



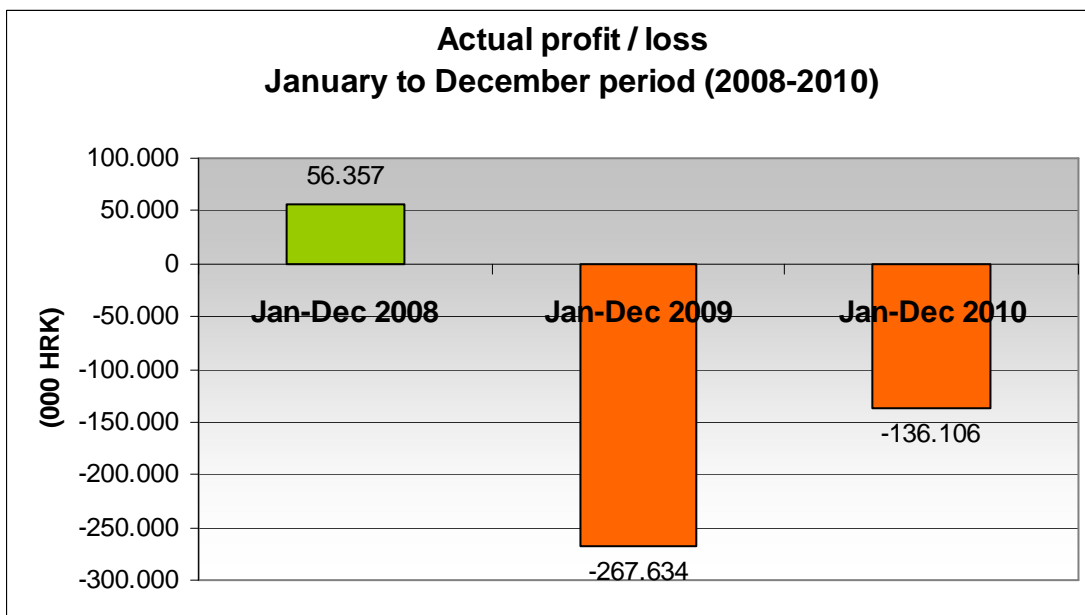
ANNUAL REPORT

PETROKEMIJA d.d. KUTINA

PETROKEMIJA GROUP

REPORT FOR PERIOD January to December 2010
INTERIM REPORT FOR PERIOD October-December 2010

- **Actual production of 1,249 and sales of 1,202 thousand tons of fertilizers;**
- **Actual total income of Petrokemija d.d. HRK 2,290.6 million, Petrokemija Group HRK 2,294.6 million;**
- **Actual loss of Petrokemija d.d. HRK 136.1 million (5.9% of total revenues), Petrokemija Group HRK 136.1 million;**
- **Invested funds of HRK 44 million;**
- **Number of employees of Petrokemija d.d. 2,346, Petrokemija Group 2,355.**



MANAGEMENT BOARD REPORT ON THE STATE OF THE COMPANY FOR Jan – Dec 2010 PERIOD

1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA d.d.

The total income of Petrokemija d.d. in Jan to Dec 2010 was HRK 2,290.6 million, total expenses were HRK 2,426.7 million and the reported loss before taxation was HRK 136.1 million or 5.9% of total revenues. When compared to the annual result of 2009, total income was increased by 16.7% and total expenses by 8.8%.

In 2010, as compared to the same period of 2009, Petrokemija increased production by 30.5%, increased fertilizer sales by 14.7%, reduced staff costs by 17.2%, and reduced most of other costs (spare parts, nonmaterial expenses). However, all this could not compensate for the fall in domestic sales, and rise in raw material costs (especially natural gas) and prevent from reporting loss.

In 2010, Petrokemija incurred 49.1% lower operating loss than last year. The delayed effects of the global financial crisis of 2009 on the business are still present. Some of the facilities were shut down as a reaction to the market situation and this problem was carried over to the 1st quarter of 2011.

The loss in the reported period was largely the result of low income from sales in domestic market, due to lower sales. Partly it reflects additional dependent costs of export to faraway destinations. The fall in domestic sales is the result of the crisis still present in Croatian agriculture in which fertilizer consumption in 2010 were at the same level as in the early 90s. In this situation, maximum export was intended to cover the largest possible total fixed costs. The income from sales in domestic market in 2010 was reduced by 15.4% as compared to 2009, while the income from export was increased by 59.3%. The loss is HRK 36.8 million larger than the calculated depreciation; the EBITDA indicator (profit before interest, taxation, depreciation and amortization) is negative and amounts to HRK 4.0 million. For comparison, in 2009 EBITDA was negative, amounting to HRK 143.3 million.

(HRK 000)

| | Jan- Dec 2010 | Jan- Dec 2009 | Difference | % change |
|-------------------------------------|------------------|------------------|------------|----------|
| Operating income | 2.261.446 | 1.927.193 | 334.253 | 17,34% |
| Operating expense | 2.364.792 | 2.169.001 | 195.791 | 9,03% |
| EBITDA * | -4.021 | -143.254 | 139.233 | -97,19% |
| Amortization | 99.325 | 98.554 | 771 | 0,78% |
| Net financial income (expenses) | -32.760 | -25.826 | -6.934 | 26,85% |
| Net extraordinary income (expenses) | 0 | 0 | 0 | |
| Profit / loss / before taxation | -136.106 | -267.634 | 131.528 | -49,14% |
| Non-current assets | 823.440 | 876.035 | -52.595 | -6,00% |
| Current assets | 710.620 | 645.056 | 65.564 | 10,16% |
| Shareholders' equity | 657.284 | 793.390 | -136.106 | -17,15% |
| Non-current liabilities | 76.754 | 0 | 76.754 | |
| Current liabilities | 800.022 | 727.701 | 72.321 | 9,94% |

* EBITDA= profit before interest, taxation depreciation and amortization

Operating income of Petrokemija d.d. in the October through December 2010 period was HRK 752.3 million, operating expenses were HRK 753.0 million, the reported loss from ordinary activities was HRK 0.7 million and total loss HRK 9.4 million. Total income increased by 40.1% and total expenses 16.8% as compared to the last quarter of 2009. In spite of the rise of gas price and raw materials for fertilizers in the world market during 4th quarter of 2010, the price parity enabled an approximate balance of income and expenses.

Financial indicators reported **for fourth quarter** and cumulatively for 2010:

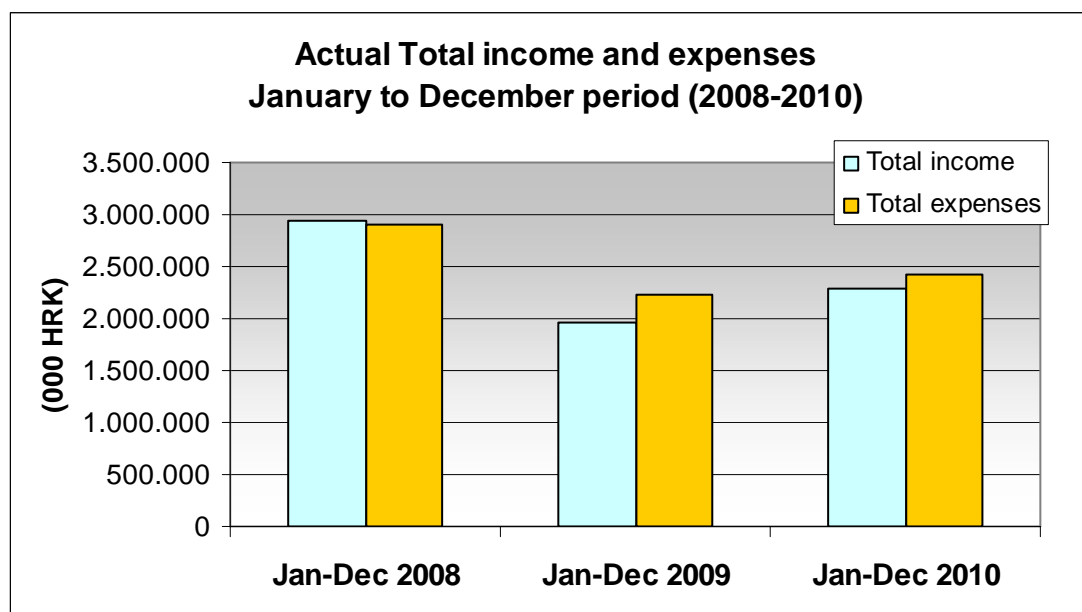
(HRK 000)

| | Jan- Sept 2010 | Oct- Dec 2010 | Jan- Dec 2010 |
|-------------------------------------|-------------------|------------------|------------------|
| Operating income | 1.509.153 | 752.293 | 2.261.446 |
| Operating expense | 1.611.820 | 752.972 | 2.364.792 |
| EBITDA * | -26.349 | 22.328 | -4.021 |
| Amortization | 76.318 | 23.007 | 99.325 |
| Net financial income (expenses) | -24.051 | -8.709 | -32.760 |
| Net extraordinary income (expenses) | 0 | 0 | 0 |
| Profit / loss / before taxation | -126.719 | -9.387 | -136.106 |

* EBITDA= profit before interest, taxation depreciation and amortization

During the third and fourth quarter, a growth in export sales was achieved to compensate for the low domestic demand, ensure the continuity of the course of production and to maintain liquidity in terms of lack of working capital.

The balance between input and output prices and that of supply and demand of fertilizers in domestic, regional and global markets was expected to gradually take place in the first half of 2010. However, Petrokemija d.d. managed to achieve the planned effects on the domestic and export markets as late as in the fourth quarter, because the price disparity lasted longer than was previously estimated. For some raw materials and products, there is still no improvement of market position in sight. Also particularly marked is the open problem of exceptional growth in gas prices.



In comparison to the result for the last year, there was a positive difference of HRK 131.5 million, due to improved market trends. There was, however, a considerable burden of high transport costs in export prices, which despite a growing demand prevented full coverage of the cost. In the domestic market, sales of fertilizers were encouraged by discount prices and delayed payment through vouchers (additional cost of interest and exchange rate differences around HRK 7.2 million).

PROFIT AND LOSS ACCOUNT OF PETROKEMIJA d.d. KUTINA

| P O S I T I O N | (HRK 000) | |
|--|----------------------------------|----------------------------------|
| | Petrokemija d.d. Jan-Dec 2010 | Petrokemija d.d. Jan-Dec 2009 |
| Total operating income | 2.261.446 | 1.927.194 |
| Total operating expenses | 2.364.792 | 2.169.001 |
| PROFIT / LOSS FROM ORDINARY ACTIVITIES | -103.346 | -241.807 |
| Total financial income | 29.176 | 35.327 |
| Total financial expenses | 61.936 | 61.154 |
| PROFIT / LOSS FROM FINANCIAL ACTIVITIES | -32.760 | -25.827 |
| TOTAL INCOME | 2.290.622 | 1.962.521 |
| TOTAL EXPENSES | 2.426.728 | 2.230.155 |
| Profit/loss before taxation | -136.106 | -267.634 |
| Profit tax | | |
| Profit/Loss after taxation | -136.106 | -267.634 |

BALANCE SHEET OF PETROKEMIJA d.d. KUTINA

| P O S I T I O N | (HRK 000) | |
|----------------------------------|--------------------------------|--------------------------------|
| | Petrokemija d.d. 31.12.2010 | Petrokemija d.d. 30.12.2009 |
| Total long-term assets | 823.440 | 879.035 |
| Total short-term assets | 708.857 | 639.953 |
| Prepaid costs and accrued income | 1.763 | 5.103 |
| TOTAL ASSETS | 1.534.060 | 1.524.091 |
| Total capital | 657.284 | 793.390 |
| Long-term liabilities | 76.754 | 0 |

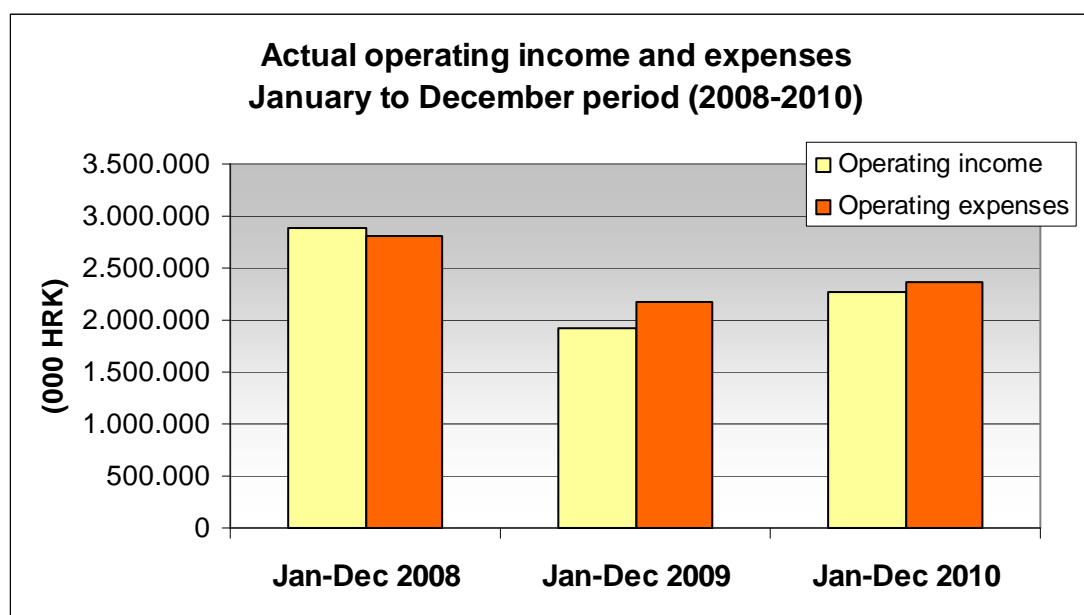
| POSITION | Petrokemija d.d. 31.12.2010 | Petrokemija d.d. 30.12.2009 |
|-------------------------------------|--------------------------------|--------------------------------|
| Total short-term liabilities | 796.588 | 724.851 |
| Accruals and deferred income | 3.434 | 2.850 |
| TOTAL LIABILITIES | 1.534.060 | 1.521.091 |

Due to gas shortfall in winter months in the gas system of Republic of Croatia, Petrokemija still has to conduct technical overhauls in winter. The production standstill in January 2010 was used for annual facilities overhaul. The same is planned for 2011. The forecast for the long-time expected gas market in Croatia in 2011 by a new supply route and potentially new suppliers, offer good prospects for optimum yearly schedule of production and deliveries of fertilizers, particularly nitrogen-based ones, whose production is based on gas.

Because of positive changes in sales prices and sales structure of the product, the Company operating income increased by 17.3%, as compared to last year. The fall in domestic demand for fertilizers is connected with the long-lasting crisis in agricultural production and the price ratio of production materials and finished products in agriculture (low prices of basic agricultural crops generate the extensiveness of the use of agro-technical measures). With regard to the price, imports of fertilizers were still moderately unattractive – approx. 56 thousand tons were imported in 2010 which makes approximately 14% market share, with a portion of those products not normally produced by Petrokemija.

A trend of instability of input-output prices continued in the reported period. Generally, the price of raw materials in world markets was gradually rising, while the gas price in domestic market was growing strongly through quarters, up until the fourth quarter of 2010. This growth reflects the pricing methodology applied – the gas price grew in accordance with the agreed formula (the so-called oil-linked). The growth trend is estimated to continue in the first quarter of 2011, unless there is a significant fall of USD.

Operating expenses were by 9% higher from those of the previous year, due to larger volumes and changes of input prices.



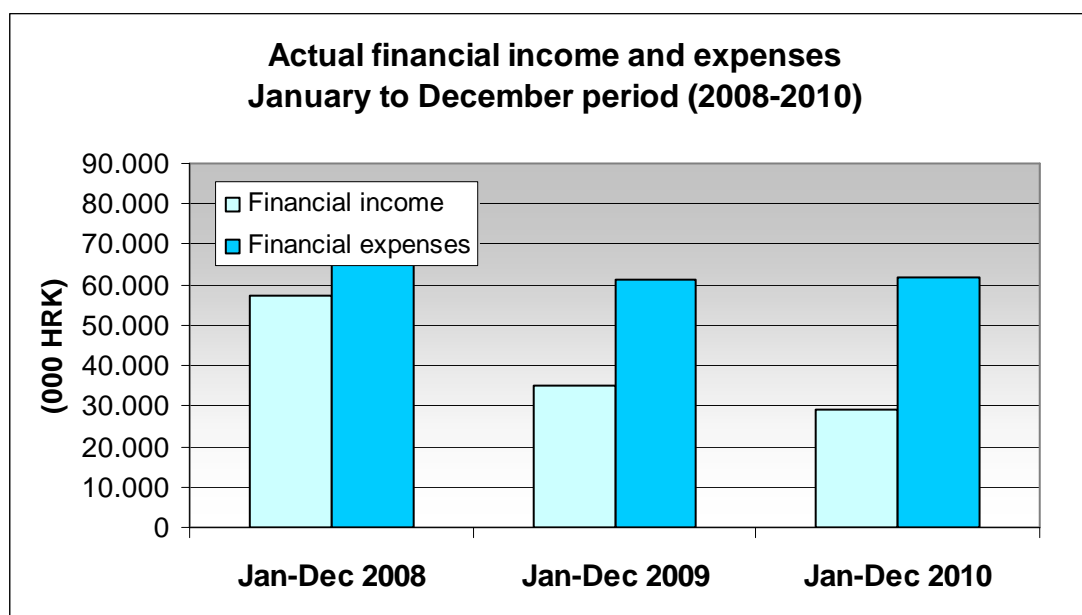
Financial income was by 17.4% lower, and financial expense by 1.3% higher than last year. The HRK 32.8 million loss from financial relations was by 26.8% higher than last year. Financial income from shares was by HRK 5.3 million lower and the income from interest by HRK 5.7 million lower compared to 2009. Foreign exchange gains accounted for 69% and income from interest and other financial income for 31% share in the total financial income. The total financial expenses are approximately at their 2009 level but with a change in expense structure – foreign exchange share was greater and the interest on short-term loans smaller.

Foreign exchange losses have 51% share in financial expenses, while 49% share is made up of interest and other financial expenses.

By means of interest rates, business banks are still creating high price of capital, especially for companies reporting a business loss.

At the end of May 2009, Petrokemija issued approx. HRK 100 million worth of commercial bills through Privredna banka Zagreb, to provide for short-term current assets. During the reporting period, the liabilities on commercial bills were fulfilled regularly. Petrokemija d.d. redeemed EUR 2.000.000 and HRK 2.000.000 from 7th and 8th tranches of due commercial bills in February and EUR 4,150,000 from 11th tranche in April 2010, all from own funds.

In May 2010, Petrokemija issued 13th and 14 tranche of commercial bills in the total amount of HRK 21.9 million, for a period of 364 days. The net proceeds from issuance of commercial bills were used for the refinancing of the tranche of commercial bills due in May 2010. The 10th tranche of commercial bills of HRK 10.4 million that matured in September 2010, was redeemed from own resources. In 19 October 2010, Petrokemija redeemed from own resources 12th tranche of commercial bills amounting to EUR 875,000 and the others are due in May 2011.



2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

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

| | | |
|------------------------|-----|------------------|
| • Total income | HRK | 2,294.6 million, |
| • Total expenses | HRK | 2,430.5 million, |
| • Loss before taxation | HRK | 135.9 million, |
| • Income tax | HRK | 0.2 million, |
| • Loss after taxation | HRK | 136.1 million. |

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

Business results of daughter companies in 100% ownership:

(HRK 000)

| POSITION | Actual Jan-Dec 2010 | Actual Jan-Dec 2009 | Ind 2/3 |
|--------------------------------------|------------------------|------------------------|------------|
| 1 | 2 | 3 | 4 |
| RESTORAN PETROKEMIJA d.o.o. | | | |
| TOTAL INCOME | 2.021 | 2.431 | 83,1 |
| TOTAL EXPENSES | 2.018 | 2.481 | 81,3 |
| GROSS PROFIT /LOSS | 3 | -50 | |
| PETROKEMIJA d.o.o. Novi Sad | | | |
| TOTAL INCOME | 54.724 | 42.239 | 129,6 |
| TOTAL EXPENSES | 52.886 | 42.210 | 125,3 |
| GROSS PROFIT | 1.838 | 29 | |
| PETROKEMIJA d.o.o. Novo Mesto | | | |
| TOTAL INCOME | 4.465 | 694 | 643,4 |
| TOTAL EXPENSES | 4.459 | 685 | 650,9 |
| GROSS PROFIT | 6 | 9 | 66,7 |

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(HRK 000)

| POSITION | Petrokemija Group Jan-Dec 2010 | Petrokemija Group Jan-Dec 2009 |
|---|--------------------------------------|--------------------------------------|
| Total operating income | 2.266.950 | 1.925.454 |
| Total operating expenses | 2.368.814 | 2.167.533 |
| PROFIT/LOSS FROM ORDINARY ACTIVITIES | -101.864 | -242.079 |
| Total financial income | 27.662 | 35.242 |
| Total financial expenses | 61.720 | 60.798 |

| POSITION | Petrokemija Group Jan-Dec 2010 | Petrokemija Group Jan-Dec 2009 |
|--|-----------------------------------|-----------------------------------|
| PROFIT/LOSS FROM FINANCIAL ACTIVITIES | -34.058 | -25.556 |
| TOTAL INCOME | 2.294.612 | 1.960.696 |
| TOTAL EXPENSES | 2.430.534 | 2.228.331 |
| Profit/Loss before taxation | -135.922 | -267.635 |
| Profit tax | 184 | |
| Profit/Loss after taxation | -136.106 | -267.635 |

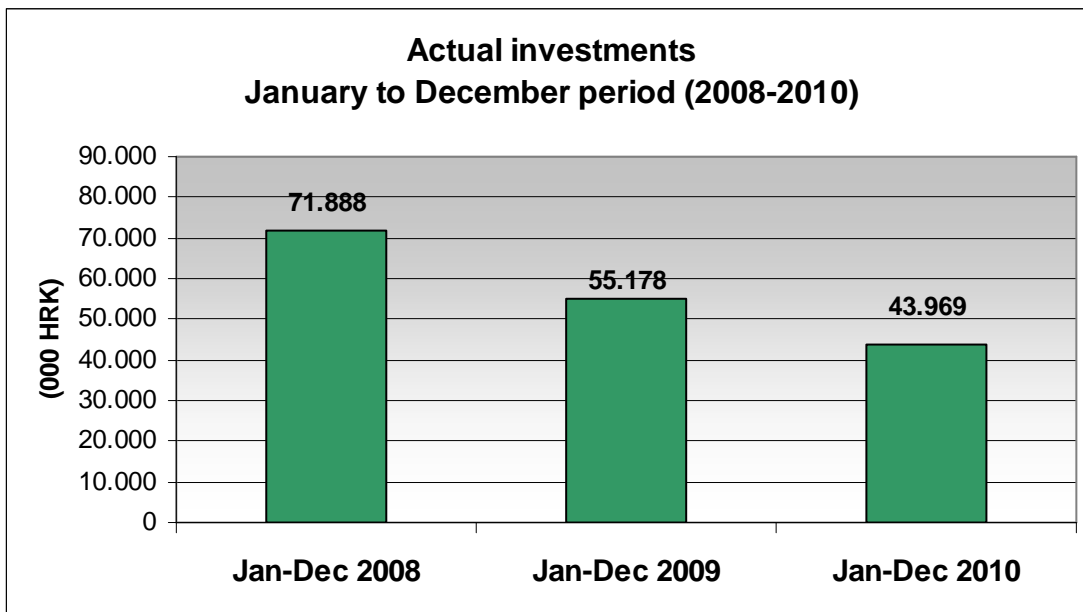
CONSOLIDATED BALANCE SHEET
(HRK 000)

| POSITION | Petrokemija Group 31.12.2010 | Petrokemija Group 31.12.2009 |
|---|---------------------------------|---------------------------------|
| Total long-term assets | 814.813 | 869.323 |
| Total short-term assets | 713.791 | 643.478 |
| Prepaid costs and accrued income | 1.773 | 5.108 |
| TOTAL ASSETS | 1.530.377 | 1.517.909 |
| Total capital | 657.013 | 792.861 |
| Long-term liabilities | 76.754 | 0 |
| Total short-term liabilities | 793.176 | 722.198 |
| Accruals and diferred income | 3.434 | 2.850 |
| TOTAL LIABILITIES | 1.530.377 | 1.517.909 |

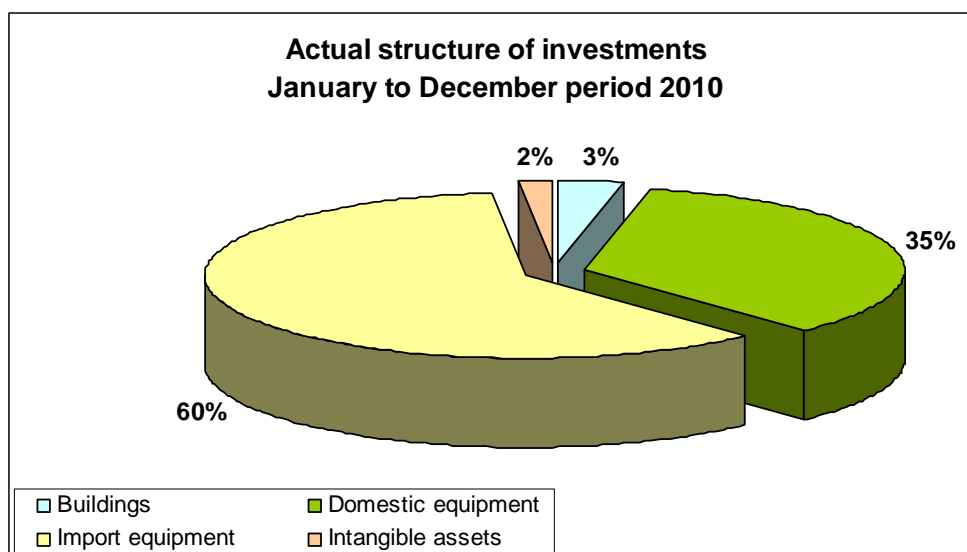
3. INVESTMENTS

Actual investments in 2010 amounted to HRK 44.0 million, approximately 80% of the previous year's amount. Due to limited funds, a trend of reducing investments compared to earlier years was continued. A considerable rise in investments was planned in the field of environmental protection and upgrading facilities. However, the investment rate slowed down in accordance with the availability of funds.

HRK 42.6 million was invested in the parent company – Fertilizer Production and ancillary services and HRK 1.4 million was invested in other production plants.



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



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

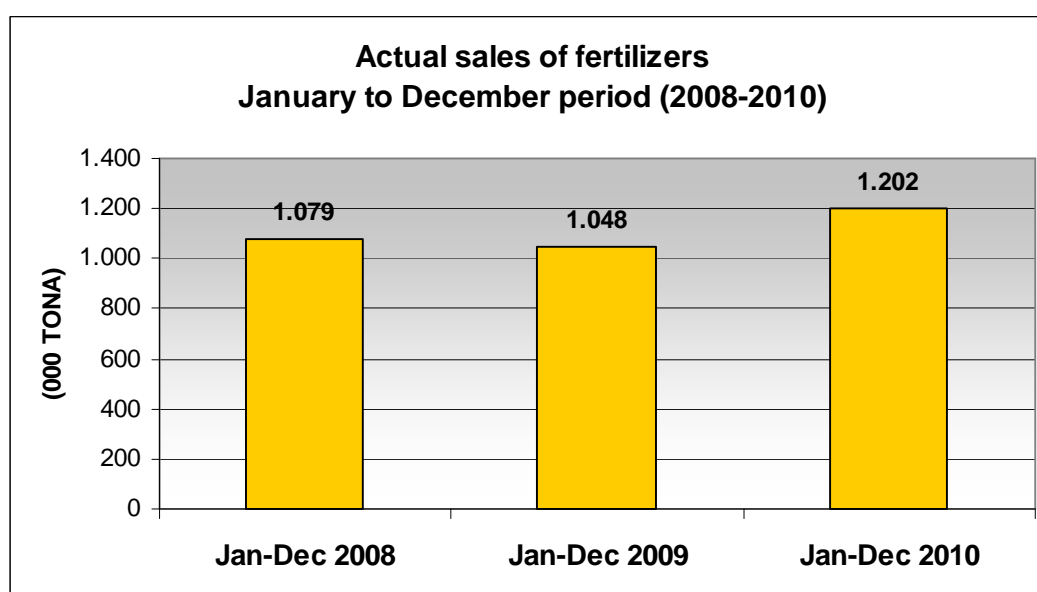
4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to December 2010 period:

- **fertilizers** 1,249.0 thousand tons
- **clay-based products** 23.1 thousand tons
- **TGUS products** 1.2 thousand tons

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

- **fertilizers** 1,201.9 thousand tons
- **clay-based products** 23.3 thousand tons
- **TGUS products (+chemicals)** 1.2 thousand tons



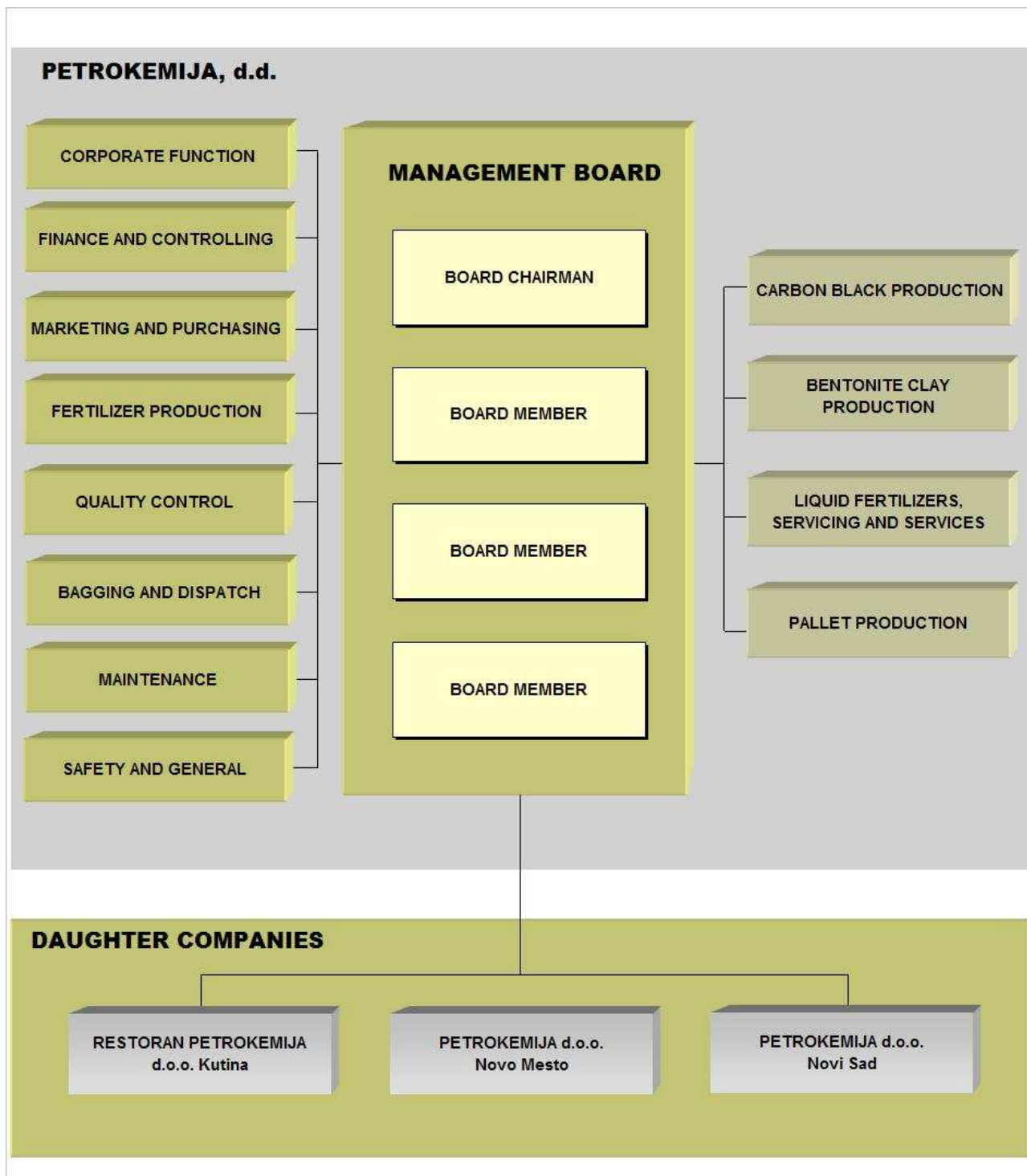
The actual sales were up by 14.7% on the previous year, with larger share of sales in export. The sales of clay-based products were by 5.7 % higher and those of liquid fertilizers and chemicals by 19.2% lower in comparison to the previous year. However, these products had no significant impact on total business result of Petrokemija d.d. As the Carbon Black Plant was temporarily shut down for market reasons, the sales of carbon black were in negligible volumes from the carried-over supplies.

5. ORGANIZATION CHART AND HUMAN RESOURCES

In 2010, there was no significant change in the existing organization chart.

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

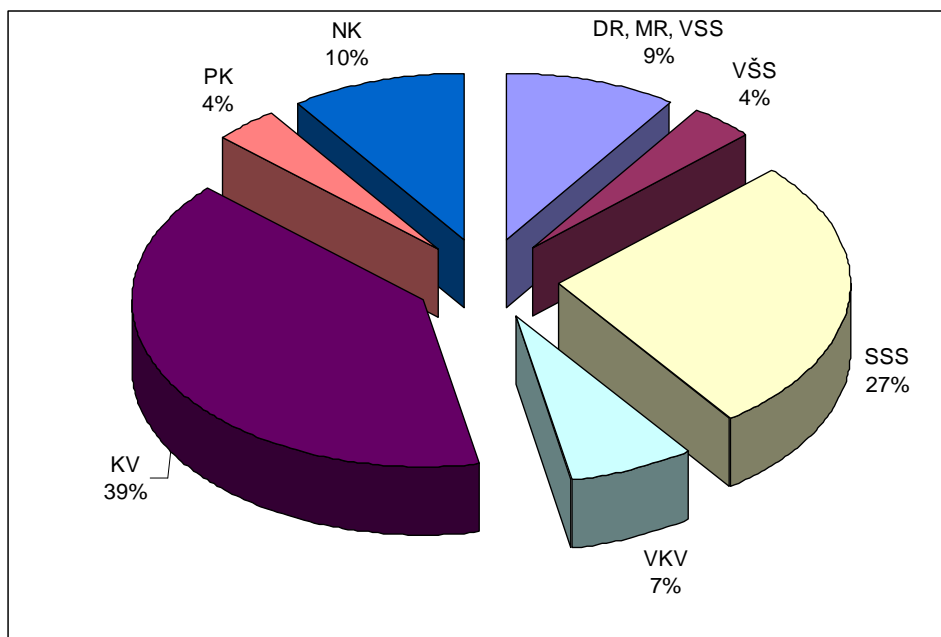
- Restoran Petrokemija d.o.o. Kutina,
- Petrokemija d.o.o. Novi Sad and
- Petrokemija d.o.o. Novo Mesto.



As of December 31, 2010, Petrokemija d.d. had 2,346 employees and their daughter-companies, members of the Petrokemija Group had 9 employees, which makes a total number of 2,355 employees. The high qualification structure corresponds to the complexity of the production and other systems in place in the Company.

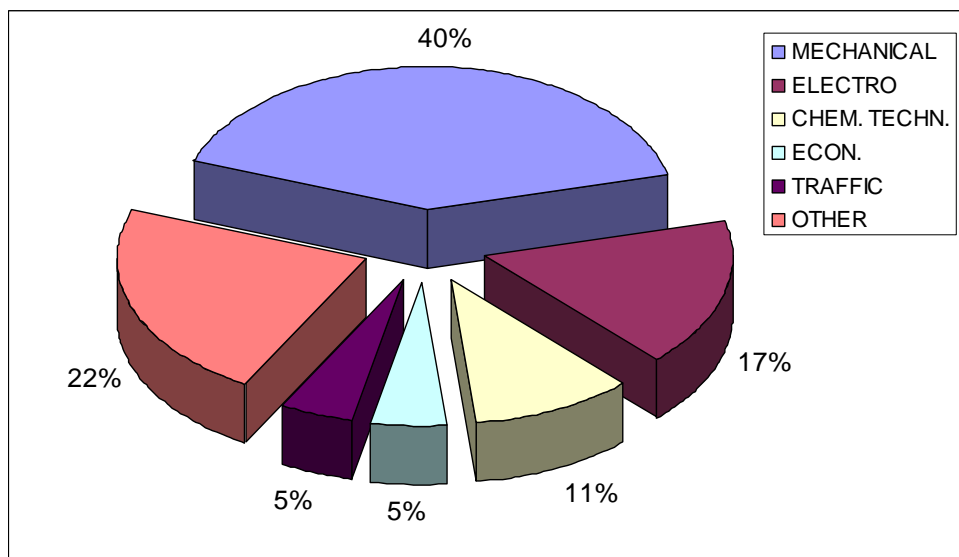
In May 2010, a new chairman was appointed to Petrokemija Management Board, while in other parts of the management structure there has been no significant change in the middle and higher management. During 2010, the number of employees was reduced by 25 workers or 1.1%. Workers from part of the plants that were temporarily stalled, have been deployed on operations in other organization units.

EMPLOYEES BY QUALIFICATION:



The employee structure by profession indicates that Petrokemija has maintenance of production and ancillary facilities in place, as well as other supporting departments such as Bagging and Dispatch which receives and dispatches up to 2,0 million tons a year of raw materials and finished products.

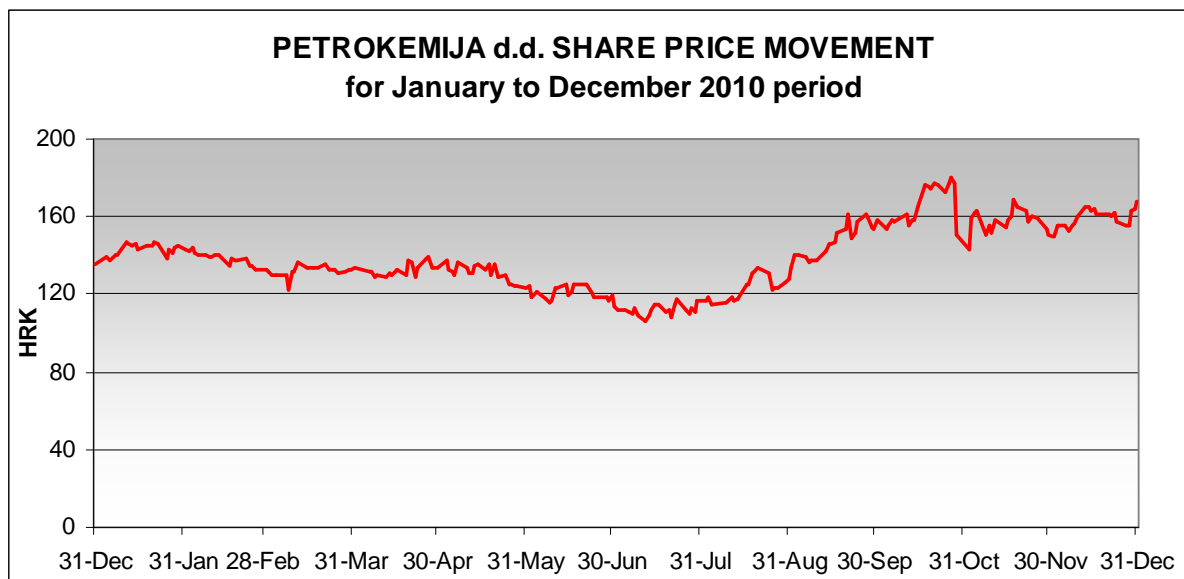
EMPLOYEES BY PROFESSION:



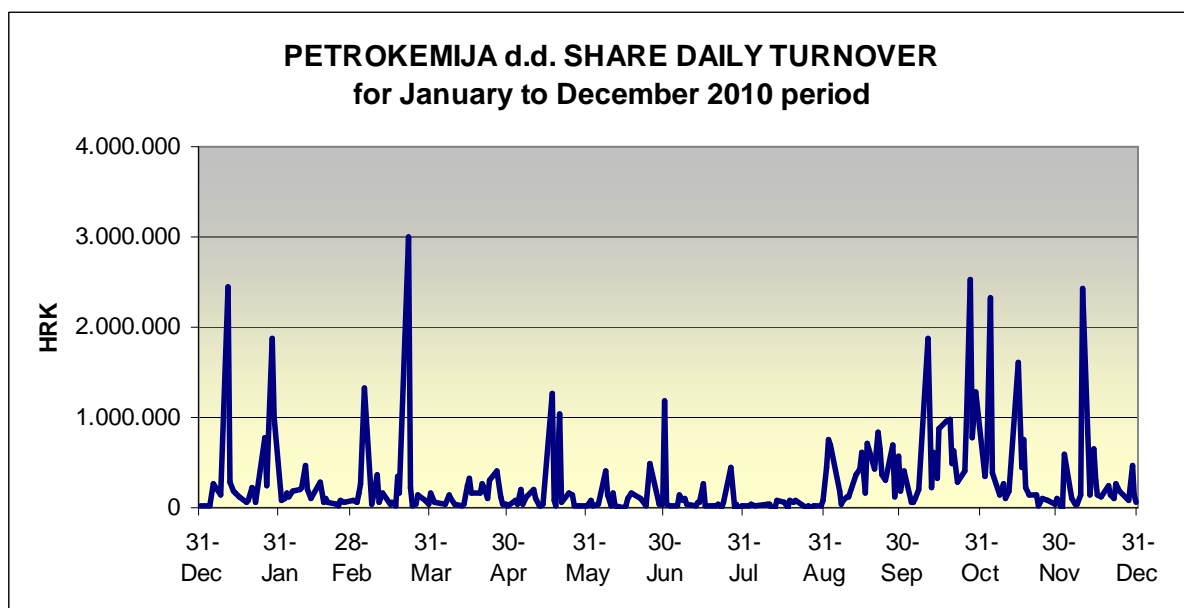
6. PETROKEMIJA d.d. SHARE TRADING AND PRICE MOVEMENTS

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

Petrokemija's share value was HRK 136.00 at the year-end 2009, while on December 31, 2010, its average price was HRK 165.44 (21.6% rise). The share turnover at the Zagreb Stock Exchange in 2010 was HRK 68.4 million, with price fluctuations mainly influenced by the global financial movements and actual financial results.



Source: ZSE



Source: ZSE

7. ENVIRONMENTAL PROTECTION - JANUARY TO DECEMBER 2010 REPORT

Introduction

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

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

Major environmental aspects are pollutant emissions to air and water and waste management. Detailed reports on environmental protection and impact of Petrokemija's production on environment are annually made in accordance with the regulations. What follows is a summary of actual indicators of environmental management for the January to December 2010 period, by main environmental aspects.

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

Greenhouse gases, carbon dioxide, nitrous oxide and methane (CO₂, N₂O and CH₄) have the largest share in the total emissions into air from Petrokemija. The other typical pollutant emissions are ammonia-NH₃, sulphur dioxide-SO₂, nitrogen oxide-as NO₂, carbon monoxide-CO, gaseous fluorides-HF and dust and hydrogensulphide-H₂S from carbon black production.

The emission monitoring is done by individual, periodical measuring throughout calendar year with continuous measurements of air emissions from Power Plant, Ammonia Plant, Sulphuric Acid Plant and Carbon Black Production Plant.

In 2010, due to the standstill in sulphuric acid, phosphoric acid and carbon black productions, there were no air emissions of hydrogen sulphide, gaseous fluorides or dust from these production plants.

Air quality monitoring for the seven pollutants (NH₃, SO₂, NO₂, H₂S, HF, smoke and sediment) in the Kutina area is continuous, by means of automatic and semi-automatic methods at six local network measuring stations and 1 state monitoring station.

In the January to December 2010 period, the results of air quality monitoring at local network measuring stations, recorded exceedings of 24-hour limit for:

a) ammonia:

- in five cases at K3 measuring station, three cases at K6 and two cases at K7 measuring stations

b) nitrogen oxide-as NO₂

- in one case at K1 measuring station that is also exceeding of 24-hour tolerance level for this pollutant.

Nevertheless, the air quality, measured by the local network was 1st category (clean or slightly polluted air) for all pollutants because the number of recorded exceedings were not higher than number of permitted exceedances during the calendar year.

2. Water management

In the January to December 2010 period, the value of the average factor k_1 for spot samples was by 4,3% lower than the 2009 average (Figure 1) and the consumption of raw water was reduced by 9,5% (Figure 2).

Figure 1.

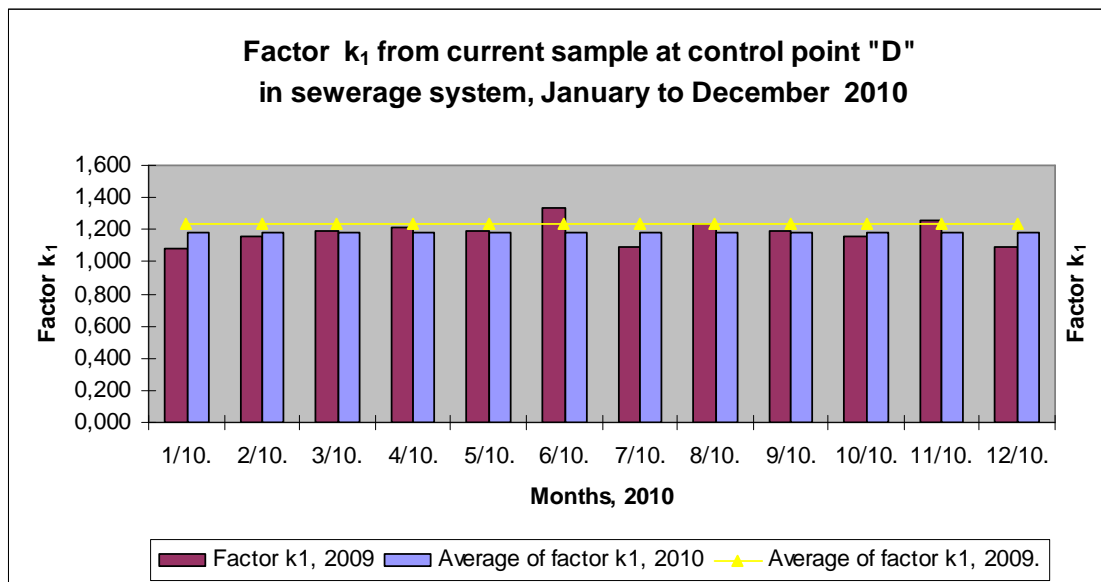
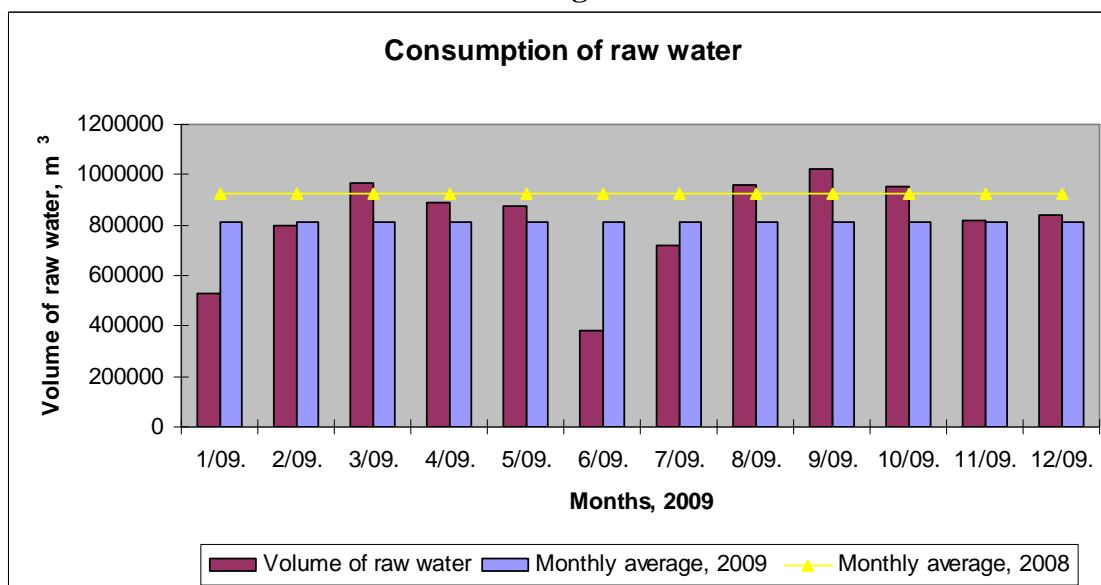


Figure 2.



3. Waste management

Waste management was in accordance with the Croatian Law on Waste, which means that it was handed over to external authorized waste operators for final treatment.

8. MAIN FEATURES OF BUSINESS ACTIVITIES IN THE NEXT PERIOD

The business plan for 2011 anticipates actual profit of HRK 5.2 million, provided the planned market results are achieved. The Petrokemija Management Board estimate that the current market situation – price growth of all major raw materials, but also that of fertilizers in the world market, in line with the growing market trends and the rise of food price, makes grounds for optimism with regard to business result. However, it is going to be difficult to achieve any positive movements in business on the domestic market. Employment and wages and salaries are under control; a number of facilities are still temporarily shut down due to market situation and the current liquidity is maintained with the support of business banks, Croatian Bank for Reconstruction and Development and issuance of commercial papers.

A more realistic estimate for the business in the following years will be possible after genuine market relations in gas supply have been established.

During the reporting period, the plants in continuous or occasional operation were those necessary to supply sufficient volumes of fertilizer for the market. The emphasis will still be placed on the domestic and the markets of neighboring countries, i.e. Petrokemija's traditional markets. However, export sales will also be continued. The first quarter of 2011 will try to take advantage of the largest possible production and sales and provide maximum supplies for deliveries for the spring sowing season of 2011.

9. SIGNIFICANT FINANCIAL RISKS IN 2011

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

- Petrokemija's d.d. result is highly dependent on the movements of fertilizer and their raw material price in the world market, the exchange rate of HRK against USD and EUR and their interrelations.
- A new contract on gas supply was signed with INA Industrija nafte. d.d. Zagreb, i.e. their daughter company Prirodni plin d.o.o. on a yearly basis. The method of price calculation contains a formula for quarterly pricing of gas 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 HRK foreign exchange rate and energy price fluctuations in the world market.
- The second half of year 2010 showed signs of fertilizer price recovery in the global markets. However, due to the high cost of transportation the stronghold of Petrokemija are the domestic and closer markets of neighboring countries.
- The fluctuations of raw material prices present so far in the world market, will have impact on material costs in the next period.
- High costs of working capital – because of insufficient own working capital, high interest rates and necessary credit resources as a result of extended due payment period of sold goods in the domestic market will continue to be present in the following period.
- In 2010, the key global financial crisis indicators were improved and the optimism with regard to economic growth and the dependence of fertilizer industry on changes in the world food and energy market bring about certain optimism in terms of Petrokemija's business outlook for 2011. These positive global effects may be threatened by the rise of competition, stagnation of Croatian agriculture, or increase in gas price on the local market.

10. STATEMENT OF MANAGEMENT LIABILITY

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

Statement on Management Liability

Financial reports were made in accordance with International Financial 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 December 31, 2010 period, make an exact and true account of the Company financial state and the business and cash flow results, in compliance with the applicable accounting standards.

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

Chairman of Petrokemija d.d.
Management Board
Josip Jaguš

Member of Petrokemija
Management Board
Zdenka Krstanović

Member of Petrokemija
Management Board
Nedjeljko Klopček

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.

Reporting period

1.1.2010.

to

31.12.2010.

Quarterly financial statements -TFI-POD

Tax number (MB): 03674223

Registration number (MBS): 080004355

Personal identification number: 24503685008

(OIB):

Issuer: PETROKEMIJA d.d.

Postal code and location: 44320

KUTINA

Street and number: ALEJA VUKOVAR 4

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

Code and city / municipality: 220 KUTINA

Code and county: 3 SISAČKO-MOSLAVAČKA

Number of employees: 2.346

(at the end of trimester)

Consolidated Report: NO

Business activity code: 2015

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

| Entities in consolidation (according to IFRS) | Registered seat: | Tax number (MB): |
|---|------------------|------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Book-keeping office: PETROKEMIJA d.d.

KUTINA

Contact person: MARINA MARIĆ

(name and surname of the contact person)

Telephone: 044 647 829

Fax: 044 682 819

E-mail: marina.maric@petrokemija.hr

Name and surname: JOSIP JAGUŠT, ZDENKA KRSTANOVIĆ

(authorized representatives)

Documents to be published:

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

(seal)

(signature of authorized representative)

BALANCE SHEET

as of

31.12.2010.

in HRK

| PETROKEMIJA d.d. | | | |
|---|------------|----------------------|----------------------|
| Position | AOP code | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| ASSETS | | | |
| A) RECEIVABLES FOR SUBSCRIBED AND UNPAID EQUITY | 001 | 0 | 0 |
| B) NON-CURRENT ASSETS | 002 | 876.035.455 | 823.440.193 |
| I. INTANGIBLE ASSETS | 003 | 6.998.360 | 8.056.658 |
| II. TANGIBLE ASSETS | 004 | 840.961.341 | 784.383.239 |
| III. LONG-TERM FINANCIAL ASSETS | 005 | 28.075.753 | 31.000.296 |
| IV. TRADE RECEIVABLES | 006 | | |
| V. DIFERRED TAX | 007 | | |
| C) CURRENT ASSETS | 008 | 639.952.937 | 708.857.331 |
| I. INVENTORIES | 009 | 375.036.932 | 478.795.342 |
| II. TRADE RECEIVABLES | 010 | 237.973.296 | 205.175.358 |
| III. SHORT-TERM FINANCIAL ASSETS | 011 | 751.842 | 3.548.085 |
| IV. CASH IN BANK AND ON HAND | 012 | 26.190.868 | 21.338.547 |
| D) PREPAID EXPENSES AND ACCRUED INCOME | 013 | 5.102.874 | 1.763.118 |
| E) LOSS IN EXCESS OF VALUE AND CAPITAL | 014 | | |
| F) TOTAL ASSETS | 015 | 1.521.091.266 | 1.534.060.642 |
| G) OFF BALANCE SHEET ITEMS | 016 | 129.325.059 | 141.203.382 |
| LIABILITIES | | | |
| A) CAPITAL AND RESERVES | 017 | 793.390.293 | 657.284.333 |
| I. SHARE (SUBSCRIBED) CAPITAL | 018 | 902.101.590 | 902.101.590 |
| II. CAPITAL RESERVES | 019 | | |
| III. RESERVES FROM PROFIT | 020 | 69.398.969 | |
| IV. REVALUATION RESERVES | 021 | | |
| V. RETAINED PROFIT | 022 | 89.524.248 | |
| VI. LOSS CARRIED FORWARD | 023 | | 108.711.297 |
| VII. PROFIT FOR THE YEAR | 024 | | |
| VIII. LOSS FOR THE YEAR | 025 | 267.634.514 | 136.105.960 |
| IX. MINORITY INTEREST | 026 | | |
| B) PROVISIONS | 027 | | 14.532.303 |
| C) NON-CURRENT LIABILITIES | 028 | | 62.222.222 |
| D) CURRENT LIABILITIES | 029 | 724.850.972 | 796.587.598 |
| E) ACCRUALS AND DIFERRED INCOME | 030 | 2.850.000 | 3.434.186 |
| F) TOTAL – LIABILITES | 031 | 1.521.091.266 | 1.534.060.642 |
| G) OFF BALANCE SHEET ITEMS | 032 | 129.325.059 | 141.203.382 |
| BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement) | | | |
| CAPITAL AND RESERVES | | | |
| 1. Credited to parent company capital owners | 033 | | |
| 2. Credited to minority interest | 034 | | |

INCOME STATEMENT

for the period

1.1.2010

to

31.12.2010

in HRK

| PETROKEMIJA d.d. | | | | | |
|---|------------|----------------------|--------------------|----------------------|--------------------|
| Position | AOP code | Previous period | | Current period | |
| | | Cumulative | Quarter | Cumulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING REVENUE | 035 | 1.927.193.422 | 528.354.454 | 2.261.446.088 | 752.293.559 |
| 1. Sales revenue | 036 | 1.854.691.694 | 510.741.366 | 2.220.116.050 | 731.936.135 |
| 2. Income from own consumption of products, goods and services | 037 | | | | |
| 3. Other operating revenue | 038 | 72.501.728 | 17.613.088 | 41.330.038 | 20.357.424 |
| II. OPERATING EXPENSES | 039 | 2.169.001.729 | 633.990.420 | 2.364.792.422 | 752.972.221 |
| 1. Decrease of inventories in work in progress and finished products | 040 | 245.511.092 | 151.248.976 | | |
| 2. Increase of inventories in work in progress and finished products | 041 | | | 36.074.972 | 18.929.272 |
| 3. Cost of material | 042 | 1.433.539.142 | 340.099.006 | 1.976.139.343 | 643.050.301 |
| 4. Staff costs | 043 | 261.072.032 | 59.719.755 | 216.077.242 | 55.476.306 |
| 5. Depreciation and amortisation | 044 | 98.554.325 | 23.121.431 | 99.324.522 | 23.006.857 |
| 6. Other expenses | 045 | 122.319.197 | 53.675.070 | 83.707.233 | 25.974.110 |
| 7. Impairment and charges | 046 | 8.005.941 | 6.126.182 | 9.902.566 | 8.677.430 |
| 8. Provisions | 047 | | | 15.716.489 | 15.716.489 |
| 9. Other operating expenses | 048 | | | | |
| III. FINANCE REVENUE | 049 | 35.327.447 | 7.861.297 | 29.175.706 | -829.546 |
| 1. Interest, exchange rate fluctuations, dividend and similar from associated companies | 050 | 179.287 | 127.441 | 1.699.267 | 1.678.554 |
| 2. Interest, exchange rate fluctuations, dividend and similar from non-associated companies | 051 | 29.643.967 | 9.879.448 | 26.533.648 | -2.335.783 |
| 3. Part of revenue from associated companies and participating interest | 052 | | | 942.791 | 573.127 |
| 4. Unrealised gains (revenues) | 053 | 5.504.193 | -2.145.592 | | -745.444 |
| 5. Other financial revenue | 054 | | | | |
| IV. FINANCE COSTS | 055 | 61.153.654 | 17.394.591 | 61.935.332 | 7.879.008 |
| 1. Interest, exchange rate fluctuations and other costs with associated companies | 056 | 392.279 | 170.341 | 359.842 | 72.226 |
| 2. Interest, exchange rate fluctuations and other costs with non-associated companies | 057 | 60.761.375 | 17.224.250 | 61.530.188 | 10.454.230 |
| 3. Unrealised losses (costs) from finance assets | 058 | | | 45.302 | -2.647.448 |
| 4. Other finance costs | 059 | | | | |
| V. EXTRAORDINARY - OTHER REVENUE | 060 | 0 | 0 | 0 | 0 |
| VI. EXTRAORDINARY - OTHER COSTS | 061 | 0 | 0 | 0 | 0 |
| VII. TOTAL REVENUES | 062 | 1.962.520.869 | 536.215.751 | 2.290.621.794 | 751.464.013 |
| VIII. TOTAL EXPENSES | 063 | 2.230.155.383 | 651.385.011 | 2.426.727.754 | 760.851.229 |
| IX. PROFIT BEFORE TAX | 064 | | | | |
| X. LOSS BEFORE TAX | 065 | 267.634.514 | 115.169.260 | 136.105.960 | 9.387.216 |
| XI. PROFIT TAX | 066 | 0 | 0 | 0 | 0 |
| XII. PROFIT FOR THE PERIOD | 067 | | | | |
| XIII. LOSS FOR THE PERIOD | 068 | 267.634.514 | 115.169.260 | 136.105.960 | 9.387.216 |
| SUPPLEMENT TO INCOME STATEMENT (to be completed by companies that prepare consolidated financial statements) | | | | | |
| XIV.* PROFIT CREDITED TO PARENT COMPANY CAPITAL OWNERS | 069 | | | | |
| XV.* PROFIT CREDITED TO MINORITY INTEREST | 070 | | | | |
| XVI.* LOSS CHARGED TO PARENT COMPANY CAPITAL OWNERS | 071 | | | | |
| XVII.* LOSS CHARGED TO MINORITY INTEREST | 072 | | | | |

CASH FLOW STATEMENT - Indirect method

for the period 1.1.2010 to 31.12.2010

in HRK

| PETROKEMIJA d.d. | | | |
|---|------------|--------------------|--------------------|
| Position | AOP code | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| 1. Profit before tax | 073 | -267.634.514 | -136.105.960 |
| 2. Depreciation and amortisation | 074 | 98.554.325 | 99.324.522 |
| 3. Increase in short-term liabilities | 075 | | 71.736.626 |
| 4. Decrease in short-term receivables | 076 | | 32.797.938 |
| 5. Decrease in inventories | 077 | 352.341.322 | |
| 6. Other increase of cash flow | 078 | | |
| I. Total increase of cash flow from operating activities | 079 | 183.261.133 | 67.753.126 |
| 1. Decrease in short-term liabilities | 080 | 126.189.230 | |
| 2. Increase in short-term payables | 081 | 61.765.800 | |
| 3. Increase in inventories | 082 | | 103.758.410 |
| 4. Other decrease in cash flow | 083 | 113.886.464 | 20.233.963 |
| II. Total decrease in cash flow from operating activities | 084 | 301.841.494 | 123.992.373 |
| A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES | 085 | | |
| A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES | 086 | 118.580.361 | 56.239.247 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Cash proceeds from sale of non-current tangible and intangible assets | 087 | 8.439.434 | 17.343 |
| 2. Cash proceeds from sale of equity and debt security instruments | 088 | | |
| 3. Cash proceeds from interest payment | 089 | | |
| 4. Cash proceeds of dividend payment | 090 | 152.077 | 369.664 |
| 5. Other cash proceeds from investing activities | 091 | | |
| III. Total cash inflow from investing activities | 092 | 8.591.511 | 387.007 |
| 1. Cash outflow for acquisition of non-current tangible and intangible assets | 093 | 45.304.522 | 18.341.054 |
| 2. Cash outflow for acquisition of equity and debt security instruments | 094 | | 328.841 |
| 3. Other cash outflows from investing activities | 095 | | |
| IV. Total cash outflow from investing activities | 096 | 45.304.522 | 18.669.895 |
| B1) NET CASH FLOW FROM INVESTING ACTIVITIES | 097 | | |
| B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES | 098 | 36.713.011 | 18.282.888 |
| CASH FLOW FROM FINANCE ACTIVITIES | | | |
| 1. Cash inflow from issuing equity and debt financial instruments | 099 | 194.513.951 | 21.664.539 |
| 2. Cash inflow from loan principals, debentures, credits and other borrowings | 100 | 166.589.856 | 498.225.388 |
| 3. Other cash inflows from finance activities | 101 | 132.824.497 | 309.966.111 |
| V. Total cash inflow from finance activities | 102 | 493.928.304 | 829.856.038 |
| 1. Cash outflow for repayment of loan principal and bonds | 103 | 88.902.500 | 357.730.026 |
| 2. Cash outflow for dividend payment | 104 | | |
| 3. Cash outflow for finance lease | 105 | | |
| 4. Cash outflow for buyback of own shares | 106 | | |
| 5. Other cash outflow from finance activities | 107 | 234.387.604 | 402.456.198 |
| VI. Total cash outflow for finance activities | 108 | 323.290.104 | 760.186.224 |
| C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES | 109 | 170.638.200 | 69.669.814 |
| C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES | 110 | | |
| Total increase of cash flow | 111 | 170.638.200 | 69.669.814 |
| Total decrease of cash flow | 112 | 155.293.372 | 74.522.135 |
| Cash and cash equivalents at the beginning of the period | 113 | 10.846.040 | 26.190.868 |
| Increase of cash and cash equivalents | 114 | 15.344.828 | |
| Decrease of cash and cash equivalents | 115 | | 4.852.321 |
| Cash and cash equivalents at the end of the period | 116 | 26.190.868 | 21.338.547 |

STATEMENT ON CHANGES IN EQUITY

from 1.1.2010 to 31.12.2010

in HRK

| PETROKEMIJA d.d. | | | | | |
|---|------------|----------------------|---------------------|---------------------|--------------------|
| Position | AOP code | Previous period | Increase | Decrease | Current period |
| 1 | 2 | 31.12. previous year | | 3 | 4 |
| 1. Subscribed capital | 117 | 902.101.590 | | | 902.101.590 |
| 2. Capital reserves | 118 | | | | |
| 3. Reserves from profit | 119 | 69.398.969 | 0 | 69.398.969 | 0 |
| 4. Retained profit or loss carried forward | 120 | 89.524.248 | -108.711.297 | 89.524.248 | -108.711.297 |
| 5. Profit or loss for the year | 121 | -267.634.514 | -136.105.960 | -267.634.514 | -136.105.960 |
| 6. Revaluation of non-current tangible assets | 122 | | | | |
| 7. Revaluation of intangible assets | 123 | | | | |
| 8. Revaluation of financial assets available for sale | 124 | | | | |
| 9. Other revaluation | 125 | | | | |
| 10. Exchange differences on translation of financial statements of foreign operations | 126 | | | | |
| 11. Current and deferred taxes (part) | 127 | | | | |
| 12. Protection of cash flow | 128 | | | | |
| 13. Changes in accounting policies | 129 | | | | |
| 14. Adjustment of significant errors from previous periods | 130 | | | | |
| 15. Other changes in capital | 131 | | | | |
| 16. Total increase or decrease of capital | 132 | 793.390.293 | -244.817.257 | -108.711.297 | 657.284.333 |
| 16a. Creditet to parent company capital owners | 133 | | | | |
| 16b. Credited to minority interest | 134 | | | | |

Note

In 2010, as compared to 2009, Petrokemija d.d. had actual total income of HRK 2,290.6 and actual total expense of HRK 2,426,7 million. That means that the total income increased by 16.7% and total expense increased by 8.8% in respect to 2009.

In 2010, as compared to the previous year, the Company increased production by 30.5% and fertilizer sales by 14.7%; reduced staff costs (-17.2%) and a part of other costs, such as spare parts and nonmaterial expenses.

The reported business loss of Petrokemija for 2010 was HRK 136.1 million, which is HRK 131.5 million less than in the same period of the year before (index 50.9). The loss is approx. HRK 36.8 million larger than the calculated depreciation and the EBITDA indicator (Earning before Interest, Taxation, Depreciation and Amortization) is negative and amounts to HRK 4,0 million. By comparison, in 2009 EBITDA was 143.3 million in the negative.

The yearly loss was for the most part caused by low income from sales due to lower volumes sold in domestic market, and partly the result of additional dependent costs in export to distant destinations and growth of the raw material prices. Particularly marked was the price of gas as the major raw material purchased on the domestic market by the so-called 'Russian formula'. The actual loss of the fourth quarter was HRK 9.4 million. As compared with the fourth quarter of 2009, the total income was increased by 40.1% and total expense by 16.8%.

As Petrokemija d.d. is influenced by the movements in the global market, the delayed effects of the global financial crisis of 2009 are still present in the Company business. Due to market situation, a number of facilities were shut down in the second half of 2009 and the problem was carried over into the first quarter of 2011.

The higher business income and expense as compared to the previous year is the result of the growth of input-output prices and increased volumes of production and sales in most of the product range. The crisis in demand of carbon black is still present. In the year 2010, a growing concern is to be expected over an increasing gas price and the difference arising between the price of gas on the spot market, which is approximately 30-40% lower than the price of gas linked to the price movement of petroleum products (so-called Oil-Linked). It is estimated that during the first quarter 2011, the gas prices will rise in accordance with the movements of fuel oil price in the world market and the USD exchange rate. The lower gas price on the spot market in part causes the fall of nitrogen fertilizer price in the global market and results in unfavorable position of fertilizer manufacturers pricing gas by the Russian gas formula.

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

Numerous factors will influence the future financial movements of Petrokemija d.d.. The Management Board of the Company claims that internally a significant progress in terms of staff and pay reduction was made, so that actual staff costs in 2010 were by 17.2% lower than in 2009.

Apart from the gas price, defined in the domestic market, the majority of future risks come from the international scene, mainly through:

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

As a result of the global crisis and low demand, payment deadlines for receivables were extended, products were sold through vouchers (additional cost of interest and exchange rate differences around HRK 7.2 million) and at cut prices in domestic market. Furthermore, the concern about the gas supply was eliminated by signing a new annual contract on gas supply with the Prirodni Plin d.o.o Company from Zagreb.

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

ATTACHMENT 1.

Reporting period

1.1.2010.

to

31.12.2010.

Quarterly financial statements -TFI-PODTax number (MB): **03674223**Registration number (MBS): **080004355**Personal identification number: **24503685008**

(OIB):

Issuer: **PETROKEMIJA d.d.**Postal code and location: **44320****KUTINA**Street and number: **ALEJA VUKOVAR 4**E-mail: fin@petrokemija.hrInternet address: www.petrokemija.hrCode and city / municipality: **220** **KUTINA**Code and county: **3** **SISAČKO-MOSLAVAČKA**Number of employees: **2.355**

(at the end of trimester)

Consolidated Report: **YES**Business activity code: **2015**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

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

Book-keeping office: **PETROKEMIJA d.d.****KUTINA**Contact person: **MARINA MARIĆ**

(name and surname of the contact person)

Telephone: **044 647 829**Fax: **044 682 819**E-mail: marina.maric@petrokemija.hrName and surname: **JOSIP JAGUŠT, ZDENKA KRSTANOVIĆ**

(authorized representatives)

Documents to be published:

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

(seal)

(signature of authorized representative)

BALANCE SHEET

as of

31.12.2010.

in HRK

| PETROKEMIJA GROUP d.d. | | | |
|---|------------|----------------------|----------------------|
| Position | AOP code | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| ASSETS | | | |
| A) RECEIVABLES FOR SUBSCRIBED AND UNPAID EQUITY | 001 | 0 | 0 |
| B) NON-CURRENT ASSETS | 002 | 869.323.369 | 814.812.914 |
| I. INTANGIBLE ASSETS | 003 | 7.003.489 | 8.063.645 |
| II. TANGIBLE ASSETS | 004 | 843.317.288 | 786.485.289 |
| III. LONG-TERM FINANCIAL ASSETS | 005 | 19.002.593 | 20.263.979 |
| IV. TRADE RECEIVABLES | 006 | | |
| V. DEFERRED TAX | 007 | | |
| C) CURRENT ASSETS | 008 | 643.477.512 | 713.791.047 |
| I. INVENTORIES | 009 | 375.144.361 | 478.883.336 |
| II. TRADE RECEIVABLES | 010 | 237.129.214 | 205.564.624 |
| III. SHORT-TERM FINANCIAL ASSETS | 011 | 751.842 | 3.548.085 |
| IV. CASH IN BANK AND ON HAND | 012 | 30.452.095 | 25.795.002 |
| D) PREPAID EXPENSES AND ACCRUED INCOME | 013 | 5.108.357 | 1.773.159 |
| E) LOSS IN EXCESS OF VALUE AND CAPITAL | 014 | | |
| F) TOTAL ASSETS | 015 | 1.517.909.239 | 1.530.377.120 |
| G) OFF BALANCE SHEET ITEMS | 016 | 129.325.059 | 141.203.382 |
| LIABILITIES | | | |
| A) CAPITAL AND RESERVES | 017 | 792.861.462 | 657.012.802 |
| I. SHARE (SUBSCRIBED) CAPITAL | 018 | 902.101.590 | 902.101.590 |
| II. CAPITAL RESERVES | 019 | | |
| III. RESERVES FROM PROFIT | 020 | 69.398.969 | |
| IV. REVALUATION RESERVES | 021 | | |
| V. RETAINED PROFIT | 022 | 88.995.416 | |
| VI. LOSS CARRIED FORWARD | 023 | | 108.982.828 |
| VII. PROFIT FOR THE YEAR | 024 | | |
| VIII. LOSS FOR THE YEAR | 025 | 267.634.514 | 136.105.960 |
| IX. MINORITY INTEREST | 026 | | |
| B) PROVISIONS | 027 | | 14.532.303 |
| C) NON-CURRENT LIABILITIES | 028 | | 62.222.222 |
| D) CURRENT LIABILITIES | 029 | 722.197.777 | 793.175.607 |
| E) ACCRUALS AND DEFERRED INCOME | 030 | 2.850.000 | 3.434.186 |
| F) TOTAL – LIABILITIES | 031 | 1.517.909.239 | 1.530.377.120 |
| G) OFF BALANCE SHEET ITEMS | 032 | 129.325.059 | 141.203.382 |
| BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement) | | | |
| CAPITAL AND RESERVES | | | |
| 1. Credited to parent company capital owners | 033 | 792.861.462 | 657.012.802 |
| 2. Credited to minority interest | 034 | | |

INCOME STATEMENT

for the period

1.1.2010

to

31.12.2010

in HRK

| PETROKEMIJA GROUP d.d. | | | | | |
|---|------------|----------------------|--------------------|----------------------|--------------------|
| Position | AOP code | Previous period | | Current period | |
| | | Cumulative | Quarter | Cumulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING REVENUE | 035 | 1.925.454.001 | 525.926.704 | 2.266.949.824 | 756.837.420 |
| 1. Sales revenue | 036 | 1.852.928.411 | 508.300.347 | 2.225.563.941 | 736.478.681 |
| 2. Income from own consumption of products, goods and services | 037 | | | | |
| 3. Other operating revenue | 038 | 72.525.590 | 17.626.357 | 41.385.883 | 20.358.739 |
| II. OPERATING EXPENSES | 039 | 2.167.533.276 | 632.488.234 | 2.368.814.136 | 755.936.661 |
| 1. Decrease of inventories in work in progress and finished products | 040 | 245.511.092 | 151.248.976 | | |
| 2. Increase of inventories in work in progress and finished products | 041 | | | 36.074.972 | 18.929.272 |
| 3. Cost of material | 042 | 1.429.210.078 | 337.668.813 | 1.977.808.038 | 645.361.417 |
| 4. Staff costs | 043 | 262.588.875 | 60.115.442 | 217.364.055 | 55.809.921 |
| 5. Depreciation and amortisation | 044 | 98.714.488 | 23.189.122 | 99.480.259 | 23.069.654 |
| 6. Other expenses | 045 | 123.502.803 | 54.139.699 | 84.612.606 | 26.225.925 |
| 7. Impairment and charges | 046 | 8.005.941 | 6.126.182 | 9.907.662 | 8.682.526 |
| 8. Provisions | 047 | | | 15.716.489 | 15.716.489 |
| 9. Other operating expenses | 048 | | | | |
| III. FINANCE REVENUE | 049 | 35.242.181 | 8.612.812 | 27.662.370 | -2.567.200 |
| 1. Interest, exchange rate fluctuations, dividend and similar from associated companies | 050 | | | | |
| 2. Interest, exchange rate fluctuations, dividend and similar from non-associated companies | 051 | 29.737.988 | 3.108.619 | 26.719.580 | -2.394.882 |
| 3. Part of revenue from associated companies and participating interest | 052 | | | 942.791 | 573.126 |
| 4. Unrealised gains (revenues) | 053 | 5.504.193 | 5.504.193 | | -745.444 |
| 5. Other financial revenue | 054 | | | | |
| IV. FINANCE COSTS | 055 | 60.797.419 | 17.220.542 | 61.720.187 | 7.714.019 |
| 1. Interest, exchange rate fluctuations and other costs with associated companies | 056 | | | | |
| 2. Interest, exchange rate fluctuations and other costs with non-associated companies | 057 | 60.797.419 | 17.220.542 | 61.674.885 | 10.361.468 |
| 3. Unrealised losses (costs) from finance assets | 058 | | | 45.302 | -2.647.449 |
| 4. Other finance costs | 059 | | | | |
| V. EXTRAORDINARY - OTHER REVENUE | 060 | | | | |
| VI. EXTRAORDINARY - OTHER COSTS | 061 | | | | |
| VII. TOTAL REVENUES | 062 | 1.960.696.182 | 534.539.516 | 2.294.612.194 | 754.270.220 |
| VIII. TOTAL EXPENSES | 063 | 2.228.330.696 | 649.708.776 | 2.430.534.323 | 763.650.680 |
| IX. PROFIT BEFORE TAX | 064 | | | | |
| X. LOSS BEFORE TAX | 065 | 267.634.514 | 115.169.260 | 135.922.129 | 9.380.460 |
| XI. PROFIT TAX | 066 | | | 183.832 | 166.570 |
| XII. PROFIT FOR THE PERIOD | 067 | | | | |
| XIII. LOSS FOR THE PERIOD | 068 | 267.634.514 | 115.169.260 | 136.105.960 | 9.547.030 |
| SUPPLEMENT TO INCOME STATEMENT (to be completed by companies that prepare consolidated financial statements) | | | | | |
| XIV.* PROFIT CREDITED TO PARENT COMPANY CAPITAL OWNERS | 069 | | | | |
| XV.* PROFIT CREDITED TO MINORITY INTEREST | 070 | | | | |
| XVI.* LOSS CHARGED TO PARENT COMPANY CAPITAL OWNERS | 071 | 267.634.514 | 115.169.260 | 136.105.960 | 9.547.030 |
| XVII.* LOSS CHARGED TO MINORITY INTEREST | 072 | | | | |

CASH FLOW STATEMENT - Indirect method

for the period 1.1.2010 to 31.12.2010

in HRK

| PETROKEMIJA GROUP d.d. | | | |
|---|------------|--------------------|--------------------|
| Position | AOP code | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| 1. Profit before tax | 073 | -267.634.514 | -135.922.129 |
| 2. Depreciation and amortisation | 074 | 98.714.488 | 99.480.259 |
| 3. Increase in short-term liabilities | 075 | | 70.977.830 |
| 4. Decrease in short-term receivables | 076 | | 31.564.590 |
| 5. Decrease in inventories | 077 | 353.713.634 | |
| 6. Other increase of cash flow | 078 | | |
| I. Total increase of cash flow from operating activities | 079 | 184.793.608 | 66.100.550 |
| 1. Decrease in short-term liabilities | 080 | 127.248.850 | |
| 2. Increase in short-term payables | 081 | 60.827.235 | |
| 3. Increase in inventories | 082 | | 103.738.975 |
| 4. Other decrease in cash flow | 083 | 114.105.554 | 18.405.593 |
| II. Total decrease in cash flow from operating activities | 084 | 302.181.639 | 122.144.568 |
| A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES | 085 | | |
| A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES | 086 | 117.388.031 | 56.044.018 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Cash proceeds from sale of non-current tangible and intangible assets | 087 | 8.439.434 | 17.343 |
| 2. Cash proceeds from sale of equity and debt security instruments | 088 | | |
| 3. Cash proceeds from interest payment | 089 | | |
| 4. Cash proceeds of dividend payment | 090 | 152.077 | 369.664 |
| 5. Other cash proceeds from investing activities | 091 | | |
| III. Total cash inflow from investing activities | 092 | 8.591.511 | 387.007 |
| 1. Cash outflow for acquisition of non-current tangible and intangible assets | 093 | 45.304.522 | 18.341.054 |
| 2. Cash outflow for acquisition of equity and debt security instruments | 094 | | 328.841 |
| 3. Other cash outflows from investing activities | 095 | | |
| IV. Total cash outflow from investing activities | 096 | 45.304.522 | 18.669.895 |
| B1) NET CASH FLOW FROM INVESTING ACTIVITIES | 097 | | |
| B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES | 098 | 36.713.011 | 18.282.888 |
| CASH FLOW FROM FINANCE ACTIVITIES | | | |
| 1. Cash inflow from issuing equity and debt financial instruments | 099 | 194.513.951 | 21.664.539 |
| 2. Cash inflow from loan principals, debentures, credits and other borrowings | 100 | 166.589.856 | 498.225.388 |
| 3. Other cash inflows from finance activities | 101 | 132.824.497 | 309.966.111 |
| V. Total cash inflow from finance activities | 102 | 493.928.304 | 829.856.038 |
| 1. Cash outflow for repayment of loan principal and bonds | 103 | 88.902.500 | 357.730.026 |
| 2. Cash outflow for dividend payment | 104 | | |
| 3. Cash outflow for finance lease | 105 | | |
| 4. Cash outflow for buyback of own shares | 106 | | |
| 5. Other cash outflow from finance activities | 107 | 234.387.604 | 402.456.198 |
| VI. Total cash outflow for finance activities | 108 | 323.290.104 | 760.186.224 |
| C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES | 109 | 170.638.200 | 69.669.814 |
| C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES | 110 | | |
| Total increase of cash flow | 111 | 170.638.200 | 69.669.814 |
| Total decrease of cash flow | 112 | 154.101.042 | 74.326.906 |
| Cash and cash equivalents at the beginning of the period | 113 | 13.914.937 | 30.452.095 |
| Increase of cash and cash equivalents | 114 | 16.537.158 | |
| Decrease of cash and cash equivalents | 115 | | 4.657.093 |
| Cash and cash equivalents at the end of the period | 116 | 30.452.095 | 25.795.002 |

STATEMENT ON CHANGES IN EQUITY

from 1.1.2010 to 31.12.2010

in HRK

| PETROKEMIJA GROUP d.d. | | | | | |
|---|------------|----------------------|---------------------|---------------------|--------------------|
| Position | AOP code | Previous period | Increase | Decrease | Current period |
| 1 | 2 | 31.12. previous year | | 3 | 4 |
| 1. Subscribed capital | 117 | 902.101.590 | | | 902.101.590 |
| 2. Capital reserves | 118 | | | | 0 |
| 3. Reserves from profit | 119 | 69.398.969 | | 69.398.969 | 0 |
| 4. Retained profit or loss carried forward | 120 | 88.995.416 | -108.982.828 | 88.995.416 | -108.982.828 |
| 5. Profit or loss for the year | 121 | -267.634.514 | -136.105.960 | -267.634.514 | -136.105.960 |
| 6. Revaluation of non-current tangible assets | 122 | | | | |
| 7. Revaluation of intangible assets | 123 | | | | |
| 8. Revaluation of financial assets available for sale | 124 | | | | |
| 9. Other revaluation | 125 | | | | |
| 10. Exchange differences on translation of financial statements of foreign operations | 126 | | | | |
| 11. Current and deferred taxes (part) | 127 | | | | |
| 12. Protection of cash flow | 128 | | | | |
| 13. Changes in accounting policies | 129 | | | | |
| 14. Adjustment of significant errors from previous periods | 130 | | | | |
| 15. Other changes in capital | 131 | | | | |
| 16. Total increase or decrease of capital | 132 | 792.861.462 | -245.088.788 | -109.240.128 | 657.012.802 |
| 16a. Credited to parent company capital owners | 133 | 792.861.462 | -245.088.788 | -109.240.128 | 657.012.802 |
| 16b. Credited to minority interest | 134 | | | | |

Note

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

In 2010, as compared to 2009, Petrokemija d.d. had actual total income of HRK 2,294.6 and actual total expense of HRK 2,430.5 million. That means that the total income increased by 17.0% and total expense increased by 9.1% in respect to 2009.

In 2010, as compared to the previous year, the Company increased production by 30.5% and fertilizer sales by 14.7%; reduced staff costs (-17.2%) and a part of other costs, such as spare parts and nonmaterial expenses.

The reported business loss of Petrokemija for 2010 was HRK 136.1 million, which is HRK 131.5 million less than in the same period of the year before (index 50.9). The loss is approx. HRK 36.6 million larger than the calculated depreciation and the EBITDA indicator (Earning before Interest, Taxation, Depreciation and Amortization) is negative and amounts to HRK 2.4 million. By comparison, in 2009 EBITDA was 143.4 million in the negative.

The yearly loss was for the most part caused by low income from sales due to lower volumes sold in domestic market, and partly the result of additional dependent costs in export to distant destinations and growth of the raw material prices. Particularly marked was the price of gas as the major raw material purchased on the domestic market by the so-called 'Russian formula'. The actual loss of the fourth quarter was HRK 9.5 million. As compared with the fourth quarter of 2009, the total income was increased by 41.1% and total expense by 17.5%.

As Petrokemija d.d. is influenced by the movements in the global market, the delayed effects of the global financial crisis of 2009 are still present in the Company business. Due to market situation, a number of facilities were shut down in the second half of 2009 and the problem was carried over into the first quarter of 2011.

The higher business income and expense as compared to the previous year is the result of the growth of input-output prices and increased volumes of production and sales in most of the product range. The crisis in demand of carbon black is still present. In the year 2010, a growing concern is to be expected over an increasing gas price and the difference arising between the price of gas on the spot market, which is approximately 30-40% lower than the price of gas linked to the price movement of petroleum products (so-called Oil-Linked). It is estimated that during the first quarter 2011, the gas prices will rise in accordance with the movements of fuel oil price in the world market and the USD exchange rate. The lower gas price on the spot market in part causes the fall of nitrogen fertilizer price in the global market and results in unfavorable position of fertilizer manufacturers pricing gas by the Russian gas formula.

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

Numerous factors will influence the future financial movements of Petrokemija d.d.. The Management Board of the Company claims that internally a significant progress in terms of staff and pay reduction was made, so that actual staff costs in 2010 were by 17.2% lower than in 2009.

Apart from the gas price, defined in the domestic market, the majority of future risks come from the international scene, mainly through:

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

As a result of the global crisis and low demand, payment deadlines for receivables were extended, products were sold through vouchers (additional cost of interest and exchange rate differences around HRK 7.2 million) and at cut prices in domestic market. Furthermore, the concern about the gas supply was eliminated by signing a new annual contract on gas supply with the Prirodni Plin d.o.o Company from Zagreb.

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