

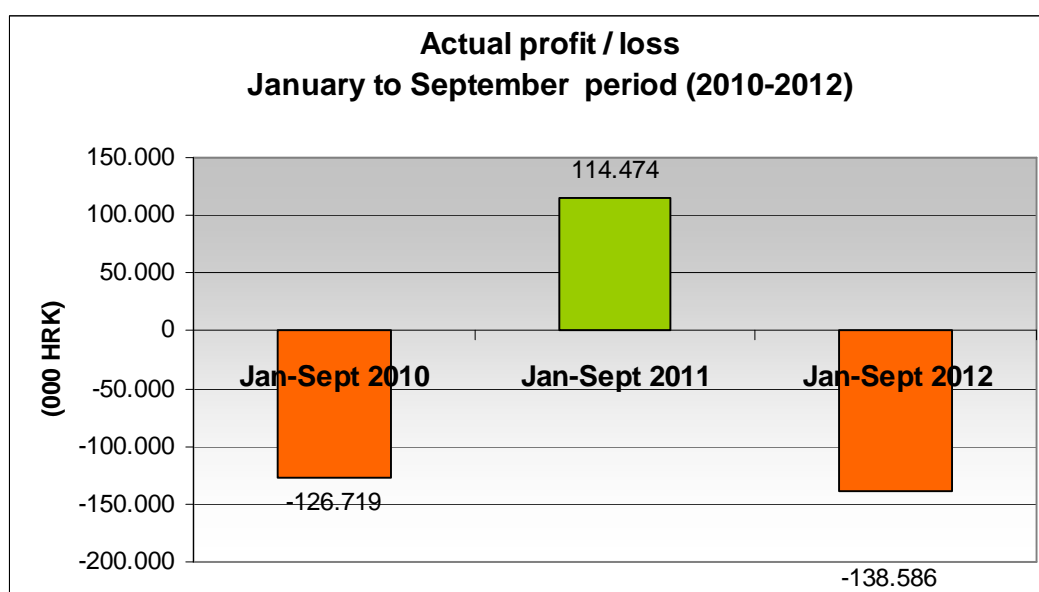
# QUARTERLY REPORT

## PETROKEMIJA d.d. KUTINA

### PETROKEMIJA GROUP

REPORT FOR PERIOD January to September 2012  
INTERIM REPORT FOR PERIOD July to September 2012

- Actual production 791 and sales 793 thousand tons of fertilizers;
- Actual total income of Petrokemija, Plc. HRK 2.118,9 million; Petrokemija Group HRK 2.130,9 million;
- Actual loss of Petrokemija, Plc. HRK 138.6 million (6,5% of total revenues); Petrokemija Group HRK 141,2 million;
- Invested funds HRK 40.2 million;
- Number of employees of Petrokemija, Plc. 2,293; Petrokemija Group 2,483.



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

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

The total income of Petrokemija, Plc. in the first three quarters of 2012 was HRK 2,118.9 million, total expenses were HRK 2,257.5 million and the Company reported loss in business operations of HRK 138.6 million or 6.5% of total revenues. The total income on a first-three-quarter basis was reduced by 6.0% and total expenses were up by 5.5% on the same period of 2011.

In the reporting period, the operating income was 6.1% lower than in the same period of 2011 due to lower actual sales. The total sales of fertilizers decreased by 15.1% compared to the same period last year, which indicates the growth of the average actual sales prices, but at a level (in terms of very strong competition) that could not cover the increase in costs.

Higher actual operating expenses compared to the same period last year reflect the growth in input prices of raw materials, primarily natural gas. **The average actual purchase price of gas in the first three quarters of 2012 was 39.1% higher than in the same period of the 2011, and as high as 78.5% compared to the comparable period of 2010 (cumulative growth).** Such high growth rates of the basic raw material, which has a share of **56% in the total expenditures** in the reporting period, could not be covered by measures to increase income and savings, undertaken by the Management Board and this led to the loss. In addition to the high price of gas as the primary cause for the reported loss, the next in importance is the impact of reducing the amount of production and sales, which contributed to the growth of fixed costs per unit of product, although in total these costs are lower than in the same period last year. Compared to the same period last year, Petrokemija achieved an 18.1% drop in production in the first nine months of 2012 largely due to market reasons, in order to balance the dynamics of inventories and deliveries of fertilizers at an acceptable level.

In the first three quarters of 2012, the income from domestic sales increased by 1.8%, while the income from export sales decreased by 10.6% in comparison with the year 2011.

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 44.4 million in the negative. The EBITDA for the same period of 2011 was HRK 211.4 million in the positive.

(HRK 000)

|                                     | Jan- Sept<br>2012 | Jan- Sept<br>2011 | Difference | % change |
|-------------------------------------|-------------------|-------------------|------------|----------|
| Operating income                    | 2.099.010         | 2.234.549         | -135.539   | -6,07%   |
| Operating expense                   | 2.218.746         | 2.096.668         | 122.078    | 5,82%    |
| EBITDA *                            | -44.370           | 211.420           | -255.790   | -120,99% |
| Amortization                        | 75.366            | 73.539            | 1.827      | 2,48%    |
| Net financial income (expenses)     | -18.850           | -23.407           | 4.557      | -19,47%  |
| Net extraordinary income (expenses) | 0                 | 0                 | 0          |          |
| Profit / loss / before taxation     | -138.586          | 114.474           | -253.060   | 0,00%    |
| Non-current assets                  | 758.038           | 776.827           | -18.789    | -2,42%   |
| Current assets                      | 952.711           | 851.728           | 100.983    | 11,86%   |
| Shareholders' equity                | 626.523           | 771.758           | -145.235   | -18,82%  |
| Non-current liabilities             | 212.367           | 155.400           | 56.967     | 36,66%   |
| Current liabilities                 | 871.859           | 701.397           | 170.462    | 24,30%   |

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

Out of the total loss, HRK 119.7 million or 86% is loss from business operations, while HRK 18.9, or 14% is loss from financial operations. The actual loss of the first three quarters, after the operating profit of the previous year is the result of a number already mentioned 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 (39.1% higher than in the same period of 2011) 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 were unfavorable weather conditions in the first quarter, the associated longer-than-planned overhaul, the subsequent 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 (early May 2012). This is evident in the decrease in market demand and the consequent fall of prices, which was particularly pronounced in nitrogen fertilizers. Since the situation was similar in most parts of the region, it resulted in additional pressure of imports on the domestic market by competing manufacturers and retailers of 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.

In the third trimester, in addition to the expected seasonal drop in demand in the region, further pronouncedly negative effects of the long-term drought were shown, which has taken on the proportions of a natural disaster in Croatia and the region for the second year in a row and has put the leading agricultural producers in the region in a very bad business situation. Very often, because of the bad financial position, farmers resort to reducing fertilization, although it is known that satisfactory yields can be achieved by professionally measured fertilization even in conditions of severe drought.

Financial indicators for 1<sup>st</sup> half, 3<sup>rd</sup> quarter and cumulatively for the nine-month period of 2012:

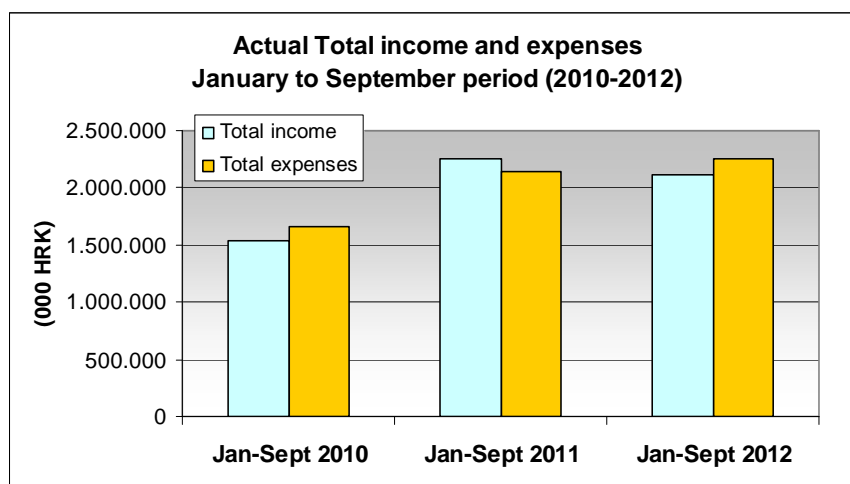
|                                     | Jan- Jun<br>2012 | Jul- Sept<br>2012 | Jan- Sept<br>2012 |
|-------------------------------------|------------------|-------------------|-------------------|
| Operating income                    | 1.461.374        | 637.636           | 2.099.010         |
| Operating expense                   | 1.494.318        | 724.428           | 2.218.746         |
| EBITDA *                            | 16.944           | -61.314           | -44.370           |
| Amortization                        | 49.888           | 25.478            | 75.366            |
| Net financial income (expenses)     | -14.618          | -4.232            | -18.850           |
| Net extraordinary income (expenses) | 0                | 0                 | 0                 |
| Profit / loss / before taxation     | -47.562          | -91.024           | -138.586          |

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

During the first three quarters of 2012 a significant share of sales in exports was continued, in order to ensure positive effect on the financial result, at least partly fill in the capacity, ensure continuity of production and maintain the liquidity.

Actual operating loss during the third quarter was HRK 86.8 million because of the said market reasons, but there was also a financial loss of HRK 4.2 million, due to high interest

and exchange rate differences. The actual loss before tax in the second quarter is HRK 91.0 million.



In comparison to the actual result in the same period of 2011, in the first three quarters of 2012 there was a significant negative difference. 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 the current reporting period of 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.<br>Jan-Sept 2012 | Petrokemija, Plc.<br>Jan-Sept 2011 |
|--|------------------------------------|------------------------------------|
| <b>Total operating income</b>                  | 2.099.010                          | 2.234.549                          |
| <b>Total operating expenses</b>                | 2.218.746                          | 2.096.668                          |
| <b>PROFIT / LOSS FROM ORDINARY ACTIVITIES</b>  | -119.736                           | 137.881                            |
| <b>Total financial income</b>                  | 19.907                             | 19.530                             |
| <b>Total financial expenses</b>                | 38.757                             | 42.937                             |
| <b>PROFIT / LOSS FROM FINANCIAL ACTIVITIES</b> | -18.850                            | -23.407                            |
| <b>TOTAL INCOME</b>                            | 2.118.917                          | 2.254.079                          |
| <b>TOTAL EXPENSES</b>                          | 2.257.503                          | 2.139.605                          |
| <b>Profit/loss before taxation</b>             | -138.586                           | 114.474                            |

| POSITION                        | Petrokemija, Plc.<br>Jan-Sept 2012 | Petrokemija, Plc.<br>Jan-Sept 2011 |
|---------------------------------|------------------------------------|------------------------------------|
| <b>Profit tax</b>               |                                    |                                    |
| <b>Total comprehensive loss</b> | -138.586                           | 114.474                            |

**BALANCE SHEET OF PETROKEMIJA, Plc.KUTINA**  
(HRK 000)

| POSITION                                | Petrokemija, Plc.<br>30.09. 2012 | Petrokemija, Plc.<br>30. 09. 2011. |
|---|----------------------------------|------------------------------------|
| <b>Total long-term assets</b>           | 758.038                          | 776.827                            |
| <b>Total short-term assets</b>          | 948.698                          | 851.728                            |
| <b>Prepaid costs and accrued income</b> | 4.013                            | 0                                  |
| <b>TOTAL ASSETS</b>                     | <b>1.710.749</b>                 | <b>1.628.555</b>                   |
| <b>Total capital</b>                    | 626.523                          | 771.758                            |
| <b>Long-term liabilities</b>            | 212.367                          | 155.400                            |
| <b>Total short-term liabilities</b>     | 871.859                          | 684.057                            |
| <b>Accruals and deferred income</b>     | 0                                | 17.340                             |
| <b>TOTAL LIABILITIES</b>                | <b>1.710.749</b>                 | <b>1.628.555</b>                   |

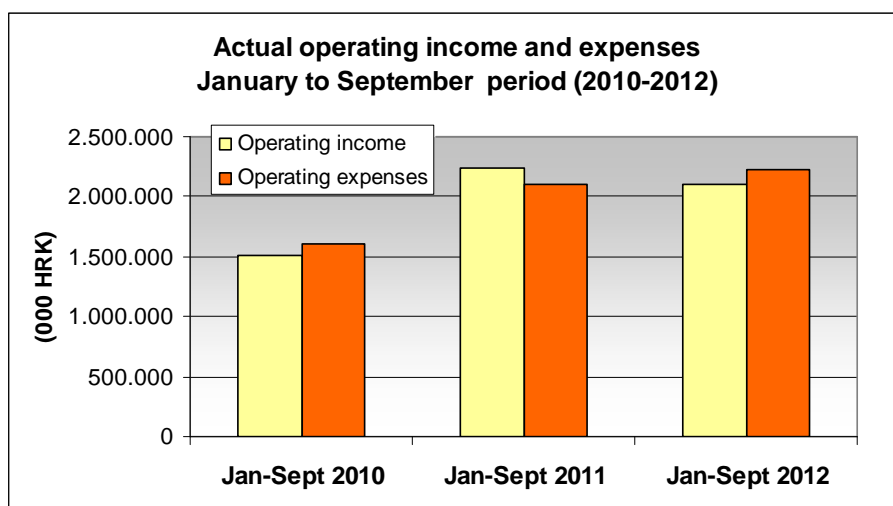
Due to gas consumption balancing in winter months in the gas system of Republic of Croatia, Petrokemija used the fertilizer production standstill in January 2012 for the planned annual facilities overhaul. The forecast for the long-awaited implementation of gas market in Croatia in 2011 by including a new supply route and potentially new suppliers, have not been fully realized. This was particularly pronounced during extremely low temperatures in February of the current year. Putting a pipeline through Hungary into operation opened an additional route for supplying gas to Croatia, so that in the future security of gas supply should not come into question. The differences between the gas price determined by the so-called oil formula and oil prices on the spot market could reach 30%, which opens up the possibility of building new price relationships in the Croatian gas market in the next few years.

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

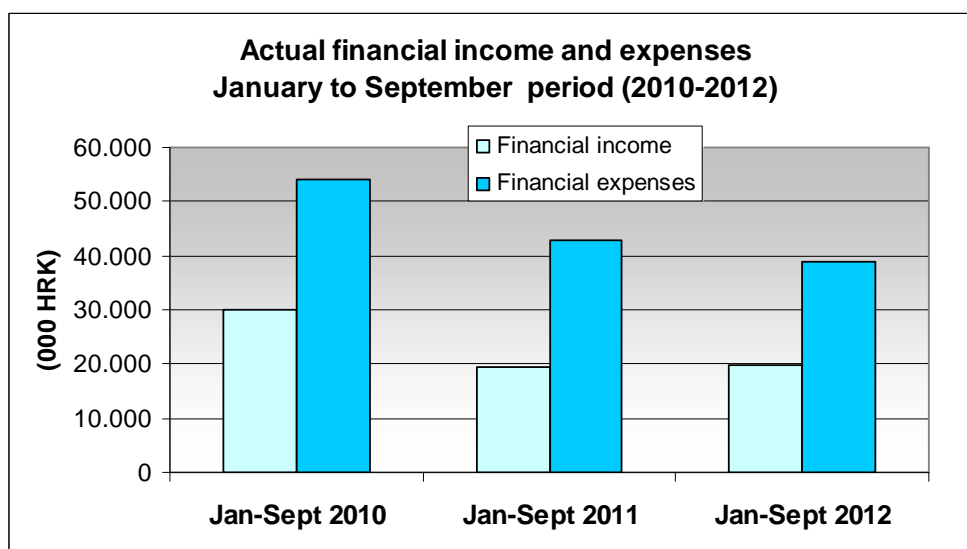
according to the formula. The gas price growth trend continued in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2012 and is estimated to slightly fall in the 4<sup>th</sup> quarter.

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 September 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. On the basis of relevant decisions of the Government on the regulation of the gas market in the Republic of Croatia, Petrokemija was finally able to buy gas from multiple suppliers during the third quarter of 2012. The amount of gas supplied at a lower price from a foreign supplier, partially mitigated the cost impact which the Company was faced with during the reporting period. Unfortunately, previous contractual restrictions prevent the Company to purchase significant gas quantities on the free market, so that at the time of preparation of these financial statements the Company continues to purchase small quantities of natural gas, which cannot significantly affect the overall business performance of 2012.



Financial income was by HRK 0.4 million or 1.9% higher, and financial expense by HRK 4.2 million or 9.7% lower than in the same period last year. The HRK 18.9 million loss from financial activities was by 19.5% lower than in the same period last year. Foreign exchange gains accounted for 64% and income from interest and other financial income for 36% share in the financial income. Foreign exchange losses have 35% share in financial expenses, while 65% is made up of interest and other financial expenses. Although the interest rates are lower than in the previous period and interest costs were 1.4% lower, a disturbing trend is opened up by a financial crisis in the Eurozone, which may 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. No new liabilities for previous editions of commercial bills are due for payment in the remaining period of 2012. Repayment or refinancing of commercial papers in 2013 will depend on the price of other sources of funding at the time of their 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 | 2,130.9 million |
| • Total expenses       | HRK | 2.272,1 million |
| • Loss before taxation | HRK | -141.2 million  |

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 46.3 million in the negative.

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 for the first time 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.

In the reporting period daughter companies were operating with minimum profit, except for Luka Šibenik Ltd, which reported a loss of 3.2 million due to a lower turnover.

**Business results of daughter companies:**

(HRK 000)

| POSITION                            | Actual<br>Jan-Sept 2012 | Actual<br>Jan-Sept 2011 | Ind<br>2/3 |
|-------------------------------------|-------------------------|-------------------------|------------|
| 1                                   | 2                       | 3                       | 4          |
| <b>RESTORAN PETROKEMIJA, Ltd.</b>   |                         |                         |            |
| TOTAL INCOME                        | 1.519                   | 1.549                   | 98,1       |
| TOTAL EXPENSES                      | 1.518                   | 1.522                   | 99,7       |
| GROSS PROFIT /LOSS                  | 1                       | 27                      | 3,7        |
| <b>PETROKEMIJA Novi Sad, Ltd.</b>   |                         |                         |            |
| TOTAL INCOME                        | 89.846                  | 43.537                  | 206,4      |
| TOTAL EXPENSES                      | 89.264                  | 43.305                  | 206,1      |
| GROSS PROFIT                        | 582                     | 232                     | 250,9      |
| <b>PETROKEMIJA Novo Mesto, Ltd.</b> |                         |                         |            |
| TOTAL INCOME                        | 491                     | 676                     | 72,6       |
| TOTAL EXPENSES                      | 487                     | 667                     | 73,0       |
| GROSS PROFIT                        | 4                       | 9                       | 44,4       |
| <b>LUKA ŠIBENIK, Ltd.</b>           |                         |                         |            |
| TOTAL INCOME                        | 13.415                  | 19.999*                 | 67,1       |
| TOTAL EXPENSES                      | 16.582                  | 18.243*                 | 90,9       |
| GROSS PROFIT                        | -3.167                  | 1.756*                  | 0,0        |

\* in 2011 Luka Šibenik Ltd. was not a member of the Petrokemija Group

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(HRK 000)

| POSITION                                     | Petrokemija<br>Group<br>Jan-Sept 2012 | Petrokemija<br>Group<br>Jan-Sept 2011 |
|--|---------------------------------------|---------------------------------------|
| <b>Total operating income</b>                | 2.110.413                             | 2.238.728                             |
| <b>Total operating expenses</b>              | 2.233.447                             | 2.100.493                             |
| <b>PROFIT/LOSS FROM ORDINARY ACTIVITIES</b>  | -123.034                              | 138.235                               |
| <b>Total financial income</b>                | 20.487                                | 19.530                                |
| <b>Total financial expenses</b>              | 38.619                                | 43.023                                |
| <b>PROFIT/LOSS FROM FINANCIAL ACTIVITIES</b> | -18.132                               | -23.493                               |
| <b>TOTAL INCOME</b>                          | 2.130.900                             | 2.258.258                             |
| <b>TOTAL EXPENSES</b>                        | 2.272.066                             | 2.143.516                             |
| <b>Profit/Loss before taxation</b>           | -141.166                              | 114.742                               |
| <b>Profit tax</b>                            | 58                                    | 23                                    |
| <b>Profit/Loss after taxation</b>            | -141.224                              | 114.719                               |



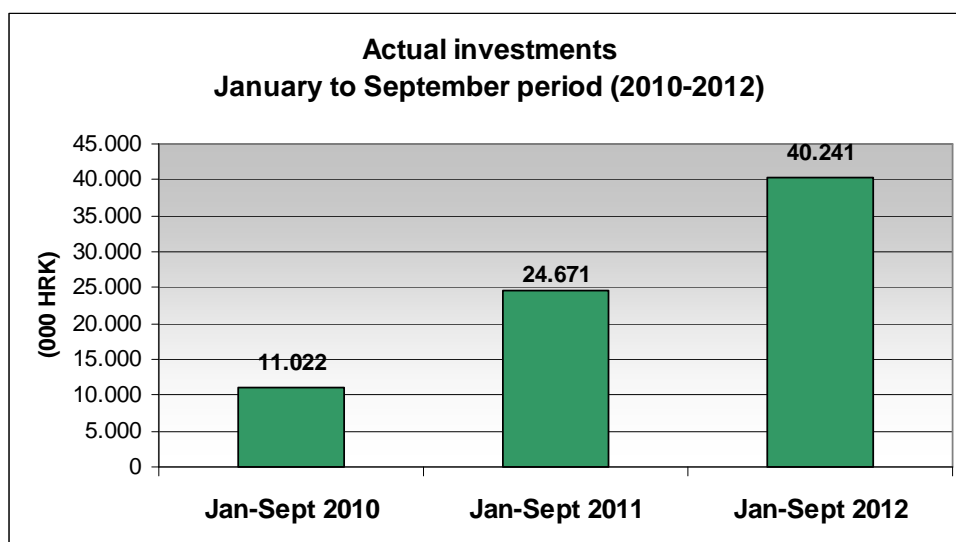
**CONSOLIDATED BALANCE SHEET**  
(HRK 000)

| P O S I T I O N                         | Petrokemija<br>Group<br>30.09. 2012 | Petrokemija<br>Group<br>30. 09. 2011. |
|---|-------------------------------------|---------------------------------------|
| <b>Total long-term assets</b>           | 739.747                             | 768.192                               |
| <b>Total short-term assets</b>          | 975.613                             | 857.580                               |
| <b>Prepaid costs and accrued income</b> | 4.026                               | 5                                     |
| <b>TOTAL ASSETS</b>                     | <b>1.719.386</b>                    | <b>1.625.777</b>                      |
| <b>Total capital</b>                    | 630.604                             | 772.046                               |
| <b>Long-term liabilities</b>            | 212.367                             | 155.400                               |
| <b>Total short-term liabilities</b>     | 876.415                             | 680.991                               |
| <b>Accruals and diferred income</b>     | 0                                   | 17.340                                |
| <b>TOTAL LIABILITIES</b>                | <b>1.719.386</b>                    | <b>1.625.777</b>                      |

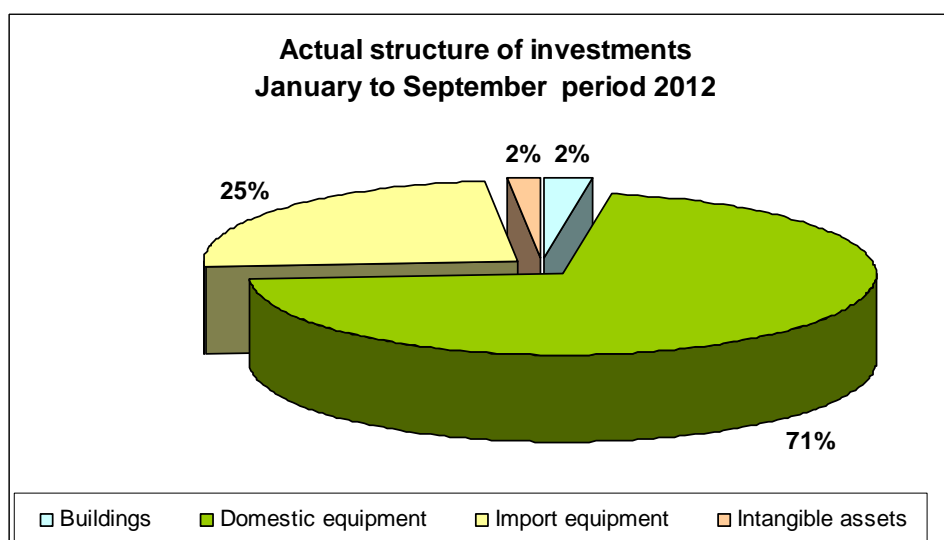
It is estimated that the planned key business objectives of Petrokemija and Petrokemija Group for 2012 (it primarily refers to operating profit), on an annual basis will not be met due to market instability and the effects of key business risks – high growth in gas prices, a drop in demand for fertilizers and the imbalance between input and output prices in the domestic, regional and global fertilizer markets.

### 3. INVESTMENTS

Actual investment in the first three quarters of 2012 amounted to HRK 40,2 million, approximately HRK 15.5 million over the previous year's amount. During the third quarter of this year, HRK 15.5 million was invested. Despite limited funds in 2012, the level of investments was increased as compared to the same period of the previous years. 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, an increase in investments 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.

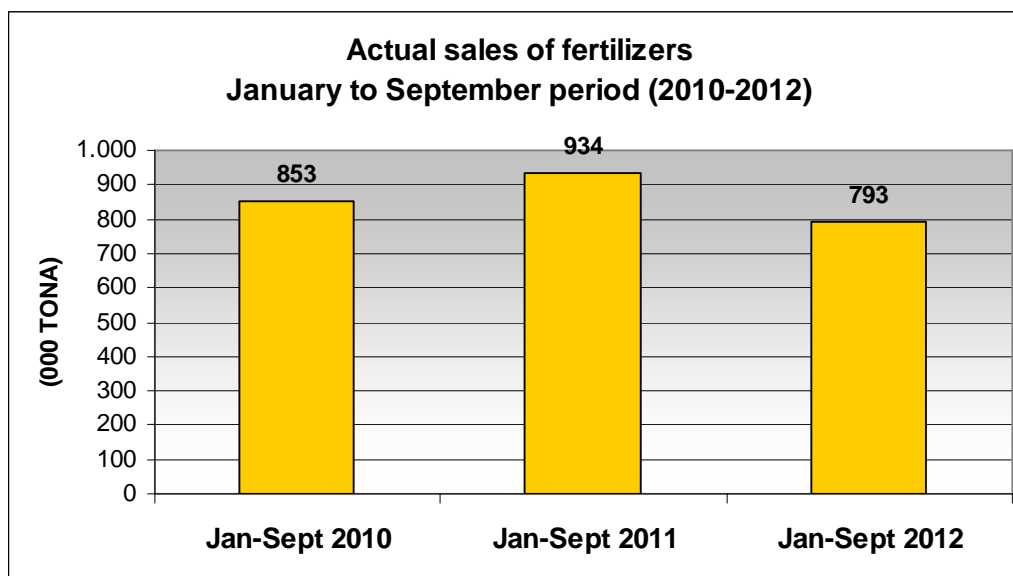
#### 4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to September 2012 period:

- **fertilizers** 791.0 thousand tons
- **clay-based products** 11.2 thousand tons
- **TGUS products** 0.8 thousand tons

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

- **fertilizers** 793.0 thousand tons
- **clay-based products** 11.5 thousand tons
- **TGUS products (+chemicals)** 3.5 thousand tons



The actual total sales of fertilizers are 15.1% lower than in the same period last year, with certain changes in the structure of the product range. Actual sales of urea and NPK fertilizers were lower, while CAN sales increased. Due to unfavorable weather conditions in the first quarter the deliveries were aggravated, which was reflected in the lower-than-planned sales. For the same reason, the standstill of facilities and the subsequent start-up was prolonged. In the third quarter, the sales in the domestic market and in the region were lower as a result of prolonged drought and the crisis in the agricultural sector.

The sales of clay-based products were by 37.3% lower and those of liquid fertilizers and chemicals by 16.2% 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.

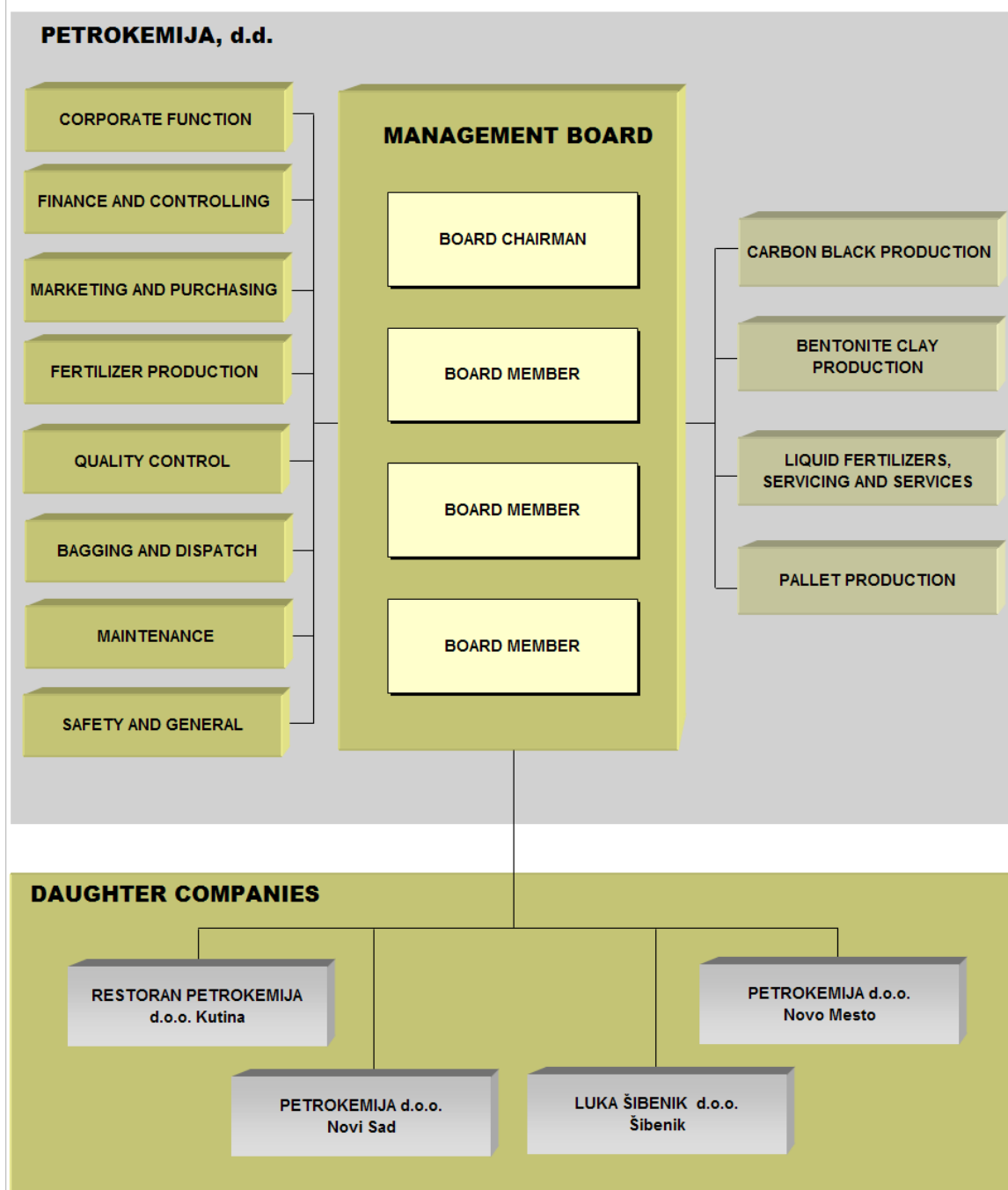
## 5. ORGANIZATION CHART AND HUMAN RESOURCES

In the first three quarters of 2012, there was no significant change in the existing organization chart until almost to the very end of the 1<sup>st</sup> half. 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 because most raw materials are shipped from overseas, and a significant portion of exports of finished products are delivered through the sea port in Šibenik.

As of 30 September 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.

## MACROORGANIZATION CHART

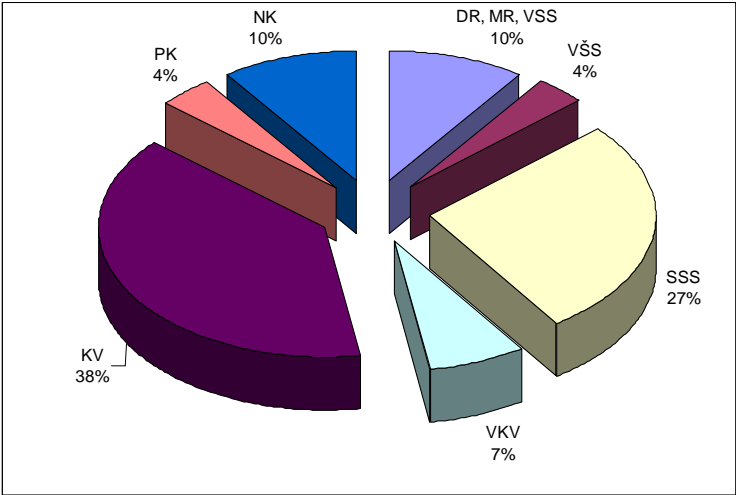


As of September 30, 2012, Petrokemija, Plc. had 2,293 employees and its daughter companies, members of the Petrokemija Group had 190 employees, which makes a total of 2,483 employees. The high qualification structure corresponds to the complexity of the production and other systems in place in the Company. During the 1<sup>st</sup> half of 2012, the number of employees in Petrokemija, Plc. was reduced by 8 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 – Ivan Majstrović, Sonja Ivoš, Ivan Nekvapil and Krešimir Huljev. At the

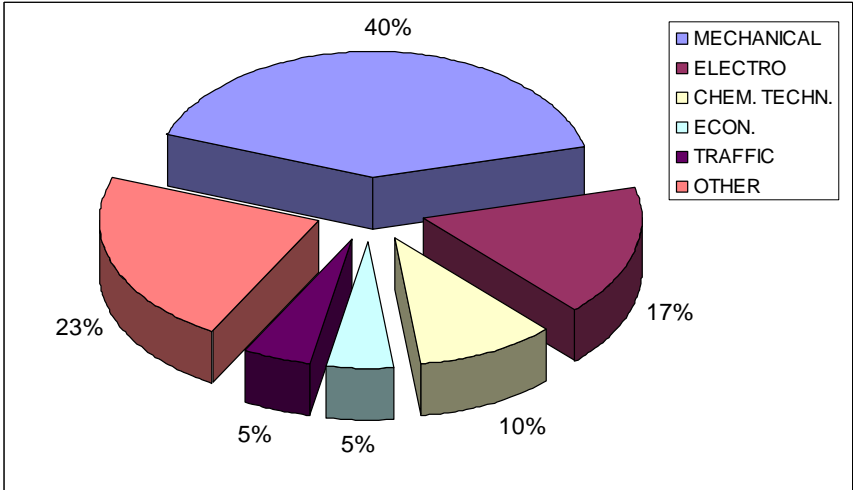
Supervisory Board meeting of 27 July, Goran Kralj was elected new Chairman and Ivan Majstrovic Vice Chairman of the Supervisory Board. There have been no significant changes in the remaining management structure of the Company during the first three quarters of 2012.

**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.

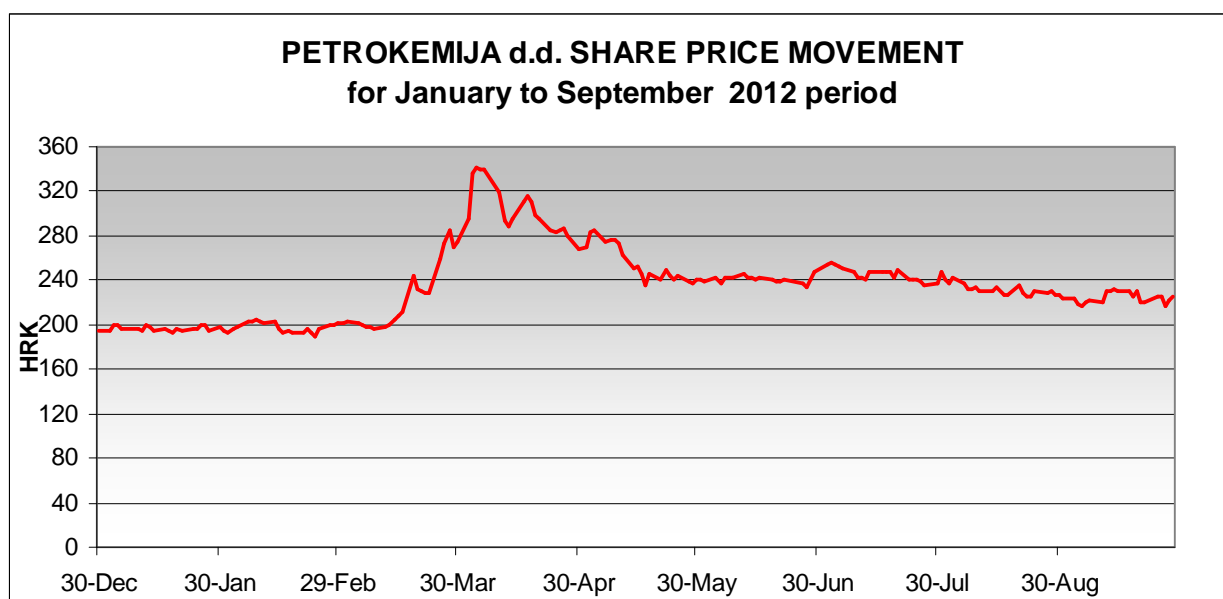
**EMPLOYEES BY PROFESSION:**



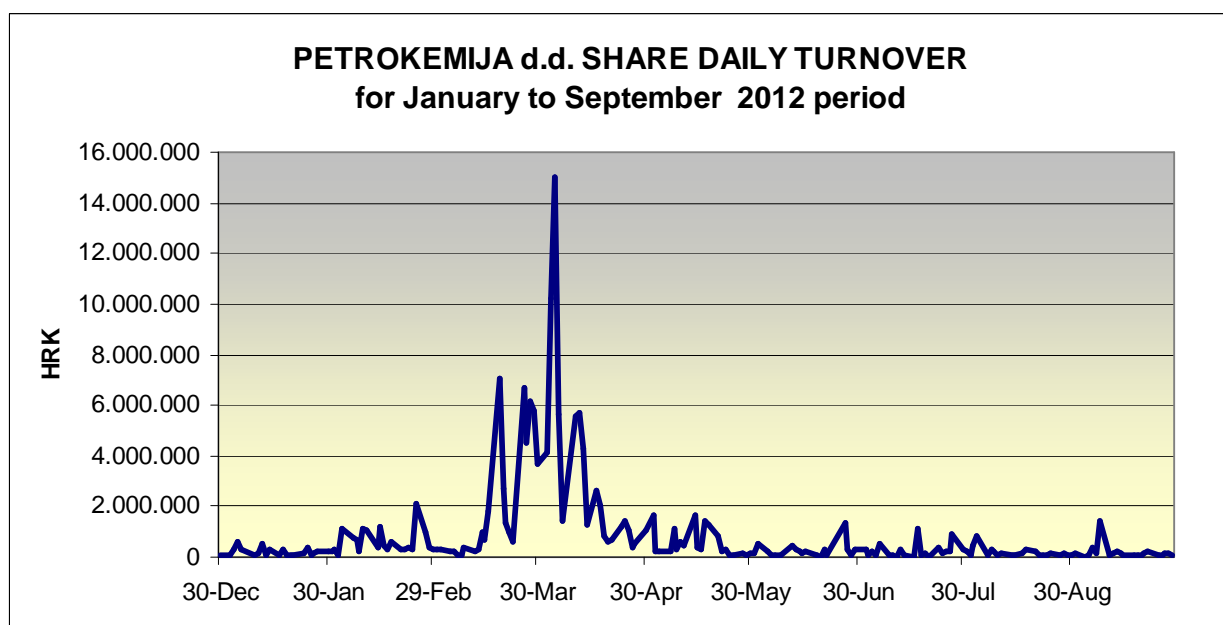
## 6. PETROKEMIJA, Plc. SHARE TRADING AND PRICE MOVEMENTS

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 September 28, 2012, its average price was HRK 222.21 (15% growth). The share turnover at the Zagreb Stock Exchange during the first three quarters of 2012 was HRK 158.4 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 SEPTEMBER 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 made annually in accordance with the regulations. What follows is a summary of actual indicators of environmental management for the January to September 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>, sulfur 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 had 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 automatic and semi-automatic methods.

In the January to September 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 exceedings of 24-hour limit for:

ammonia - in five cases at K3 measuring station and one at K2 measuring station but their number was within the 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 *Kutina-1* state established monitoring system for that period, the air quality was 1<sup>st</sup> category for ammonia-NH<sub>3</sub>, nitrogen dioxide-NO<sub>2</sub>, sulfur dioxide-SO<sub>2</sub>, carbon monoxide-CO and particles PM<sub>10</sub>.

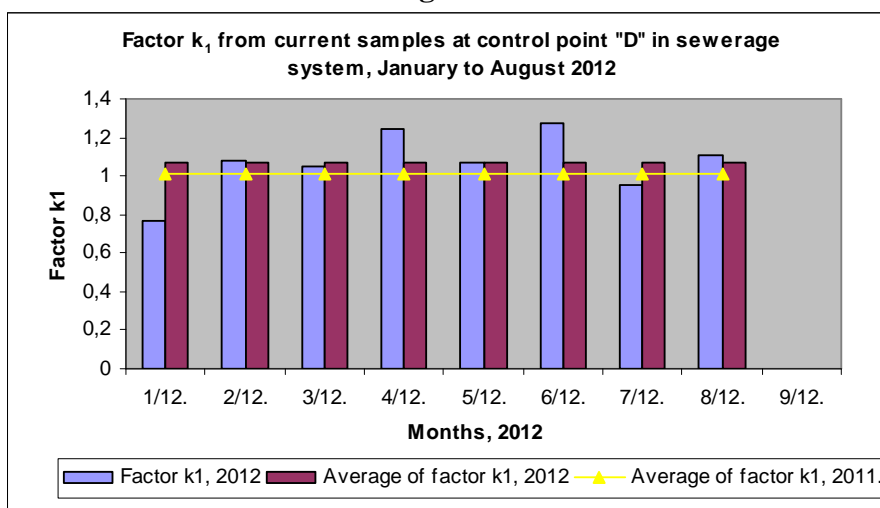
The air quality was 2<sup>nd</sup> category (polluted air) for hydrogen sulphide-H<sub>2</sub>S based on hourly concentrations measured in May, June and July which cannot be correlated with Petrokemija's production activities.

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

### 2. Water management

The average value of k1 factor for the period from January to August 2012 is slightly increased compared to the actual average in 2011. (Figure 1.).

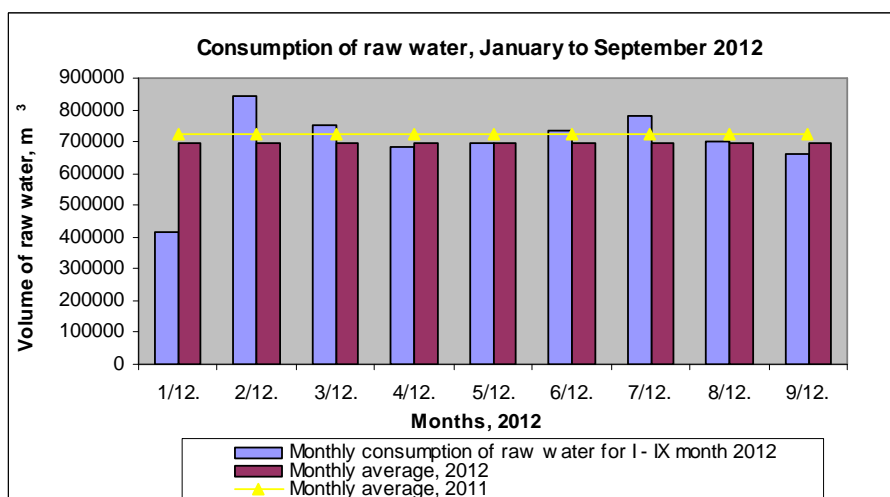
**Figure 1.**



**Note:** Factor  $k_1$  is not shown for September because the waste water analysis at control point Krč is in process by Department of Public Health of Sisačko-Moslavačka County.

In the January to September 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 2013 and the following years.

In 2011, certain positive developments were achieved in the domestic market, which could be interpreted as a sign of permanent market recovery, despite the prolonged drought that has



taken on proportions of natural disaster in the last two years. In 2012, a part of reported loss can be interpreted as an effect of time difference in the growth of in- and output prices (the formula for gas price) and the growth of USD exchange rate. The actual opening and liberalization of the gas market in Croatia are grounds for optimism with regard to the purchase prices of gas from 2013 onwards. Fixed costs are largely under the control of the Management Board, particularly employment and wages, maintenance costs and overheads. The liquidity is maintained with support of commercial banks, Croatian Bank for Reconstruction and Development and by issuance of commercial bills. Should the loss be continued, it is realistic to expect higher financing costs.

Technical - technological condition of facilities is assessed as satisfactory; some of the plants occasionally operate at a reduced capacity for balancing the supplies and the decision on the dynamics of production will depend on the market trends. The emphasis in sale 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. A key success factor is the correlation between the purchase price and gas sales prices of nitrogen fertilizers. A stronger investment cycle and modernization is imposed as a necessity for a permanent consolidation of the Company business.

## **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 nine months of 2012.
- The rise of natural gas price, viewed cumulatively in 2011 and 2012 has the feature of hyperinflation, measured in relation to other factors of operating results whose fluctuations in prices were in reasonable limits.
- The sales prices of fertilizers in the global markets continue to be influenced by cyclic and seasonal changes.
- 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.
- 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 September 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 Jagušt

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

30.09.2012.

**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: 2.293  
(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 30.09.2012.

| Petrokemija d.d.  |             |                           |                      |
|---|-------------|---------------------------|----------------------|
| Position  | AOP<br>code | Previous year<br>(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>758.038.020</b>   |
| I. INTANGIBLE ASSETS (004 do 009)   | <b>003</b>  | <b>7.666.622</b>          | <b>7.500.747</b>     |
| 1. Expense for development  | <b>004</b>  |                           |                      |
| 2. Concessions, patents, licences, trade and service marks, software and other rights | <b>005</b>  | 5.691.975                 | 4.876.672            |
| 3. Goodwill   | <b>006</b>  |                           |                      |
| 4. Advances for intangible assets   | <b>007</b>  |                           |                      |
| 5. Intangible assets in progress  | <b>008</b>  | 1.974.647                 | 2.624.075            |
| 6. Other intangible assets  | <b>009</b>  |                           |                      |
| II. TANGIBLE ASSETS (011 do 019)  | <b>010</b>  | <b>737.831.972</b>        | <b>702.603.896</b>   |
| 1. Land   | <b>011</b>  | 49.411.756                | 49.482.152           |
| 2. Buildings  | <b>012</b>  | 303.807.515               | 288.114.211          |
| 3. Plant and equipment  | <b>013</b>  | 354.706.148               | 310.834.268          |
| 4. Tools, plant inventory and transportation assets                                   | <b>014</b>  | 12.502.844                | 16.507.736           |
| 5. Biological assets  | <b>015</b>  |                           |                      |
| 6. Advances for tangible assets   | <b>016</b>  | 3.081.885                 | 3.583.492            |
| 7. Tangible assets in progress  | <b>017</b>  | 13.828.059                | 33.583.562           |
| 8. Other tangible assets  | <b>018</b>  | 493.765                   | 498.475              |
| 9. Investments in real estates  | <b>019</b>  |                           |                      |
| III. LONG-TERM FINANCIAL ASSETS (021 do 028)  | <b>020</b>  | <b>22.062.415</b>         | <b>47.174.932</b>    |
| 1. Investments (shares) in related companies  | <b>021</b>  | 7.770.691                 | 35.568.724           |
| 2. Loans given to related companies   | <b>022</b>  |                           |                      |
| 3. Participating interest (shares)  | <b>023</b>  | 10.766.762                | 11.606.208           |
| 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>  |                           |                      |
| 8. Investments accounted for using the equity method                                  | <b>028</b>  | 3.524.962                 |                      |
| IV. TRADE RECEIVABLES (030 do 032)  | <b>029</b>  | <b>0</b>                  | <b>758.445</b>       |
| 1. Receivables from related companies   | <b>030</b>  |                           |                      |
| 2. Receivables for sales on loan  | <b>031</b>  |                           |                      |
| 3. Other receivables  | <b>032</b>  |                           | 758.445              |
| V. DEFERRED TAX ASSETS  | <b>033</b>  |                           |                      |
| <b>C) SHORT-TERM ASSETS (035+043+050+058)</b>   | <b>034</b>  | <b>876.527.328</b>        | <b>948.697.867</b>   |
| I. INVENTORIES (036 do 042)   | <b>035</b>  | <b>653.760.359</b>        | <b>714.630.156</b>   |
| 1. Raw and other material   | <b>036</b>  | 307.535.935               | 304.634.426          |
| 2. Work in progress   | <b>037</b>  | 41.135.157                | 70.417.582           |
| 3. Finished products  | <b>038</b>  | 300.391.370               | 328.680.445          |
| 4. Merchandise inventory  | <b>039</b>  | 4.261.657                 | 9.907.964            |
| 5. Advances for inventories   | <b>040</b>  | 436.240                   | 989.739              |
| 6. Long-term assets intended for sale   | <b>041</b>  |                           |                      |
| 7. Biological assets  | <b>042</b>  |                           |                      |
| II. TRADE RECEIVABLES (044 do 049)  | <b>043</b>  | <b>195.200.328</b>        | <b>175.105.225</b>   |
| 1. Receivables from related companies   | <b>044</b>  | 4.617.071                 | 13.863.479           |
| 2. Receivables from customers (buyers)  | <b>045</b>  | 147.436.701               | 100.080.459          |
| 3. Receivables from participating interest  | <b>046</b>  |                           |                      |
| 4. Receivables from employees and members   | <b>047</b>  | 21.316                    | 5.424                |
| 5. Receivables from state and other institutions                                      | <b>048</b>  | 39.789.121                | 60.709.535           |
| 6. Other receivables  | <b>049</b>  | 3.336.119                 | 446.328              |
| III. SHORT-TERM FINANCIAL ASSETS (051 do 057)   | <b>050</b>  | <b>20.211.233</b>         | <b>35.172.523</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                 | 3.883.590            |
| 6. Loans given, deposits and similar assets   | <b>056</b>  | 15.060.840                | 31.288.933           |
| 7. Other financial assets   | <b>057</b>  |                           |                      |
| IV. CASH IN BANK AND ON HAND  | <b>058</b>  | 7.355.408                 | 23.789.963           |
| <b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>   | <b>059</b>  | <b>2.733.794</b>          | <b>4.013.321</b>     |
| <b>E) TOTAL ASSETS (001+002+034+059)</b>  | <b>060</b>  | <b>1.646.822.131</b>      | <b>1.710.749.208</b> |
| <b>F) OFF BALANCE SHEET ITEMS</b>   | <b>061</b>  | 186.462.200               | 276.515.000          |

| <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>626.523.233</b>   |
| I. SUBSCRIBED CAPITAL  | <b>063</b> | 902.101.590          | 902.101.590          |
| II. CAPITAL RESERVES   | <b>064</b> |                      |                      |
| III. RESERVES FROM PROFIT (066+067-068+069+070)  | <b>065</b> | <b>0</b>             | <b>0</b>             |
| 1. Legal reserves  | <b>066</b> |                      |                      |
| 2. Reserve for treasury shares   | <b>067</b> |                      |                      |
| 3. Treasury shares and investment (deductable item)  | <b>068</b> |                      |                      |
| 4. Statutory reserves  | <b>069</b> |                      |                      |
| 5. Other reserve   | <b>070</b> |                      |                      |
| IV. REVALUATION RESERVES   | <b>071</b> |                      |                      |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)   | <b>072</b> | <b>-244.817.257</b>  | <b>-136.992.075</b>  |
| 1. Retained earning  | <b>073</b> |                      |                      |
| 2. Loss carried forward  | <b>074</b> | 244.817.257          | 136.992.075          |
| VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)   | <b>075</b> | <b>107.825.182</b>   | <b>-138.586.282</b>  |
| 1. Profit for the year   | <b>076</b> | 107.825.182          |                      |
| 2. Loss for the year   | <b>077</b> |                      | 138.586.282          |
| VII. MINORITY INTEREST   | <b>078</b> |                      |                      |
| <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  | <b>080</b> | 12.112.252           | 10.766.752           |
| 2. Provisions for tax liabilities  | <b>081</b> |                      |                      |
| 3. Other provisions  | <b>082</b> | 2.084.828            | 1.600.000            |
| <b>C) LONG-TERM LIABILITIES (084 do 092)</b>   | <b>083</b> | <b>80.000.000</b>    | <b>200.000.000</b>   |
| 1. Liabilities to related companies  | <b>084</b> |                      |                      |
| 2. Liabilities for loans, deposits and similar   | <b>085</b> | 80.000.000           |                      |
| 3. Liabilities to banks and other financial institutions   | <b>086</b> |                      | 200.000.000          |
| 4. Liabilities for advances  | <b>087</b> |                      |                      |
| 5. Liabilities to suppliers  | <b>088</b> |                      |                      |
| 6. Liabilities for securities  | <b>089</b> |                      |                      |
| 7. Liabilities to companies with participating interest  | <b>090</b> |                      |                      |
| 8. Other long-term liabilities   | <b>091</b> |                      |                      |
| 9. Deferred tax liability  | <b>092</b> |                      |                      |
| <b>D) SHORT-TERM LIABILITIES (094 do 105)</b>  | <b>093</b> | <b>784.052.266</b>   | <b>871.859.223</b>   |
| 1. Liabilities to related companies  | <b>094</b> | 3.492.737            | 10.486.469           |
| 2. Liabilities for loans, deposits and similar   | <b>095</b> | 12.000.000           | 4.500.000            |
| 3. Liabilities to banks and other financial institutions   | <b>096</b> | 295.722.222          | 331.277.778          |
| 4. Liabilities for advances  | <b>097</b> | 25.990.680           | 70.703.424           |
| 5. Liabilities to suppliers  | <b>098</b> | 331.324.720          | 325.599.940          |
| 6. Liabilities for securities  | <b>099</b> | 81.176.464           | 102.000.000          |
| 7. Liabilities to companies with participating interest  | <b>100</b> |                      |                      |
| 8. Liabilities to employees  | <b>101</b> | 13.613.928           | 12.774.115           |
| 9. Liabilities for taxes, contributions and other payments   | <b>102</b> | 9.921.035            | 12.092.502           |
| 10. Liabilities as per share in result   | <b>103</b> |                      |                      |
| 11. Liabilities as per long-term assets intended for sales   | <b>104</b> |                      |                      |
| 12. Other short-term liabilities   | <b>105</b> | 10.810.480           | 2.424.995            |
| <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>1.646.822.131</b> | <b>1.710.749.208</b> |
| <b>G) OFF BALANCE SHEET ITEMS</b>  | <b>108</b> | <b>186.462.200</b>   | <b>276.515.000</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   | <b>109</b> |                      |                      |
| 2. Credited to minority interest   | <b>110</b> |                      |                      |

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 30.09.2012.

| 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>2.234.549.186</b> | <b>811.237.442</b> | <b>2.099.009.798</b> | <b>637.635.802</b> |
| 1. Sales revenues   | 112        | 2.208.656.660        | 805.595.976        | 2.061.682.456        | 621.724.867        |
| 2. Other operating revenues   | 113        | 25.892.526           | 5.641.466          | 37.327.342           | 15.910.935         |
| <b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>   | <b>114</b> | <b>2.096.667.873</b> | <b>767.937.693</b> | <b>2.218.746.204</b> | <b>724.427.880</b> |
| 1. Changes in value of work in progress and finished products   | 115        | -40.463.499          | -47.943.706        | -57.571.500          | -50.725.315        |
| 2. Material costs (117 do 119)  | 116        | 1.811.716.780        | 711.156.299        | 1.970.414.173        | 675.732.695        |
| a) Cost of raw and production materials   | 117        | 1.720.066.249        | 669.488.593        | 1.876.265.931        | 627.544.392        |
| b) Cost of goods sold   | 118        | 4.542.007            | 2.303.186          | 21.988.862           | 20.146.979         |
| c) Other external costs   | 119        | 87.108.524           | 39.364.520         | 72.159.380           | 28.041.324         |
| 3. Employees costs (121 do 123)   | 120        | 173.066.464          | 59.816.656         | 175.917.717          | 57.926.432         |
| a) Net salaries and wages   | 121        | 108.388.663          | 37.294.028         | 110.799.601          | 36.769.697         |
| b) Costs for taxes and contributions from salaries  | 122        | 39.232.737           | 13.730.092         | 40.716.031           | 13.503.198         |
| c) Contributions on salaries  | 123        | 25.445.064           | 8.792.536          | 24.402.085           | 7.653.537          |
| 4. Depreciation   | 124        | 73.539.060           | 25.048.936         | 75.366.050           | 25.477.736         |
| 5. Other costs  | 125        | 61.106.060           | 19.199.922         | 54.441.000           | 16.016.332         |
| 6. Value adjustments (127+128)  | 126        | 363.008              | 266.859            | 178.764              | 0                  |
| a) of long-term assets (except for financial assets)  | 127        | 23.659               | 12.571             | 11.811               |                    |
| b) of short-term assets (except for financial assets)   | 128        | 339.349              | 254.288            | 166.953              |                    |
| 7. Provisions   | 129        | 17.340.000           | 392.727            |                      |                    |
| 8. Other operating expenses   | 130        |                      |                    |                      |                    |
| <b>III. FINANCIAL REVENUES (132 do 136)</b>   | <b>131</b> | <b>19.529.740</b>    | <b>6.172.938</b>   | <b>19.906.657</b>    | <b>8.120.253</b>   |
| 1. Interest, exchange rate fluctuations, dividends and similar from associated companies                | 132        | 24.576               |                    | 115.322              | 66.005             |
| 2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others | 133        | 19.505.164           | 6.172.938          | 18.951.889           | 8.054.248          |
| 3. Part of revenue from associated companies and participating interests                                | 134        |                      |                    |                      |                    |
| 4. Unrealised gains (revenues) from financial assets  | 135        |                      |                    | 839.446              |                    |
| 5. Other financial revenues   | 136        |                      |                    |                      |                    |
| <b>IV. FINANCIAL EXPENSES (138 do 141)</b>  | <b>137</b> | <b>42.937.469</b>    | <b>16.052.984</b>  | <b>38.756.533</b>    | <b>12.352.919</b>  |
| 1. Interest, exchange rate fluctuations and other costs with associated                                 | 138        | 159.364              | 64.720             | 229.570              | 68.805             |
| 2. Interest, exchange rate fluctuations and other costs with non-associated companies                   | 139        | 42.778.105           | 15.988.264         | 38.526.963           | 12.284.114         |
| 3. Unrealised losses (costs) from financial assets  | 140        |                      |                    |                      |                    |
| 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. EXTRAORDINARY - OTHER EXPENSES</b>   | <b>145</b> |                      |                    |                      |                    |
| <b>IX. TOTAL REVENUES (111+131+142 + 144)</b>   | <b>146</b> | <b>2.254.078.926</b> | <b>817.410.380</b> | <b>2.118.916.455</b> | <b>645.756.055</b> |
| <b>X. TOTAL EXPENSES (114+137+143 + 145)</b>  | <b>147</b> | <b>2.139.605.342</b> | <b>783.990.677</b> | <b>2.257.502.737</b> | <b>736.780.799</b> |
| <b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>   | <b>148</b> | <b>114.473.584</b>   | <b>33.419.703</b>  | <b>-138.586.282</b>  | <b>-91.024.744</b> |
| 1. Profit before taxation (146-147)   | 149        | 114.473.584          | 33.419.703         | 0                    | 0                  |
| 2. Loss before taxation (147-146)   | 150        | 0                    | 0                  | 138.586.282          | 91.024.744         |
| <b>XII. PROFIT TAX</b>  | <b>151</b> |                      |                    |                      |                    |
| <b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>  | <b>152</b> | <b>114.473.584</b>   | <b>33.419.703</b>  | <b>-138.586.282</b>  | <b>-91.024.744</b> |
| 1. Profit for the period (149-151)  | 153        | 114.473.584          | 33.419.703         | 0                    | 0                  |
| 2. Loss for the period (151-148)  | 154        | 0                    | 0                  | 138.586.282          | 91.024.744         |

| 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>114.473.584</b> | <b>33.419.703</b> | <b>-138.586.282</b> | <b>-91.024.744</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>114.473.584</b> | <b>33.419.703</b> | <b>-138.586.282</b> | <b>-91.024.744</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 30.09.2012.

| 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        | 2.459.709.968        | 2.344.753.889        |
| 2. Cash increase from royalties, fees commissions and other                    | 002        |                      |                      |
| 3. Cash increase from insurance compensations                                  | 003        | 4.190.488            | 5.207.144            |
| 4. Cash increase from tax return   | 004        | 150.402.406          | 223.404.348          |
| 5. Other cash increase   | 005        | 4.650.701            | 5.722.809            |
| <b>I. Total increase of cash flow from operating activities (001 do 005)</b>   | <b>006</b> | <b>2.618.953.563</b> | <b>2.579.088.190</b> |
| 1. Expenses to suppliers   | 007        | 2.129.757.258        | 2.336.083.641        |
| 2. Expenses for employees  | 008        | 197.609.355          | 194.738.373          |
| 3. Expenses for insurance compensations  | 009        | 11.800.825           | 11.069.227           |
| 4. Expenses for interest   | 010        | 18.449.562           | 17.832.603           |
| 5. Expenses for taxes  | 011        | 62.223.740           | 78.471.764           |
| 6. Other cash decrease   | 012        | 7.432.068            | 14.564.051           |
| <b>II. Total decrease in cash flow from operating activities (007 do 012)</b>  | <b>013</b> | <b>2.427.272.808</b> | <b>2.652.759.659</b> |
| <b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>       | <b>014</b> | <b>191.680.755</b>   | <b>0</b>             |
| <b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>       | <b>015</b> | <b>0</b>             | <b>73.671.469</b>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                     |            |                      |                      |
| 1. Cash proceeds from sale of non-current tangible and intangible assets       | 016        | 53.629               | 267.202              |
| 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>412.647</b>       | <b>944.467</b>       |
| 1. Cash outflow for acquisition of non-current tangible and intangible assets  | 022        | 26.965.183           | 39.216.370           |
| 2. Cash outflow for acquisition of equity and debt financial instruments       | 023        | 195.110              | 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>27.160.293</b>    | <b>63.489.441</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>26.747.646</b>    | <b>62.544.974</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        | 464.754.598          | 1.672.266.500        |
| 3. Other inflows from financial activities                                     | 030        | 202.681.283          | 608.880.521          |
| <b>V. Total cash inflow from financial activities (028 do 030)</b>             | <b>031</b> | <b>667.435.881</b>   | <b>2.281.147.021</b> |
| 1. Cash outflows for repayment of loan principal and bonds                     | 032        | 594.439.226          | 1.524.210.944        |
| 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 from financial activities                               | 036        | 247.943.076          | 604.285.079          |
| <b>VI. Total cash outflow for financial activities (032 do 036)</b>            | <b>037</b> | <b>842.382.302</b>   | <b>2.128.496.023</b> |
| <b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>          | <b>038</b> | <b>0</b>             | <b>152.650.998</b>   |
| <b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>           | <b>039</b> | <b>174.946.421</b>   | <b>0</b>             |
| <b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>         | <b>040</b> | <b>0</b>             | <b>16.434.555</b>    |
| <b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>         | <b>041</b> | <b>10.013.312</b>    | <b>0</b>             |
| <b>Cash and cash equivalents at the beginning 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>16.434.555</b>    |
| <b>Decrease of cash and cash equivalents</b>                                   | <b>044</b> | <b>10.013.312</b>    |                      |
| <b>Cash and cash equivalents at the end of the period</b>                      | <b>045</b> | <b>11.325.235</b>    | <b>23.789.963</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 30.9.2012

| <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       | -136.992.075       |
| 5. Profit or loss for the year   | 005        | 107.825.182        | -138.586.282       |
| 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>626.523.233</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 three quarters of 2012, Petrokemija, Plc. had total actual income of HRK 2,118,9 million and total expense of HRK 2.257,5 million. The total income on a first-three-quarter basis was reduced by 6.0%, and total expenses were up by 5.5% on the same period of 2011. Out of the total loss, HRK 119.7 million or 86% is loss from business operations, while HRK 18.9, or 14% is loss from financial operations. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 44.4 million in the negative.

In the reporting period, the operating income was 6.1% lower than in the same period of 2011 due to lower actual sales. The total sales of fertilizers decreased by 15.1% compared to the same period last year, which indicates the growth of the average actual sales prices, but at a level (in terms of very strong competition) that could not cover the increase in costs.

Higher actual operating expenses compared to the same period last year reflect the growth in input prices of raw materials, primarily natural gas. The average actual purchase price of gas in the first three quarters of 2012 was 39.1% higher than in the same period of the 2011, and as high as 78.5% compared to the comparable period of 2010 (cumulative growth). Such high growth rates of the basic raw material, which has a share of 56% in the total expenditures in the reporting period, could not be covered by measures to increase income and savings, undertaken by the Management Board and this led to the loss. In addition to the high price of gas as the primary cause for the reported loss, the next in importance is the impact of reducing the amount of production and sales, which contributed to the growth of fixed costs per unit of product, although in total these costs are lower than in the same period last year. Compared to the same period last year, Petrokemija achieved an 18.1% drop in production in the first nine months of 2012 largely due to market reasons, in order to balance the dynamics of inventories and deliveries of fertilizers at an acceptable level.

Natural gas as the 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 September 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. On the basis of relevant decisions of the Government on the regulation of the gas market in the Republic of Croatia, Petrokemija was finally able to buy gas from multiple suppliers during the third quarter of 2012. The amount of gas supplied at a lower price from a foreign supplier, partially mitigated the cost impact which the Company was faced with during the reporting period. Unfortunately, previous contractual restrictions prevent the Company to purchase significant gas quantities on the free market, so that at the time of preparation of these financial statements the Company continues to purchase small quantities of natural gas, which cannot significantly affect the overall business performance of 2012. It is estimated that in the third quarter of 2012 the gas price based on the oil formula reached its maximum, so that a slight decline is expected in the fourth quarter.

Due to the market situation, some facilities had been halted in the second half of 2009 and this problem was carried over into the current reporting period 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:

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

30.09.2012.

**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: **2.483**  
(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 30.09.2012.

| <b>The Group Petrokemija d.d.</b>   |             |                           |                      |
|---|-------------|---------------------------|----------------------|
| Position  | AOP<br>code | Previous year<br>(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>739.746.784</b>   |
| <b>I. INTANGIBLE ASSETS (004 do 009)</b>  | <b>003</b>  | <b>7.671.130</b>          | <b>19.925.005</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                 | 7.756.176            |
| 3. Goodwill   | <b>006</b>  |                           | 8.673.524            |
| 4. Advances for intangible assets   | <b>007</b>  |                           |                      |
| 5. Intangible assets in progress  | <b>008</b>  | 1.974.647                 | 3.495.305            |
| 6. Other intangible assets  | <b>009</b>  |                           |                      |
| <b>II. TANGIBLE ASSETS (011 do 019)</b>   | <b>010</b>  | <b>739.879.901</b>        | <b>706.195.206</b>   |
| 1. Land   | <b>011</b>  | 49.411.757                | 49.482.153           |
| 2. Buildings  | <b>012</b>  | 305.696.063               | 289.889.114          |
| 3. Plant and equipment  | <b>013</b>  | 354.712.044               | 312.449.857          |
| 4. Tools, plant inventory and transportation assets                                   | <b>014</b>  | 12.656.327                | 16.708.553           |
| 5. Biological assets  | <b>015</b>  |                           |                      |
| 6. Advances for tangible assets   | <b>016</b>  | 3.081.885                 | 3.583.492            |
| 7. Tangible assets in progress  | <b>017</b>  | 13.828.060                | 33.583.562           |
| 8. Other tangible assets  | <b>018</b>  | 493.765                   | 498.475              |
| 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>12.868.128</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                | 11.606.208           |
| 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>758.445</b>       |
| 1. Receivables from related companies   | <b>030</b>  |                           |                      |
| 2. Receivables for sales on loan  | <b>031</b>  |                           |                      |
| 3. Other receivables  | <b>032</b>  |                           | 758.445              |
| <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>975.613.506</b>   |
| <b>I. INVENTORIES (036 do 042)</b>  | <b>035</b>  | <b>653.884.464</b>        | <b>728.288.790</b>   |
| 1. Raw and other material   | <b>036</b>  | 307.619.209               | 308.797.289          |
| 2. Work in progress   | <b>037</b>  | 41.135.157                | 70.417.582           |
| 3. Finished products  | <b>038</b>  | 300.391.370               | 328.680.445          |
| 4. Merchandise inventory  | <b>039</b>  | 4.302.489                 | 19.387.900           |
| 5. Advances for inventories   | <b>040</b>  | 436.239                   | 1.005.574            |
| 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>174.228.730</b>   |
| 1. Receivables from related companies   | <b>044</b>  |                           | 1.978.396            |
| 2. Receivables from customers (buyers)  | <b>045</b>  | 147.738.558               | 109.355.922          |
| 3. Receivables from participating interest  | <b>046</b>  |                           |                      |
| 4. Receivables from employees and members   | <b>047</b>  | 21.446                    | 4.877                |
| 5. Receivables from state and other institutions                                      | <b>048</b>  | 40.129.810                | 61.661.861           |
| 6. Other receivables  | <b>049</b>  | 3.336.260                 | 1.227.674            |
| <b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>                                  | <b>050</b>  | <b>20.211.233</b>         | <b>43.889.765</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                 | 3.883.590            |
| 6. Loans given, deposits and similar assets   | <b>056</b>  | 15.060.840                | 40.006.175           |
| 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>29.206.221</b>    |
| <b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>   | <b>059</b>  | <b>2.734.013</b>          | <b>4.025.699</b>     |
| <b>E) TOTAL ASSETS (001+002+034+059)</b>  | <b>060</b>  | <b>1.642.820.003</b>      | <b>1.719.385.989</b> |
| <b>F) OFF BALANCE SHEET ITEMS</b>   | <b>061</b>  | <b>186.462.200</b>        | <b>276.515.000</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>630.604.251</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                    | 12.037               |
| 1. Legal reserves  | 066        |                      | 12.037               |
| 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         | -138.317.224         |
| 1. Retained earning  | 073        |                      | 471.951              |
| 2. Loss carried forward  | 074        | 244.715.097          | 138.789.175          |
| VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)   | 075        | 106.487.999          | -138.057.243         |
| 1. Profit for the year   | 076        | 106.487.999          |                      |
| 2. Loss for the year   | 077        |                      | 138.057.243          |
| VII. MINORITY INTEREST   | 078        |                      | 4.865.091            |
| <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>200.000.000</b>   |
| 1. Liabilities to related companies  | 084        |                      |                      |
| 2. Liabilities for loans, deposits and similar   | 085        | 80.000.000           | 200.000.000          |
| 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>876.414.986</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          | 331.277.778          |
| 4. Liabilities for advances  | 097        | 25.990.680           | 70.703.424           |
| 5. Liabilities to suppliers  | 098        | 331.944.083          | 338.544.562          |
| 6. Liabilities for securities  | 099        | 81.176.464           | 102.000.000          |
| 7. Liabilities to companies with participating interest  | 100        |                      |                      |
| 8. Liabilities to employees  | 101        | 13.650.046           | 13.582.651           |
| 9. Liabilities for taxes, contributions and other payments   | 102        | 9.968.720            | 13.310.351           |
| 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           | 2.496.220            |
| <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>1.719.385.989</b> |
| <b>G) OFF BALANCE SHEET ITEMS</b>  | <b>108</b> | <b>186.462.200</b>   | <b>276.515.000</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          | 625.739.160          |
| 2. Credited to minority interest   | 110        |                      | 4.865.091            |

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 30.09.2012.

| 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>2.238.728.312</b> | <b>813.082.238</b> | <b>2.110.412.536</b> | <b>640.163.179</b> |
| 1. Sales revenues   | 112        | 2.212.757.828        | 807.417.595        | 2.072.281.733        | 623.688.109        |
| 2. Other operating revenues   | 113        | 25.970.484           | 5.664.643          | 38.130.803           | 16.475.070         |
| <b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>   | <b>114</b> | <b>2.100.492.600</b> | <b>769.743.020</b> | <b>2.233.447.420</b> | <b>727.788.341</b> |
| 1. Changes in value of work in progress and finished products   | 115        | -40.463.499          | -47.943.706        | -57.571.500          | -50.725.315        |
| 2. Material costs (117 do 119)  | 116        | 1.813.899.119        | 712.414.005        | 1.969.365.372        | 672.395.165        |
| a) Cost of raw and production materials   | 117        | 1.720.998.379        | 669.772.033        | 1.879.191.880        | 628.529.603        |
| b) Cost of goods sold   | 118        | 6.570.796            | 3.485.002          | 22.580.407           | 20.716.560         |
| c) Other external costs   | 119        | 86.329.944           | 39.156.970         | 67.593.085           | 23.149.002         |
| 3. Employees costs (121 do 123)   | 120        | 174.086.104          | 60.193.985         | 186.969.720          | 61.542.420         |
| a) Net salaries and wages   | 121        | 109.198.116          | 37.594.253         | 118.066.869          | 39.172.702         |
| b) Costs for taxes and contributions from salaries  | 122        | 39.377.234           | 13.783.207         | 43.049.940           | 14.267.543         |
| c) Contributions on salaries  | 123        | 25.510.754           | 8.816.525          | 25.852.911           | 8.102.175          |
| 4. Depreciation   | 124        | 73.613.740           | 25.074.767         | 76.700.871           | 24.834.444         |
| 5. Other costs  | 125        | 61.654.128           | 19.344.382         | 57.804.193           | 19.741.627         |
| 6. Value adjustments (127+128)  | 126        | 363.008              | 266.859            | 178.764              | 0                  |
| a) of long-term assets (except for financial assets)  | 127        | 23.659               | 12.571             | 11.811               |                    |
| b) of short-term assets (except for financial assets)   | 128        | 339.349              | 254.288            | 166.953              |                    |
| 7. Provisions   | 129        | 17.340.000           | 392.728            |                      |                    |
| 8. Other operating expenses   | 130        |                      |                    |                      |                    |
| <b>III. FINANCIAL REVENUES (132 do 136)</b>   | <b>131</b> | <b>19.529.739</b>    | <b>6.150.940</b>   | <b>20.487.133</b>    | <b>8.556.069</b>   |
| 1. Interest, exchange rate fluctuations, dividends and similar from associated companies                | 132        |                      |                    | 115.323              | 113.288            |
| 2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others | 133        | 19.529.739           | 6.150.940          | 19.532.364           | 8.442.781          |
| 3. Part of revenue from associated companies and participating interests                                | 134        |                      |                    |                      |                    |
| 4. Unrealised gains (revenues) from financial assets  | 135        |                      |                    | 839.446              |                    |
| 5. Other financial revenues   | 136        |                      |                    |                      |                    |
| <b>IV. FINANCIAL EXPENSES (138 do 141)</b>  | <b>137</b> | <b>43.023.060</b>    | <b>16.095.644</b>  | <b>38.618.606</b>    | <b>11.723.287</b>  |
| 1. Interest, exchange rate fluctuations and other costs with associated companies                       | 138        |                      |                    | 1.255                |                    |
| 2. Interest, exchange rate fluctuations and other costs with non-associated companies                   | 139        | 43.023.060           | 16.095.644         | 38.617.351           | 11.723.287         |
| 3. Unrealised losses (costs) from financial assets  | 140        |                      |                    |                      |                    |
| 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>2.258.258.051</b> | <b>819.233.178</b> | <b>2.130.899.669</b> | <b>648.719.248</b> |
| <b>X. TOTAL EXPENSES (114+137+143 + 145)</b>  | <b>147</b> | <b>2.143.515.660</b> | <b>785.838.664</b> | <b>2.272.066.026</b> | <b>739.511.628</b> |
| <b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>   | <b>148</b> | <b>114.742.391</b>   | <b>33.394.514</b>  | <b>-141.166.357</b>  | <b>-90.792.380</b> |
| 1. Profit before taxation (146-147)   | 149        | 114.742.391          | 33.394.514         | 0                    | 0                  |
| 2. Loss before taxation (147-146)   | 150        | 0                    | 0                  | 141.166.357          | 90.792.380         |
| <b>XII. PROFIT TAX</b>  | <b>151</b> | <b>23.188</b>        | <b>-224</b>        | <b>58.198</b>        | <b>42.735</b>      |
| <b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>  | <b>152</b> | <b>114.719.203</b>   | <b>33.394.738</b>  | <b>-141.224.555</b>  | <b>-90.835.115</b> |
| 1. Profit for the period (149-151)  | 153        | 114.719.203          | 33.394.738         | 0                    | 0                  |
| 2. Loss for the period (151-148)  | 154        | 0                    | 0                  | 141.224.555          | 90.835.115         |

| <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        | 114.719.203        | 33.394.738        | -140.582.224        | -90.795.907        |
| 2. Credited to minority interest   | 156        |                    |                   | -642.331            | -39.208            |
| <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>114.719.203</b> | <b>33.394.738</b> | <b>-141.224.555</b> | <b>-90.835.115</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>114.719.203</b> | <b>33.394.738</b> | <b>-141.224.555</b> | <b>-90.835.115</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        | 114.719.203        | 33.394.738        | -140.582.224        | -90.795.907        |
| 2. Credited to minority interest   | 170        |                    |                   | -642.331            | -39.208            |



## CASH FLOW STATEMENT - Direct method

for the period 01.01.2012. to 30.09.2012.

| 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        | 2.459.709.968        | 2.344.753.889        |
| 2. Cash increase from royalties, fees commissions and other                    | 002        |                      |                      |
| 3. Cash increase from insurance compensations                                  | 003        | 4.190.488            | 5.207.144            |
| 4. Cash increase from tax return   | 004        | 150.402.406          | 223.404.348          |
| 5. Other cash increase   | 005        | 4.650.701            | 5.722.809            |
| <b>I. Total increase of cash flow from operating activities (001 do 005)</b>   | <b>006</b> | <b>2.618.953.563</b> | <b>2.579.088.190</b> |
| 1. Expenses to suppliers   | 007        | 2.129.757.258        | 2.336.083.641        |
| 2. Expenses for employees  | 008        | 197.609.355          | 194.738.373          |
| 3. Expenses for insurance compensations  | 009        | 11.800.825           | 11.069.227           |
| 4. Expenses for interest   | 010        | 18.449.562           | 17.832.603           |
| 5. Expenses for taxes  | 011        | 62.223.740           | 78.471.764           |
| 6. Other cash decrease   | 012        | 6.368.931            | 14.713.849           |
| <b>II. Total decrease in cash flow from operating activities (007 do 012)</b>  | <b>013</b> | <b>2.426.209.671</b> | <b>2.652.909.457</b> |
| <b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>       | <b>014</b> | <b>192.743.892</b>   | <b>0</b>             |
| <b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>       | <b>015</b> | <b>0</b>             | <b>73.821.267</b>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                     |            |                      |                      |
| 1. Cash proceeds from sale of non-current tangible and intangible assets       | 016        | 53.628               | 267.202              |
| 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>412.646</b>       | <b>944.467</b>       |
| 1. Cash outflow for acquisition of non-current tangible and intangible assets  | 022        | 26.955.182           | 39.216.370           |
| 2. Cash outflow for acquisition of equity and debt financial instruments       | 023        | 195.110              | 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>27.150.292</b>    | <b>63.489.441</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>26.737.646</b>    | <b>62.544.974</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        | 464.754.598          | 1.672.266.500        |
| 3. Other inflows from financial activities                                     | 030        | 202.681.283          | 608.880.521          |
| <b>V. Total cash inflow from financial activities (028 do 030)</b>             | <b>031</b> | <b>667.435.881</b>   | <b>2.281.147.021</b> |
| 1. Cash outflows for repayment of loan principal and bonds                     | 032        | 594.439.226          | 1.524.210.944        |
| 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        | 247.943.076          | 604.285.079          |
| <b>VI. Total cash outflow for financial activities (032 do 036)</b>            | <b>037</b> | <b>842.382.302</b>   | <b>2.128.496.023</b> |
| <b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>          | <b>038</b> | <b>0</b>             | <b>152.650.998</b>   |
| <b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>           | <b>039</b> | <b>174.946.421</b>   | <b>0</b>             |
| <b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>         | <b>040</b> | <b>0</b>             | <b>16.284.757</b>    |
| <b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>         | <b>041</b> | <b>8.940.175</b>     | <b>0</b>             |
| <b>Cash and cash equivalents at the beginning of the period</b>                | <b>042</b> | <b>25.795.002</b>    | <b>12.921.464</b>    |
| <b>Increase of cash and cash equivalents</b>                                   | <b>043</b> |                      | <b>16.284.757</b>    |
| <b>Decrease of cash and cash equivalents</b>                                   | <b>044</b> | <b>8.940.175</b>     |                      |
| <b>Cash and cash equivalents at the end of the period</b>                      | <b>045</b> | <b>16.854.827</b>    | <b>29.206.221</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 30.9.2012

| Position   | AOP<br>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         |                    | 12.037             |
| 4. Retained profit or loss carried forward   | 004         | -244.715.097       | -138.317.224       |
| 5. Profit or loss for the year   | 005         | 106.487.999        | -138.057.243       |
| 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         |                    | 4.865.091          |
| <b>10. Total capital and reserves (AOP 001 do 009)</b>                               | <b>010</b>  | <b>763.874.492</b> | <b>630.604.251</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        | 625.739.160        |
| 17 b. Creadited to minority interest   | 019         |                    | 4.865.091          |

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 three quarters of 2012, Petrokemija Group had total actual income of HRK 2.130,9 million and total expense of HRK 2.272,1 million. The total income Petrokemija Group on a first-three-quarter basis was reduced by 5.6%, and total expenses were up by 6.0% on the same period of 2011. Out of the total loss, HRK 123.0 million or 87% is loss from business operations, while HRK 18.1, or 13% is loss from financial operations. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 46.3 million in the negative.

In the reporting period in Petrokemija Group, the operating income was 5.7% lower than in the same period of 2011 due to lower actual sales. The total sales of fertilizers decreased by 15.1% compared to the same period last year, which indicates the growth of the average actual sales prices, but at a level (in terms of very strong competition) that could not cover the increase in costs.

Higher actual operating expenses compared to the same period last year reflect the growth in input prices of raw materials, primarily natural gas. The average actual purchase price of gas in the first three quarters of 2012 was 39.1% higher than in the same period of the 2011, and as high as 78.5% compared to the comparable period of 2010 (cumulative growth). Such high growth rates of the basic raw material, which has a share of 56% in the total expenditures in the reporting period, could not be covered by measures to increase income and savings, undertaken by the Management Board and this led to the loss. In addition to the high price of gas as the primary cause for the reported loss, the next in importance is the impact of reducing the amount of production and sales, which contributed to the growth of fixed costs per unit of product, although in total these costs are lower than in the same period last year. Compared to the same period last year, Petrokemija achieved an 18.1% drop in production in the first nine months of 2012 largely due to market reasons, in order to balance the dynamics of inventories and deliveries of fertilizers at an acceptable level.

Natural gas as the 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 September 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. On the basis of relevant decisions of the Government on the regulation of the gas market in the Republic of Croatia, Petrokemija was finally able to buy gas from multiple suppliers during the third quarter of 2012. The amount of gas supplied at a lower price from a foreign supplier, partially mitigated the cost impact which the Company was faced with during the reporting period. Unfortunately, previous contractual restrictions prevent the Company to purchase significant gas quantities on the free market, so that at the time of preparation of these financial statements the Company continues to purchase small quantities of natural gas, which cannot significantly affect the overall business performance of 2012. It is estimated that in the third quarter of 2012 the gas price based on the oil formula reached its maximum, so that a slight decline is expected in the fourth quarter.

Due to the market situation, some facilities had been halted in the second half of 2009 and this problem was carried over into the current reporting period 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 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.

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