

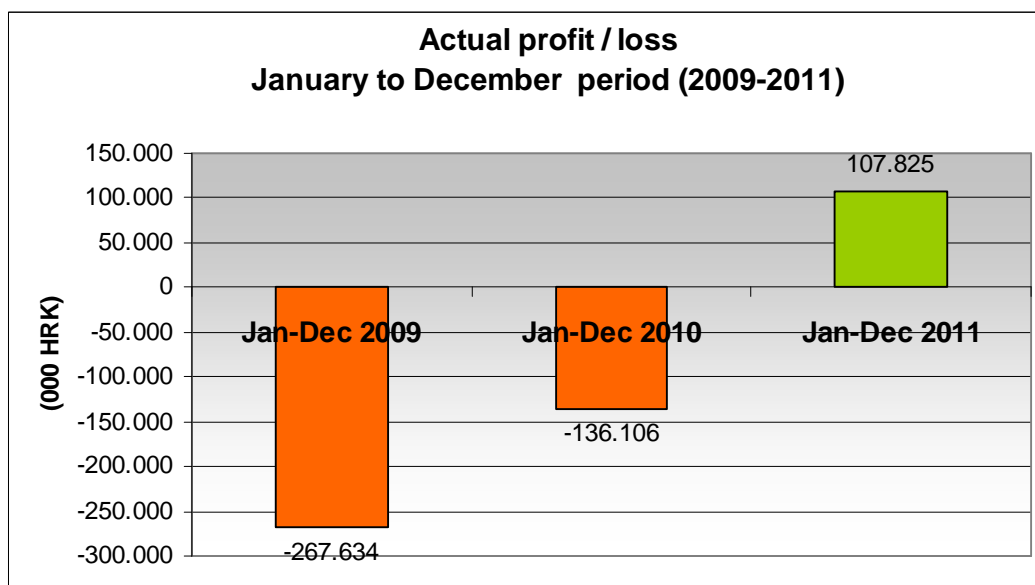
ANNUAL REPORT

PETROKEMIJA, Plc. KUTINA

PETROKEMIJA GROUP

REPORT FOR PERIOD January to December 2011
INTERIM REPORT FOR PERIOD October to December 2011

- Actual production 1,253 and sales 1,195 thousand tons of fertilizers;
- Actual total income of Petrokemija, Plc. HRK 2,969.6 million; Petrokemija Group HRK 2,973.0 million;
- Actual profit of Petrokemija, Plc. HRK 107,8 million (3.6% of total revenues); Petrokemija Group HRK 106.5 million;
- Invested funds HRK 44.1 million;
- Number of employees of Petrokemija, Plc. 2,301; Petrokemija Group 2,312.



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

1. ACTUAL FINANCIAL RESULTS OF PETROKEMIJA, Plc.

The total income of Petrokemija, Plc. in 2011 was HRK 2,969.6 million, total expenses were HRK 2,861.8 million and the reported profit in business operations was HRK 107.8 million or 3.6% of total revenues. The total yearly income was increased by 29.6% and total expenses by 17.9% on the previous year.

Greater actual operating income and expenses compared to the same period last year reflects the growth of in- and output prices and flexibility in adapting the production and sales to market demand. In 2011, Petrokemija Plc. increased production by 0.3% and sales by 0.6% in comparison with the previous year.

The income from domestic sales increased by 18.5% and that from export sales by 37.6% in 2011 in comparison with the year 2010.

The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 233.2 million in the positive. The EBITDA was HRK 4.0 million negative in 2010.

(HRK 000)

	Jan- Dec 2011	Jan- Dec 2010	Difference	% change
Operating income	2.945.053	2.261.446	683.607	30,23%
Operating expense	2.805.899	2.364.792	441.107	18,65%
EBITDA *	233.216	-4.021	237.237	0,00%
Amortization	94.062	99.325	-5.263	-5,30%
Net financial income (expenses)	-31.328	-32.760	1.432	-4,37%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	107.825	-136.106	243.931	0,00%
Non-current assets	767.561	823.440	-55.879	-6,79%
Current assets	879.261	710.620	168.641	23,73%
Shareholders' equity	765.109	657.284	107.825	16,40%
Non-current liabilities	94.197	76.754	17.443	
Current liabilities	787.516	800.022	-12.506	-1,56%

* EBITDA= profit before interest, taxation depreciation and amortization

The data clearly show that the growth of income and expense was influenced by numerous factors – significant rise in input and output prices, adjusting the product range to market demand and structure, synchronizing production capacities with logistics, selection of raw materials of good quality and origin so as to meet the EU customs requirements, etc. The actual yearly profit, after two years of loss is a significant breakthrough in business result, partly due to a more favourable ratio of in- and output prices, while partly due to positive effects of time difference in the growth of in- and output prices.

Despite the significant rise in gas price and rise in price of basic raw materials for fertilizer production in the world market, price relations were established on the routes that ensured a positive balance of revenues and expenditures in business activities.

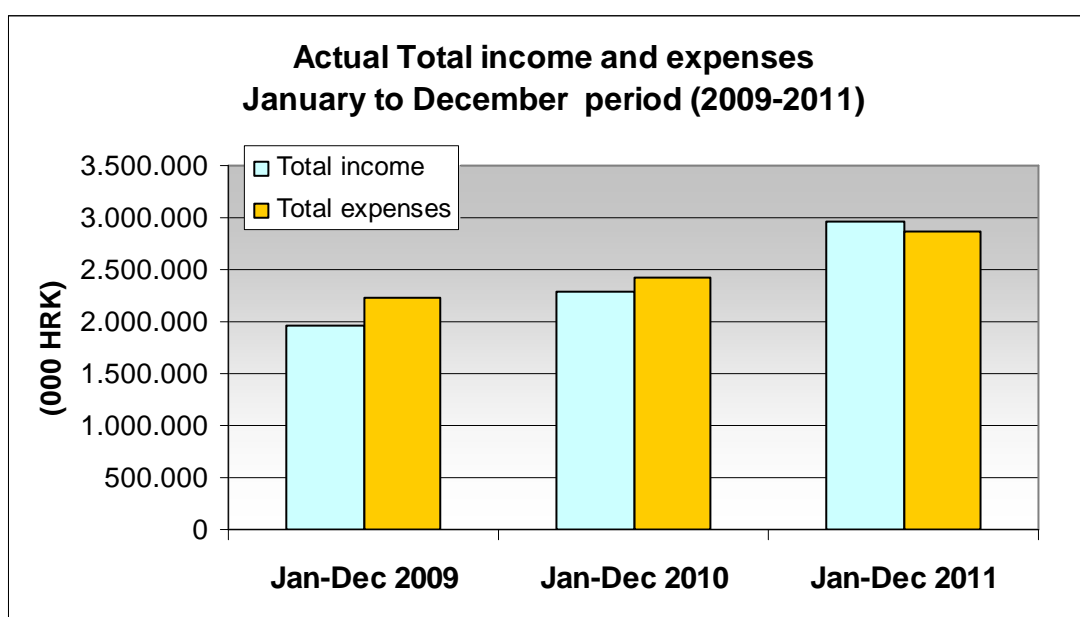
During 2011, a significant share of sales in exports was achieved, in order to ensure positive financial result, fill in the capacity, ensure continuity of production and maintain the liquidity.

Financial indicators reported for fourth quarter and cumulatively for the whole period of 2011:

	Jan- Sept 2011	Oct – Dec 2011	Jan- Dec 2011
Operating income	2.234.549	710.504	2.945.053
Operating expense	2.096.668	709.231	2.805.899
EBITDA *	211.420	21.796	233.216
Amortization	73.539	20.523	94.062
Net financial income (expenses)	-23.407	-7.921	-31.328
Net extraordinary income (expenses)	0	0	0
Profit / loss / before taxation	114.474	-6.649	107.825

* EBITDA= profit before interest, taxation depreciation and amortization

Actual operating profit during the fourth quarter was 1.3 million, but there was also a financial loss of 7.9 million, due to high interest, issuing commercial papers, negative effect of revaluation adjustment of non-tangible financial assets of the Company and exchange rates. Actual loss before tax in the fourth quarter is HRK 6.6 million.



In comparison to the actual result for 2010, there was in 2011 a positive difference of HRK 243.9 million due to improved market trends and internal savings. Sales prices of fertilizers were increased in line with the rise of input prices and the evaluation of the market.

Because of positive changes in sales prices and sales structure of the product, the Company operating income in 2011 increased by 30.2%, and operating expense by 18.7% as compared to the previous year.

Due to the market situation, a part of facilities was halted in the second half of 2009 and this problem was carried over into 2012. For a part of raw materials and products the improvement of market position is still uncertain. The open problem of exceptional growth in the price of gas, which is transferred from the European energy fluids market, is here particularly pronounced.

STATEMENT OF COMPREHENSIVE INCOME OF PETROKEMIJA, Plc.KUTINA

(HRK 000)

POSITION	Petrokemija, Plc. Jan-Dec 2011	Petrokemija, Plc. Jan-Dec 2010
Total operating income	2.945.053	2.261.446
Total operating expenses	2.805.899	2.364.792
PROFIT / LOSS FROM ORDINARY ACTIVITIES	139.154	-103.346
Total financial income	24.596	29.176
Total financial expenses	55.925	61.936
PROFIT / LOSS FROM FINANCIAL ACTIVITIES	-31.329	-32.760
TOTAL INCOME	2.969.649	2.290.622
TOTAL EXPENSES	2.861.824	2.426.728
Profit/loss before taxation	107.825	-136.106
Profit tax		
Total comprehensive loss	107.825	-136.106

BALANCE SHEET OF PETROKEMIJA, Plc.KUTINA

(HRK 000)

POSITION	Petrokemija,Plc. 31.12. 2011	Petrokemija, Plc. 31. 12. 2010.
Total long-term assets	767.561	823.440
Total short-term assets	876.527	708.857
Prepaid costs and accrued income	2.734	1.763
TOTAL ASSETS	1.646.822	1.534.060
Total capital	765.110	657.284
Long-term liabilities	94.197	76.754
Total short-term liabilities	784.052	796.588
Accruals and deferred income	3.463	3.434
TOTAL LIABILITIES	1.646.822	1.534.060

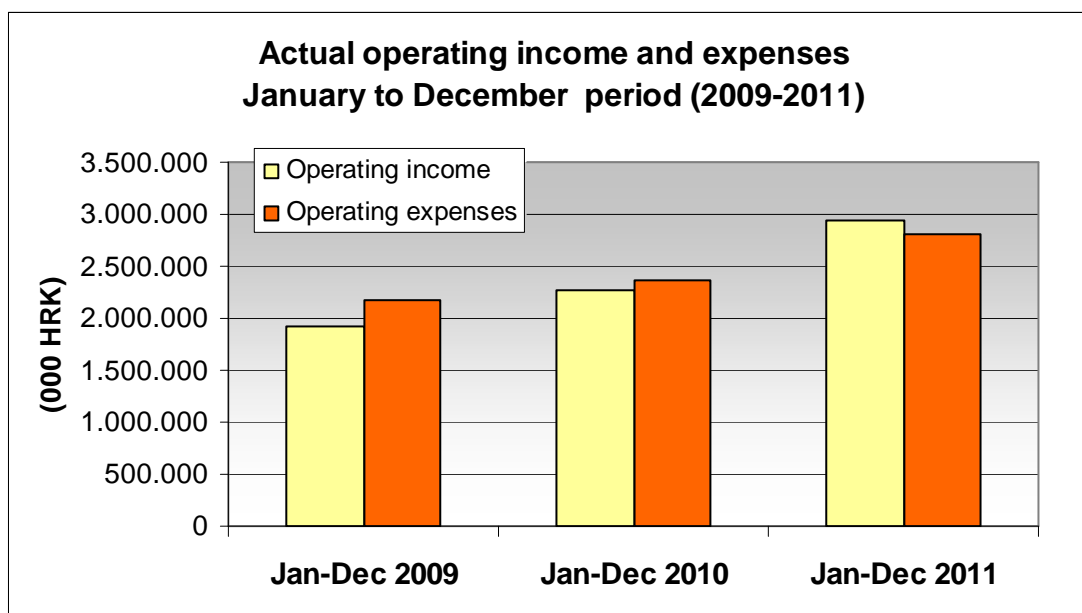
Due to gas balancing in winter months in the gas system of Republic of Croatia, Petrokemija used the fertilizer production standstill in January 2011, but also in 2012 for annual facilities overhaul. The forecast for the long-awaited implementation of gas market in Croatia in 2011, by including a new supply route and potentially new suppliers, have not been fully realized.

Sufficient gas volumes are a good basis for optimum yearly schedule of fertilizers production and deliveries in 2012, and the price will depend on the European gas market and USD exchange rate.

The domestic demand for fertilizers is connected with the situation in agricultural production, i.e. with the price ratio of production materials and finished products in agriculture (low prices of basic agricultural crops generate the extensiveness in use of agro-technical measures and vice versa). As regards their price, imports of fertilizers were still moderately unattractive – in 2011, approx. 45 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 prices of raw materials in world markets were gradually rising, while the gas price in domestic market was growing pronouncedly through quarters, according to the formula. This growth reflects the pricing methodology applied – after the agreed (the so-called oil-linked) formula. The gas price growth trend is estimated to continue in the first quarter of 2012 and stabilize in the second quarter of 2012.

The continuing positive trend in 2012 year could be compromised by a potential new wave of instability in demand and prices in the global market.

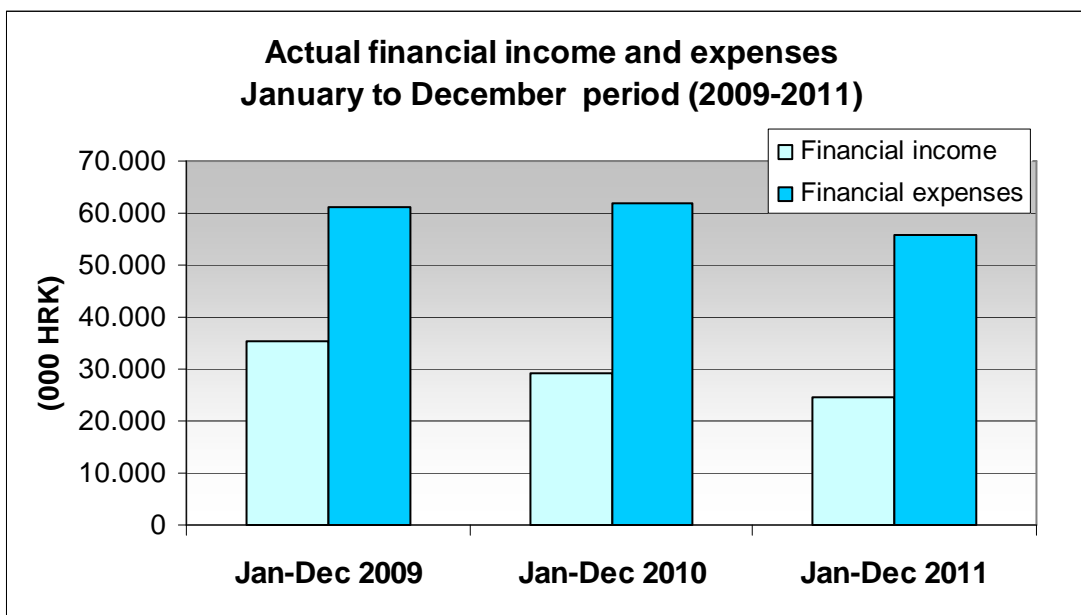


Financial income was by 15.7% lower, and financial expense by 9.7% lower than in the previous year. The HRK 31.3 million loss from financial activities was by 4.4% lower than the previous year. Foreign exchange gains accounted for 80% and income from interest and other financial income for 20% share in the financial income.

Foreign exchange losses have 40% share in financial expenses, while 60% share is made up of interest and other financial expenses. Although the interest rates are lower than in the previous period, a disturbing trend is opened up by a potential financial crisis in the Eurozone in 2012, which is directly transferred to the terms of financing in Croatia.

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

December 2011 a new, 16th tranche was issued. In 2012, HRK 34 million of commercial bills are maturing in May and another HRK 47.2 million in September.



1.1 CHANGE OF ACCOUNTING POLICIES

In line with Article 13, pt. 2, of the Accounting Act and International Accounting Standard 27, Consolidated and Separate Financial Statements, investments into daughter companies in 100% ownership of Petrokemija, Plc. is accounted by the cost method.

As the Company booked the investment by equity accounting method, on 31 December 2011, upon a decision of the Board, a correction of the share to the value of initial investment cost was carried out.

The effect of this change in Accounting Policy has no significant impact on reported financial result of Petrokemija, Plc. and Petrokemija Group and they amount to HRK 1.8 million.

2. ACTUAL FINANCIAL RESULT OF PETROKEMIJA GROUP

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

• Total income	HRK	2,973.0 million
• Total expenses	HRK	2,866.5 million
• Profit before taxation	HRK	106.55 million
• Income tax	HRK	0.06 million
• Profit after taxation	HRK	106.49 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-Dec 2011	Actual Jan-Dec 2010	Ind 2/3
1	2	3	4
RESTORAN PETROKEMIJA, Ltd.			
TOTAL INCOME	2.161	2.021	106,9
TOTAL EXPENSES	2.155	2.018	106,8
GROSS PROFIT /LOSS	6	3	200,0
PETROKEMIJA Novi Sad, Ltd.			
TOTAL INCOME	78.370	54.724	143,2
TOTAL EXPENSES	77.820	52.886	147,1
GROSS PROFIT	550	1.838	29,9
PETROKEMIJA, Ltd. Novo Mesto			
TOTAL INCOME	840	4.465	18,8
TOTAL EXPENSES	832	4.459	18,7
GROSS PROFIT	8	6	133,3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(HRK 000)

POSITION	Petrokemija Group Jan-Dec 2011	Petrokemija Group Jan-Dec 2010
Total operating income	2.948.348	2.266.950
Total operating expenses	2.810.416	2.368.814
PROFIT/LOSS FROM ORDINARY ACTIVITIES	137.932	-101.864
Total financial income	24.695	27.662
Total financial expenses	56.078	61.720
PROFIT/LOSS FROM FINANCIAL ACTIVITIES	-31.383	-34.058
TOTAL INCOME	2.973.043	2.294.612
TOTAL EXPENSES	2.866.494	2.430.534
Profit/Loss before taxation	106.549	-135.922
Profit tax	59	184
Profit/Loss after taxation	106.490	-136.106

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – fourth quarter 2011
(HRK 000)

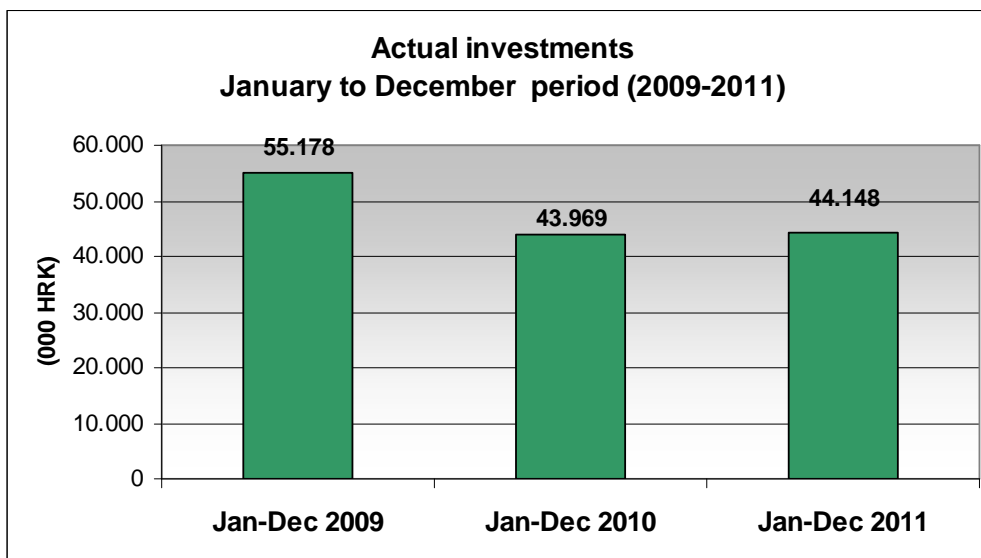
P O Z I C I J A	Petrokemija Group		
	Jan-Sept 2011	Oct-Dec 2011	Jan-Dec 2011
Total operating income	2.238.728	709.620	2.948.348
Total operating expenses	2.100.493	709.923	2.810.416
PROFIT/LOSS FROM ORDINARY ACTIVITIES	138.235	-303	137.932
Total financial income	19.530	5.165	24.695
Total financial expenses	43.023	13.055	56.078
PROFIT/LOSS FROM FINANCIAL ACTIVITIES	-23.493	-7.890	-31.383
TOTAL INCOME	2.258.258	714.785	2.973.043
TOTAL EXPENSES	2.143.516	722.978	2.866.494
Profit/Loss before taxation	114.742	-8.193	106.549
Profit tax	23	36	59
Profit/Loss after taxation	114.719	-8.229	106.490

CONSOLIDATED BALANCE SHEET
(HRK 000)

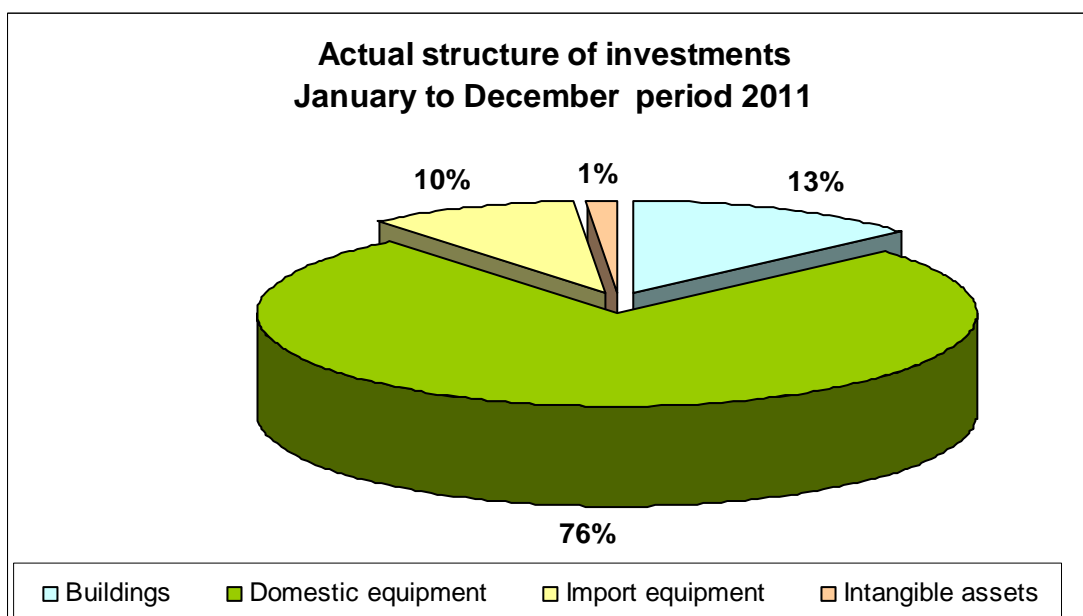
P O S I T I O N	Petrokemija Group 31.12.2011	Petrokemija Group 31.12.2010
	Total long-term assets	761.843
Total short-term assets	878.243	713.791
Prepaid costs and accrued income	2.734	1.773
TOTAL ASSETS	1.642.820	1.530.377
Total capital	763.877	657.013
Long-term liabilities	94.197	76.754
Total short-term liabilities	781.283	793.176
Accruals and diferred income	3.463	3.434
TOTAL LIABILITIES	1.642.820	1.530.377

3. INVESTMENTS

Actual investments in 2011 amounted to HRK 44.1 million, approximately HRK 0.2 million over the previous year's amount. Due to limited funds, a trend of relatively low investments from earlier years was continued in 2011. A more intensive investment activity is anticipated in 2012. Out of the said amount, HRK 43.6 million was invested in the parent company – fertilizer production and its ancillary services and HRK 0.5 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.

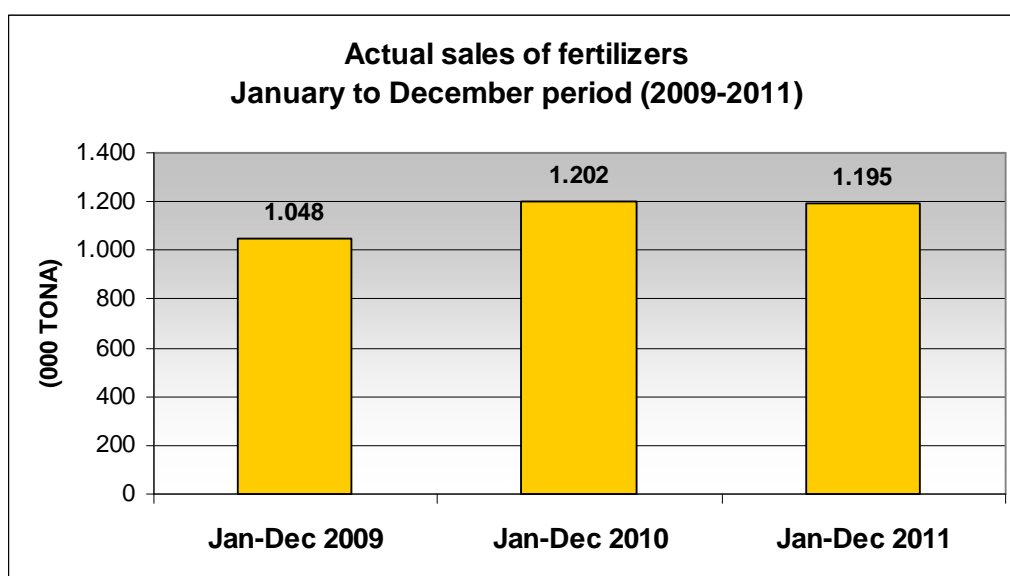
4. ACTUAL PRODUCTION AND SALES

Actual Production in the January to December 2011 period:

- **fertilizers** 1,253.1 thousand tons
- **clay-based products** 23.6 thousand tons
- **TGUS products** 1.0 thousand tons

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

- **fertilizers** 1,194.5 thousand tons
- **clay-based products** 23.4 thousand tons
- **TGUS products (+chemicals)** 5.5 thousand tons



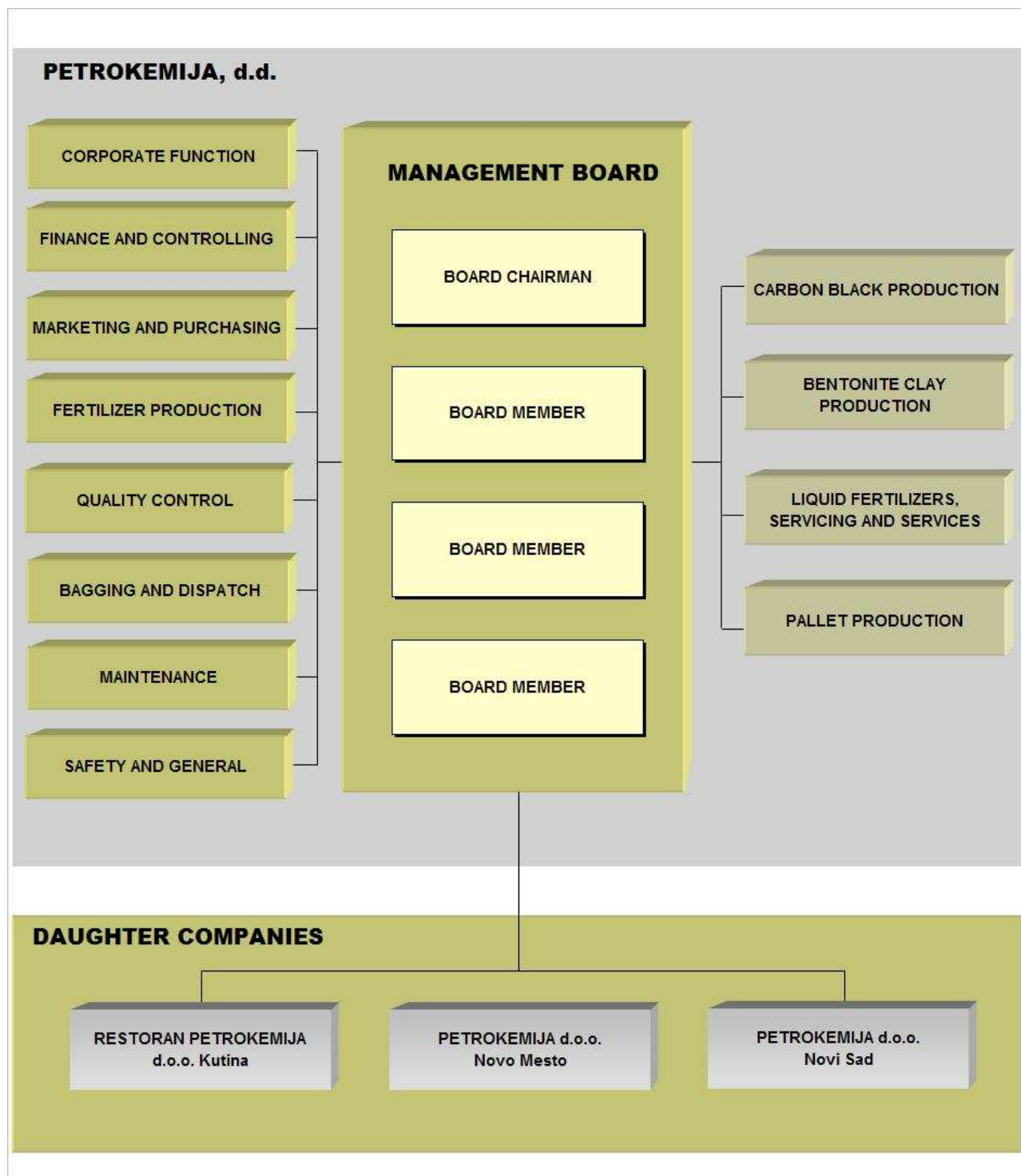
The actual total sales of fertilizers is approximately at the same level as the previous year, with certain changes in the structure of the product change. Despite the 5.3% increase in domestic sales volumes, there was no increase in the share of domestic sales in the total volumes. The sales of clay-based products were by 0.5% higher and those of liquid fertilizers and chemicals by 18.7% higher in comparison to the previous year. However, these products had no significant impact on total business result of Petrokemija, Plc. As the Carbon Black Plant is temporarily shut down for market reasons, there were no sales of carbon black.

5. ORGANIZATION CHART AND HUMAN RESOURCES

In 2011, there was no significant change in the existing organization chart.

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

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

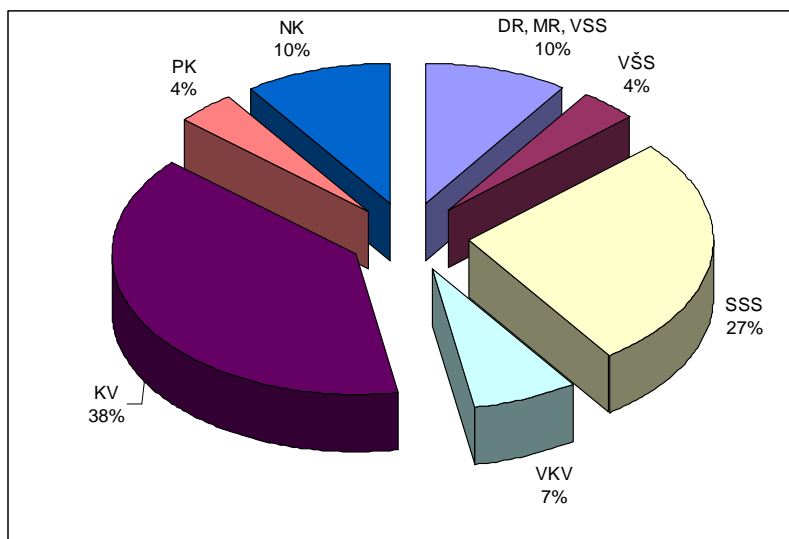


As of December 31, 2011, Petrokemija, Plc. had 2,301 employees and its daughter companies, members of the Petrokemija Group had 11 employees, which makes a total of 2,312 employees. The high qualification structure corresponds to the complexity of the production and other systems in place in the Company.

During 2011, the number of employees in Petrokemija, Plc. was reduced by 45 or 1.9%. Workers from the facilities that have been temporarily stalled, have been deployed to work in other organization units.

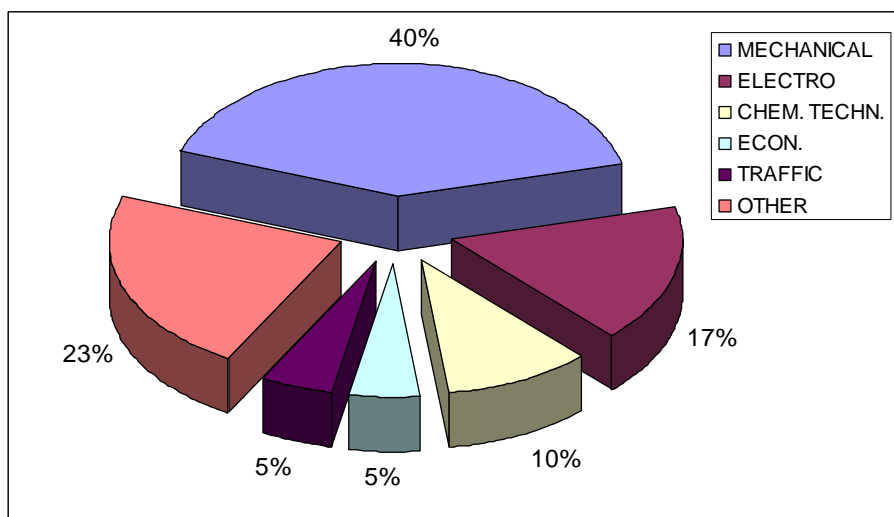
The management structure has changed with the appointment of new members of the Board on 15 June 2011, for a period of three years. The Chairman of the Board has been doing his term since May 2010. Two new board members were appointed - for finance and commerce, while the current board member for production and technical activities was re-appointed.

EMPLOYEES BY QUALIFICATION:



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

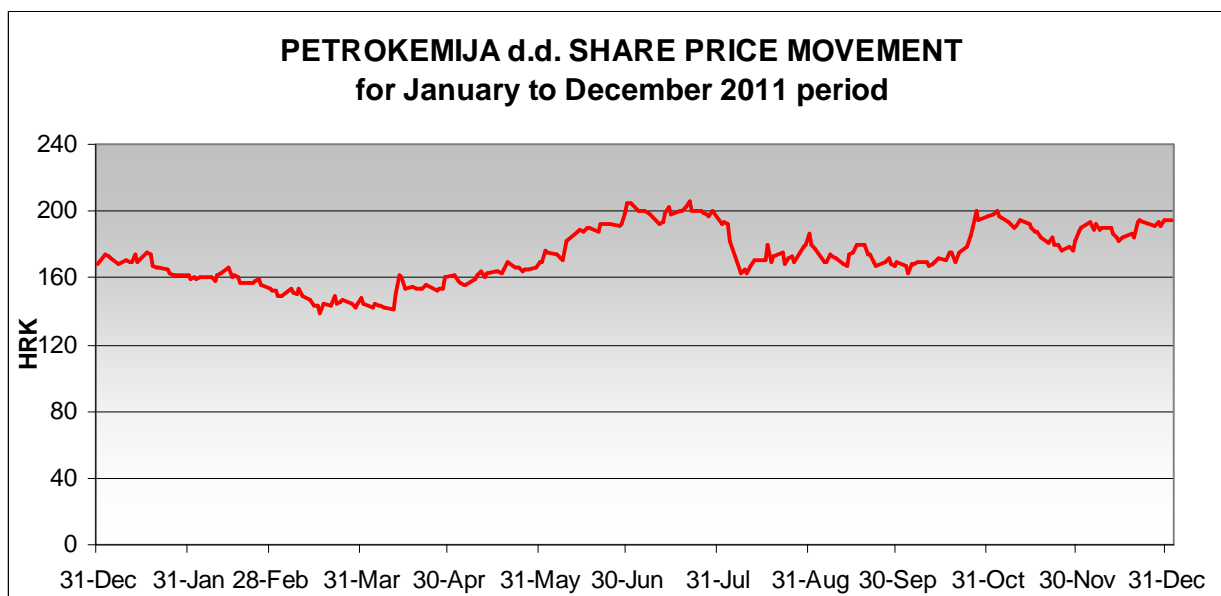
EMPLOYEES BY PROFESSION:



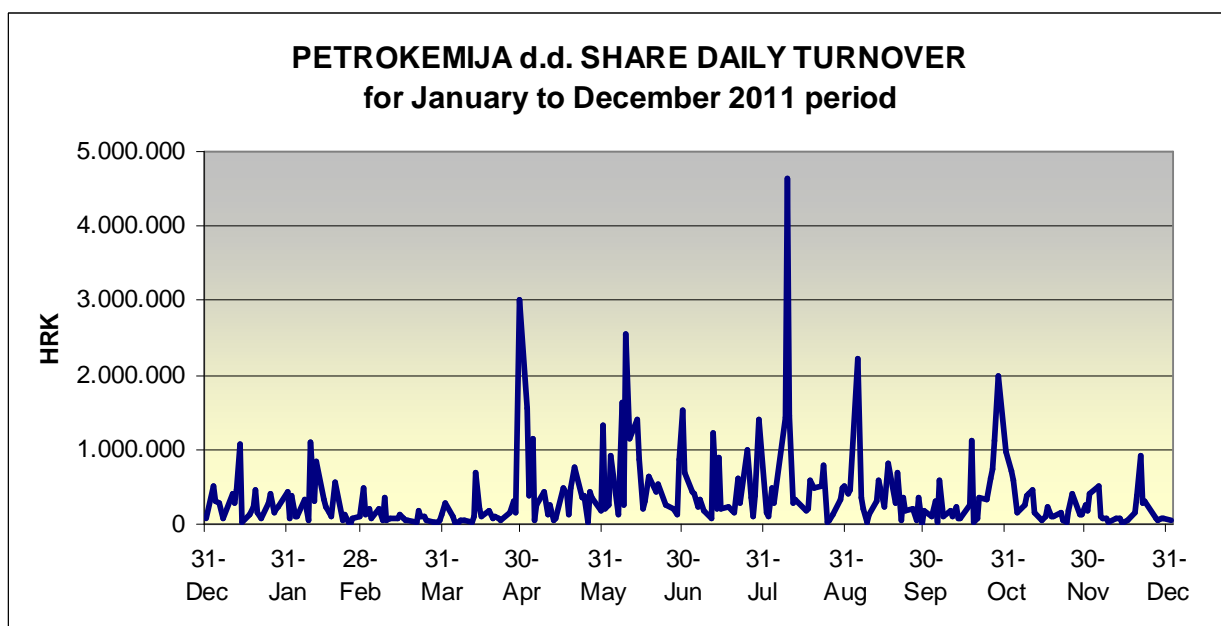
6. PETROKEMIJA, Plc. SHARE TRADING AND PRICE MOVEMENTS

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

Petrokemija's share value was HRK 165.44 at the end of December 2010, while on December 30, 2011, its average price was HRK 193.31 (16.8 % growth). The share turnover at the Zagreb Stock Exchange in 2011 was HRK 93.6 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 DECEMBER 2011 REPORT

Introduction

Petrokemija, Plc. 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 December 2011 period by main environmental aspects.

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

Greenhouse gases, carbon dioxide and nitrous oxide (CO₂ and N₂O) have the largest share (about 99 %) in the total emissions into air from Petrokemija. The other typical pollutant emissions are ammonia-NH₃, sulphur dioxide-SO₂, nitrogen dioxide-NO₂, gaseous fluorides-HF and dust.

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 December 2011 period, the results of air quality monitoring at six local network measuring stations for the seven pollutants (NH₃, SO₂, NO₂, H₂S, HF, smoke and sediment), recorded exceedings of 24-hour limit for:

a) ammonia:

- in four cases at K3 measuring station, three cases each at K2 and K6 measuring stations and one case at K5 measuring station

b) nitrogen dioxide-as NO₂:

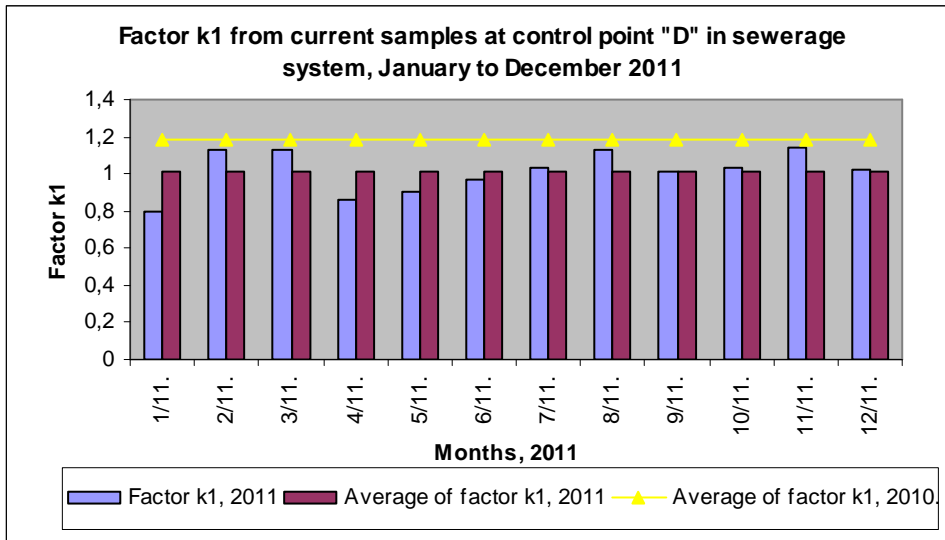
- in two cases at K2 measuring station.

The number of recorded exceedings by measuring stations in 2011 was not higher than the number of permitted exceedings, so the air quality established by the local network measurements was 1st category (clean or slightly polluted air).

2. Water management

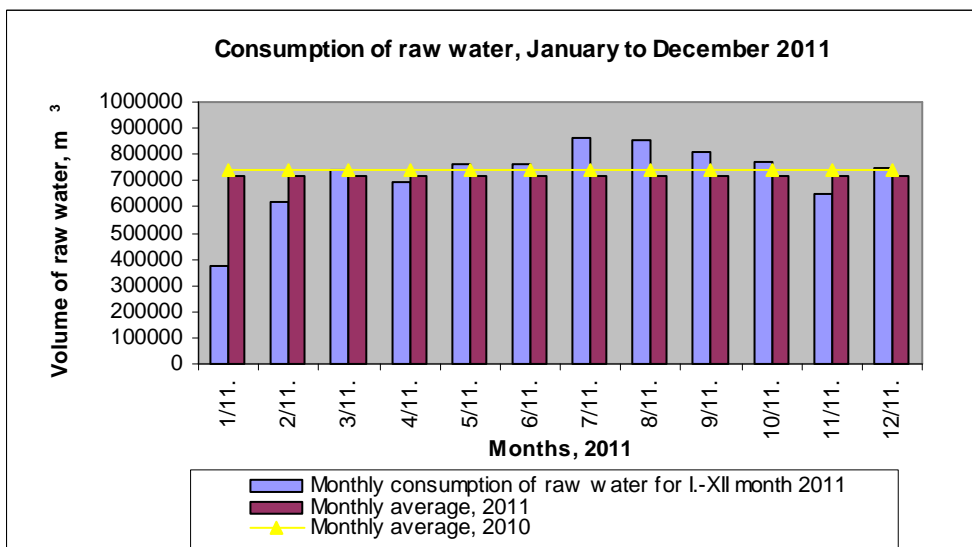
In the January to December 2011 period, improvement of water protection was achieved as shown by the results of factor k₁ from current samples as compared to the average of 2010. (Figure 1).

Figure 1.



In the January to December period of 2011, the consumption of raw water was 2.6 % lower than the 2010 consumption (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

Business Plan for 2011 anticipated a profit of HRK 5.2 million. Achieved positive financial result of HRK 107.8 million, significantly exceeded the planned projection. Current market situation - the parity of price of most important raw materials and price of fertilizers in the domestic and world markets suggest caution in predicting operating results in 2012.

In 2011, certain positive developments were achieved in the domestic market, which can be interpreted as a sign of market recovery, despite the prolonged drought that has taken on proportions of natural disaster. Part of the positive results can be interpreted as an effect of time

difference in the growth of in- and output prices. Employment and wages are under control; a part of the plants is still shut-down for market reasons and the current liquidity is maintained with support of commercial banks, Croatian Bank for Reconstruction and Development and by issuance of commercial papers.

During the reporting period, there was continuous operation of plants needed to ensure sufficient volumes of fertilizers to meet the market demand. The emphasis will continue to be on the domestic and neighboring markets, where Petrokemija is traditionally present, but strong sales activity will be continued in the global market, too. The last quarter of 2011 was used for higher production in order to secure transitional inventories to be delivered during overhaul in January 2012.

Assessment of long-term business prospects in the following years is made difficult by the fluctuation in global flows and unstable parity of energy, fertilizers and food prices in world markets.

9. SIGNIFICANT FINANCIAL RISKS AT THE TURN OF THE YEAR 2011 / 2012

The overall considerations of Petrokemija's business position in 2012 include a number of parameters whose impact is difficult to estimate. However, in view of the present market situation, a special attention should be given to risks as follows:

- Petrokemija's Plc. result is highly dependent on the movements of fertilizer and their raw material price in the world market, the exchange rate of HRK against USD and EUR and their interrelations.
- A contract on gas supply was signed with INA Industrija nafte, Plc. Zagreb, i.e. their daughter company Prirodni plin, Ltd. for 2012/2013. The method of price calculation is slightly more favorable than the previous one, but still 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 foreign exchange rate of HRK and energy price fluctuations in the world market. The price of fuel oil, which is included in the formula, has risen significantly in first half of 2011.
- The year 2011 saw the recovery of fertilizer price in the global markets and this has made the profit. However, due to the high cost of transportation, the long-term 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, comparatively high interest rates and necessary credit resources as a result of extended maturity payment period of sold goods in the domestic market will continue to be present in the following period. A part of the short-term liabilities has been transformed into long-term liabilities (loans and reservation).
- Positive developments achieved in the operations in the first three quarters of 2011 opened certain optimism regarding the future trend of business. The fall in prices in the last quarter eroded the expected financial performance and announced the outlines of a new wave of global economic and financial crisis.
- The overall positive global effects of the current year may be compromised in 2012 by a possible new cycle of global crisis, growth of competition, stagnation of Croatian agriculture in the autumn 2011 (drought effects) and spring 2012 season as well as growth of gas prices on the European and local markets.

10. STATEMENT OF MANAGEMENT LIABILITY

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

Statement on Management Liability

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

Financial reports for the January 1 to December 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, Plc.and Petrokemija Group, their strategy, plans and intentions which express a certain degree of uncertainty. They reflect the current position of Petrokemija with regard to risks, uncertainties and assumptions about the future. Currently, the results, effects and achievements of Petrokemija, Plc. or Petrokemija Group are heavily dependent on a large number of factors which may influence their being quite different from the originally set ones.

Chairman of Petrokemija
Management Board
Josip Jaguš

Member of Petrokemija
Management Board
Antonija Perošević-Galović

Member of Petrokemija
Management Board
Nenad Marinović

Member of Petrokemija
Management Board
Tomislav Seletković

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

Attachment 1.

Reported period:

1.1.

to

31.12.2011.

Quarterly financial statements TFI-PODRegistration number (MB): **03674223**Registration number of subject
(MBS): **080004355**Personal identification number
(OIB): **24503685008**Issuer company: **PETROKEMIJA, d.d.**Postal code and city: **44320****KUTINA**Street and number: **ALEJA VUKOVAR 4**E-mail: fin@petrokemija.hrInternet address: www.petrokemija.hrCode and city/municipality: **220** **KUTINA**Code and county name: **3** **SISAČKO-MOSLAVAČKA ŽUPANIJA**Number of employees: **2.301**
(at the end of the year)Consolidated Report: **NO**Code of NKD: **2015**

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

Book-keeping office:

Contact person: **MARINA MARIĆ**

(name and surname of the contact person)

Telephone number: **044-647-829**Fax: **044-682-819**E-mail: marina.marić@petrokemija.hrName and surname: **JOSIP JAGUŠT, ANTONIJA PEROŠEVIĆ-GALOVIĆ**

(authorized representatives)

Documentation to be published:

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

(seal)

(signature of authorized representative)

BALANCE SHEET

as at 31.12.2011.

PETROKEMIJA, d.d.			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	823.440.193	767.561.009
I. INTANGIBLE ASSETS (004 do 009)	003	8.056.658	7.666.622
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	6.614.968	5.691.975
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	1.441.690	1.974.647
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	784.383.239	737.831.972
1. Land	011	49.419.192	49.411.756
2. Buildings	012	320.599.498	303.807.515
3. Plant and equipment	013	366.697.839	354.706.148
4. Tools, plant inventory and transportation assets	014	13.540.974	12.502.844
5. Biological assets	015		
6. Advances for tangible assets	016		3.081.885
7. Tangible assets in progress	017	33.653.876	13.828.059
8. Other tangible assets	018	471.860	493.765
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	31.000.296	22.062.415
1. Investments (shares) in related companies	021	10.736.317	7.770.691
2. Loans given to related companies	022		
3. Participating interest (shares)	023	12.805.351	10.766.762
4. Loans given to companies with participating interest	024		
5. Investment in securities	025		
6. Loans given, deposits and similar assets	026	3.278.289	
7. Other long-term financial assets	027		
8. Investments accounted for using the equity method	028	4.180.339	3.524.962
IV. TRADE RECEIVABLES (030 do 032)	029	0	0
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
C) SHORT-TERM ASSETS (035+043+050+058)	034	708.857.331	876.527.328
I. INVENTORIES (036 do 042)	035	478.795.342	653.760.359
1. Raw and other material	036	226.957.336	307.535.935
2. Work in progress	037	23.553.044	41.135.157
3. Finished products	038	219.745.764	300.391.370
4. Merchandise inventory	039	3.788.011	4.261.657
5. Advances for inventories	040	4.751.187	436.240
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)	043	205.175.357	195.200.328
1. Receivables from related companies	044		4.617.071
2. Receivables from customers (buyers)	045	87.154.900	147.436.701
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	26.293	21.316
5. Receivables from state and other institutions	048	117.334.954	39.789.121
6. Other receivables	049	659.210	3.336.119
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	3.548.085	20.211.233
1. Investments (shares) in related companies	051		
2. Loans given to related companies	052		
3. Participating interest (shares)	053		
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	3.548.085	5.150.393
6. Loans given, deposits and similar assets	056		15.060.840
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	21.338.547	7.355.408
D) PREPAID EXPENSES AND ACCRUED INCOME	059	1.763.118	2.733.794
E) TOTAL ASSETS (001+002+034+059)	060	1.534.060.642	1.646.822.131
F) OFF BALANCE SHEET ITEMS	061	141.203.382	186.462.200

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	657.284.333	765.109.515
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 (deductable item)	068		
4. Statutory reserves	069		
5. Other reserve	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-108.711.297	-244.817.257
1. Retained earning	073		
2. Loss carried forward	074	108.711.297	244.817.257
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-136.105.960	107.825.182
1. Profit for the year	076		107.825.182
2. Loss for the year	077	136.105.960	
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	14.532.303	14.197.080
1. Provisions for pensions, severance pay and similar liabilities	080	12.282.303	12.112.252
2. Provisions for tax liabilities	081		
3. Other provisions	082	2.250.000	2.084.828
C) LONG-TERM LIABILITIES (084 do 092)	083	62.222.222	80.000.000
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085		
3. Liabilities to banks and other financial institutions	086	62.222.222	80.000.000
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT-TERM LIABILITIES (094 do 105)	093	796.587.598	784.052.266
1. Liabilities to related companies	094	4.520.449	3.492.737
2. Liabilities for loans, deposits and similar	095	44.000.000	12.000.000
3. Liabilities to banks and other financial institutions	096	310.017.961	295.722.222
4. Liabilities for advances	097	56.326.281	25.990.680
5. Liabilities to suppliers	098	334.923.497	331.324.720
6. Liabilities for securities	099	22.125.296	81.176.464
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.328.610	13.613.928
9. Liabilities for taxes, contributions and other payments	102	8.172.172	9.921.035
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	3.173.332	10.810.480
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	3.434.186	3.463.270
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.534.060.642	1.646.822.131
G) OFF BALANCE SHEET ITEMS	108	141.203.382	186.462.200
APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Credited to parent company capital owners	109		
2. Credited to minority interest	110		

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

PROFIT AND LOSS ACCOUNT
for the period 01.01.2011. to 31.12.2011.

PETROKEMIJA, d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	2.261.446.088	752.293.559	2.945.052.975	710.503.789
1. Sales revenues	112	2.220.116.050	731.936.135	2.895.874.255	687.217.595
2. Other operating revenues	113	41.330.038	20.357.424	49.178.720	23.286.194
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.364.792.422	752.972.220	2.805.899.334	709.231.461
1. Changes in value of work in progress and finished products	115	-36.074.972	-18.929.272	-99.921.361	-59.457.862
2. Material costs (117 do 119)	116	1.976.139.343	643.050.301	2.483.206.663	671.489.883
a) Cost of raw and production materials	117	1.858.059.405	608.770.882	2.358.138.963	638.072.714
b) Cost of goods sold	118	18.146.462	1.016.659	7.814.172	3.272.165
c) Other external costs	119	99.933.476	33.262.760	117.253.528	30.145.004
3. Employees costs (121 do 123)	120	216.077.242	55.476.306	232.886.938	59.820.474
a) Net salaries and wages	121	135.862.050	35.043.650	145.820.680	37.432.017
b) Costs for taxes and contributions from salaries	122	48.457.432	12.276.128	52.831.890	13.599.153
c) Contributions on salaries	123	31.757.760	8.156.528	34.234.368	8.789.304
4. Depreciation	124	99.324.522	23.006.857	94.062.762	20.523.702
5. Other costs	125	83.707.233	25.974.110	86.197.728	25.091.668
6. Value adjustments (127+128)	126	9.902.565	8.677.429	4.969.385	4.606.377
a) of long-term assets (except for financial assets)	127	35.323	6.634	108.297	84.638
b) of short-term assets (except for financial assets)	128	9.867.242	8.670.795	4.861.088	4.521.739
7. Provisions	129	15.716.489	15.716.489	4.497.219	-12.842.781
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL REVENUES (132 do 136)	131	28.232.915	-1.772.338	24.516.070	4.986.330
1. Interest, exchange rate fluctuations, dividends and similar from associated companies	132	1.699.267	1.678.554	29.766	5.190
2. Interest, exchange rate fluctuations, dividends and similar from non-associated companies and others	133	26.533.648	-2.705.447	24.486.304	4.981.140
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135		-745.445		
5. Other financial revenues	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	61.935.332	7.879.008	55.925.003	12.987.534
1. Interest, exchange rate fluctuations and other costs with associated companies	138	359.842	72.226	227.068	67.704
2. Interest, exchange rate fluctuations and other costs with non-associated companies	139	61.530.188	10.454.231	53.659.345	10.881.240
3. Unrealised losses (costs) from financial assets	140	45.302	-2.647.449	2.038.590	2.038.590
4. Other financial expenses	141				
V. PORTION IN PROFIT OF ASSOCIATED COMPANIES	142	942.791	942.791	80.474	80.474
VI. PORTION IN LOSS OF ASSOCIATED COMPANIES	143				
VII. EKSTRAORDINARY - OTHER REVENUES	144				
VIII. EKSTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL REVENUES (111+131+142 + 144)	146	2.290.621.794	751.464.012	2.969.649.519	715.570.593
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.426.727.754	760.851.228	2.861.824.337	722.218.995
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-136.105.960	-9.387.216	107.825.182	-6.648.402
1. Profit before taxation (146-147)	149	0	0	107.825.182	0
2. Loss before taxation (147-146)	150	136.105.960	9.387.216	0	6.648.402
XII. PROFIT TAX	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-136.105.960	-9.387.216	107.825.182	-6.648.402
1. Profit for the period (149-151)	153	0	0	107.825.182	0
2. Loss for the period (151-148)	154	136.105.960	9.387.216	0	6.648.402

APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	155				
2. Credited to minority interest	156				
STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)					
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	-136.105.960	-9.387.216	107.825.182	-6.648.402
II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)	158	0	0	0	0
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				
III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)	168	-136.105.960	-9.387.216	107.825.182	-6.648.402
APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)					
VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD					
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 31.12.2011.

PETROKEMIJA,d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
CASH FLOW FROM PERATIONG ACTIVITIES			
1. Cash increase from buyers	001	2.516.430.127	3.116.393.654
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	7.567.820	5.538.010
4. Cash increase from tax return	004	194.868.437	250.390.241
5. Other cash increase	005	7.150.142	7.348.958
I. Total increase of cash flow from operating activities (001 do 005)	006	2.726.016.526	3.379.670.863
1. Expenses to suppliers	007	2.359.506.367	2.959.086.260
2. Expenses for employees	008	245.470.345	269.722.252
3. Expenses for insurance compensations	009	12.555.826	15.347.627
4. Expenses for interest	010	24.675.288	29.431.695
5. Expenses for taxes	011	114.126.022	80.843.774
6. Other cash decrease	012	25.921.925	15.922.934
II. Total decrease in cash flow from operating activities (007 do 012)	013	2.782.255.773	3.370.354.542
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	0	9.316.321
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	56.239.247	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	17.343	53.628
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	369.664	1.322.680
5. Other cash proceeds from investing activities	020		
III. Total cash inflow from investing activities (016 do 020)	021	387.007	1.376.308
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	18.341.054	39.941.196
2. Cash outflow for acquisition of equity and debt financial instruments	023	328.842	206.940
3. Other cash outflows from investing activities	024		
IV. Total cash outflow from investing activities (022 do 024)	025	18.669.896	40.148.136
B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)	026	0	0
B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)	027	18.282.889	38.771.828
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflows from issuance of equity and debt financial instruments	028	21.664.539	81.110.800
2. Cash inflows from loan principals, debentures, credits and other borrowings	029	498.225.388	875.310.154
3. Other inflows from financial activities	030	309.966.111	243.798.919
V. Total cash inflow from financial activities (028 do 030)	031	829.856.038	1.200.219.873
1. Cash outflows for repayment of loan principal and bonds	032	357.730.025	903.828.114
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	402.456.198	280.919.391
VI. Total cash outflow for financial activities (032 do 036)	037	760.186.223	1.184.747.505
C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)	038	69.669.815	15.472.368
C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)	039	0	0
Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)	040	0	0
Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)	041	4.852.321	13.983.139
Cash and cash equivalents at the begining of the period	042	26.190.868	21.338.547
Increase of cash and cash equivalents	043		
Decrease of cash adn cash equivalents	044	4.852.321	13.983.139
Cash and cash equivalents at the end of the period	045	21.338.547	7.355.408

STATEMENT OF CHANGES IN EQUITY

for the period from 01.01.2011.to 31.12.2011.

PETROKEMIJA, d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed 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	107.825.182
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		
10. Total capital and reserves (AOP 001 do 009)	010	657.284.333	765.109.515
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		
17. Total increase or decrease of capital (AOP 011 do 016)	017	0	0
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.

NOTES

PETROKEMIJA, Plc.

In 2011, Petrokemija, Plc. had total actual income of HRK 2,969.7 million and total expense of HRK 2,861.8 million. On a yearly basis, total revenues have increased by 29.6%, and total expenditures by 17.9% compared to the same period of 2010.

Greater actual achievement in operating income and expenses, compared to the same period last year, is the result of the growth of in- and output prices and increased output and sales in a part of the production range (10.1% higher sales of NPK fertilizers; 13.4% lower sales of CAN). In 2011, Petrokemija's actual production and sales were approximately the same as in the year before - total fertilizer production was up by 0.3% and the sales were down by 0.6%.

In 2011, the Company reported HRK 107.8 million in business profits, which is by HRK 243.9 million a better result on the previous year, when the reported loss was 136.1million. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 233.2 million in the positive. In 2010, EBITDA was HRK 4.0 million in the negative.

The data show that the growth of income and expense is the impact of significant increase of in- and output prices and partly of change in product range both in production and sales, while the total volumes were nearly the same. The actual yearly profit is the result of increased sales in the period of more favorable sales price in the world market – the prices fluctuated over the year - while it is partly due to positive effects of time difference in the growth of in- and output prices.

As a reflection of global trends in the 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 first quarter of 2012, the price of gas will reach its maximum, if there are no critical changes in the price of fuel oil in world markets and growth of USD exchange rate.

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

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

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

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

CHANGE OF ACCOUNTING POLICIES

In line with Article 13, pt. 2, of the Accounting Act and International Accounting Standard 27, Consolidated and Separate Financial Statements, investments into daughter companies in 100% ownership of Petrokemija, Plc. is accounted by the cost method.

As the Company booked the investment by equity accounting method, on 31 December 2011, upon a decision of the Board, a correction of the share to the value of initial investment cost was carried out. The effect of this change in Accounting Policy has no significant impact on reported financial result of Petrokemija, Plc. and Petrokemija Group and they amount to HRK 1.8 million.

Attachment 1.

Reported period:

1.1.

to

31.12.2011.

Quarterly financial statements TFI-PODRegistration number (MB): **03674223**Registration number of subject
(MBS): **080004355**Personal identification number
(OIB): **24503685008**Issuer company: **GROUP PETROKEMIJA, d.d.**Postal code and city: **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 name: **3** **SISAČKO-MOSLAVAČKA ŽUPANIJA**Number of employees: **2.312**
(at the end of the year)Consolidated Report: **YES**Code of NKD: **2015**

Entities in consolidation (according to IFRS):

Registered seat:

Registration number (MB):

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

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.hrName and surname: **JOSIP JAGUŠT, ANTONIJA PEROŠEVIĆ-GALOVIĆ**

(authorized representatives)

Documentation to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
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(seal)

(signature of authorized representative)

BALANCE SHEET

as at 31.12.2011.

GROUP PETROKEMIJA,d.d.			
Position	AOP code	Previous year (31.12.)	Current year
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	814.812.913	761.842.755
I. INTANGIBLE ASSETS (004 do 009)	003	8.063.645	7.671.130
1. Expense for development	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	6.621.955	5.696.483
3. Goodwill	006		
4. Advances for intangible assets	007		
5. Intangible assets in progress	008	1.441.690	1.974.647
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	786.485.289	739.879.901
1. Land	011	49.419.193	49.411.757
2. Buildings	012	322.501.078	305.696.063
3. Plant and equipment	013	366.707.246	354.712.044
4. Tools, plant inventory and transportation assets	014	13.732.036	12.656.327
5. Biological assets	015		
6. Advances for tangible assets	016		3.081.885
7. Tangible assets in progres	017	33.653.876	13.828.060
8. Other tangible assets	018	471.860	493.765
9. Investments in real estates	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	20.263.979	14.291.724
1. Investments (shares) in related companies	021		
2. Loans given to realted companies	022		
3. Participating interest (shares)	023	12.805.351	10.766.762
4. Loans given to companies with participating interest	024		
5. Investment in securities	025		
6. Loans given, deposits and similar assets	026	3.278.289	
7. Other long-term financial assets	027		
8. Investments accounted for using the equity method	028	4.180.339	3.524.962
IV. TRADE RECEIVABLES (030 do 032)	029	0	0
1. Receivables from related companies	030		
2. Receivables for sales on loan	031		
3. Other receivables	032		
V. DIFERRED TAX ASSETS	033		
C) SHORT-TERM ASSETS (035+043+050+058)	034	713.791.048	878.243.235
I. INVENTORIES (036 do 042)	035	478.883.337	653.884.464
1. Raw and other material	036	226.983.987	307.619.209
2. Work in progress	037	23.553.044	41.135.157
3. Finished products	038	219.745.765	300.391.370
4. Merchandise inventory	039	3.849.354	4.302.489
5. Advances for inventories	040	4.751.187	436.239
6. Long-term assets intended for sale	041		
7. Biological assets	042		
II. TRADE RECEIVABLES (044 do 049)	043	205.564.624	191.226.074
1. Receivables from related companies	044		
2. Receivables from customers (buyers)	045	87.514.440	147.738.558
3. Receivables from participating interest	046		
4. Receivables from employees and members	047	26.313	21.446
5. Receivables from state and other institutions	048	117.364.540	40.129.810
6. Other receivbles	049	659.331	3.336.260
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	3.548.085	20.211.233
1. Investments (shares) in related companies	051		
2. Loans given to realted companies	052		
3. Participating interest (shares)	053		
4. Loans given to companies with participating interest	054		
5. Investment in securities	055	3.548.085	5.150.393
6. Loans given, deptsits and similar assets	056		15.060.840
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	25.795.002	12.921.464
D) PREPAID EXPESES AND ACCRUED INCOME	059	1.773.159	2.734.013
E) TOTAL ASSETS (001+002+034+059)	060	1.530.377.120	1.642.820.003
F) OFF BALANCE SHEET ITEMS	061	141.203.382	186.462.200

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	657.012.802	763.876.691
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 (deductable item)	068		
4. Statutory reserves	069		
5. Other reserve	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-108.982.828	-244.715.097
1. Retained earning	073		
2. Loss carried forward	074	108.982.828	244.715.097
VI. PROFIT OR LOSS FOR THE BUSINESS YEAR (076-077)	075	-136.105.960	106.490.198
1. Profit for the year	076		106.490.198
2. Loss for the year	077	136.105.960	
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	14.532.303	14.197.080
1. Provisions for pensions, severance pay and similar liabilities	080	12.282.303	12.112.252
2. Provisions for tax liabilities	081		
3. Other provisions	082	2.250.000	2.084.828
C) LONG-TERM LIABILITIES (084 do 092)	083	62.222.222	80.000.000
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085		
3. Liabilities to banks and other financial institutions	086	62.222.222	80.000.000
4. Liabilities for advances	087		
5. Liabilities to suppliers	088		
6. Liabilities for securities	089		
7. Liabilities to companies with participating interest	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT-TERM LIABILITIES (094 do 105)	093	793.175.607	781.282.962
1. Liabilities to related companies	094		
2. Liabilities for loans, deposits and similar	095	44.000.000	12.000.000
3. Liabilities to banks and other financial institutions	096	310.017.961	295.722.222
4. Liabilities for advances	097	56.326.281	25.990.680
5. Liabilities to suppliers	098	335.739.131	331.944.083
6. Liabilities for securities	099	22.125.296	81.176.464
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	13.360.399	13.650.046
9. Liabilities for taxes, contributions and other payments	102	8.410.705	9.966.521
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	10.832.946
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	3.434.186	3.463.270
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.530.377.120	1.642.820.003
G) OFF BALANCE SHEET ITEMS	108	141.203.382	186.462.200
APPENDIX TO BALANCE SHEET (to be completed by companies that prepare consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Credited to parent company capital owners	109	657.012.802	763.876.691
2. Credited to minority interest	110		

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

PROFIT AND LOSS ACCOUNT
for the period 01.01.2011. to 31.12.2011.

GROUP PETROKEMIJA,d.d.					
Position	AOP code	Previous year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	2.266.949.824	756.837.420	2.948.347.687	709.619.375
1. Sales revenues	112	2.225.563.941	736.478.681	2.900.859.466	688.101.638
2. Other operating revenues	113	41.385.883	20.358.739	47.488.221	21.517.737
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.368.814.136	755.936.661	2.810.415.652	709.923.052
1. Changes in value of work in progress and finished products	115	-36.074.972	-18.929.272	-99.921.361	-59.457.862
2. Material costs (117 do 119)	116	1.977.808.038	645.361.417	2.485.225.745	671.326.626
a) Cost of raw and production materials	117	1.859.221.521	609.101.816	2.359.479.402	638.481.023
b) Cost of goods sold	118	20.215.148	3.274.181	9.355.617	2.784.821
c) Other external costs	119	98.371.369	32.985.420	116.390.726	30.060.782
3. Employees costs (121 do 123)	120	217.364.055	55.809.921	234.317.600	60.231.496
a) Net salaries and wages	121	136.891.390	35.316.872	146.963.099	37.764.983
b) Costs for taxes and contributions from salaries	122	48.635.517	12.318.018	53.029.909	13.652.675
c) Contributions on salaries	123	31.837.148	8.175.031	34.324.592	8.813.838
4. Depreciation	124	99.480.259	23.069.655	94.189.092	20.575.352
5. Other costs	125	84.612.605	26.225.925	87.132.072	25.477.944
6. Value adjustments (127+128)	126	9.907.662	8.682.526	4.975.285	4.612.277
a) of long-term assets (except for financial assets)	127	35.324	6.635	108.297	84.638
b) of short-term assets (except for financial assets)	128	9.872.338	8.675.891	4.866.988	4.527.639
7. Provisions	129	15.716.489	15.716.489	4.497.219	-12.842.781
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL REVENUES (132 do 136)	131	26.719.580	-3.509.990	24.614.144	5.084.405
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	26.719.580	-2.764.546	24.614.144	5.084.405
3. Part of revenue from associated companies and participating interests	134				
4. Unrealised gains (revenues) from financial assets	135		-745.444		
5. Other financial revenues	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	61.720.187	7.714.019	56.077.995	13.054.935
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	61.674.885	10.361.468	54.039.405	11.016.345
3. Unrealised losses (costs) from financial assets	140	45.302	-2.647.449	2.038.590	2.038.590
4. Other financial expenses	141				
V. PORTION IN PROFIT OF ASSOCIATED COMPANIES	142	942.790	942.790	80.474	80.474
VI. PORTION IN LOSS OF ASSOCIATED COMPANIES	143				
VII. EKSTRAORDINARY - OTHER REVENUES	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL REVENUES (111+131+142 + 144)	146	2.294.612.194	754.270.220	2.973.042.305	714.784.254
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.430.534.323	763.650.680	2.866.493.647	722.977.987
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-135.922.129	-9.380.460	106.548.658	-8.193.733
1. Profit before taxation (146-147)	149	0	0	106.548.658	0
2. Loss before taxation (147-146)	150	135.922.129	9.380.460	0	8.193.733
XII. PROFIT TAX	151	183.831	166.570	58.459	35.271
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-136.105.960	-9.547.030	106.490.199	-8.229.004
1. Profit for the period (149-151)	153	0	0	106.490.199	0
2. Loss for the period (151-148)	154	136.105.960	9.547.030	0	8.229.004

APPENDIX TO PLA (to be completed by companies that prepare consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	155	-136.105.960	-9.547.030	106.490.199	-8.229.004
2. Credited to minority interest	156				
STATEMENT OF COMPREHENSIVE INCOME (to be completed by company obligated to apply IFRS)					
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	-136.105.960	-9.547.030	106.490.199	-8.229.004
II. OTHER COMPREHENSIVE GAINS/LOSS BEFORE TAXES (159 do 165)	158	0	0	0	0
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				
III. TAX ON OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE GAINS OR LOSSES FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD (157+167)	168	-136.105.960	-9.547.030	106.490.199	-8.229.004
APPENDIX TO STATEMENT OF COMPREHENSIVE INCOME (to be completed by companies that prepare consolidated financial statements)					
VI. COMPREHENSIVE GAIN OR LOSS FOR THE PERIOD					
1. Credited to parent company capital owners	169	-136.105.960	-9.547.030	106.490.199	-8.229.004
2. Credited to minority interest	170				

CASH FLOW STATEMENT - Direct method

for the period 01.01.2011. to 31.12.2011.

GROUP PETROKEMIJA,d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
CASH FLOW FROM PERATIONG ACTIVITIES			
1. Cash increase from buyers	001	2.516.430.127	3.116.393.654
2. Cash increase from royalties, fees commissions and other	002		
3. Cash increase from insurance compensations	003	7.567.820	5.538.010
4. Cash increase from tax return	004	194.868.437	250.390.241
5. Other cash increase	005	7.150.142	7.348.958
I. Total increase of cash flow from operating activities (001 do 005)	006	2.726.016.526	3.379.670.863
1. Expenses to suppliers	007	2.359.506.367	2.959.086.260
2. Expenses for employees	008	245.470.345	269.722.252
3. Expenses for insurance compensations	009	12.555.826	15.347.627
4. Expenses for interest	010	24.675.288	29.431.695
5. Expenses for taxes	011	114.126.022	80.843.774
6. Other cash decrease	012	257.266.967	14.813.333
II. Total decrease in cash flow from operating activities (007 do 012)	013	3.013.600.815	3.369.244.941
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	0	10.425.922
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	287.584.289	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	016	17.343	53.628
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	369.664	1.322.680
5. Other cash proceeds from investing activities	020		
III. Total cash inflow from investing activities (016 do 020)	021	387.007	1.376.308
1. Cash outflow for acquisition of non-current tangible and intangible assets	022	18.341.054	39.941.196
2. Cash outflow for acquisition of equity and debt financial instruments	023	328.842	206.940
3. Other cash outflows from investing activities	024		
IV. Total cash outflow from investing activities (022 do 024)	025	18.669.896	40.148.136
B1) NET CASH FLOW FROM INVESTIN ACTIVITIES (021-025)	026	0	0
B2) NET CASH FLOW OUTFLOW FROM INVESTING ACTIVITIES (025-021)	027	18.282.889	38.771.828
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash infows from issuance of equity and debt financial instruments	028	21.664.539	81.110.800
2. Cash inflows from loan principals, debentures, credits and other borrowings	029	498.225.388	875.310.154
3. Other inflows from financial activities	030	309.966.111	243.798.919
V. Total cash inflow from financial activities (028 do 030)	031	829.856.038	1.200.219.873
1. Cash outflows for repayment of loan principal and bonds	032	357.730.025	903.828.114
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	402.456.198	280.919.391
VI. Total cash outflow for financial activities (032 do 036)	037	760.186.223	1.184.747.505
C1) NET CASH FLOW INCREASE FROM FINANCIAL ACTIVITIES (031-037)	038	69.669.815	15.472.368
C2) NET CASHFLOW DECREASE FROM FINANCIAL ACTIVITIES (037-031)	039	0	0
Total increase of cash flow (014 – 015 + 026 – 027 + 038 – 039)	040	0	0
Total decrease of cash flow (015 – 014 + 027 – 026 + 039 – 038)	041	236.197.363	12.873.538
Cash and cash equivalents at the begining of the period	042	30.452.095	25.795.002
Increase of cash and cash equivalents	043		
Decrease of cash adn cash equivalents	044	4.657.093	12.873.538
Cash and cash equivalents at the end of the period	045	25.795.002	12.921.464

STATEMENT OF CHANGES IN EQUITY

for the period from 01.01.2011.to 31.12.2011.

GROUP PETROKEMIJA, d.d.			
Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed 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	-244.715.098
5. Profit or loss for the year	005	-136.105.960	106.490.198
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		
10. Total capital and reserves (AOP 001 do 009)	010	657.012.802	763.876.690
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		
17. Total increase or decrease of capital (AOP 011 do 016)	017	0	0
17 a. Creadited to parent company capital owners	018	657.012.802	763.876.690
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.

NOTES

PETROKEMIJA GROUP

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

In 2011, Petrokemija Group had total actual income of HRK 2,973.0 million and total expense of HRK 2,866.5 million. The total yearly revenues increased by 29.6%, and total expenditures by 17.9% compared to 2010.

Greater actual operating income and expenses, compared to the previous year is the result of the growth of in- and output prices and change in volumes and product range in output and sales (10.1% higher sales of NPK fertilizers; 13.4% lower sales of CAN). In 2011, Petrokemija's actual production and sales were approximately the same as in the year before - total fertilizer production was up by 0.3% and the sales were down by 0.6%.

In 2011, Petrokemija Group reported HRK 106.5 million in business profits, which is by HRK 242.6 million a better result on the previous year, when the reported loss was HRK 136.1 million. The EBITDA indicator (earnings before interest, taxes, depreciation and amortization) is HRK 232.1 million in the positive. In 2010, EBITDA was HRK 2.4 million in the negative.

The data show that the growth of income and expense was the result of significant increase of in- and output prices and partly of change in product range both in production and sales, while the total volumes were nearly the same. The actual yearly profit is the result of increased sales in the period of more favorable sales price in the world market – the prices fluctuated over the year - while it is partly due to positive effects of time difference in the growth of in- and output prices.

As a reflection of global trends in the 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 first quarter of 2012, the price of gas will reach its maximum, if there are no critical changes in the price of fuel oil in world markets and growth of USD exchange rate.

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

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

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

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

CHANGE OF ACCOUNTING POLICIES

In line with Article 13, pt. 2, of the Accounting Act and International Accounting Standard 27, Consolidated and Separate Financial Statements, investments into daughter companies in 100% ownership of Petrokemija, Plc. is accounted by the cost method.

As the Company booked the investment by equity accounting method, on 31 December 2011, upon a decision of the Board, a correction of the share to the value of initial investment cost was carried out.

The effect of this change in Accounting Policy has no significant impact on reported financial result of Petrokemija, Plc. and Petrokemija Group and they amount to HRK 1.8 million.