



**PETROKEMIJA, d.d.**

**UNAUDITED, CONSOLIDATED REPORT**

Kutina, April 29, 2011

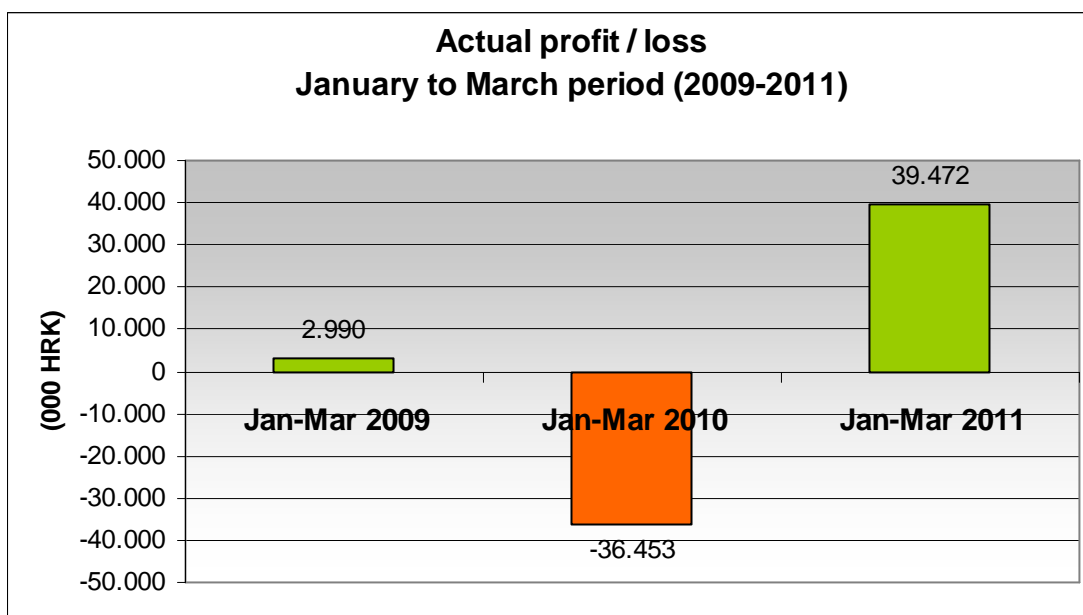
# **QUARTERLY REPORT**

## **PETROKEMIJA d.d. KUTINA**

### **PETROKEMIJA GROUP**

REPORT FOR PERIOD January to March 2011

- **Actual production of 267 and sales of 283 thousand tons of fertilizers;**
- **Actual total income of Petrokemija d.d. HRK 684.2 million, Petrokemija Group HRK 685.0 million;**
- **Actual profit of Petrokemija d.d. HRK 39.5 million (5.8% of total revenues), Petrokemija Group HRK 36.5 million;**
- **Invested funds of HRK 12 million;**
- **Number of employees of Petrokemija d.d. 2,346, Petrokemija Group 2,357.**



# MANAGEMENT BOARD REPORT ON THE STATE OF THE COMPANY FOR Jan – March 2011 PERIOD

## 1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA d.d.

The total income of Petrokemija d.d. in Jan to March 2011 was HRK 684.2 million, total expenses were HRK 644.7 million and the reported profit in business operations was HRK 39.5 million or 5.8% of total revenues. On the quarterly basis, the total income was increased by 69.8% and total expenses by 46.7% on the same period of 2010.

Greater actual achievement in operating income and expenses, compared to the same period last year, reflects the growth of input and output prices and increased output and sales in most of the production range. In the first quarter of 2011, Petrokemija d.d., increased fertilizer production by 17.0% and sales by 27.6% in comparison with the same period last year.

Due to the market situation, a part of plants was halted in the second half of 2009 and this problem is carried over into the second quarter of 2011.

Income from domestic sales increased by 73.6% and that from export sales by 67,8% in comparison with the same period of 2010.

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 66.2 million in the positive. The EBITDA was HRK 5.3 negative in the same period of the previous year.

(HRK 000)

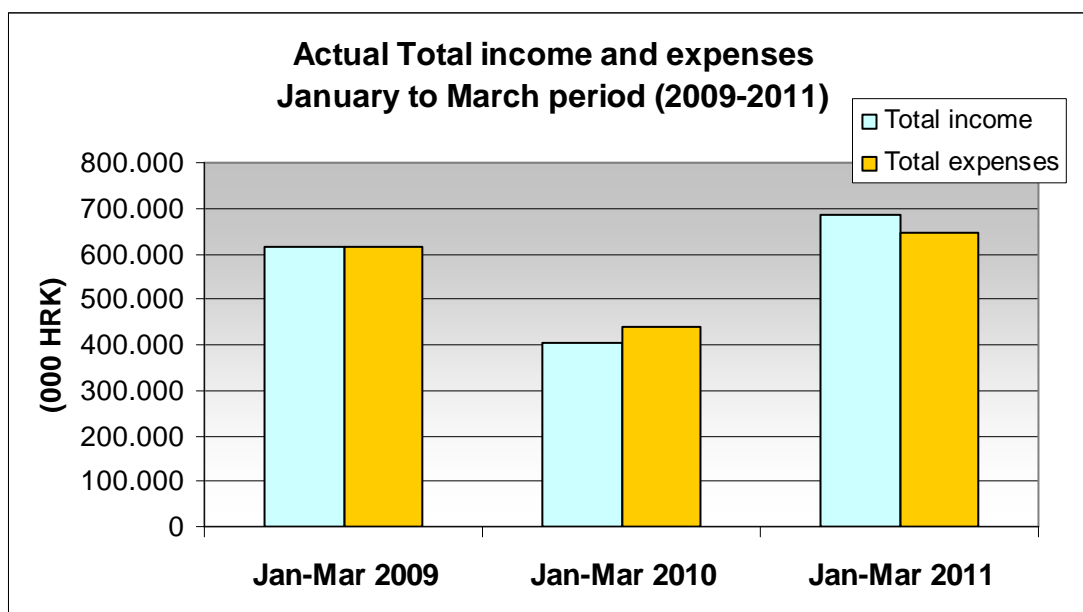
	Jan- Mar 2011	Jan- Mar 2010	Difference	% change
Operating income	677.804	398.326	279.478	70,16%
Operating expense	635.233	428.866	206.367	48,12%
EBITDA *	66.187	-5.272	71.459	0,00%
Amortization	23.616	25.268	-1.652	-6,54%
Net financial income (expenses)	-3.099	-5.913	2.814	-47,59%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	39.472	-36.453	75.925	0,00%
Non-current assets	812.301	855.117	-42.816	-5,01%
Current assets	741.903	727.455	14.448	1,99%
Shareholders' equity	696.757	756.937	-60.180	-7,95%
Non-current liabilities	76.649	0	76.649	
Current liabilities	780.798	825.635	-44.837	-5,43%

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

The data clearly show that the growth of income and expense is the impact of increased volumes, but also, at the same time, of significant increase in input and output prices. The actual profit on a quarterly basis is the reflection of increased sales, more favourable ratio of input-output prices, and partly has seasonal fluctuation elements, because due to weather conditions the delivery season for spring sowing in the domestic market started earlier this year.

In the reporting period, Jan to March 2011, the trend of improving financial results from the fourth quarter of 2010 approximately continued. Despite the rise in gas prices and increasing prices of basic raw materials for production of fertilizers in the world market, price relations were established on the routes that ensured an approximate balance of revenues and expenditures in business activities.

During the first quarter of 2011, a significant share of sales in exports was achieved, in order to fill in the capacity, ensure continuity of production and maintain the liquidity. For a part of raw materials and products the improvement of market position is still uncertain. The open problem of exceptional growth in the price of gas, which is transferred from the European energy fluids market, is here particularly pronounced.



In comparison to the result for the same period last year, there was a positive difference of HRK 75.9 million, due to improved market trends. Sales prices of fertilizers were increased in line with the rise of input prices and the evaluation of the market situation.

#### STATEMENT OF COMPREHENSIVE INCOME OF PETROKEMIJA d.d. KUTINA

POSITION	(HRK 000 )	
	Petrokemija d.d. Jan-Mar 2011	Petrokemija d.d. Jan-Mar 2010
<b>Total operating income</b>	677.804	398.326
<b>Total operating expenses</b>	635.233	428.866
<b>PROFIT / LOSS FROM ORDINARY ACTIVITIES</b>	42.571	-30.540
<b>Total financial income</b>	6.399	4.701
<b>Total financial expenses</b>	9.498	10.614
<b>PROFIT / LOSS FROM FINANCIAL ACTIVITIES</b>	-3.099	-5.913
<b>TOTAL INCOME</b>	684.203	403.027
<b>TOTAL EXPENSES</b>	644.731	439.480
<b>Profit/loss before taxation</b>	39.472	-36.453
<b>Profit tax</b>		
<b>Total comprehensive loss</b>	39.472	-36.453

## BALANCE SHEET OF PETROKEMIJA d.d. KUTINA

(HRK 000)

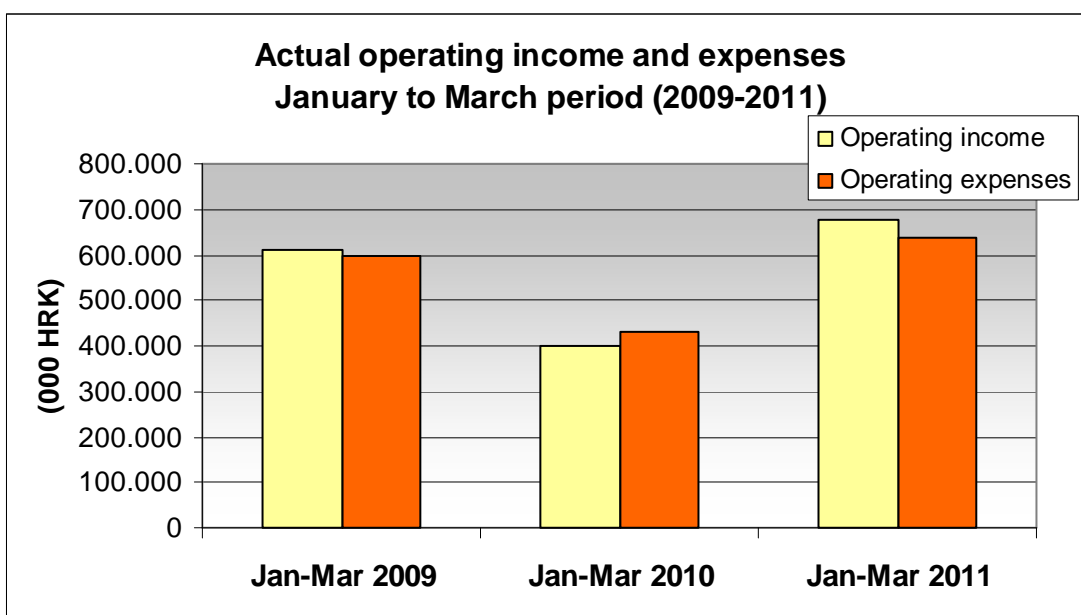
P O S I T I O N	Petrokemija d.d. 31.03. 2011.	Petrokemija d.d. 31. 03. 2010.
<b>Total long-term assets</b>	812.301	855.117
<b>Total short-term assets</b>	740.140	723.010
<b>Prepaid costs and accrued income</b>	1.763	4.445
<b>TOTAL ASSETS</b>	<b>1.554.204</b>	<b>1.582.572</b>
<b>Total capital</b>	696.756	756.937
<b>Long-term liabilities</b>	76.650	0
<b>Total short-term liabilities</b>	757.364	822.785
<b>Accruals and deferred income</b>	23.434	2.850
<b>TOTAL LIABILITIES</b>	<b>1.554.204</b>	<b>1.582.572</b>

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 fertilizer production standstill in January 2011 was used for annual facilities overhaul. The forecast for the eventual implementation of gas market in Croatia in 2011 by including a new supply route and potentially new suppliers, offers good prospects for optimum yearly schedule of production and deliveries of fertilizers in 2012.

Because of positive changes in sales prices and sales structure of the product, the Company operating income in the first quarter increased by 70.2%, as compared to the same quarter last year. When compared to the to the last quarter of 2010, operating income in the first quarter of 2011 is by 9.9% lower and operating expense by 15.6 % lower.

The domestic demand for fertilizers is connected with the situation in agricultural production, i.e. 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). With regard to the price, imports of fertilizers were still moderately unattractive – approx. 8 thousand tons were imported, which makes approximately 10% market share, with a portion of those products not normally produced by Petrokemija.

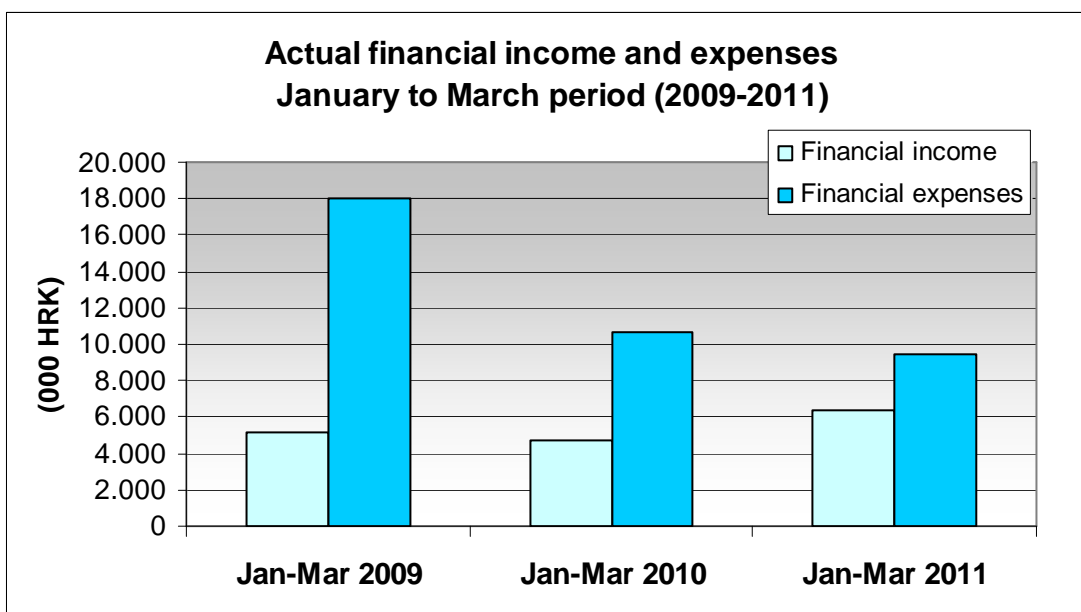
A trend of instability of input-output prices continued in the reported period. Generally, the price of raw materials in world markets was gradually rising, while the gas price in domestic market was growing strongly through quarters, according to the formula. This growth reflects the pricing methodology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



Financial income was by 36.1% higher, and financial expense by 10.5% lower than in the same period last year. The HRK 3.1 million loss from financial relations was by 47.6% lower than in the same period last year. Foreign exchange gains accounted for 72% and income from interest and other financial income for 28% share in the financial income.

Foreign exchange losses have 12% share in financial expenses, while 88% share is made up of interest and other financial expenses. Although the interest rate is gradually falling, business banks are still creating comparatively high price of capital for companies reporting a business loss in previous periods.

Since 2009, Petrokemija has been implementing a program through Privredna banka Zagreb of issuing commercial bills (up to HRK 100 million) to provide for short-term working capital. During the reporting period, the liabilities on commercial bills were fulfilled regularly and the next liability is due in May 2011.



## 2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

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

• Total income	HRK	685.0 million,
• Total expenses	HRK	645.5 million,
• Loss before taxation	HRK	39.5 million,
• Income tax	HRK	0 million,
• Loss after taxation	HRK	39. 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 business result.

### Business results of daughter companies in 100% ownership:

(HRK 000)

POSITION	Actual Jan-Mar 2011	Actual Jan-Mar 2010	Ind 2/3
1	2	3	4
<b>RESTORAN PETROKEMIJA d.o.o.</b>			
TOTAL INCOME	524	490	106,9
TOTAL EXPENSES	490	495	99,0
GROSS PROFIT /LOSS	34	-5	
<b>PETROKEMIJA d.o.o. Novi Sad</b>			
TOTAL INCOME	6.798	4.155	163,6
TOTAL EXPENSES	6.836	4.091	167,1
GROSS PROFIT	-38	64	
<b>PETROKEMIJA d.o.o. Novo Mesto</b>			
TOTAL INCOME	141	246	57,3
TOTAL EXPENSES	138	245	56,3
GROSS PROFIT	3	1	300,0

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(HRK 000)

POSITION	Petrokemija Group Jan-Mar 2011	Petrokemija Group Jan-Mar 2010
<b>Total operating income</b>	678.625	399.125
<b>Total operating expenses</b>	636.094	429.672
<b>PROFIT/LOSS FROM ORDINARY ACTIVITIES</b>	42.531	-30.547
<b>Total financial income</b>	6.410	4.705
<b>Total financial expenses</b>	9.469	10.551

POSITION	Petrokemija Group Jan-Mar 2011	Petrokemija Group Jan-Mar 2010
<b>PROFIT/LOSS FROM FINANCIAL ACTIVITIES</b>	-3.059	-5.846
<b>TOTAL INCOME</b>	685.035	403.830
<b>TOTAL EXPENSES</b>	645.563	440.223
<b>Profit/Loss before taxation</b>	39.472	-36.393
<b>Profit tax</b>	0	6
<b>Profit/Loss after taxation</b>	39.472	-36.399

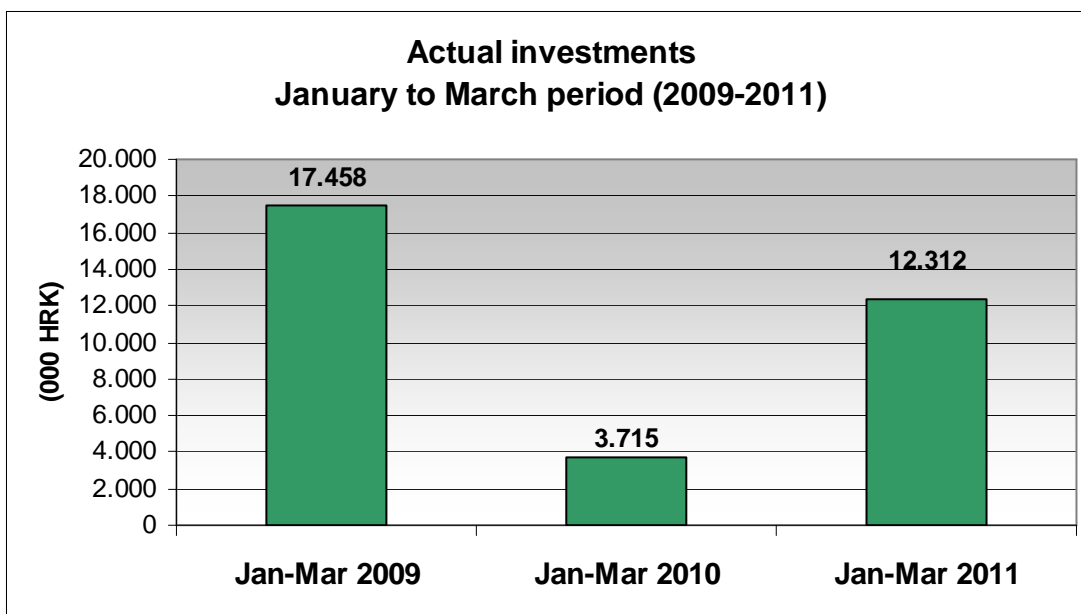
**CONSOLIDATED BALANCE SHEET**  
(HRK 000)

POSITION	Petrokemija Group 31.03.2011	Petrokemija Group 31.03.2010
<b>Total long-term assets</b>	814.813	869.323
<b>Total short-term assets</b>	713.791	643.478
<b>Prepaid costs and accrued income</b>	1.773	5.108
<b>TOTAL ASSETS</b>	1.530.377	1.517.909
<b>Total capital</b>	657.013	792.861
<b>Long-term liabilities</b>	76.754	0
<b>Total short-term liabilities</b>	793.176	722.198
<b>Accruals and diferred income</b>	3.434	2.850
<b>TOTAL LIABILITIES</b>	1.530.377	1.517.909

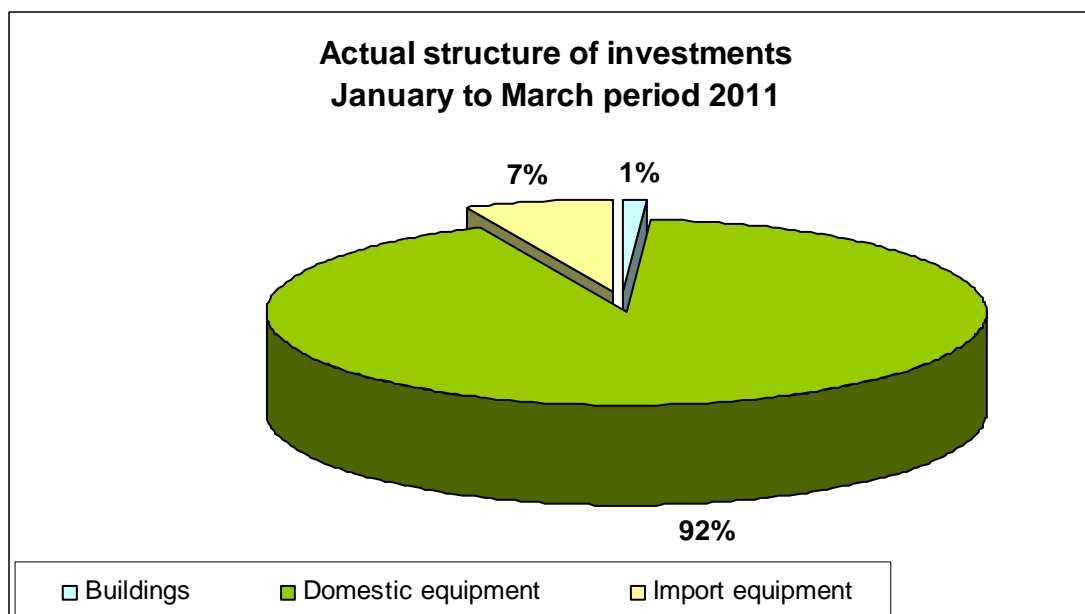
### 3. INVESTMENTS

Actual investments in 1<sup>st</sup> quarter of 2011 amounted to HRK 12.3 million, approximately HRK 8.6 million over the previous year's amount. Due to limited funds, a trend of relatively low investments compared to earlier years was continued.

Out of the said amount, HRK 12.1 million was invested in the parent company – fertilizer production and its ancillary services and HRK 0.2 million in other production units.



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.



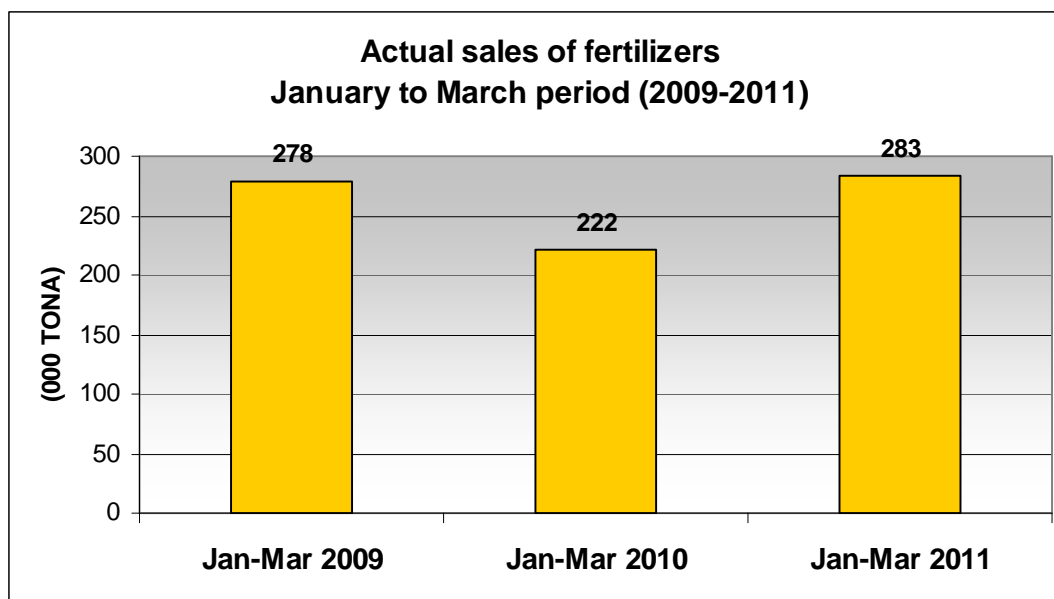
#### 4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to March 2011 period:

- **fertilizers** 267.4 thousand tons
- **clay-based products** 6.6 thousand tons
- **TGUS products** 0.2 thousand tons

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

- **fertilizers** 282.7 thousand tons
- **clay-based products** 6.7 thousand tons
- **TGUS products (+chemicals)** 1.2 thousand tons



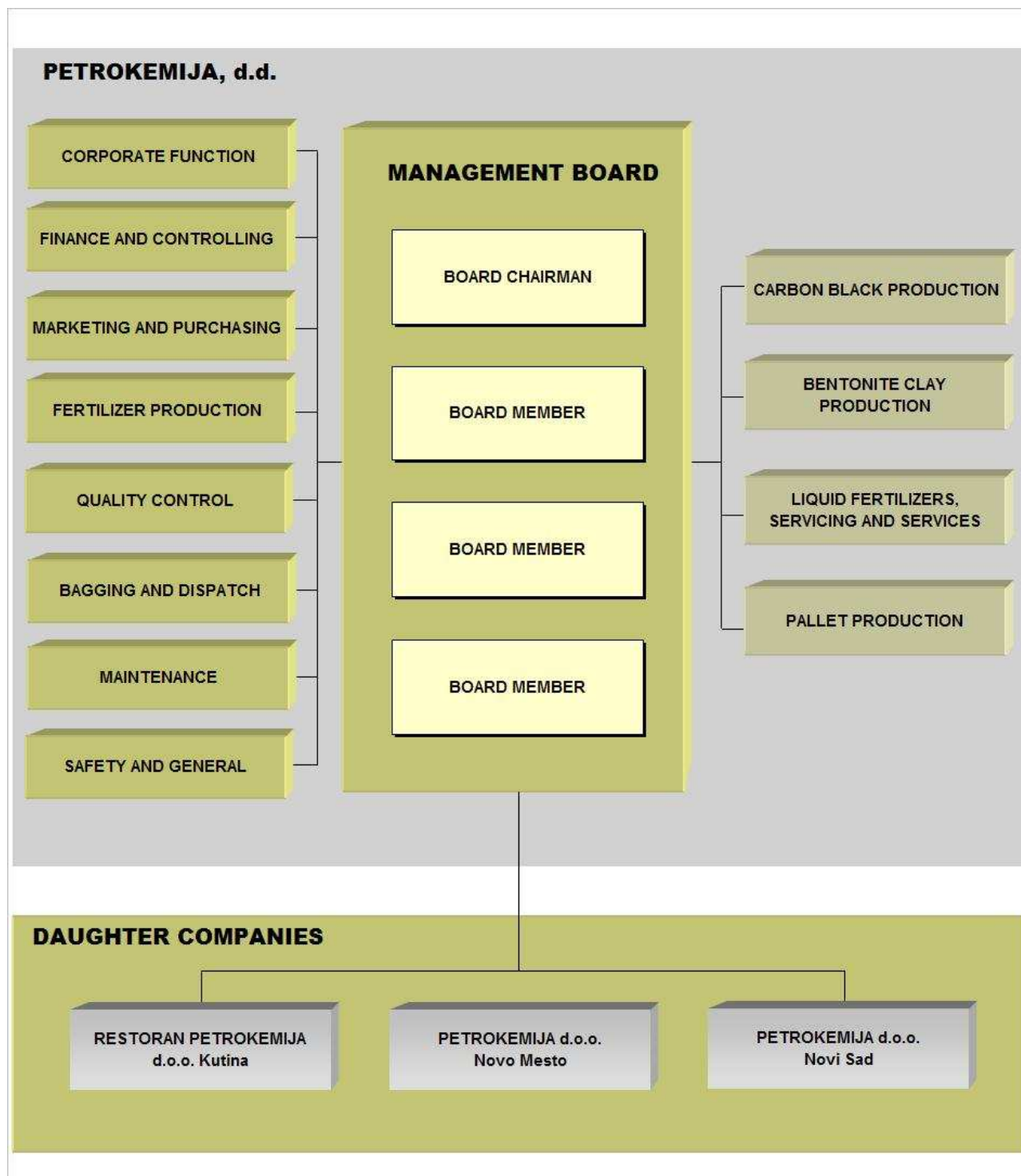
The actual sales were up by 27.6% on the same period last year, with larger share of sales on the domestic market. The sales of clay-based products were by 13.3 % and those of liquid fertilizers and chemicals by 19.3% higher in comparison to the same period last year. However, these products had no significant impact on total business result of Petrokemija d.d. 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 1<sup>st</sup> quarter of 2011, 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:

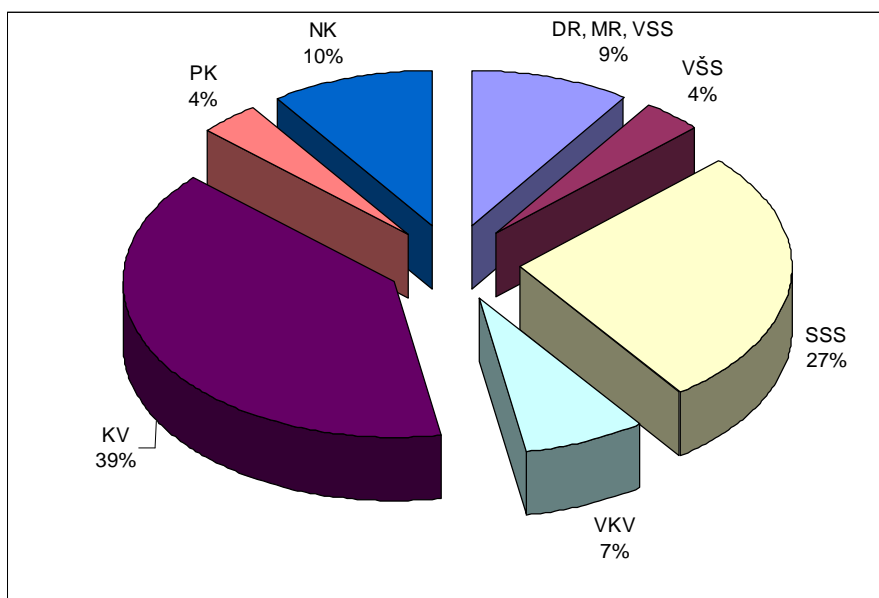
- Restoran Petrokemija d.o.o. Kutina,
- Petrokemija d.o.o. Novi Sad and
- Petrokemija d.o.o. Novo Mesto.



As of March 31, 2011, Petrokemija d.d. had 2,346 employees and their daughter-companies, members of the Petrokemija Group had 11 employees, which makes a total number of 2,357 employees. The high qualification structure corresponds to the complexity of the production and other systems in place in the Company.

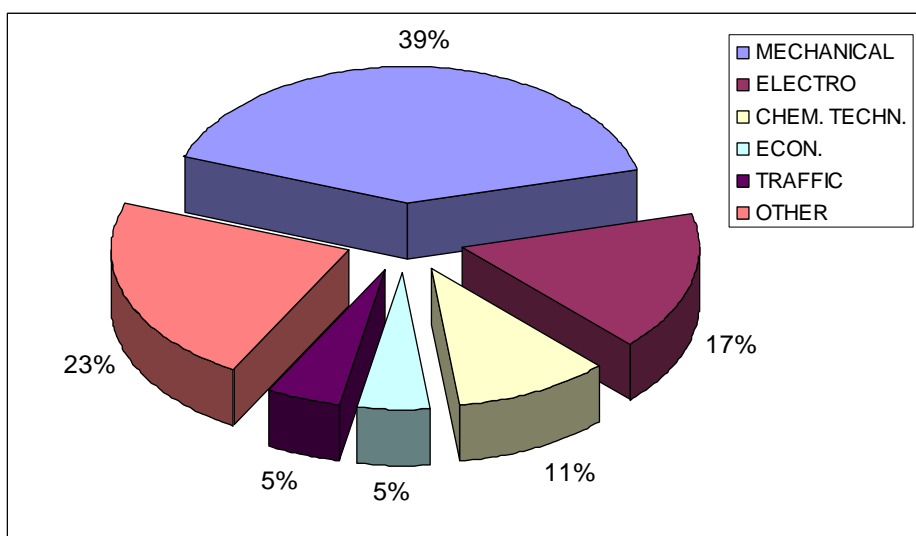
There has been no significant change in the management structure. During 1<sup>st</sup> quarter of 2011, the number of employees in Petrokemija d.d. remained the same. Workers from part of the plants that were temporarily stalled, have been deployed on operations in other organization units.

**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.

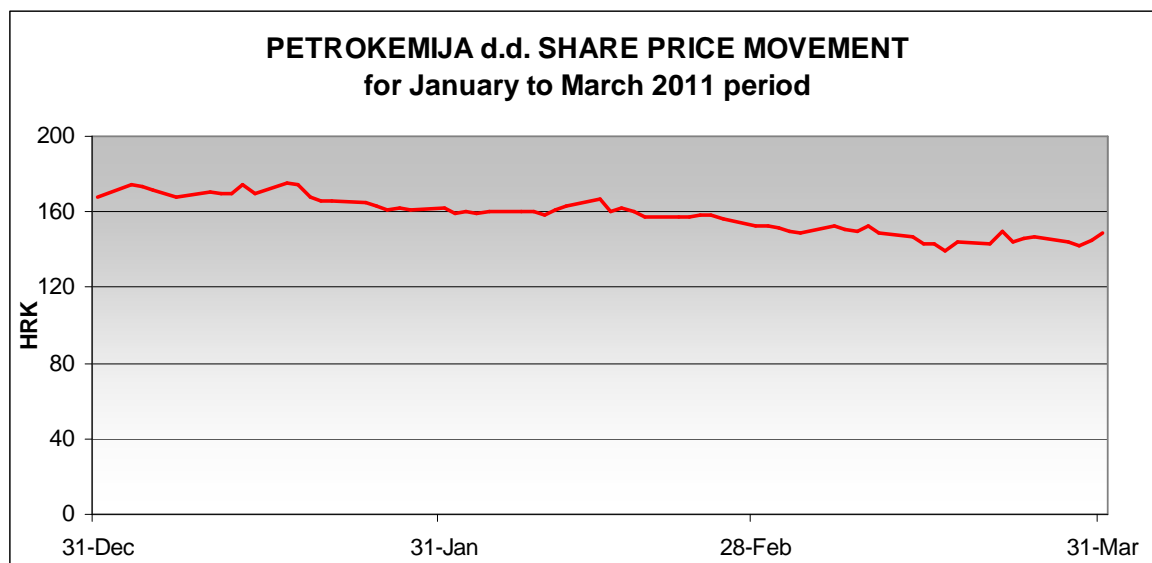
**EMPLOYEES BY PROFESSION:**



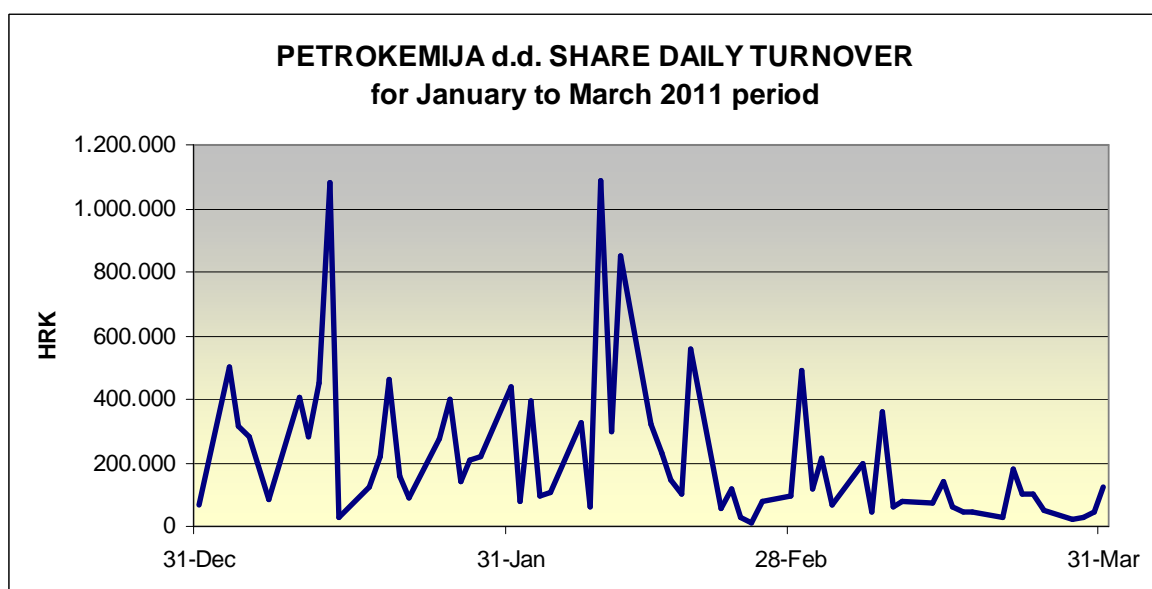
## 6. PETROKEMIJA d.d. SHARE TRADING AND PRICE MOVEMENTS

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 165.44 at the end of December 2010, while on March 31, 2011, its average price was HRK 148.39 (10.3 % fall). The share turnover at the Zagreb Stock Exchange in 1<sup>st</sup> quarter of 2011 was HRK 14 million, with price fluctuations mainly influenced by the global financial movements, specific characteristics of the Croatian capital market and actual financial results of Petrokemija.



Source: ZSE



Source: ZSE

## 7. ENVIRONMENTAL PROTECTION - JANUARY TO MARCH 2011 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 the ISO 14001:2004 standard requirements. The overall goal of Petrokemija is to improve efficiency of the environmental management system in order to achieve a more effective environmental protection and pollution prevention.

Major environmental aspects are pollutant emissions to air and water and waste management. Detailed reports on environmental protection and impact of Petrokemija's production on environment are annually made in accordance with the regulations. What follows is a summary of actual indicators of environmental management for January to March 1011 period by main environmental aspects.

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

According to the data from 2010 and also from the previous years, greenhouse gases, carbon dioxide and nitrous oxide have the largest share (about 99 %) in the total emissions into air from Petrokemija. As regards other typical pollutant emissions (ammonia-NH<sub>3</sub>, sulphur dioxide-SO<sub>2</sub>, nitrogen dioxide-NO<sub>2</sub>, gaseous fluorides-HF, dust), without greenhouse gases and carbon monoxide (CO) from Petrokemija's technological processes, ammonia and nitrogen oxides, with 55,2 % and 32,1 % respectively, have the largest share in total pollutant emissions.

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

In the January to March 2011 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 one exceeding of 24-hour limit for ammonia at K3 measuring station. 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.

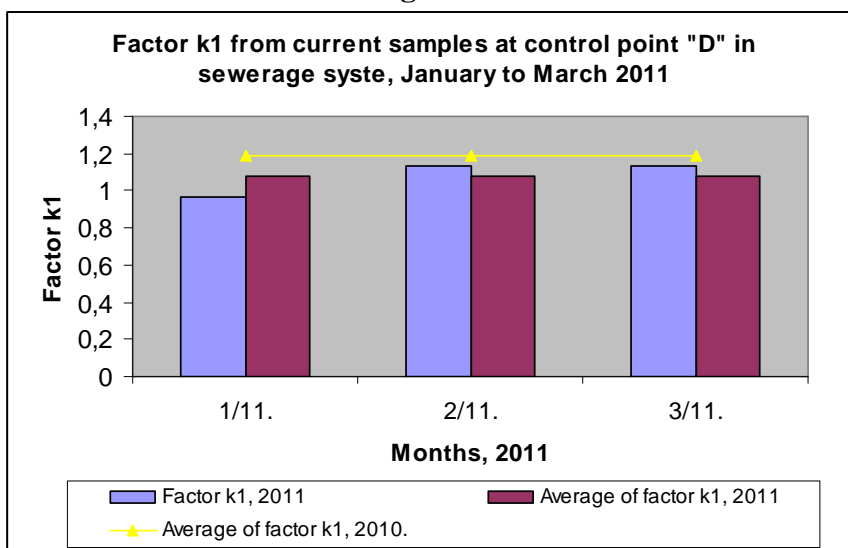
According to unofficial measuring results of the Kutina-1 State Measuring Station for that period, the air quality was 1<sup>st</sup> category (clean or slightly polluted air) for nitrogen dioxide-NO<sub>2</sub>, sulphur dioxide-SO<sub>2</sub>, carbon monoxide-CO and PM<sub>10</sub>.

For hydrogensulphide-H<sub>2</sub>S, 16 exceedings of the one-hour tolerance value were recorded and the air quality was 3<sup>rd</sup> category (excessively polluted air) which can not be correlated with the Petrokemija production activities. For PM<sub>10</sub>, there were 33 exceedings of the 24-hour limit value and in the same time 33 exceedings of the 24-hour tolerance value. For PM<sub>10</sub>, 35 exceedings of the limit and 35 exceeding of the tolerance values are acceptable in a calendar year for 1<sup>st</sup> and 2<sup>nd</sup> category air.

### 2. Water management

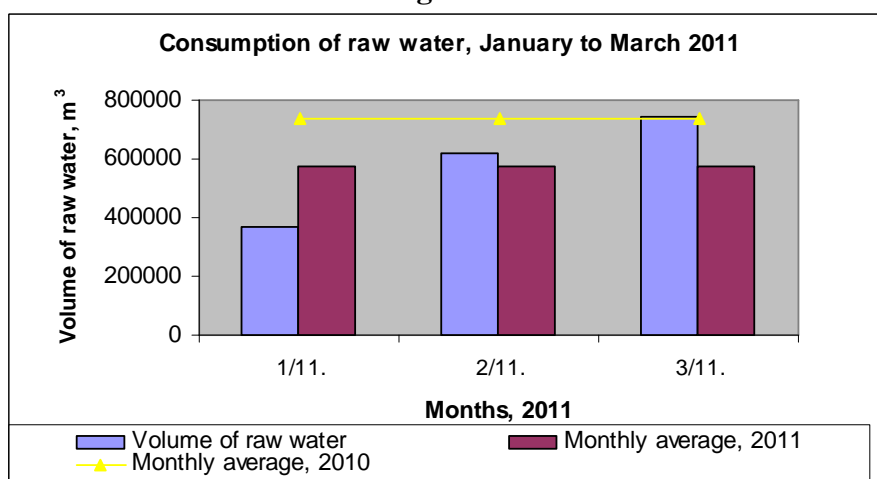
In the January to March 2011 period, improvement of water protection was achieved as the results of factor k1 values showed (Figure 1).

**Figure 1.**



In the same period of 2011, 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

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 domestic and world markets, in line with the growing market trends and the rise of food price, makes grounds for optimism with regard to business result. Certain positive movements were achieved in the domestic market in the first quarter, which may be explained as season fluctuation.

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 coming years will be possible after genuine market relations in gas supply have been established, which is one of the areas of Petrokemija's concerns and activities.

During the reporting period, after the successfully carried out overhaul, the plants in continuous 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 neighbouring countries, i.e. Petrokemija's traditional markets. However, export sales will also be continued. In the course of the 2011, further efforts will be made to take advantage of the largest possible production and sales to all markets.

## **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 price of fuel oil, which is included in the formula rose significantly in the first quarter of 2011.
- 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 neighbouring 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 in the second half of 2011 and 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 March 31, 2011 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 Klopčec

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:

1.1.

to

31.03.2011.

**Quarterly financial statements TFI-POD**Registration number (MB): **03674223**Registration number of subject  
(MBS): **080004355**Personal identification number  
(OIB): **24503685008**Issuer company: **PETROKEMIJA d.d. tvornica gnojiva**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: **2.346**  
(at the end of the year)Consolidated Report: **NO**Code of NKD: **2015**

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

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.maric@petrokemija.hr](mailto:marina.maric@petrokemija.hr)Name and surname: **JOSIP JAGUŠT, ZDENKA KRSTANOVIĆ**  
(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 31.03.2011.

<b>Petrokemija d.d.</b>			
Position	AOP code	Prethodna godina (neto)	Tekuća godina (neto)
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>823.440.193</b>	<b>812.300.859</b>
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	<b>8.056.658</b>	<b>7.863.831</b>
1. Expense for development	<b>004</b>		
2. Concessions, patents, licences, trade and service marks, software and other rights	<b>005</b>	6.614.968	6.399.293
3. Goodwill	<b>006</b>		
4. Advances for intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	1.441.690	1.464.538
6. Other intangible assets	<b>009</b>		
II. TANGIBLE ASSETS (011 do 019)	<b>010</b>	<b>784.383.239</b>	<b>773.264.270</b>
1. Land	<b>011</b>	49.419.192	49.411.887
2. Buildings	<b>012</b>	320.599.498	316.868.700
3. Plant and equipment	<b>013</b>	366.697.839	349.519.833
4. Tools, plant inventory and transportation assets	<b>014</b>	13.540.974	13.890.745
5. Biological assets	<b>015</b>		
6. Advances for tangible assets	<b>016</b>		
7. Tangible assets in progress	<b>017</b>	33.653.876	43.099.270
8. Other tangible assets	<b>018</b>	471.860	473.835
9. Investments in real estates	<b>019</b>		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	<b>020</b>	<b>31.000.296</b>	<b>31.027.456</b>
1. Investments (shares) in related companies	<b>021</b>	10.736.317	10.736.317
2. Loans given to related companies	<b>022</b>		
3. Participating interest (shares)	<b>023</b>	12.805.351	12.805.351
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>	3.278.289	3.277.239
7. Other long-term financial assets	<b>027</b>	4.180.339	4.208.549
8. Investments accounted for using the equity method	<b>028</b>		
IV. TRADE RECEIVABLES (030 do 032)	<b>029</b>	<b>0</b>	<b>145.302</b>
1. Receivables from related companies	<b>030</b>		
2. Receivables for sales on loan	<b>031</b>		
3. Other receivables	<b>032</b>		145.302
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>708.857.331</b>	<b>740.139.581</b>
I. INVENTORIES (036 do 042)	<b>035</b>	<b>478.795.342</b>	<b>491.491.604</b>
1. Raw and other material	<b>036</b>	226.957.336	265.913.753
2. Work in progress	<b>037</b>	23.553.044	11.479.789
3. Finished products	<b>038</b>	219.745.764	208.071.736
4. Merchandise inventory	<b>039</b>	3.788.011	3.930.800
5. Advances for inventories	<b>040</b>	4.751.187	2.095.526
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>205.175.357</b>	<b>208.001.959</b>
1. Receivables from related companies	<b>044</b>		146.554
2. Receivables from customers (buyers)	<b>045</b>	87.154.900	175.589.440
3. Receivables from participating interest	<b>046</b>		
4. Receivables from employees and members	<b>047</b>	26.293	16.026
5. Receivables from state and other institutions	<b>048</b>	117.334.954	31.643.788
6. Other receivables	<b>049</b>	659.210	606.151
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	<b>050</b>	<b>3.548.085</b>	<b>2.600.000</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>	3.548.085	2.600.000
6. Loans given, deposits and similar assets	<b>056</b>		
7. Other financial assets	<b>057</b>		
IV. CASH IN BANK AND ON HAND	<b>058</b>	21.338.547	38.046.018
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	1.763.118	1.763.118
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.534.060.642</b>	<b>1.554.203.558</b>

<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	141.203.382	181.175.350
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>657.284.333</b>	<b>696.756.478</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>	-108.711.297	-244.817.257
1. Retained earning	<b>073</b>		
2. Loss carried forward	<b>074</b>	108.711.297	244.817.257
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	<b>075</b>	-136.105.960	39.472.145
1. Profit for the year	<b>076</b>		39.472.145
2. Loss for the year	<b>077</b>	136.105.960	
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>14.532.303</b>	<b>14.426.569</b>
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	12.282.303	12.282.303
2. Provisions for tax liabilities	<b>081</b>		
3. Other provisions	<b>082</b>	2.250.000	2.144.266
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>62.222.222</b>	<b>62.222.222</b>
1. Liabilities to related companies	<b>084</b>		
2. Liabilities for loans, deposits and similar	<b>085</b>	62.222.222	62.222.222
3. Liabilities to banks and other financial institutions	<b>086</b>		
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>796.587.598</b>	<b>757.364.103</b>
1. Liabilities to related companies	<b>094</b>	4.520.449	3.351.527
2. Liabilities for loans, deposits and similar	<b>095</b>	44.000.000	44.000.000
3. Liabilities to banks and other financial institutions	<b>096</b>	310.017.961	241.777.778
4. Liabilities for advances	<b>097</b>	56.326.281	17.132.479
5. Liabilities to suppliers	<b>098</b>	334.923.497	400.448.654
6. Liabilities for securities	<b>099</b>	22.125.296	22.120.506
7. Liabilities to companies with participating interest	<b>100</b>		
8. Liabilities to employees	<b>101</b>	13.328.610	13.198.924
9. Liabilities for taxes, contributions and other payments	<b>102</b>	8.172.172	11.835.816
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>	3.173.332	3.498.419
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>3.434.186</b>	<b>23.434.186</b>
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.534.060.642</b>	<b>1.554.203.558</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>141.203.382</b>	<b>181.175.350</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>		

**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2011. to 31.03.2011.

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>398.326.633</b>	<b>398.326.633</b>	<b>677.804.172</b>	<b>677.804.172</b>
1. Sales revenues	112	391.981.296	391.981.296	668.437.625	668.437.625
2. Other operating revenues	113	6.345.337	6.345.337	9.366.547	9.366.547
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>428.865.594</b>	<b>428.865.594</b>	<b>635.232.916</b>	<b>635.232.916</b>
1. Changes in value of work in progress and finished products	115	17.100.854	17.100.854	23.747.284	23.747.284
2. Material costs (117 do 119)	116	321.617.500	321.617.500	496.677.958	496.677.958
a) Cost of raw and production materials	117	305.182.366	305.182.366	473.939.678	473.939.678
b) Cost of goods sold	118	567.819	567.819	1.131.153	1.131.153
c) Other external costs	119	15.867.315	15.867.315	21.607.127	21.607.127
3. Employees costs (121 do 123)	120	52.534.648	52.534.648	56.001.939	56.001.939
a) Net salaries and wages	121	32.828.493	32.828.493	35.186.885	35.186.885
b) Costs for taxes and contributions from salaries	122	11.986.616	11.986.616	12.580.100	12.580.100
c) Contributions on salaries	123	7.719.539	7.719.539	8.234.954	8.234.954
4. Depreciation	124	25.267.893	25.267.893	23.616.104	23.616.104
5. Other costs	125	12.291.998	12.291.998	15.180.522	15.180.522
6. Value adjustments (127+128)	126	52.701	52.701	9.109	9.109
a) of long-term assets (except for financial assets)	127			7.305	7.305
b) of short-term assets (except for financial assets)	128	52.701	52.701	1.804	1.804
7. Provisions	129			20.000.000	20.000.000
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>4.700.637</b>	<b>4.700.637</b>	<b>6.398.952</b>	<b>6.398.952</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	5.154	5.154	549	549
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	3.950.039	3.950.039	6.398.403	6.398.403
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135	745.444	745.444		
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>10.614.386</b>	<b>10.614.386</b>	<b>9.498.063</b>	<b>9.498.063</b>
1. Interest, exchange rate fluctuations and other costs with associated companies	138	128.003	128.003	46.802	46.802
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	10.486.383	10.486.383	9.451.261	9.451.261
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>403.027.270</b>	<b>403.027.270</b>	<b>684.203.124</b>	<b>684.203.124</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>439.479.980</b>	<b>439.479.980</b>	<b>644.730.979</b>	<b>644.730.979</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>-36.452.710</b>	<b>-36.452.710</b>	<b>39.472.145</b>	<b>39.472.145</b>
1. Profit before taxation (146-147)	149	0	0	39.472.145	39.472.145
2. Loss before taxation (147-146)	150	36.452.710	36.452.710	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-36.452.710</b>	<b>-36.452.710</b>	<b>39.472.145</b>	<b>39.472.145</b>
1. Profit for the period (149-151)	153	0	0	39.472.145	39.472.145
2. Loss for the period (151-148)	154	36.452.710	36.452.710	0	0

<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				
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>-36.452.710</b>	<b>-36.452.710</b>	<b>39.472.145</b>	<b>39.472.145</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>-36.452.710</b>	<b>-36.452.710</b>	<b>39.472.145</b>	<b>39.472.145</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 01.01.2011. to 31.03.2011.

Petrokemija d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
<b>CASH FLOW FROM PPERATIONG ACTIVITIES</b>			
1. Cash increase from buyers	001	490.199.706	687.982.761
2. Cash incze from royalites, fees commissions and other	002		
3. Cash incze from insuarance compensations	003	1.348.762	1.201.442
4. Cash increase from tax return	004	11.171.952	39.780.492
5. Other cash increase	005	1.921.115	528.140
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>504.641.535</b>	<b>729.492.835</b>
1. Expenses to suppliers	007	334.959.626	541.103.396
2. Expenses for employees	008	59.107.563	60.327.370
3. Expenses for insuarance compensations	009	2.039.128	2.139.465
4. Expenses for interest	010	7.211.043	6.617.550
5. Expenses for taxes	011	26.502.046	24.475.824
6. Other cash decrease	012	3.072.793	2.814.521
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>432.892.199</b>	<b>637.478.126</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>71.749.336</b>	<b>92.014.709</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016		
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		
5. Other cash proceeds from investing activities	020		
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>0</b>	<b>0</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	5.799.982	7.038.845
2. Cash outflow for acquisition of equity and debt financial instruments	023		28.210
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>5.799.982</b>	<b>7.067.055</b>
<b>B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)</b>	<b>027</b>	<b>5.799.982</b>	<b>7.067.055</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash infows from issuance of equity and debt financial instruments	028		
2. Cash inflows from loan pricipals, debentures, credits and other borrowings	029	10.340.241	55.003.425
3. Other inflows from financial activities	030	20.000.000	
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>30.340.241</b>	<b>55.003.425</b>
1. Cash outflows for repayment of loan principal and bonds	032	14.601.525	123.243.608
2. Cash outflows for dividend payment	033		
3. Cas outflow for financial lease	034		
4. Cash outflows for buybackof own shares	035		
5. Other cash outflows for financial activities	036	36.561.940	
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>51.163.465</b>	<b>123.243.608</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>0</b>	<b>0</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>20.823.224</b>	<b>68.240.183</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>45.126.130</b>	<b>16.707.471</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>042</b>	<b>26.190.868</b>	<b>21.338.547</b>
<b>Increase of cash and cash equivalents</b>	<b>043</b>	<b>45.126.130</b>	<b>16.707.471</b>
<b>Decrease of cash adn cash equivalents</b>	<b>044</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	<b>71.316.998</b>	<b>38.046.018</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 **1.1.2011** to **31.3.2011**

Position 1	AOP code 2	Previous year 3	Current year 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	-108.711.297	-244.817.257
5. Profit or loss for the year	005	-136.105.960	39.472.145
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>657.284.333</b>	<b>696.756.478</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

In the first quarter of 2011, Petrokemija d.d. had total actual income of HRK 684.2 million and total expense of HRK 644.7 million. On a quarterly basis, total revenues have increased by 69.8%, and total expenditures by 46.7% as compared to the same period of 2010.

Greater actual achievement in operating income and expenses, compared to the same period last year, reflects the growth of input and output prices and increased output and sales in most of the production range. In the first quarter of 2011, Petrokemija d.d., increased fertilizer production by 17.0% and sales by 27.6% in comparison with the same period last year.

In the first quarter of 2011, Petrokemija d.d. reported HRK 39.5 million in business profits, which is by HRK 75.9 million better result than in the same period last year, when the loss of 36.4 million was reported. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 66.2 million in the positive. By comparison, in the same period last year, EBITDA was HRK 5.3 million in the negative.

The data clearly show that the growth of income and expense is the impact of increased volumes, but also, at the same time, of significant increase in input and output prices. The actual profit on a quarterly basis is the reflection of increased sales, more favorable ratio of input-output prices, and partly has seasonal fluctuation elements, because due to weather conditions the delivery season for spring sowing in the domestic market started earlier this year.

As a reflection of trends in the global energy market, there is a rise in gas price. This most important raw material is supplied in the domestic market under the so-called "Russian formula". It is estimated that in the course of 2011, price of gas will continue to grow in accordance with the movement of the price of fuel oil in world markets and the USD exchange rate.

Due to the market situation, a part of plants was halted in the second half of 2009 and this problem is carried over into the second quarter of 2011. The crisis in market demand of carbon black is still present. Petrokemija d.d. is influenced by developments in the global market which gives space to significant potential risks and financial fluctuations in the rest of 2011.

In addition to their own working capital, short-term bank loans and long-term loan from the Croatian Bank for Reconstruction and Development, Petrokemija secured their source of financing 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 d.d. will be influenced by many factors. Besides the gas price, which is defined in the domestic market, the majority of future risk comes from the international environment, and mainly through:

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



**Attachment 1.**

Reported period:

1.1.

to

31.03.2011.

**Quarterly financial statements TFI-POD**Registration number (MB): **03674223**Registration number of subject  
(MBS): **080004355**Personal identification number  
(OIB): **24503685008**Issuer company: **PETROKEMIJA d.d. tvornica gnojiva**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: **2.357**  
(at the end of the year)Consolidated Report: **YES** Code of NKD: **2015**

Entities in consolidation (according to IFRS): Registered seat: Registration umber (MB):

<b>RESTORAN PETROKEMIJA DD</b>	<b>KUTINA</b>	<b>01335316</b>
<b>PETROKEMIJA D.O.O.</b>	<b>NOVI SAD</b>	<b>08754608</b>
<b>PETROKEMIJA D.O.O.</b>	<b>NOVO MESTO</b>	<b>12034614</b>

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, ZDENKA KRSTANOVIĆ**  
(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 31.03.2011.

<b>Group Petrokemija d.d.</b>			
Position	AOP code	Prethodna godina (neto)	Tekuća godina (neto)
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>814.812.913</b>	<b>803.669.642</b>
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	<b>8.063.645</b>	<b>7.871.048</b>
1. Expense for development	<b>004</b>		
2. Concessions, patents, licences, trade and service marks, software and other rights	<b>005</b>	6.621.955	6.406.510
3. Goodwill	<b>006</b>		
4. Advances for intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	1.441.690	1.464.538
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	<b>786.485.289</b>	<b>775.362.153</b>
1. Land	<b>011</b>	49.419.193	49.411.888
2. Buildings	<b>012</b>	322.501.078	318.778.308
3. Plant and equipment	<b>013</b>	366.707.246	349.528.362
4. Tools, plant inventory and transportation assets	<b>014</b>	13.732.036	14.070.490
5. Biological assets	<b>015</b>		
6. Advances for tangible assets	<b>016</b>		
7. Tangible assets in progress	<b>017</b>	33.653.876	43.099.270
8. Other tangible assets	<b>018</b>	471.860	473.835
9. Investments in real estates	<b>019</b>		
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	<b>20.263.979</b>	<b>20.291.139</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>	12.805.351	12.805.351
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>	3.278.289	3.277.239
7. Other long-term financial assets	<b>027</b>	4.180.339	4.208.549
8. Investments accounted for using the equity method	<b>028</b>		
<b>IV. TRADE RECEIVABLES (030 do 032)</b>	<b>029</b>	<b>0</b>	<b>145.302</b>
1. Receivables from related companies	<b>030</b>		
2. Receivables for sales on loan	<b>031</b>		
3. Other receivables	<b>032</b>		145.302
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>		
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>713.791.048</b>	<b>745.449.733</b>
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	<b>478.883.337</b>	<b>491.602.737</b>
1. Raw and other material	<b>036</b>	226.983.987	265.966.557
2. Work in progress	<b>037</b>	23.553.044	11.479.789
3. Finished products	<b>038</b>	219.745.765	208.071.736
4. Merchandise inventory	<b>039</b>	3.849.354	3.989.129
5. Advances for inventories	<b>040</b>	4.751.187	2.095.526
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>205.564.624</b>	<b>208.389.570</b>
1. Receivables from related companies	<b>044</b>		
2. Receivables from customers (buyers)	<b>045</b>	87.514.440	176.032.302
3. Receivables from participating interest	<b>046</b>		
4. Receivables from employees and members	<b>047</b>	26.313	16.156
5. Receivables from state and other institutions	<b>048</b>	117.364.540	31.734.820
6. Other receivables	<b>049</b>	659.331	606.292
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	<b>3.548.085</b>	<b>2.600.000</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>	3.548.085	2.600.000
6. Loans given, deposits and similar assets	<b>056</b>		
7. Other financial assets	<b>057</b>		
<b>IV. CASH IN BANK AND ON HAND</b>	<b>058</b>	<b>25.795.002</b>	<b>42.857.426</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>1.773.159</b>	<b>1.778.698</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.530.377.120</b>	<b>1.550.898.073</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>141.203.382</b>	<b>181.175.350</b>

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>657.012.802</b>	<b>696.583.939</b>
I. SUBSCRIBED CAPITAL	063	902.101.590	902.101.590
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	0
1. Legal reserves	066		
2. Reserve for treasury shares	067		
3. Treasury shares and investment (deductible item)	068		
4. Statutory reserves	069		
5. Other reserve	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-108.982.828	-244.989.654
1. Retained earning	073		
2. Loss carried forward	074	108.982.828	244.989.654
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-136.105.960	39.472.003
1. Profit for the year	076		39.472.003
2. Loss for the year	077	136.105.960	
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>14.532.303</b>	<b>14.426.569</b>
1. Provisions for pensions, severance pay and similar liabilities	080	12.282.303	12.282.303
2. Provisions for tax liabilities	081		
3. Other provisions	082	2.250.000	2.144.266
<b>C) LONG-TERM LIABILITIES (084 do 092)</b>	<b>083</b>	<b>62.222.222</b>	<b>62.222.222</b>
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	62.222.222	62.222.222
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>793.175.607</b>	<b>754.229.773</b>
1. Liabilities to related companies	094		
2. Liabilities for loans, deposits and similar	095	44.000.000	44.000.000
3. Liabilities to banks and other financial institutions	096	310.017.961	241.777.778
4. Liabilities for advances	097	56.326.281	17.132.479
5. Liabilities to suppliers	098	335.739.131	400.577.206
6. Liabilities for securities	099	22.125.296	22.120.506
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.360.399	13.232.213
9. Liabilities for taxes, contributions and other payments	102	8.410.705	11.869.039
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	3.195.834	3.520.552
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>3.434.186</b>	<b>23.435.570</b>
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.530.377.120</b>	<b>1.550.898.073</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>141.203.382</b>	<b>181.175.350</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	657.012.802	696.583.939
2. Credited to minority interest	110		

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

**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2011. to 31.03.2011.

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>399.124.556</b>	<b>399.124.556</b>	<b>678.624.871</b>	<b>678.624.871</b>
1. Sales revenues	112	392.773.296	392.773.296	669.228.101	669.228.101
2. Other operating revenues	113	6.351.260	6.351.260	9.396.770	9.396.770
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>429.671.584</b>	<b>429.671.584</b>	<b>636.094.189</b>	<b>636.094.189</b>
1. Changes in value of work in progress and finished products	115	17.100.854	17.100.854	23.747.284	23.747.284
2. Material costs (117 do 119)	116	321.743.937	321.743.937	497.080.900	497.080.900
a) Cost of raw and production materials	117	305.469.447	305.469.447	474.260.897	474.260.897
b) Cost of goods sold	118	1.018.260	1.018.260	1.471.196	1.471.196
c) Other external costs	119	15.256.230	15.256.230	21.348.807	21.348.807
3. Employees costs (121 do 123)	120	52.855.263	52.855.263	56.299.210	56.299.210
a) Net salaries and wages	121	33.084.158	33.084.158	35.421.596	35.421.596
b) Costs for taxes and contributions from salaries	122	12.031.689	12.031.689	12.623.362	12.623.362
c) Contributions on salaries	123	7.739.416	7.739.416	8.254.252	8.254.252
4. Depreciation	124	25.299.387	25.299.387	23.640.586	23.640.586
5. Other costs	125	12.619.442	12.619.442	15.317.100	15.317.100
6. Value adjustments (127+128)	126	52.701	52.701	9.109	9.109
a) of long-term assets (except for financial assets)	127			7.305	7.305
b) of short-term assets (except for financial assets)	128	52.701	52.701	1.804	1.804
7. Provisions	129			20.000.000	20.000.000
8. Other operating expenses	130				
<b>III. FINANCIAL REVENUES (132 do 136)</b>	<b>131</b>	<b>4.705.318</b>	<b>4.705.318</b>	<b>6.410.301</b>	<b>6.410.301</b>
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132				
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	3.959.874	3.959.874	6.410.301	6.410.301
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135	745.444	745.444		
5. Other financial revenues	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>10.550.662</b>	<b>10.550.662</b>	<b>9.468.980</b>	<b>9.468.980</b>
1. Interest, exchange rate fluctuations and other costs with associated companies	138				
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	10.550.662	10.550.662	9.468.980	9.468.980
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>403.829.874</b>	<b>403.829.874</b>	<b>685.035.172</b>	<b>685.035.172</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>440.222.246</b>	<b>440.222.246</b>	<b>645.563.169</b>	<b>645.563.169</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>-36.392.372</b>	<b>-36.392.372</b>	<b>39.472.003</b>	<b>39.472.003</b>
1. Profit before taxation (146-147)	149	0	0	39.472.003	39.472.003
2. Loss before taxation (147-146)	150	36.392.372	36.392.372	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	<b>6.374</b>	<b>6.374</b>		
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-36.398.746</b>	<b>-36.398.746</b>	<b>39.472.003</b>	<b>39.472.003</b>
1. Profit for the period (149-151)	153	0	0	39.472.003	39.472.003
2. Loss for the period (151-148)	154	36.398.746	36.398.746	0	0

<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	-36.398.746	-36.398.746	39.472.003	39.472.003
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>-36.398.746</b>	<b>-36.398.746</b>	<b>39.472.003</b>	<b>39.472.003</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>-36.398.746</b>	<b>-36.398.746</b>	<b>39.472.003</b>	<b>39.472.003</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	-36.398.746	-36.398.746	39.472.003	39.472.003
2. Credited to minority interest	170				

## CASH FLOW STATEMENT - Direct method

for the period 01.01.2011. to 31.03.2011.

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	490.199.706	687.982.761
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	1.348.762	1.201.442
4. Cash increase from tax return	004	11.171.952	39.780.492
5. Other cash increase	005	1.921.115	528.140
<b>I. Total increase of cash flow from operating activities (001 do 005)</b>	<b>006</b>	<b>504.641.535</b>	<b>729.492.835</b>
1. Expenses to suppliers	007	334.959.626	541.103.396
2. Expenses for employees	008	59.107.563	60.327.370
3. Expenses for insurance compensations	009	2.039.128	2.139.465
4. Expenses for interest	010	7.211.043	6.617.550
5. Expenses for taxes	011	26.502.046	24.475.824
6. Other cash decrease	012	3.741.320	2.459.568
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	<b>433.560.726</b>	<b>637.123.173</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)</b>	<b>014</b>	<b>71.080.809</b>	<b>92.369.662</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)</b>	<b>015</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	016		
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		
5. Other cash proceeds from investing activities	020		
<b>III. Total cash inflow from investing activities (016 do 020)</b>	<b>021</b>	<b>0</b>	<b>0</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	5.799.982	7.038.845
2. Cash outflow for acquisition of equity and debt financial instruments	023		28.210
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (022 do 024)</b>	<b>025</b>	<b>5.799.982</b>	<b>7.067.055</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>5.799.982</b>	<b>7.067.055</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	10.340.241	55.003.425
3. Other inflows from financial activities	030	20.000.000	
<b>V. Total cash inflow from financial activities (028 do 030)</b>	<b>031</b>	<b>30.340.241</b>	<b>55.003.425</b>
1. Cash outflows for repayment of loan principal and bonds	032	14.601.525	123.243.608
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	36.561.940	
<b>VI. Total cash outflow for financial activities (032 do 036)</b>	<b>037</b>	<b>51.163.465</b>	<b>123.243.608</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)</b>	<b>038</b>	<b>0</b>	<b>0</b>
<b>C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)</b>	<b>039</b>	<b>20.823.224</b>	<b>68.240.183</b>
<b>Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>44.457.603</b>	<b>17.062.424</b>
<b>Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>042</b>	<b>30.452.095</b>	<b>25.795.002</b>
<b>Increase of cash and cash equivalents</b>	<b>043</b>	<b>44.457.603</b>	<b>17.062.424</b>
<b>Decrease of cash and cash equivalents</b>	<b>044</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>045</b>	<b>74.909.698</b>	<b>42.857.426</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 **1.1.2011** to **31.3.2011**

Position 1	AOP code 2	Previous year 3	Current year 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	-108.982.828	-244.989.654
5. Profit or loss for the year	005	-136.105.960	39.472.003
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>657.012.802</b>	<b>696.583.939</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	657.012.802	696.583.939
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 GROUP

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

In the first quarter of 2011, Petrokemija Group had total actual income of HRK 685.0 million and total expense of HRK 645.5 million. On a quarterly basis, total revenues have increased by 69.6%, and total expenditures by 46.6% as compared to the same period of 2010.

Greater actual achievement in operating income and expenses, compared to the same period last year, reflects the growth of input and output prices and increased output and sales in most of the production range. In the first quarter of 2011, Petrokemija d.d., increased fertilizer production by 17.0% and sales by 27.6% in comparison with the same period last year.

In the first quarter of 2011, Petrokemija Group reported HRK 39.5 million in business profits, which is by HRK 75.9 million better result than in the same period last year, when the loss of 36.4 million was reported. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 66.2 million in the positive. By comparison, in the same period last year, EBITDA was HRK 5.3 million in the negative.

The data clearly show that the growth of income and expense is the impact of increased volumes, but also, at the same time, of significant increase in input and output prices. The actual profit on a quarterly basis is the reflection of increased sales, more favorable ratio of input-output prices, and partly has seasonal fluctuation elements, because due to weather conditions the delivery season for spring sowing in the domestic market started earlier this year.

As a reflection of trends in the global energy market, there is a rise in gas price. This most important raw material is supplied in the domestic market under the so-called "Russian formula". It is estimated that in the course of 2011, price of gas will continue to grow in accordance with the movement of the price of fuel oil in world markets and the USD exchange rate.

Due to the market situation, a part of plants was halted in the second half of 2009 and this problem is carried over into the second quarter of 2011. The crisis in market demand of carbon black is still present. Petrokemija d.d. is influenced by developments in the global market which gives space to significant potential risks and financial fluctuations in the rest of 2011.

In addition to their own working capital, short-term bank loans and long-term loan from the Croatian Bank for Reconstruction and Development, Petrokemija secured their source of financing 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. Besides the gas price, which is defined in the domestic market, the majority of future risk comes from the international environment, and mainly through:

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