	<b>1.711.713.330</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>186.462.200</b>	<b>267.517.700</b>
<b>APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Credited to parent company capital owners	109	763.874.492	716.401.950
2. Credited to minority interest	110		4.904.298

Note 1.: The appendix to the balance sheet i to be filled if consolidated financial statements are to be compiled.

**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2012. to 30.06.2012.

The Group Petrokemija d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	<b>1.425.646.074</b>	<b>747.021.203</b>	<b>1.470.249.357</b>	<b>752.528.680</b>
1. Sales revenues	112	1.405.340.233	736.112.132	1.448.593.624	740.128.409
2. Other operating revenues	113	20.305.841	10.909.071	21.655.733	12.400.271
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>1.330.749.580</b>	<b>694.655.391</b>	<b>1.505.659.079</b>	<b>788.250.844</b>
1. Changes in value of work in progress and finished products	115	7.480.207	-16.267.077	-6.846.185	-36.011.482
2. Material costs (117 do 119)	116	1.101.485.114	604.404.214	1.296.970.207	710.927.849
a) Cost of raw and production materials	117	1.051.226.346	576.965.449	1.250.662.277	685.092.881
b) Cost of goods sold	118	3.085.794	1.614.598	1.863.847	
c) Other external costs	119	47.172.974	25.824.167	44.444.083	25.834.968
3. Employees costs (121 do 123)	120	113.892.119	57.592.909	125.427.300	65.960.018
a) Net salaries and wages	121	71.603.863	36.182.267	78.894.167	41.724.248
b) Costs for taxes and contributions from salaries	122	25.594.027	12.970.665	28.782.397	15.189.262
c) Contributions on salaries	123	16.694.229	8.439.977	17.750.736	9.046.508
4. Depreciation	124	48.538.973	24.898.387	50.766.927	26.163.115
5. Other costs	125	42.309.746	26.992.646	38.062.566	20.848.238
6. Value adjustments (127+128)	126	96.149	87.040	1.278.264	363.106
a) of long-term assets (except for financial assets)	127	11.088	3.783	11.811	11.811
b) of short-term assets (except for financial assets)	128	85.061	83.257	1.266.453	351.295
7. Provisions	129	16.947.272	-3.052.728		
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>13.378.799</b>	<b>6.968.498</b>	<b>11.931.064</b>	<b>1.826.876</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	24.238	24.238	2.035	
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	13.354.561	6.944.260	10.685.489	1.826.876
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135			1.243.540	0
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>26.927.416</b>	<b>17.458.436</b>	<b>26.895.319</b>	<b>14.395.243</b>
1. Interest, exchange rate fluctuations and other costs with associated companies	138			3.291	
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	26.927.416	17.458.436	26.892.028	14.279.723
3. Unrealised losses (costs) from financial assets	140				115.520
4. Other financial expenses	141				
<b>V. PORTION IN PROFIT OF ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. PORTION IN LOSS OF ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER REVENUES</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL REVENUES (111+131+142 + 144)</b>	<b>146</b>	<b>1.439.024.873</b>	<b>753.989.701</b>	<b>1.482.180.421</b>	<b>754.355.556</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>1.357.676.996</b>	<b>712.113.827</b>	<b>1.532.554.398</b>	<b>802.646.087</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>81.347.877</b>	<b>41.875.874</b>	<b>-50.373.977</b>	<b>-48.290.531</b>
1. Profit before taxation (146-147)	149	81.347.877	41.875.874	0	0
2. Loss before taxation (147-146)	150	0	0	50.373.977	48.290.531
<b>XII. PROFIT TAX</b>	<b>151</b>	<b>23.412</b>	<b>23.412</b>	<b>15.463</b>	<b>-79.500</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>81.324.465</b>	<b>41.852.462</b>	<b>-50.389.440</b>	<b>-48.211.031</b>
1. Profit for the period (149-151)	153	81.324.465	41.852.462	0	0
2. Loss for the period (151-148)	154	0	0	50.389.440	48.211.031

<b>APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	155	81.324.465	41.852.462	-49.786.317	-47.607.908
2. Credited to minority interest	156			-603.123	-603.123
<b>STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)</b>					
<b>I. PROFIT OR LOSS OF THE PERIOD (= 152)</b>	<b>157</b>	<b>81.324.465</b>	<b>41.852.462</b>	<b>-50.389.440</b>	<b>-48.211.031</b>
<b>II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Exchange rate differences from translation of foreign currency operations	159				
2. Change in revaluation reserves of fixed tangible and intangible assets	160				
3. Gain or loss from revaluation of financial assets held for sale	161				
4. Gain or loss from effective cash flow hedge	162				
5. Gain or loss from effective hedge in net investments in abroad	163				
6. Portion in other comprehensive gain/loss of associated companies	164				
7. Actuarial gains/losses on defined benefit plans	165				
<b>III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>81.324.465</b>	<b>41.852.462</b>	<b>-50.389.440</b>	<b>-48.211.031</b>
<b>APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD</b>					
1. Credited to parent company capital owners	169	81.324.465	41.852.462	-49.786.317	-47.607.908
2. Credited to minority interest	170			-603.123	-603.123

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2012. to 30.06.2012.

The Group Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Cash increase from buyers	001	1.640.514.687	1.625.292.359
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	2.297.205	4.887.803
4. Cash increase from tax return	004	67.460.913	100.113.756
5. Other cash increase	005	1.764.034	5.885.888
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>1.712.036.839</b>	<b>1.736.179.806</b>
1. Expenses to suppliers	007	1.389.254.003	1.509.672.179
2. Expenses for employees	008	130.242.109	132.204.530
3. Expenses for insurance compensations	009	7.218.092	8.158.201
4. Expenses for interest	010	13.075.363	15.656.194
5. Expenses for taxes	011	42.250.922	47.955.874
6. Other cash decrease	012	11.779.706	8.442.688
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>1.593.820.195</b>	<b>1.722.089.666</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>118.216.644</b>	<b>14.090.140</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	38.253	136.165
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment*	018		
4. Cash proceeds of dividend payment*	019	359.018	677.265
5. Other cash proceeds from investing activities	020		
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>397.271</b>	<b>813.430</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	19.113.598	26.840.726
2. Cash outflow for acquisition of equity and debt financial instruments	023	28.210	24.273.071
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>19.141.808</b>	<b>51.113.797</b>
<b>B1) NET CASH FLOW FROM INVESTING ACTIVITIES (021-025)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)</b>	<b>027</b>	<b>18.744.537</b>	<b>50.300.367</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflows from issuance of equity and debt financial instruments	028		
2. Cash inflows from loan principals, debentures, credits and other borrowings	029	374.249.483	1.341.077.709
3. Other inflows from financial activities	030	33.934.336	61.979.989
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>408.183.819</b>	<b>1.403.057.698</b>
1. Cash outflows for repayment of loan principal and bonds	032	485.468.896	1.331.683.536
2. Cash outflows for dividend payment	033		
3. Cash outflow for financial lease	034		
4. Cash outflows for buyback of own shares	035		
5. Other cash outflows for financial activities	036	22.059.632	33.979.989
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>507.528.528</b>	<b>1.365.663.525</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>0</b>	<b>37.394.173</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>99.344.709</b>	<b>0</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>127.398</b>	<b>1.183.946</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>042</b>	25.795.002	12.921.464
<b>Increase of cash and cash equivalents</b>	<b>043</b>	127.398	1.183.946
<b>Decrease of cash and cash equivalents</b>	<b>044</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	25.922.400	14.105.410

\*Inflow from interest and dividend can be listed as operating activities (MRS 7 Appendix A)



## STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2012 to 30.6.2012

Position	AOP code	Previous year	Current year
1	2	3	4
1. Suscribed capital	001	902.101.590	902.101.590
2. Capital reserves	002		
3. Reserves from profit	003		12.067
4. Retained profit or loss carried forward	004	-244.715.097	-138.296.247
5. Profit or loss for the year	005	106.487.999	-47.415.460
6. Revaluation of fixed tangeble assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		4.904.298
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>763.874.492</b>	<b>721.306.248</b>
11. Exchange differences on translationof financial statements of foreign operations	011		
12. Curent and deferred taxes (part))	012		
13. Protektion of cash flow	013		
14. Changes in accounting policies	014		
15. Adjustment of significant errors from previous period	015		
16. Other changes in captal	016		
<b>17. Total increase or decrease of capital (AOP 011 do 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Creadited to parent company capital owners	018	763.874.492	716.401.950
17 b. Creadited to minority interest	019		4.904.298

Items that decrease the capital are entered with a minus sign.

Items under AOP marke 001 to 009 are entered as status on balance sheet date.

## Note

### PETROKEMIJA GROUP

As evident from the Profit and Loss Account and Balance Sheet tables, Petrokemija's daughter companies have no significant influence on the Petrokemija Group result. The daughter companies are: Restoran Petrokemija, Ltd Kutina., Petrokemija, Ltd Novi Sad, Petrokemija, Ltd Novo Mesto, Luka Šibenik (Port of Šibenik) Ltd..

In the first half of 2012, Petrokemija Group had total actual income of HRK 1.482,2 million and total expense of HRK 1.532,6 million. The total revenues for the 1st half increased by 3.0%, and total expenditures by 12.9% compared to the same period of 2011.

Greater actual achievement in operating income and expenses compared to the same period last year is the result of the growth of in- and output prices as the actual production and sales were lower than in the same period last year - the total production of fertilizers was by 14.3% lower, while the sales fell by 9.7%.

The main causes of this decrease are unfavorable weather conditions in the first quarter, the associated longer overhaul and difficulties in starting-up and total blockage of facilities due to high snowfall and extremely low temperatures. The lost sales in the 1st quarter could not be made up for in the 2nd quarter, particularly since the situation in the fertilizer market in the meantime deteriorated. This is evident in the decrease in market demand and the consequent fall of prices, which was particularly pronounced in nitrogen fertilizers. In the 2nd quarter, next to the global fall in demand and fertilizer price, an additional negative impact on local and regional markets was caused by unfavorable financial situation of most farmers due to reduced yields in the last year (long drought).

In the first half of 2012, Petrokemija Group reported HRK 50.4 million loss in business, which is by HRK 131.7 million a lower result on the same period previous year, when the reported profit was 81.3million. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 15.4 million in the positive. In the same period of 2011, EBITDA was HRK 143.4 million in the positive.

As a reflection of global trends in the oil-products market and rise in USD exchange rate, there was a rise in gas price (45% as compared to the same period of 2011) which was a major cost stress in the reporting period. This most important raw material is supplied in the domestic market under the so-called Russian formula based on the price of oil derivatives and gas price in US\$. In the period from September 2011 to June 2012, Petrokemija, Plc. was not included in the Government Decision on the limited gas prices for privileged consumers and in the normative part of the gas market the Company did not have the possibility of simultaneous gas purchase from multiple suppliers. Therefore, the extreme growth of gas price is greatly reflected in the Company financial loss in the reporting period. At the time of preparation of this financial statement, Petrokemija, Plc. is expecting relevant Government decisions regarding further normative definition of the gas market in the Republic of Croatia and considers the possibility of buying gas from multiple suppliers, as well as market justification for its execution.

It is estimated that in the third quarter of 2012, the price of gas will reach its maximum, provided there are no critical changes in the price of fuel oil in Mediterranean markets and further growth of USD exchange rate.

Fertilizer prices in the global market declined in the fourth quarter of 2011 and except for some minor fluctuations, this trend did not change in the first half of 2012.

Due to the market situation, some facilities had been halted in the second half of 2009 and this problem was carried over into the second half of 2012. The crisis caused by disparity of in- and output prices in the carbon black market is still present. Petrokemija is influenced by developments in the global market which gives space to significant potential price risks and financial fluctuations in the remaining period of 2012.

In addition to their own working capital, short-term bank loans and long-term loans from the Croatian Bank for Reconstruction and Development, Petrokemija secured their working capital partly by the

Bank for Reconstruction and Development, Petrokemija secured their working capital partly by the release of commercial papers in the Zagreb Stock Exchange through Privredna banka Zagreb as agent and dealer of the program.

The future trends in financial results of Petrokemija Group will be influenced by many factors. In addition to the gas price, which is set in the domestic market, the majority of future risk comes from the global environment, i.e. mainly through:

1. Change in price of basic raw materials in the world market (MAP, DAP, phosphate, potassium chloride, sulfur);
2. Change in demand and sales price of fertilizers;
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 the local currency and
6. Financing costs and inter-currency relations.

At the end of the second quarter, Petrokemija, Plc. bought 6,030 shares of Luka Šibenik (Port of Šibenik) Ltd. company business in the value of HRK 24,253,051. This has made Petrokemija, Plc. become the owner of a total of 79.72% stake in the company.

Luka Šibenik is of strategic interest to Petrokemija's Plc. business because most raw materials are shipped from overseas and a significant portion of exports of finished product is delivered through the sea port in Šibenik.