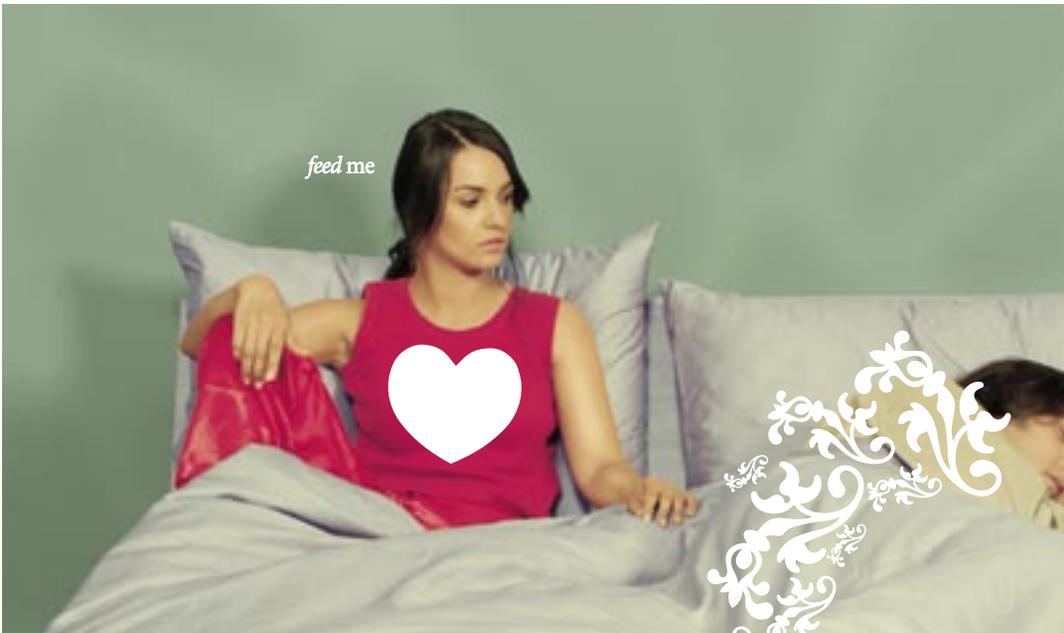




Company
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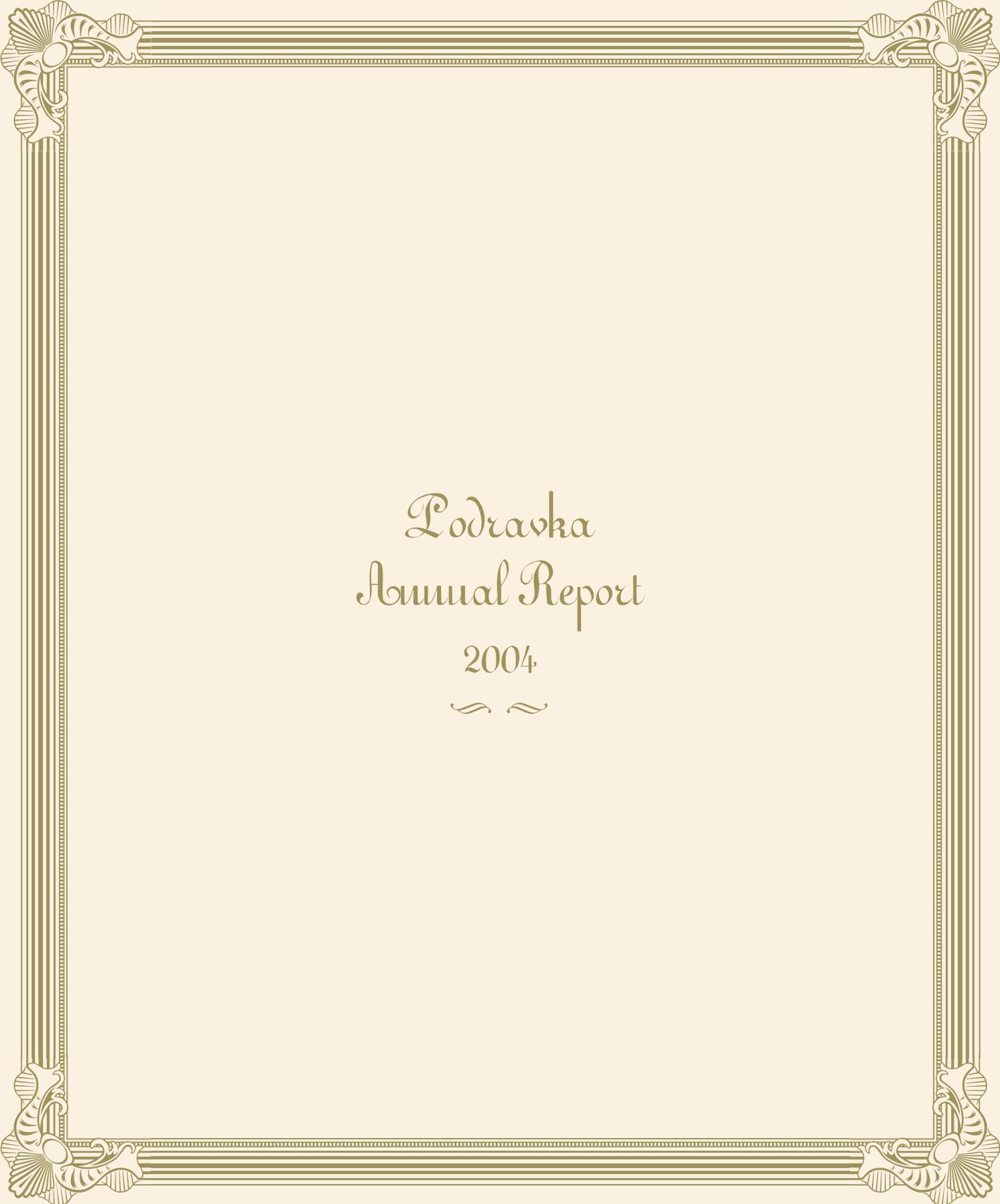
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Lodravka
Annual Report

2004





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*Consolidated Financial Statements
31 December 2004*

Vision

To be the leading food company in knowledge, consumer relations and revenues among companies based in the region of Southeast, Central and Eastern Europe, as well as a pharmaceutical company which achieves more through a distinctive partnership approach.

MISSION

To create high-quality branded products that win the trust of clients and consumers.

Dear Shareholders, for Podravka, the year 2004 was a year of stabilisation and consolidation on one hand and creation of assumptions leading to further improvement of business operations and processes on the other hand. Our total revenue in the year 2004 was 3.4 billion HRK which is an increase of nearly three percent compared to the year before. Organic growth was achieved in the amount of one percent meaning that our growth progressed at somewhat lower rates than in the previous year, but we believe that there is enough potential for further growth in the future period.

It is important to mention the fact that we grew on the Croatian market (1%) as well as on international markets (4%). Such growth rate is consistent and reflects both the market and market circumstances in which we operate. Namely, the preceding year was marked by two events that also had effect on our business. The European Union expanded by some ten new countries, among which Central European countries, where Podravka achieves significant revenue joined the Union - Poland, the Czech Republic, Slovakia, Hungary, Slovenia, and the Baltic States. We encountered this situation well prepared and despite the drop of buying power, which had been expected immediately following the entry of new members, we achieved a growth of two percent on Central European markets. Here we must say that operations in Poland, one of our largest foreign markets, have completely stabilized. Problems which left an impact on last year's results were solved, the Vegeta plant in the Polish Kostrzyn was kept, while the Vegeta manufacturing plant in Hungary had to be closed. Namely, after new countries joined the European Union, it was no longer necessary or profitable to continue the production of Vegeta in these two countries.

Last year, due to extremely poor weather conditions and strong competition our sales of water dropped.

We realised net profit of 84.2 million HRK in the year 2004. However, the operational profit (EBIT) was 154.3 million HRK (growth of 38 percent compared to the year before), while the EBITDA margin for 2004 was 11.7 percent, which is an increase of 119.2 bp, and we are confident in its long-term stability. Earnings per share were 15.97 Kunas.

The year 2004 was marked by the company reorganisation. In order to improve and increase efficiency we introduced a new organisation no longer based on eight strategic business units. The new organisation defines three strategic business areas (SBA) within the Podravka Group: SBA Food and Beverages, which covers the majority of the Group's total revenue with a share of over 80 percent, SBA Pharmaceuticals, which through Belupo d.d. creates 18 percent of the revenue, and SBA Services. The new organisation has 29 sectors, services responsible to the Management Board, and offices of the President of the Management Board and Board members. The main purpose of these organisational changes is to highlight the significance of key business processes, primarily those oriented towards customers and consumers, to increase business efficiency, remove organisational "layers" and establish horizontal communication within the company. The reorganisation process started in the second half of 2004, but taken the size and diversity of Podravka, this is a long-term and complex process that has continued in the year 2005.

We have continued the investment cycle in the total amount of 131.4 million HRK. A new plant for solid and semi-solid drugs opened in Belupo d.d., which was necessary in order to modernize the business processes and enable a significant move into foreign markets.

We are very proud of the 2% growth achieved by our strongest brand Vegeta. Vegeta holds 20 percent of the total revenue with sales in the amount of 656 million HRK. Awards received in the year 2004 only confirm its quality. The award "Superbrand Polska" was given by consumers and media representatives in Poland and Vegeta found itself among renowned multinational companies. Hence more, research conducted by the agency Young & Rubicam proclaimed Vegeta the third brand with the highest growth potential in that country.

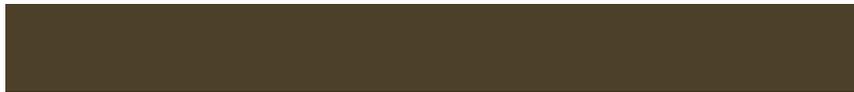
Our program of taking care of redundant labour continued and last year a total of 252 employees left the company. I would like to take the opportunity to thank those employees who had made their contribution in the growth and development of Podravka and its values.

Finally, I would like to stress that we have not given up on further education of our employees. We have often repeated that alongside high quality product brands they are our greatest asset. Therefore, we are satisfied that the program of ПОМАК (Podravka's Management Academy) has continued and moreover, refreshed and improved by cooperation with the Leeds Metropolitan University and that the first managers have already received their diplomas. Investment in knowledge is something we have long ago recognised as the most worthwhile investment and in this segment Podravka is certainly among the region leaders. Among other things, we brought a new vision in 2004, which states: "To be the leading food company in knowledge, customer relations and revenue among companies with headquarters in the region of South-eastern, Central and Eastern Europe, and to be the pharmaceutical company that with a recognizable partnership approach achieves more".

Dear shareholders, I am certain that such vision will not remain a dead letter, but that we will with joint efforts and full accountability achieve even better results which Podravka undoubtedly deserves.



DARKO MARINAC
PRESIDENT OF THE MANAGEMENT
BOARD PODRAVKA D.D.



**A COMPANY
MUST FULFILL
CUSTOMER
DEMANDS,
SHAREHOLDER
EXPECTATIONS,
EMPLOYEE
NEEDS, AND
COMMUNITY
OBLIGATIONS.**

Duck with mlinci

Place it on the baking dish, pour with hot oil, cover with aluminum foil and bake at 220°C for about 1 hour. Take out the baking dish with duck, remove a part of grease and keep on baking without the foil at 200°C for 15 minutes and then lower the temperature to 180°C and leave it for about 1 hour (if necessary the temperature can be lowered to 150°C). While baking pour lukewarm water under the duck. Break mlinci to pieces and put them into boiling water. When the water boils again, strain mlinci, place them on the baking dish pour over with cooking grease. Stir and bake for 5-10 minutes.

~
1 duck (about 2 kg) / 0,5 dl oil
salt / 1 tbs grated red pepper
1 tbs Vegeta. Smear the clean and washed duck inside and outside with a mixture of salt, pepper and Vegeta.

Vegeta The business year was marked by the celebration of the 45th anniversary of Vegeta, the product that is today a household name for universal seasoning in over forty countries, worldwide. Another reason for additional satisfaction was that the Vegeta sales crises from the year before had been prevailed and a total sales growth of two percent was recorded. This unique culinary invention of prof. Zlata Bartl is responsible for 20 percent of the total revenue of the Podravka Group. A more important detail is that 80 percent of the total production of Vegeta is sold on international markets.

Research, conducted by independent agencies, showed that the Vegeta brand was declared the strongest and most famous brand in Croatia and South-eastern Europe in the year 2004 and winner of the “Superbrand” award in Poland and Hungary. In Poland, on the grounds of an extensive research conducted by the agency Young & Rubicam, it was also proclaimed the brand with a great growth potential in that country, jumping from 26th place in 2001 to the third position. Numerous renowned multinational brands were left behind, opening new sales opportunities for Podravka’s seasoning, Vegeta.

Podravka Dishes Substantially, sales success lies in recognising and respecting local and regional tastes, so Podravka Dishes continues to expand its product range of high quality and convenient products leaving at the same time enough space for culinary imagination. The entire product range consists of 230 different products tailored to the needs of customers in 37 countries, worldwide. The realised revenue in 2004, based largely on export, amounted to 6.7 percent of the total revenue of the Podravka Group.

The business program of Podravka Dishes includes Podravka soups in bags and bouillon cubes, instant Fini-Mini soups, special seasoning mix supplements Fant/Fix/Fantastic, half prepared and instant meals based on noodles with sauces and risotto Talianetta, Podravka milk rice, the foodservice (gastro) assortment of soups, bouillon, stock, Fant products and food supplements, Spaghetti Milanese and Aji-shio.

The majority of promotional activities, especially on the markets of Croatia and South-eastern Europe, continue to be focused on strengthening the image of Podravka and Fant brands as well as the awareness of the Talianetta and Fini-Mini brands. Customers can learn about various possibilities of using these products through recipes printed on the packaging and in recipe booklets.

Dolcela, Kviki, Mill and Bakery Products Despite severe competition, Dolcela and Kviki remain the leaders in their category in Croatia. Mill and Bakery Products achieved an increase in revenue of a large 35 percent in the year 2004. Together they make 6.6 percent of the total revenue of the Podravka Group. Marketing activities related to the Dolcela and Mill and Bakery Program conducted during Christmas and Easter holidays have been extremely well accepted by customers which has proven their market value. The Kviki product range has also expanded by two new products: Kviki sticks and Kviki flips balls.

Fruit and Tea In the far 1934 Podravka started developing as a jam factory in the ownership of the brothers Wolf. Fruit processing has, therefore, been a tradition which the current company does not wish to give up, although the share in the total revenue of the Podravka Group has fallen to only 2.1 percent. However, the year 2004 recorded a two percent sales growth of fruit and tea. Awards that confirm the innovativeness of Podravka’s experts in this product category are worth mentioning. Podravka’s Green Tea received

a medal for quality at the Zagreb Trade Fair and Rooibos Tea became the champion of quality. Apart from this, Podravka has been granted the right to carry the label “Croatian Creation” on its plum spread (powidl) packing as a sign of long-term outstanding quality and awareness by generations of customers.

Lino Baby Food Lino products are also the leaders in the baby food category. Their share in the total revenue of the company is 4.3 percent. The marketing approach of the Lino program is specific because of its traditional campaign where all consumers receive Lino calendars for children. During the year 2004, this prize competition was expanded to other South-eastern markets: Slovenia, Serbia and Montenegro, Bosnia and Herzegovina, Macedonia and Kosovo, and calendars were printed in the respective native languages.

Vegetables and Condiments Every year Podravka expands its circle of suppliers of different vegetables and provides assistance in technological equipment, which in return produces a gradual market increase. In the year 2004, there was a three percent growth so this product category reached 4.5 percent of the total revenue of the Podravka Group.

As far as new products are concerned, the assortment of Tomato Sauces has been supplemented by Pizza Sauce which due to its global popularity has already shown full justification. Sauces and side dishes, in a blue design resembling the Adriatic Sea, were successfully launched on the Czech market. They have also been exceptionally well accepted on the markets of Macedonia, Bosnia and Herzegovina and Montenegro. Large communication campaigns were conducted on the Croatian market, from TV-spots and TV-shows to internet presentations, consumer telephone lines and tastings at point of sales premises for Tomato Sauces under the slogan “A Perfect Match” and for Vegetable Side Dishes under the slogan “Details are Important”. Awards were received at the Zenica Food Fair: Gold medal for Salsa and Silver medal for Relish.

Beverages After the Beverage segment due to investments in production capacities in the year 2003 recorded the highest growth, a 15 percent drop of sales followed last year. Reasons for this were unfavourable climate conditions and strong penetration of competition onto the Croatian market. However, Beverages continue to enjoy a remarkable share in the total revenue of the Podravka Group of 5.1 percent.

During 2004, the product range was expanded by three new products. The current assortment of aromatised Studena with lemon, green apple, peach and apple flavours has been supplemented by Studena Sport Plus, full of vitamins and minerals. A novelty is Cranberry Ice Tea, and, in the range of mineral waters, low carbonated Studenac Light.

Podravka’s Meat Industry Although trends on the Croatian market of meat and meat products are in general unfavourable, and export is faced with a number of limitations, Podravka’s meat industry recorded a one percent increase of revenue in the year 2004. Meat and meat products cover an 8.2 share in the total revenue of the Podravka Group.

In the previous year, the product range was expanded by products based on poultry meat which received some valuable awards. The Croatian Chamber of Commerce awarded the product Tea Salami in the

Stuffed celery

Clean celery and cook it in salted water where you added lemon juice about 20 minutes. Take it out of water and cut it into halves, scoop out every half and fill with stuffing. Stuffing: stew the meat on butter and cool it. Add Fant seasoning for stuffed peppers and cabbage prepared in lukewarm water, grated apple and grated nutmeg. Fill the celery with the stuffing and place it into a casserole dish, pour over sour cream in which you stirred the yolk. Bake it in a preheated oven at 200°C. Decorate with slices of tomato and chopped parsley.

4 big celeries / juice of 1 lemon
salt / Stuffing: 30 dg mincemeat

1 bag Fant seasoning for
stuffed peppers and cabbage
6 dg butter / 5 dl lukewarm water
nutmeg / 1 apple / 30 dl sour
cream / 1 yolk.

category “Croatian Quality” and granted Beef Goulash the right to hold the title “Croatian Creation”. At the Bosnia and Herzegovina Food Fair in Zenica a silver medal was awarded to Beef Goulash of 400 grams, Beef Luncheon Meat of 200 grams, Meat Ragout of 200 grams and Turkey Luncheon Meat of 200 grams. Four awards were received at the Slovenian Fair in Gornja Radgona. Beef Goulash of 400 grams and Tea Patty of 100 grams received a silver medal and Leo Chicken Patty of 100 grams and Meat Ragout of 200 grams received bronze medals. Podravka’s meat industry was one of three Croatian meat industries that were granted a permit from the American inspection to continue exporting its products to the American market under the number HR 139. It has been confirmed that Podravka’s products also meet the highest food safety and quality standards of America.

Belupo It is difficult to recall a year in which the Croatian pharmaceutical industry faced more problems than in 2004, from reducing the prices of drugs to extreme payment delays to wholesale pharmacies. Despite this, Belupo finished the business year with a growth of four percent and a share in the total revenue of the Podravka Group of 18 percent. One of the reasons for good business is the registration of even eight new products in 24 forms and doses. These are six psychopharmacs: Misar (alprazolam), Katena (gabapentin), Calixta (mirtazapin), Arvind (lamotrigin), Vaira (olanzapin) and Halea (sertraline) and the antirheumatic Movalis (meloxicam) and dermatic Zorac (tazaroten). In the year 2004, Belupo made many investments. In June, a new plant for semi-solid and liquid drugs opened whose construction and equipping cost 10 million Euro. A new building for Control and Quality Assurance, in the value of five million Kunas, is under construction and its opening is planned for the middle of 2005.

Due to ambitious export plans the network of representation offices abroad has spread, accordingly. Apart from the current seven offices in Central and South-eastern Europe and two daughter companies in Slovenia and Slovakia, a representation office for Kosovo opened in 2004 with headquarters in Priština.

Belupo was granted the symbol “Croatian Quality” for antihypertension drugs Iruimed and Iruzid, and for “I.touch” cosmetics it was awarded the best corporate web site in the Vidi Web 100 competition.

Employees Are Our Most Valuable Asset In its strategy, Podravka has defined knowledge and employees as the sources of competitive advantage. Therefore, investment in human resources and new knowledge are Podravka’s greatest investment in the future. This is the reason for which we have established cooperation with the Faculty of Economics in Zagreb and the Leeds Metropolitan University which has resulted in the program called Professional Diploma in Retailing Management. This is a standard university program of the University of Leeds, organised for four groups of participants. The first generation of some thirty Podravka managers attended the first 18 month course in English. After completing the program the participants gain a diploma recognised by all European educational systems. Podravka’s Management Academy (ПОМАК), organised earlier and consisting of module FBA and Leader, was completed by 46 participants. Lecturers were Croatian and foreign university professors and economy experts.

It is worth mentioning that in the year 2004 there were four Podravka employees studying for the degree of Doctor of Science, 67 Masters of Science, 20 undergraduate students and 56 at the two year post-secondary school level, while 69 Podravka employees attended foreign language courses.

The Podravka Group in the Year 2004

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1. Increase of sales by 2.4% - realised sales of 3,3 billion HRK
2. Increase of domestic sales by 1%
3. Increase of sales on foreign markets by 4%
4. EBITDA margin for 2004 amounts to 11.7% which is an increase of 119.2 bp compared to 2003
5. EBIT for 2004 amounts to 154.3 million HRK, respectively, a growth of 38% compared to 2003
6. Realised net profit in the amount of 84.2 million HRK
7. During 2004 a total of 252 employees underwent the program for taking care of redundant labour
8. Bond issue in the amount of 27 million Euro with maturity in 2007
9. Opening of the new plant for solid and semi-sold drugs - Belupo d.d.
10. New organisation structure of Podravka d.d. adopted
11. Vegeta plant in Mohacs closed
12. Buy up of 50% share of Cerere in Podravka International Bratislava
13. Investment cycle continued - investments in 2004 amounted to 131.4 million HRK
14. Contract signed with Unilever for exclusive distribution of ice-cream on the territory of Croatia
15. Vegeta among the first three product brands with the highest growth potential on the Polish market - according to research by the agency Young & Rubicam

Podravka Group Business Results for the Year 2004 The total revenue of the Podravka Group realised in the year 2004 amounts to 3.4 billion HRK which is 3% higher than in the year 2003. The total revenue structure consists of 96.5% of sales revenue, 2.5% financial income and 1.0% other income.

<i>in million HRK</i>	2004		2003		Index 2:4
	Amount	%	Amount	%	
Sales	3,294.9	96.5	3,217.7	96.9	102
Financial income	85.1	2.5	71.1	2.1	120
Other income	34.3	1.0	31.3	0.9	109
Total income	3,414.3	100.0	3,320.1	100.0	103

Sales Revenue In the year 2004, the Podravka Group achieved sales revenue in the amount of 3,3 billion HRK, which is 2.4% more than in the year 2003. Sales revenue on the domestic market was realised in the amount of 1.8 billion HRK and is 1.2% more than in the previous year. Foreign markets produced sales revenue in the amount of 1,5 billion HRK, recording an increase of 4%.

<i>in million HRK</i>	2004		2003		Index 2:4
	Amount	%	Amount	%	
Domestic market	1,769.1	53.7	1,748.2	54.3	101
Foreign market	1,525.8	46.3	1,469.5	45.7	104
Total	3,294.9	100.0	3,217.7	100.0	102

Sekeli goulash

Fry well cut meat on oil, add chopped onions and fry all together. Salt a little, season with grated red pepper and add pickled cabbage, bay leaves, a few blueberries, pepper and Vegeta. Stir all and stew, occasionally pour some water. When the cabbage is soft, add sour cream and cook. Serve with boiled salted potatoes.

60 dg pork from ribs / 4 tbs oil / 2 onions / 75 dg pickled cabbage / 1 tbs grated red pepper / bay leaves / blueberries / salt / pepper / 1 dl sour cream / 1 tbs Vegeta

Sales per Segments The new organisation adopted in September 2004 defined three strategic business areas (SBA): Food and Beverages, Pharmaceuticals and Services.

	2004		2003		Index 2:4
	Amount	%	Amount	%	
Food and Beverages	2,688.9	81.6	2,630.2	81.7	102
Pharmaceuticals	594.7	18.0	572.8	17.8	104
Services	11.4	0.3	14.7	0.5	78
Total	3,294.9	100.0	3,217.7	100.0	102

The sales structure of the Podravka Group in 2004 consisted of 81.6% Food and Beverages (of which 21% are commercial goods), 18.0% Pharmaceuticals and 0.3% Services.

Sales per Product Group

	2004		2003		Index 2:4
	Amount	%	Amount	%	
<i>in million HRK</i>					
Vegeta - food supplements	656.2	19.9	642.0	20.0	102
Podravka Dishes	221.0	6.7	222.8	6.9	99
Baby Food	142.9	4.3	148.5	4.6	96
Sweets and Snacks	127.7	3.9	127.3	4.0	100
Fruit and Tea	68.2	2.1	67.1	2.1	102
Vegetables and Condiments	149.1	4.5	144.4	4.5	103
Meat and Meat Products	271.2	8.2	269.8	8.4	101
Mill and Bakery Products	88.3	2.7	65.3	2.0	135
Rice, Legumes & Other	177.6	5.4	179.3	5.6	99
Frozen Food	17.8	0.5	12.1	0.4	148
Commercial Goods	574.6	17.4	523.2	16.3	110
Beverages	165.7	5.0	195.4	6.1	85
Pharmaceuticals	594.7	18.0	572.8	17.8	104
Services	11.4	0.3	14.7	0.5	78
Other	28.4	0.9	33.1	1.0	86
Total	3,294.9	100.0	3,217.7	100.0	102

Examined per product group the highest sales growth was achieved in the category of frozen food (48%), mill and bakery products (35%), commercial goods (10%) and Vegeta (2%). Beverages recorded a 15% drop.

Sales per Markets

<i>in million HRK</i>	2004		2003		Index 2:4
	Amount	%	Amount	%	
Croatia	1,769.1	53.7	1,748.2	54.3	101
South-eastern Europe	723.0	21.9	687.2	21.4	105
Central Europe	487.8	14.8	480.3	14.9	102
Western Europe, Overseas Countries, Orient	201.3	6.1	185.8	5.8	108
Eastern Europe	113.8	3.5	116.2	3.6	98
Total	3,294.9	100.0	3,217.7	100.0	102

Sales on the Croatian market grew by 1%, while on the markets of South-eastern Europe a 5% growth was recorded.

The market of Central Europe recorded a sales growth of 2% compared to the year 2003 with stable business operations in Poland.

The sales on the markets of Western Europe, Overseas Countries and Orient were 8% higher compared to the year 2003.

Sales on the markets of Eastern Europe were 2% lower compared to 2003. The unfavourable exchange rate of the American dollar had the highest impact on the drop of revenue.

Sales on the Domestic Market per Product Group

<i>in million HRK</i>	2004		2003		Index 2:4
	Amount	%	Amount	%	
Vegeta - food supplements	143.1	8.1	138.8	7.9	103
Podravka Dishes	83.6	4.7	84.6	4.8	99
Baby Food	84.5	4.8	85.1	4.9	99
Sweets and Snacks	71.4	4.0	68.8	3.9	104
Fruit and Tea	51.4	2.9	52.4	3.0	98
Vegetables and Condiments	115.9	6.5	114.5	6.6	101
Meat and Meat Products	204.7	11.6	204.8	11.7	100
Mill and Bakery Products	87.5	4.9	65.2	3.7	134
Rice, Legumes & Other	1.1	0.1	0.5	0.0	223
Frozen Food	17.8	1.0	11.9	0.7	149
Commercial Goods	235.5	13.3	214.3	12.3	110
Beverages	159.2	9.0	190.5	10.9	84
Pharmaceuticals	482.3	27.3	480.0	27.5	100
Services	11.4	0.6	14.7	0.8	78
Other	19.7	1.1	22.2	1.3	89
Total	1,769.1	100.0	1,748.2	100.0	101

The growth of sales on the domestic market was achieved by: Vegeta - food supplements (3%), sweets and snacks (4%), commercial goods (10%), frozen food (49%), mill and bakery products (34%) and vegetables and condiments (1%).

A significant drop in sales was recorded in the category of beverages (16%) which results from poor weather conditions during the season and strong penetration of competition into this category.

Fried shrimps

Dry the tails of shrimps well, roll into flour, dip into stirred up eggs and fry 3-4 minutes in deep frying oil. Serve thus prepared shrimps with boiled rice and sauce. For sauce mix mayonnaise with sour cream, season with salt, pepper, and add chopped parsley, capers and gherkins.

50 dg clean tails of shrimps
2 eggs / salt / parsley
1 lemon / flour / frying oil.
Sauce: 10 dl mayonnaise / 20 dl sour cream / parsley / salt pepper / 1 tsp capers / 1-2 pickled gherkins.

Costs / Expenses The total expenses in the year 2004 amounted to 3,3 billion HRK which is 1% more than in the year 2003. The structure of expenses consisted of costs of sold products with 60.0%, costs of sales 25.6%, general and administrative costs 10.2% and financial expenses 4.1% of the total expenses.

Expense / Cost Structure

<i>in million HRK</i>	2004		2003		Index 2:4
	Amount	%	Amount	%	
Costs of sold products	1,988.4	60.0	1,968.5	59.9	101
Costs of sales and distribution	849.0	25.6	826.9	25.1	103
General & administrative costs	337.6	10.2	341.6	10.4	99
Financial expenses	136.8	4.1	151.1	4.6	91
<i>Total</i>	3,311.7	100.0	3,288.1	100.0	101

Profitability On the grounds of sales in the amount of 3,29 billion HRK and the disclosed expenses, the Podravka Group achieved in the year 2004 net profit in the amount of 84 million HRK. The basic earning per share was 15.97 HRK, while in 2003 it was -0.16 HRK. Return on the ownership capital in the year 2004 was 4.5% while in 2003 it was 2.4%. Return on the total property in 2004 was 2.5% while in 2003 it was 1.2%.

<i>in million HRK</i>	2004		2003		Index 2:4
	Amount	%	Amount	%	
Sales	3,294.9	100.0	3,217.7	100.0	102
Gross profit	1,306.6	39.7	1,249.2	38.8	105
EBITDA	384.2	11.7	336.8	10.5	114
EBIT	154.3	4.7	112.0	3.5	138
Net profit	84.2	2.6	10.0	0.3	846

2004 Podravka Group Business Key Indicators

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	2004	2003
Total business revenue (million HRK)	3,329.3	3,249.0
% of change	2	
Total sales (million HRK)	3,294.9	3,217.7
% of change	2	
Sales revenue Croatia (million HRK)	1,769.1	1,748.8
% of change	1	
Sales revenue abroad (million HRK)	1,525.8	1,469.5
% of change	4	
EBIT (earnings before interest and tax) (million HRK)	154.3	112.0
% of change	38	
EBITDA (million HRK)	384.2	336.8
% of change	15	
Net earnings (million HRK)	84.2	10.0
% of change	746	
EPS (earnings per regular share)	16.0	-0.2
% of change		
Total assets (million HRK)	3,416.5	3,494.0
% of change	-2	
Capital and reserve (equity) (million HRK)	1,879.4	1,780.1
% of change	6	
Cash flow (million HRK)	116.1	139.6
% of change	-17	
Number of employees	7,283	7,376
% of change	1	
Net earnings / number of employees (000 HRK)	11.6	1.4
% of change	757	
ROE (return on equity)	4.5	0.6
% of change	650	
Total investments (million HRK)	118.6	261.8
% of change	-55	



3.3

3.3 billion HRK ~ realised sales



2.4

2.4% ~ increase of sales



84.2

84.2 million HRK ~ realised net profit

11.7

11.7% ~ EBITDA margin for 2004



38

38% ~ EBIT growth compared to 2003



131.4

131.4 million HRK ~ investments in 2004

Jelačić slices

Mix yolks and sugar foamy, add cocoa powder and ground walnuts. Gently add whipped egg-whites. Bake in straight-sided pan for 20 minutes at 180°C. Cool the shortcake and cut in half lengthways. Boil milk, melt chocolate on steam, add to milk. Cool well and combine with whipped cream.

Smear a shortcake slice with half the cream, put the other slice on cream. With the rest of cream smear the cake surface, coat with chocolate glaze. Refrigerate and cut into slices.

18 dg sugar / 18 dg walnuts
9 dg cocoa powder / 6 yolks
6 egg-whites. Cream: 1 dl milk
35 dg chocolate / 2 dl cream
chocolate glaze.

Podravka Stock Trade for the Year 2004

TURNOVER

Podravka stock listed in the Official Quotation of the Zagreb Stock Exchange realised a turnover of 266,425,146.47 HRK with a trade volume of 1,340,612 shares in the year 2004, which is a 130.7 million HRK (+96.2%) higher turnover compared to the year 2003. The most intensive stock trade was recorded in October and November. In October 235,008 shares were traded in the value of 49,942,478 HRK, while in November it was 50,241,318 HRK with a trade volume of 228,186 shares.

Table 1 shows the comparison of the quarterly turnover of Podravka stock in 2004 and 2003. During the year 2004 the highest quarterly turnover of Podravka stock was achieved in the fourth quarter making 46% of the total turnover of 2004.

TABLE 1 - TRADE OF PODRAVKA D.D. STOCK

Turnover per quarter	2004	2003	2004/2003		
Period	Turnover HRK	Volume	Turnover HRK	Volume	Turnover %
I quarter	37,695,961	222,125	39,244,074	196,297	-4%
II quarter	43,052,296	238,776	25,162,432	135,827	71%
III quarter	62,411,913	312,827	41,321,360	232,536	51%
IV quarter	123,264,976	566,884	30,031,517	171,315	310%
	266,425,146	1,340,612	135,759,382	735,975	96%

PRICE

The price of Podravka stock ranged from 162.00 HRK (March) up to 239.00 HRK (December) during the year 2004. The last price in December 2004 was 239.00 HRK which is a 40% higher value compared to the same period in 2003. The price increase at annual level is mainly the result of overall trends on the Croatian capital market.

TABLE 2 - PRICE REVIEW FOR THE PERIOD 1998 - 2004

at 31.12.	1998	1999	2000	2001	2002	2003	2004
Highest (HRK)	201.0	106.0	185.0	175.0	246.0	215.0	239.0
Lowest (HRK)	73.0	60.0	89.0	140.0	153.0	163.0	162.0
Last (HRK)	100.0	89.0	155.0	153.0	206.0	171.0	239.0
CROBEX (point)	711.6	715.3	890.0	1034.7	1172.6	1185.1	1565.8

MARKET CAPITALISATION

Market capitalisation increased due to the increase in the price of Podravka stock in average by 70 million HRK compared to the year 2003, respectively, by 7% (annual average for 2004 was 1,048 Million HRK compared to the 2003 average of 978.2 million HRK). The market capitalisation share of Podravka in the total market capitalisation of all stock listed at the Zagreb Stock exchange was 2.1% which is below the limits of the previous year's trends.

TABLE 3 - PODRAVKA'S SHARE IN THE TOTAL MARKET CAPITALISATION OF THE ZAGREB STOCK EXCHANGE

in million HRK	1998	1999	2000	2001	2002	2003	2004
Podravka	541	481	838	827	1.114	925	1.295
ZSE Shares	18.276	19.225	22.179	25.816	28.320	37.131	61.734
% Podravka at ZSE	3,0%	2,5%	3,8%	3,2%	3,9%	2,5%	2,1%

COMPARISON OF INDICATORS WITH THE YEAR 2003

The basic earning per share was 15,97 HRK in 2004 which represents a recovery from 2003 and return to the level of two years ago (EPS in 2002 was 16,76 HRK). The trade rate of 20.6% shows high liquidity of Podravka stock and a shift compared to the year 2003 when it was 14.6%.

TABLE 4 - PODRAVKA STOCK DURING A SIX YEAR PERIOD

<i>in million HRK</i>	1998	1999	2000	2001	2002	2003	2004
No. of regular shares	5.406.696	5.406.696	5.406.696	5.406.696	5.406.696	5.410.404	5.420.003
Last price	100	89	154,99	153	206	171	239
Market capitalisation	540,7	481,2	838,0	827,2	1.113,8	925,2	1.295,4
EPS*	12,6	3,9	12,2	7,83	16,76	-0,16	15,97
P/E	7,9	22,9	12,71	19,55	12,29	-	14,97
Trade rate**	12,40%	3,00%	11,10%	16,20%	18,30%	14,60%	20,60%
Dividends	-	3	-	-	6	-	5***
P/BV	0,3	0,3	0,42	0,43	0,55	0,52	0,69

* Basic EPS calculated as the ratio of net profit reduced for dividends and the average number of regular shares

** Trade and market capitalisation ratio

*** According to the confirmed Supervisory Board proposal of 9 May 2005 but not yet confirmed by the General Assembly

CROBEX

CROBEX achieved an annual value growth of 32%. CROBEX was at the level of 1,185,1 points at the end of December 2003 to reach the level of 1,565,8 points in December 2004.

TABLE 5 - COMPARISON OF PODRAVKA STOCK PRICE AND CROBEX

at 31.12.	1998	1999	2000	2001	2002	2003	2004
Podravka - last price	100	89	154,99	153	206	171	239
CROBEX - value	711,6	715,3	890	1.034,70	1.172,60	1.185,10	1.565,80

ANALYST RECOMMENDATION

RBA - recommendation HOLD

ERSTE - recommendation ACCUMULATE

HYPO-ALPE ADRIA BANK - recommendation HOLD

FIMA - recommendation HOLD

Chicken fillets

Grind the chicken meat and stir with grated sweet red pepper. Add bread crumbs, salt, eggs, Vegeta, pepper, grated nutmeg, cream, flour and melted butter.

Stir all well, shape the fillets and fry on hot oil. Before frying roll the fillets into flour, eggs and bread crumbs.

50 dg chicken fillets / 2 eggs
3 tbs bread crumbs / salt pepper / grated sweet red pepper / nutmeg / 1.5 dl cream / 2 tbs flour / 4 dg butter / 4 tbs oil
1 tbs Vegeta



BOŽO PRKA, M. SC.
PRESIDENT OF THE SUPERVISORY BOARD

On the grounds of Article 263, item 3, Article 280, item 3 and Article 300 c of the Company Act, the Supervisory Board of PODRAVKA D.D. has on its 19th session held on 10 May 2005, adopted the

Report of the Podravka d.d. the Supervisory Board on the supervision of business affairs in the year 2004. This report covers the period from 1 January 2004 till 31 December 2004. The Supervisory Board of PODRAVKA D.D. (hereinafter referred to as: Supervisory Board), in compliance with the authority established by the Company Act, the Articles of Association of PODRAVKA D.D. and the Supervisory Board Rules of Procedure has continuously supervised the business affairs of PODRAVKA D.D. during the year 2004, making decisions and conclusions on five sessions that were held in 2004. In the process of supervising the business affairs of PODRAVKA D.D. the Supervisory Board during the year 2004 observed the Management Board's reports concerning business affairs for the following periods: January - March 2004, January - June 2004, January - September 2004, January - October 2004, and accepted the Strategy of the Podravka Group for the period 2005 - 2008. In the period from 1 January 2004 till 20 April 2004, the Supervisory Board consisted of the following members: Božo Prka, Marko Ećimović, Marijan Cingula, Josip Friščić, Barica Macan, Zvonimir Mršić, Darko Ostoja and Đuro Zalar. In the period from 20 April 2004 till 16 July 2004, the Supervisory Board consisted of the following members: Božo Prka, Marko Ećimović, Marijan Cingula, Boris Hmelina, Barica Macan, Franjo Maletić, Darko Ostoja and Đuro Zalar. In the period from 16 July 2004 till 31 December 2004, the Supervisory Board consisted of the following members: Božo Prka, Marko Ećimović, Milan Artuković, Marijan Cingula, Goran Gazivoda, Boris Hmelina, Ksenija Horvat, Barica Macan, Franjo Maletić, Darko Ostoja and Đuro Zalar.

Based on the insight the management of business affairs of PODRAVKA D.D. the Supervisory Board established that PODRAVKA D.D. acted in compliance to all laws, PODRAVKA D.D. acts and decisions of the General Assembly in the year 2004. The Supervisory Board examined the report of the auditors PricewaterhouseCoopers d.o.o. Zagreb, Alexander von Humboldtta 4, who had reviewed the financial reports of the PODRAVKA Group for the year ended 31 December 2004, and accepted the submitted auditor's report. The Supervisory Board after examining the Annual Report on the PODRAVKA Group business affairs and the company position for the business year 2004 submitted by the Management Board of PODRAVKA D.D., has established that the annual financial reports of the PODRAVKA Group for the year ended 31 December 2004 have been prepared in accordance with the business records of the PODRAVKA Group and display accurate data of the property and state of affairs of the PODRAVKA Group and has therefore granted its approval, accordingly. In accordance with the provisions of Article 300 d of the Company Act, the Supervisory Board has submitted the annual financial reports to the General Assembly for approval. The following documents are an integral part of the financial reports of PODRAVKA D.D. for the year ended 31 December 2004: a) Profit and Loss Account of PODRAVKA D.D., b) Balance Sheet of PODRAVKA D.D., c) Cash Flow Statement of PODRAVKA D.D., d) Report on PODRAVKA D.D. share capital changes, e) Notes accompanying the financial reports of PODRAVKA D.D., f) Profit and Loss Account of the PODRAVKA Group, g) Balance Sheet of the PODRAVKA Group, h) Cash Flow Statement of the PODRAVKA Group, i) Report on the PODRAVKA Group share capital changes, j) Notes accompanying the financial reports of the PODRAVKA Group, k) Auditor's Report by the auditing enterprise PricewaterhouseCoopers d.o.o. Zagreb, Alexander von Humboldtta 4. The Supervisory Board has approved the Report of the Management Board of PODRAVKA D.D. on the position of PODRAVKA D.D. and the PODRAVKA Group and has forwarded it to the General Assembly for adopting. The Supervisory Board has approved the draft decision of the Management Board of PODRAVKA D.D. on the distribution of profit for the business year 2004 and has forwarded it to the General Assembly of PODRAVKA D.D. for adopting.

Božo Prka, the President of the Supervisory Board. Mr Božo Prka, born in 1958, graduated from the Faculty of Foreign Trade of the University of Zagreb and won his master's degree from the Faculty of Economics of the University of Zagreb. He was sales director and later financial director of Diona, Zagreb, financial consultant for the consulting company Progres and tax and accounting advisor at TEB Zagreb. In the year 1992, he was appointed assistant to the Minister of Finance of the Republic of Croatia and in 1993 Deputy Minister of Finance. Mr Prka was Minister of Finance in the Government of the Republic of Croatia from 1994 till 1997. He was awarded the title Minister of the Year in 1996 - an annual award presented by the magazine Central European. In 1998, he became President of the Management Board of Privredna banka Zagreb. Mr Prka has participated and spoken at many conferences and seminars organised by the European Council, EFFAS, Euromoney and Wall Street Journal.

Marko Ećimović, the Deputy President of the Supervisory Board. Mr Marko Ećimović, born in 1947, graduated in 1969 from the Faculty of Economics in Osijek and in 1999 won his master's degree from the same faculty. He started his career in Podravka in 1970 as planner-analysist. From 1975 till 1979 he was director of the Organisation and Distribution Sector and from 1979 till 1983 director of the Investment Planning Sector. He was director of ro Podravka - Belupo from 1983 till 1986 and from 1989 till 1991 member of the Management Board of Podravka responsible for economy, accounting and information technology. Mr Ećimović was advisor to the president of the Management Board of PODRAVKA d.d. from 1991 till 1996 and since 1998 he has been advisor for the Financial Sector. He has been especially engaged in the company evaluation and transformation process as job holder from 1990 till 1994. Mr Ećimović has won several public honours and awards for social and economic development. Fluent in German.

Darko Ostoja, Supervisory Board Member. Mr Darko Ostoja graduated from the Faculty of Mechanical Engineering in Zagreb. In 1991, he completed the entrepreneurship course at Babson College, USA and in 1994, he passed the examination for brokers in Zagreb. From the beginning of his professional career he has been engaged in entrepreneurship in the private sector. During the period from 1980 till 1990, he was owner and leader of the company Meting from Čakovec, engaged in the production of spare parts, haulage and reconstruction of industrial plants, with 120 employees. From 1990 till 1995, he was co-owner and director of the consulting company Consult Invest d.o.o. from Varaždin, and since 1995, he is the co-owner and director of the company for security transactions i.c.f. d.o.o. Zagreb. His field of business is entrepreneurship and management and he has led significant business projects, especially numerous acquisitions of which many have involved the entry of international capital and knowledge into Croatia. Mr Ostoja planned and was in charge of one of the largest Croatian international ventures - the take over of the company Elan in Slovenia. Fluent in English.

Đuro Zalar, Supervisory Board Member. Mr Đuro Zalar was born on 5th April 1949 in Kalinovac. He finished grammar school in Zagreb in 1968, graduated from the Faculty of Food Technology and Biotechnology, Zagreb in 1974 and won his master's degree in the field of biotechnology at the same faculty in 1990. He started his career in PODRAVKA d.d. in 1974 performing the following duties: from 1974 till 1980 technologist in Research and Development, from 1980 till 1983 technical director of the Soup Factory and from 1983 till 1988 the managing director. From 1988 till 1991, he was director of the Food Industry, from 1991 till 1997, member of the Management Board of PODRAVKA d.d., from 1997 till 2001, director of Investment Projects and since 2001, the director of Quality Control and Technology Development. He is fluent in both German and English. Mr Zalar is a member of the Management Board of the Croatian Business Council for Sustainable Development, member of the Biotechnical Foundation of the Faculty of Food Technology and Biotechnology, Zagreb and member of the Management Board of the Food Technologists and Nutritionists Club in Zagreb.

Brown rolls

Cut the rolls every 2 cm and put in every pocket some prepared butter spread. Wrap every roll in aluminium foil and put in a refrigerator to stay until the time you want to bake them. Bake them in a hot oven for about half an hour. If you are on a picnic you can grill them by flipping them on both sides.

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2 rolls of French bread or 6 longer rolls / 12 dg butter
4 tbs. chopped parsley and chive / 1 garlic clove
1 tbs. Vegeta

Barica Macan, Supervisory Board Member. Ms Barica Macan was born on 30th August 1949 in Brest Pokupski, Municipality of Petrinja, where she finished grammar school in 1968. She graduated from the Faculty of Agriculture of the University of Zagreb in 1973 and in the same year started employment with “Agrariacoop” d.o.o. Zagreb as senior financial officer. In 1977, she joined “Veletržnica i hladnjača” d.o.o. Zagreb as senior officer for plan and analysis where in 1978 she was appointed leader of bookkeeping and a year later head of the Financial-accounting Sector. The company “Veletržnica i hladnjača” d.o.o. Zagreb was a part of “Unikonzum” d.o.o. Zagreb but in 1990 “Veletržnica i hladnjača” d.o.o. Zagreb was announced a public enterprise in a 100% ownership of the City of Zagreb for reasons of common interest. Since 1990, she occupied the function of financial director. In 2000, Ms Macan was appointed deputy principal of the Municipality Office for Economy of the City of Zagreb. However, in 2001 she returned to “Zagrebačka veletržnica” d.d. as financial director. She was member of the Supervisory Board of “Hladenje” d.d. Zagreb, member of the Supervisory Board of “Tržnice Zagreb” d.o.o. and member of the Supervisory Board of “Elektroinstalacije” d.d. Zagreb.

Marijan Cingula, Supervisory Board Member. Mr Marijan Cingula graduated economy from the Faculty of Economics of the University of Zagreb in the year 1975 and in 1985 won his master's degree in economy, from the Faculty of Organisation and Informatics, Varaždin, where in 1992 he became Doctor of Information Science. From 1977 till 1980, he worked for Zagrebačka Banka, branch office Zabok. During the period from 1980 till 1995 he worked as assistant and assistant-professor at the Faculty of Organisation and Informatics, Varaždin. From 1995 till 1998, he was assistant director and director at Varaždinsko tržište vrijednosnica d.d. Varaždin (Varaždin securities market). He has led the process of restructuring the trade organisation and development from classic over the counter, via fax, to modern stock trade based on automatic order matching in the electronic system OTIS (On-line Trading Information System), designed and implemented by the domestic company IGEA d.o.o. Varaždin. From 1998 till 2001, he was director and founder of the Office for Development and Entrepreneurship, VADEA d.o.o. Varaždin. He established an independent consulting company for business consulting, organisation restructuring and manager training (1990). As fulltime associate in the education of managers he has been working for the Croatian Association of Employers, Računovodstvo, revizija i financije d.o.o. (Accounting, Audit and Finance) and DELFIN d.o.o. Mr Cingula is the author of the first Croatian secondary school textbook for the subject Entrepreneurship for secondary commercial schools: M. Cingula and associates: Entrepreneurship 1, Školska knjiga, Zagreb 1995, and as publisher he prepared two textbooks for secondary commercial schools: M. Cingula: Entrepreneurship 2 for 3rd and 4th year of secondary commercial schools and S. Weber and S. Boranić: Marketing in Tourism for the 3rd and 4th year of schools for catering and tourism. Since 2001, he has been visiting professor at the University of Zagreb, Faculty of Organisation and Informatics, Varaždin. Mr Cingula has attended many specialisation courses abroad and worked in the organisation of numerous scientific and professional gatherings, both domestic and international. Fluent in English, Russian and German.

Zvonimir Mršić, Supervisory Board Member. Mr Zvonimir Mršić was born on 6th January 1966. He graduated in 1990 from the Faculty of Political Science in Zagreb. During the period from 1990 till 1998, he was director of the Public Relations Office in PODRAVKA d.d. From 1997 till 1999, he performed the function of deputy mayor of the City of Koprivnica. During the period from May till October 2000, he was chief of the Public Relations and Protocol Office of the City of Zagreb and from October 2000 till June 2001, he was director of the Investor Relations Office in PODRAVKA d.d. Since June 2001, he is mayor of the City of Koprivnica. He has completed courses in the field of communications, public relations, management and finance, published numerous newspaper articles in the field of shareholding and investment and participated at numerous conferences and congresses about investment and public relations. He is also the editor of several books and the author of the first educational film in the field of promotion. Mr Mršić is president of the National Council IPRA (International

Public Relations Association) and Council Member in London, as well as member of the Croatian Association for Public Relations and the Professional Association for Public Relations. Fluent in English.

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Josip Friščić, Supervisory Board Member. Mr Josip Friščić was born on 15th August 1949 in Subotica Podravska. He finished secondary commercial school in Koprivnica and the two-year post secondary level of regular studies at the Faculty of Organisation and Informatics in Varaždin, gaining the title of economist. In the year 1971, he started employment with the Board for Primary School Funding. In 1989, he was appointed secretary of the Board for Primary Education of the City of Koprivnica. The Assembly of the Municipality of Koprivnica appointed him director of the Fund for Primary Education and Social Care for Pre-school Children of the Municipality of Koprivnica in 1990. On 29th June 1993 he was appointed by the county prefect, acting secretary of the Secretariat for Economy in the Koprivničko-križevačka County and in January 1994 he was appointed acting principal of the Office for Economy of the Koprivničko-križevačka County. At the beginning of the aggression on Croatia and signs of war danger he was appointed into the Emergency Centre of the Municipality of Koprivnica and performed duties related to the functioning of social welfare services and the organisation of refugee processing and accommodation. By the Decision of the Government of the Republic of Croatia he was appointed president of the Humanitarian Aid Collection and Distribution Commission. After the Local Self-government and Government Act was brought and the establishment of the City of Koprivnica as a unit of local self-government, he became principal of the Administrative Office for Finance and Economy of the City of Koprivnica. Mr Friščić was member of the County Government in two terms of office by decision of the County Assembly of the Koprivničko-križevačka County. In more terms of office he has been member of expert teams for the elaboration of development programs for the Municipality of Koprivnica and the Koprivničko-križevačka County, giving a special contribution as holder of the development program for entrepreneurship zones for craft, small and middle business and its linking to large business subjects. After the 2001 elections, he was elected county prefect of the Koprivničko-križevačka County. He has been holder of numerous functions in social, sports and humanitarian organisations for many years.

Boris Hmelina, Supervisory Board Member. Mr Boris Hmelina was born on 17th March 1945 in Zagreb where he completed his primary and secondary school education. He graduated from the Faculty of Economics of the University of Zagreb and gained the title of graduate economist. In March 2000, he passed the state examination for bankruptcy commissioner at the Ministry of Justice, Public Administration and Local Self-government. From 1970 till 1975, he was assistant director of the general affairs and human resources department at the company Nikola Tesla Zagreb, from 1977 till 1979, commercial director at the Freshwater Fishing Board of Yugoslavia and from 1979 till 1988, director of the agency Nafragas-promet Novi Sad for Croatia, Slovenia and Bosnia and Herzegovina. During the period from 1988 till 1991, Mr Hmelina was commercial director at CHROMOS, factory for synthetic resin, Zagreb, where, from 1991 till 1997, he performed duties of president of the Management Board. Since 2002, he has been bankruptcy commissioner of many trade companies. In the year 2003, he founded and became director of Hmelina and Associates, a public trade company for performing bankruptcy commissioning services. Fluent in English and passive knowledge of Italian.

Franjo Maletić, Supervisory Board Member. Mr Franjo Maletić was born on 21st May 1951 in Ferdinandovac, Municipality of Đurđevac. He graduated from the Faculty of Law in Zagreb and from 1972 till 1983, he worked for Sloga Export Import. He was director at JAT (Yugoslav Airlines), from 1983 till 1987 of JAT Zagreb and from 1987 till 1991 JAT Canada. During the period from 1991 till 1993, Mr Maletić was director of INA TOURS, from 1993 till 2000, director of Golden Marketing and from 2000 till 2001, assistant director of Večernji list. At present he is president of the Management Board of Vjesnik d.d. Fluent in English and Russian.

Fried pilchards

Clean pilchards, cut the fish lengthwise, open it and remove spine gently so that you get fillet, salt fillets, dribble with lemon juice and roll into 15 dg flour. Dip the fillets into prepared batter and fry in hot oil. In order to prepare the batter, mix eggs, milk, remaining flour and Vegeta. The batter you get is a little bit thicker than the one for pancakes. Serve the fried pancakes with potato salad, green salad, tartar sauce or lemon slices.

75 dg pilchards / salt / lemon
2 eggs / 25 dg flour type 500
Podravka / 20 dl milk / 1 tbs
Vegeta / frying oil.

Goran Gazivoda, Supervisory Board Member. Mr Goran Gazivoda won his master's degree from the Faculty of Economics of Zagreb in the field of economic science in 1978. From February 1975 till March 1977 he worked on export jobs at Astra Mašinoimpex trgovina Zagreb, and from March 1977 till July 1978 on international credit transactions, loan approvals and client operations at Ljubljanska Banka, Zagreb. From July 1978 till August 1982, he was assistant director of the branch office, London Office. From August 1982 till August 1986, he led and managed the affairs of the international credit department at Ljubljanska banka, Ljubljana. From September 1986 till April 1996, he was the deputy president of LBS Bank, New York, member of the ALCO Council of the Bank, and member of the Bank Coordination Council. From May till October 1996, he was the representative / managing director for operations in Zagreb at the Creditstalt New York. From October 1996 till December 1997, he was branch office director of Creditstalt Zagreb. During the period from January 1998 till December 1999, he was deputy president of the Management Board of Austria Creditanstalt Croatia d.d. Zagreb, member of the Credit Council, ALCO Council and the Supervisory Board of CAIB Croatia. From January 2000 till June 2001, he was president of the Management Board of Bank Austria Creditanstalt Croatia d.d. Zagreb, member of the Credit Council and ALCO Council. During the period from July 2001 till June 2003, Mr Gazivoda was president of the Management Board of HVB Bank Croatia d.d., member of the Credit Council and ALCO Council and president of the Executive Council of the Croatian Bank Association. From July 2003 till April 2004, he has been deputy president of the Management Board of Splitska banka d.d. Split, member of the Credit Council, ALCO Council, chairman of the General Assembly of the Croatian Bank Association, member of the Supervisory Board of RTL d.o.o. and member of the Executive Board of the Croatian International Chamber of Commerce. Since April 2004, he is deputy president of the Management Board of HVB Splitska banka d.d. Split. He is member of the Credit Council, ALCO Council, chairman of the General Assembly and deputy president of the Executive Council of the Croatian Bank Association, member of the Supervisory Board of RTL d.o.o. and member of the Executive Board of the Croatian International Chamber of Commerce.

Milan Artuković, Supervisory Board Member. Mr Milan Artuković was born in 1934 in Klobuk near Ljubuški, Bosnia and Herzegovina. He graduated from the Faculty of Economics in Zagreb. Before coming to FRANCK he worked for Badel Zagreb. From the total number of 45 years of service, he spent 32 years at FRANCK. He was managing director for 28 years and 3 years commercial director at FRANCK. Mr Maletić is director of IVERO Consulting d.o.o., the majority owner of FRANCK and president of the Supervisory Board of FRANCK.

Ksenija Horvat, Supervisory Board Member. Ms Ksenija Horvat was born in 1966 in Koprivnica where she finished secondary commercial school in 1984 and since then has been employed in PODRAVKA d.d. as officer in the claims settlement department. In 2000, she graduated from the two year post-graduate studies of economy at the Faculty of Economics in Zagreb and was appointed purchasing officer in retail for the Croatian market. In the academic year 2000/2001 she completed the course of SSSH (Independent Trade Union of Croatia) Centre for Industrial Dialogue and since 2000 is a member of the General Board of the PPDIV Union of Croatia. In April 2001, Ms Horvat was appointed head union representative of the PPDIV Union of Podravka d.d. and in July the coordinator of the PPDIV Union for the Podravka Group, which position she still holds after the last elections in 2003. Since the Employee Council elections in 2002, she is deputy president of the Employee Council of Podravka d.d. Since 2002, she is also member of the Social Welfare Council of the City of Koprivnica, deputy president of the Local Committee of Banovec and member of the School Council of oš Đuro Ester Koprivnica.

CHOOSE YOUR FAVOURITE CHEF



DARKO MARINAC
PRESIDENT OF
THE MANAGEMENT BOARD



ŽELJKO ĐURĐINA
VICE-PRESIDENT OF
THE MANAGEMENT BOARD



DRAGAN HABDIJA
MEMBER OF
THE MANAGEMENT BOARD

Family Friend

Leave half - hard mixture for 1-2 hours. Put the mixture with tbs on greased baking pan and shape little rolls side by side and bake for about 15 - 20 minutes at 200°C. After that, place the rolls on a board and cut them into 1 cm wide sticks. The rolls are very delicious after 4 - 5 days.

2 eggs / 15 dg sugar / 20 dg flour
type 500 Podravka / 1/2 tsp baking
powder Dolcela / 7 dg walnuts
7 dg raisins / 7 dg chocolate / 5 dg
butter / lemon peel. Cut walnuts
and chocolate into small pieces.
Mix eggs and sugar thoroughly
add flour with baking powder
walnuts / chocolate / raisins and
mix all together.

Corn Maneštra

*Boil shortly soaked beans, drain
and continue to cook the beans
with smoked meat. When it is half
done add pešt. You will get pešt by
making a smooth mixture of bacon,
garlic and parsley. Add corn, celery,
potatoes cut into squares, oil, salt,
pepper and 1 tbs. Vegeta. Continue
to simmer until it all tenders. Take
out the meat, cut it and before
serving sprinkle the Maneštra
with parsley.*

5 dg young corn from the corncob or
canned corn Podravka / 20 dg beans
60 dg potatoes / 10 dg smoked
bacon / 10 dg smoked meat or ham
3 garlic cloves / 1 bundle of parsley
celery leaf / 0,5 dl olive oil / salt
pepper and 1 tbs. Vegeta

Kale Stew

*Cut the kale into four pieces, remove
damaged and hard parts, and cut it
into wide strips. Peel the potatoes and
cut them into squares. Put it all into
a pan and add as much hot water as
needed to cover the vegetables. Sprinkle
with Vegeta, add a little salt, cover the
pan and cook. Separately on the heated
oil fry slowly cut bacon and onions
and add it to the kale. Before it is done
add flour stirred in a small quantity of
water, cut garlic and pepper. If you like
you can add, some caraway. With this
meal you can serve steaks.*

1 kg kale / 30 dg potatoes
4 dg bacon / 4 dg onion
2 dg flour type 500 Podravka
2 tbs. oil / 2 garlic cloves / salt
pepper / caraway / 1 tsp. Vegeta.



DUŠAN TOMAŠEVIĆ
MEMBER OF
THE MANAGEMENT BOARD

Plate Adriana

Clean, wash and drain the squids. Cut them into rings. Clean and drain fish, shrimps and mussels. Put flour in the Fant mixture for frying and stir it. Take one by one piece of fish and seafood and put it shortly through water, roll it in the prepared frying mixture, press with your fingers so that the frying mixture sticks to the fish and seafood and fry them in hot oil for 2-3 minutes. Arrange everything on a plate, decorate and serve with cocktail sauce.

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20 dg smelt (or sprat) / 10 dg cleaned mussels / 10 dg shrimp tails / 20 dg squids / 2 bags of Fant frying mixture / 3 tbs. flour.



MIROSLAV VITKOVIĆ
MEMBER OF
THE MANAGEMENT BOARD

Twist Patty

Cut turkey meat and liver into cubes and fry on 5 dg butter. Add cut bacon and Vegeta Twist for turkey, stew adding water until tender. Cool meat and liver and then grind. Mix rest of butter, add ground meat and liver, cream, grated pickled gherkins, nutmegs, lemon juice to combine well. Put the patty mixture into one long mould or s few smaller ones. Cool. Remove cooled patty from moulds and serve with toast.

~
40 dg turkey breasts
25 dg turkey liver / 25 dg butter
3 dg dry bacon / 1 Vegeta tablespoon for turkey / 1dl cream / grated nutmeg / 3-4 pickled gherkins
2 tablespoons cognac
2 tablespoons lemon juice



DAMIR POLANČEC
MEMBER OF
THE MANAGEMENT BOARD

Fine Trimming

Stew on olive oil for 3-5 minutes. Add chopped garlic, meat soup cubes, pepper, nutmeg, combine and cool. Separately mix eggs and sour cream, add to spinach. Grease suitable pan or refractory bowl with butter, sprinkle breadcrumbs, put spinach with eggs, arrange butter leaves around and put into oven for 10-15 minutes. This dish combines well as trimming to roast meat dishes.

~
1kg spinach / 1 clove of garlic
3 tablespoons olive oil / 2 cubes Podravka meat soup / salt / pepper
nutmeg / 4 eggs / 4 tablespoons cream / 3 dg butter / bread crumbs
Clean and wash Podravka Spinach
Drain well

Carrot mousaka

Cut clean carrots into rings and cook in 1 l of boiling chicken soup. Fry chopped onions and veal on butter. Add salt and pepper and continue to stew until the meat is tender. After that add drained carrots and cut parsley. Put everything in a pyrex dish you smeared with butter. Pour over the eggs you previously mixed with 1 dl of soup you cooked carrots in. Put thus prepared mousaka in a pre-heated oven to brown.

~
1 kg carrots / 2 cubes of
Podravka chicken soup
8 dg butter / 10 dg onions
35 dg minced veal salt / pepper
parsley / 2 eggs

Darko Marinac

president of the Management Board. Mr. Darko Marinac was born in 1950. In 1973, he graduated from the Faculty of Chemistry and Technology at the University of Zagreb. He completed his interdisciplinary postgraduate studies at the University of Zagreb in 1975. In 1987, he completed the PKH School for Managers and in 1987 the CPG Business School in Cologne, Germany. During the same year he finished specialization in foreign trade at the Faculty of Economics in Zagreb. From 1988 to 1995, he participated in the work of several European seminars (MCE and others) in the fields of management, marketing and sales, research and development, finance and IT and attended the IBM seminar for managers in pharmaceutical industries in Brussels in 1988. In 1999, he finished the MCE leadership program. He began his professional career in Pliva in 1975, working as production technologist (vitamin C and D-glucitol). From 1978 to 1984, he worked as project manager and then managing director of the Penicillin Antibiotics Factory. In 1985, he was appointed director of Pliva's animal health division "Veterina" and remained at the same function until 1989. In the following 1990 he was appointed director of Pliva's Research and Development Department (including the Research Institute, engineering, business research, strategic planning and technology transfer) for the pharmaceutical, food and cosmetic division and he carried out these activities until 1991. Mr. Marinac was also the founder and director of Pliva Kiev in 1992. During the period from 1992 to 1996, he was the founder and director of Pliva Prague and Pliva Bratislava. From 1996 to 1999, he was the first vice-president of the Management Board responsible for market development in CEE and for R&D. He was appointed integration manager of Pliva Krakow and senior advisor to the Pliva Management Board in 1999. Since 2000, he has continued his career at Podravka d.d. as president of the Management Board. He speaks, either actively or passively, seven foreign languages. He was a member of many councils, associations and management boards, including a few supervisory boards of both Croatian and foreign companies. He was president of the Croatian Council for Sustainable Development and executive vice-president of the European Association for Generic Medicine seated at Brussels. Since 2001, he is member of the Management Board of the National Council for Competitiveness, and from 2004, the president of the Management Board of the Croatian Association of Employers. Mr. Marinac is the author of one patent, several technical-technological advancements and the winner of the INOVA award (Croatian Exhibition of Innovations). He also won several awards for achievements in management and entrepreneurship - the Annual Award of Pliva, the Annual Award of the City of Zagreb, the Golden Medal "First Croatian Kuna" for the highest business achievements as President of the Management Board of Podravka d.d., in 2001, the winner of a special award "International Manager of the Year" by IMDA (International Management and Development Association), and was announced Manager of the Year for 2002 in the election of the weekly magazine "Nacional". The President of Croatia honoured him for his contribution to the promotion of Croatian economy.

Željko Đurđina

vice-president of the Management Board. Mr. Željko Đurđina was born in 1948. He graduated from the Faculty of Chemistry and Technology at the University of Zagreb and won his master's degree from the Faculty of Food and Biotechnology in 1981. Since he completed his studies in 1971, he has been working in Podravka. During his professional career he performed the duties of technologist-organizer from 1972 to 1977, and project manager from 1977 to 1985. In 1985, he was appointed director of the work organization "Podravka - Food Industry", and remained there until 1990. In 1989, he was appointed member of the Management Board of Podravka, and vice-president of the same Board in 1990. In 1990, he was appointed director of PC "Food Industry" and occupied this function until 1997. He was member of the Supervisory Board of Podravka d.d. from September 1997 up to his appointment as vice-president of the Management Board. From 1997 to 2000, he was director of the Vegeta and Soup Factory while it was under construction and in 2000 he was appointed director of the Vegeta factory. Since 2000, he has held the function of vice-president of the Management Board of Podravka d.d. During his career at Podravka d.d., he has published many articles in professional literature.

Miroslav Vitković

member of the Management Board. Mr. Miroslav Vitković was born 5 March 1967 in Koprivnica. He graduated from the Faculty of Chemistry and Technology at the University of Zagreb. He finished the business school at Brdo kod Kranja and attended many professional seminars. After he completed his studies he started his employment at Podravka and performed the duties of import officer, sales director of Podravka International - Prague, and sales director of Podravka International - Bratislava. Since 2001, he is executive director for the markets of Croatia and

South-eastern Europe. He is fluent in German and Czech. Mr Vitković is a very active sports official and since 2002 has performed the function of president of the Football Club Slaven Belupo from Koprivnica.

Dragan Habdija, member of the Management Board. Mr Habdija was born on 11 July 1955 in Koprivnica. He graduated from the Faculty of Economics of Zagreb in 1979. He finished the International School of Business Administration at Brdo kod Kranja and attended many professional seminars. In 2003, he completed the FBA program of Podravka's Management Academy (POMAK). Since he completed his studies until the present day he has been working at Podravka. His employment started as investment and strategic planning officer at the Institute of Podravka, and afterwards occupied the function of head of the economic - financial service of Belupo, and director of the same sector from 1983 - 1984. From 1984 until 1986, he was director of the Marketing Sector of Belupo and later director of Fermentation and Pharmaceuticals. From 1989, he was the vice-president of the Management Board of Podravka in charge of the pharmaceutical industry. He became director of Belupo in 1991 and from 1992 performed the function of marketing director at Podravka. He occupied the function of director of the Planning, Controlling and Pricing Sector within the division of Branded Food from 1997 until 2000. After that he performed the duties of the executive director for restructuring for one year after which, in 2001, he became executive director of Podravka's strategic business unit Vegeta and Podravka Dishes. In the year 2003, he received the award of the City of Koprivnica for achievements in economy.

Dušan Tomašević, member of the Management Board. Mr Dušan Tomašević was born on 12 May 1955. He graduated from the Faculty of Economics of Split. He completed the Individual Tuition Course at the London School of English and seminars in the field of management, accounting and finance. He finished POMAK, Podravka's Management Academy, FBA program, and is preparing his master's thesis at the post-graduate scientific management studies at the Faculty of Economics of Split. In his 20 year long career, he has performed duties of financial director, director of purchasing, director of sales and company director. In the period from 1997 until 2001, he was president of the Management Board of Gavrilović d.d. and also member of the Management Board of four daughter companies. Since 15 January 2001, he is president of Podravka's meat industry Danica d.o.o. In 2003, he was appointed member of the Management Board of Podravka responsible for creating a unique financial company policy, IT, internal audit, organisation and remuneration system and payroll accounting, price policy, material management, the operative efficiency project and Danica d.o.o.

Damir Polančec, member of the Management Board. Mr. Damir Polančec was born in 1967. He graduated from the Agroecconomics Department of the Faculty of Agriculture at the University of Zagreb in 1992. After completing his studies, in August 1992, he started working for "Dukat", Zagreb, as a technologist in the production of melted cheese. From 1992 until now, he has been working for Podravka. In the first two years he worked in FC "Purchasing - import" as a purchasing officer for fruit and vegetables. Subsequently, he was appointed sales officer, and three years later, senior sales officer for the purchasing of dried vegetables, especially from countries in transition (Hungary, the Czech Republic, Slovakia, Poland, Bulgaria and Macedonia). In April 1997, he became a member of the team for restructuring purchasing, logistics and production responsible for purchasing. In September 1997, he was appointed director of the Central Purchasing Department. Since March 2000, he has been member of the Management Board of Podravka, responsible for the development of the markets of Croatia and South-eastern Europe and material management. In the same convocation of the Management Board of January 2003, he is responsible for sales and market development. In the new convocation of the Management Board in August 2003 he has been appointed member of the Management Board responsible for international market development. He completed "General Management" at the business school "Center", at Brdo kod Kranja. He is a member of the Management Board of the Croatian Handball Association and since June 2000, president of the Handball Club Podravka from Koprivnica. He is fluent in English and attends the postgraduate studies course "Organization and Management" at the Faculty of Economics of Zagreb.

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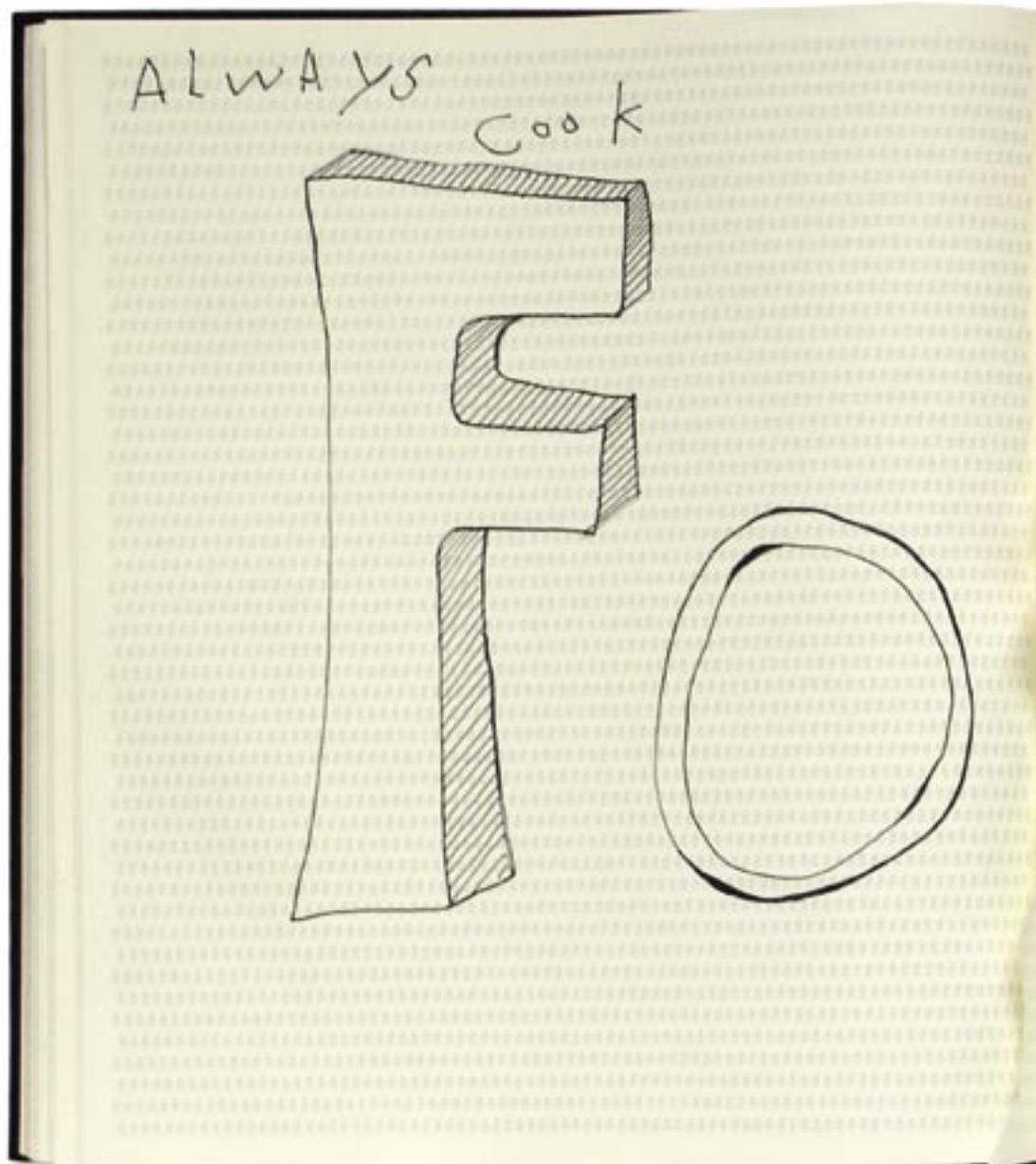
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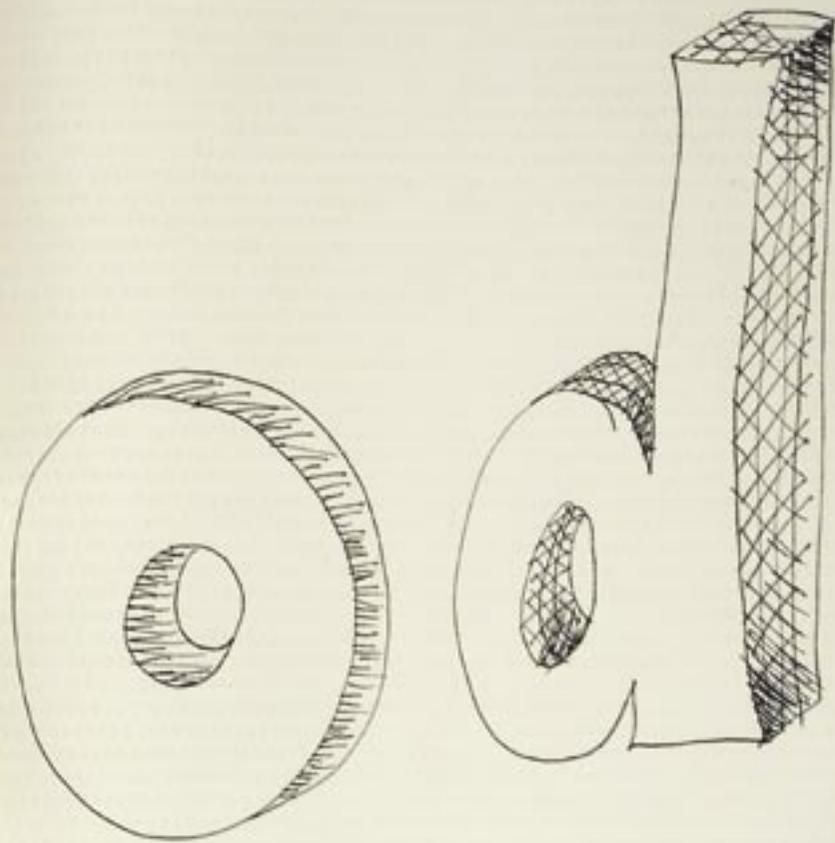
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THANKS

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WITH LOVE

Report of the auditors to the shareholders of Podravka d.d.

We have audited the accompanying balance sheets of Podravka d.d. (the "Company") and of Podravka d.d. and its subsidiaries (the "Group") as at 31 December 2004 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 2 to 41 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2004, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers d.o.o.

Zagreb, 18 April 2005

Podravka Group - income statement for the year ended 31 December 2004

(in thousands of HRK)	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
Sales	3	3,294,949	3,217,662	1,541,495	1,531,741
Cost of goods sold	5	(1,988,376)	(1,968,469)	(941,190)	(967,719)
<i>Gross profit</i>		1,306,573	1,249,193	600,305	564,022
Other revenues	4	34,302	31,332	12,948	17,237
General and administrative expenses	6	(337,565)	(341,614)	(200,378)	(208,220)
Selling and distribution costs	7	(849,013)	(826,929)	(388,749)	(380,607)
<i>Operating profit/(loss)</i>		154,297	111,982	24,126	(7,568)
Net financial (expense)/income	8	(51,198)	(39,782)	5,589	5,226
Net foreign exchange (losses)/gains		(497)	(38,413)	3,007	(18,004)
<i>Profit/(loss) before tax</i>		102,602	33,787	32,722	(20,346)
Profit tax expense	10	(18,365)	(23,784)	-	-
<i>Net profit/(loss)</i>		84,237	10,003	32,722	(20,346)
Minority interest	29	-	(45)	-	-
<i>Net profit/(loss)</i>		84,237	9,958	32,722	(20,346)
Earnings/(loss) per share					
- Basic	11	15.97 kn	-0.16 kn		
- Diluted	11	15.36 kn	1.78 kn		

Darko Marinac

President of the Management Board
Darko Marinac

The financial statements set out on pages 2 to 41 were approved by the Management Board on 18 April 2005.

Podravka Group - balance sheet as at 31 December 2004

(in thousands of HRK)	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	12	1,734,512	1,800,330	1,043,724	1,087,990
Intangible assets	13	122,450	156,969	70,684	96,302
Investments in subsidiaries	14	-	-	428,985	428,965
Deferred tax assets	15	1,234	1,313	-	-
Available-for-sale investments	16	19,735	-	18,423	-
Receivables	17	10,634	14,729	181,488	238,831
<i>Total non-current assets</i>		1,888,565	1,973,341	1,743,304	1,852,088
<i>Current assets</i>					
Inventories	18	568,924	610,314	273,091	283,504
Trade receivables	19	770,115	673,190	391,535	350,227
Other receivables and prepaid expenses	20	63,900	75,320	60,345	52,743
Available-for-sale investments	16	5,862	15,882	-	14,655
Current portion of long-term loan receivables	17	34	2,739	77,398	82,412
Short-term loan receivables	21	3,000	3,643	46,286	11,642
Cash and cash equivalents	22	116,140	139,603	65,201	67,855
<i>Total current assets</i>		1,527,975	1,520,691	913,856	863,038
Total assets		3,416,540	3,494,032	2,657,160	2,715,126
LIABILITIES					
<i>Non-current liabilities</i>					
Long-term debt	23	684,496	501,459	560,279	363,345
Long-term provisions	31	11,985	-	-	-
<i>Total non-current liabilities</i>		696,481	501,459	560,279	363,345
<i>Current liabilities</i>					
Trade payables	24	465,969	462,909	227,323	217,406
Other liabilities	25	102,854	113,033	58,881	65,982
Short-term borrowings	26	122,996	479,484	1,026	288,911
Current portion of long-term debt	23	148,812	157,046	94,755	104,141
<i>Total current liabilities</i>		840,631	1,212,472	381,985	676,440
<i>Total liabilities</i>		1,537,112	1,713,931	942,264	1,039,785
<i>Shareholders' equity</i>					
Share capital	27	1,626,001	1,623,121	1,626,001	1,623,121
Share premium		12,001	12,001	12,001	12,001
Treasury shares	27	(21,159)	(35,502)	(21,159)	(35,502)
Legal and other reserves	27	105,688	112,389	65,331	79,677
Foreign currency translation reserve		3,494	(7,627)	-	-
Retained earnings		153,403	75,124	32,722	(3,956)
Total shareholders' equity	27	1,879,428	1,779,506	1,714,896	1,675,341
Minority interest	29	-	595	-	-
Total liabilities		3,416,540	3,494,032	2,657,160	2,715,126

Podravka Group - statement of changes in equity for the year ended 31 December 2004

PODRAVKA GROUP (in thousands of HRK)	Note	Share capital	Share premium	Treasury shares	Legal and other reserves	Retained earnings	Translation reserve	Total
Balance at 1 January 2003		1,812,809	12,001	(30,730)	75,602	154,286	(5,010)	2,018,958
New issue of shares	27 /iii/	1,112	-	-	-	-	-	1,112
Dividend declared	27 /v/	-	-	-	-	(52,333)	-	(52,333)
Sale of treasury shares	27 /vi/	-	-	989	-	-	-	989
Purchase of treasury shares	27 /vii/	-	-	(196,561)	-	-	-	(196,561)
Decrease in capital	27 /viii/	(190,800)	-	190,800	-	-	-	-
Transfer to legal and other reserves	27 /ix/	-	-	-	36,787	(36,787)	-	-
Net profit for the year		-	-	-	-	9,958	-	9,958
Exchange differences		-	-	-	-	-	(2,617)	(2,617)
Balance at 31 December 2003	27 /i/, /ii/	1,623,121	12,001	(35,502)	112,389	75,124	(7,627)	1,779,506
Balance at 1 January 2004	27 /i/, /ii/	1,623,121	12,001	(35,502)	112,389	75,124	(7,627)	1,779,506
New issue of shares	27 /iii/	2,880	-	-	-	-	-	2,880
Coverage of loss	27 /iv/	-	-	-	(3,956)	3,956	-	-
Dividend declared	27 /v/	-	-	-	(10,390)	-	-	(10,390)
Sale of treasury shares	27 /vi/	-	-	14,343	-	-	-	14,343
Transfer to legal and other reserves	27 /ix/	-	-	-	7,645	(7,645)	-	-
Bonus to member of Management	27 /x/	-	-	-	-	(2,269)	-	(2,269)
Net profit for the year		-	-	-	-	84,237	-	84,237
Exchange differences		-	-	-	-	-	11,121	11,121
Balance at 31 December 2004	27 /i/, /ii/	1,626,001	12,001	(21,159)	105,688	153,403	3,494	1,879,428

PODRAVKA D.D. (in thousands of HRK)	Note	Share capital	Share premium	Treasury shares	Legal and other reserves	Retained earnings	Total
Balance at 1 January 2003		1,812,809	12,001	(30,730)	72,253	76,147	1,942,480
New issue of shares	27 /iii/	1,112	-	-	-	-	1,112
Dividend declared	27 /v/	-	-	-	-	(52,333)	(52,333)
Sale of treasury shares	27 /vi/	-	-	989	-	-	989
Purchase of treasury shares	27 /vii/	-	-	(196,561)	-	-	(196,561)
Decrease in capital	27 /viii/	(190,800)	-	190,800	-	-	-
Transfer to legal and other reserves	27 /ix/	-	-	-	7,424	(7,424)	-
Net profit for the year		-	-	-	-	(20,346)	(20,346)
Balance at 31 December 2003	27 /i/, /ii/	1,623,121	12,001	(35,502)	79,677	(3,956)	1,675,341
Balance at 1 January 2004	27 /i/	1,623,121	12,001	(35,502)	79,677	(3,956)	1,675,341
New issue of shares	27 /iii/	2,880	-	-	-	-	2,880
Coverage of loss	27 /iv/	-	-	-	(3,956)	3,956	-
Dividend declared	27 /v/	-	-	-	(10,390)	-	(10,390)
Sale of treasury shares	27 /vi/	-	-	14,343	-	-	14,343
Net profit for the year		-	-	-	-	32,722	32,722
Balance at 31 December 2004	27 /i/, /ii/	1,626,001	12,001	(21,159)	65,331	32,722	1,714,896

Podravka Group - cash flow statement for the year ended 31 December 2004

(in thousands of HRK)	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
<i>Cash flows from operating activities</i>					
Cash generated from operations	32	372,589	286,838	162,548	135,306
Tax paid		(26,777)	(31,822)	-	-
Interest paid		(43,654)	(37,296)	(27,784)	(21,709)
		302,158	217,720	134,764	113,597
<i>Cash flows from investing activities</i>					
Acquisition of equity interest, net of cash acquired	14	(2,257)	-	(2,257)	(34)
Sale of shares and equity interest		-	6,275	-	6,400
Purchase of tangible and intangible assets	12, 13	(131,400)	(272,296)	(70,617)	(170,144)
Disposal of tangible and intangible assets		4,857	4,161	984	2,232
Long-term loans given and deposits		(8)	(11)	(8,886)	(23,051)
Repayment of long-term loans and deposits given		5,882	87,791	56,310	118,057
Purchase of trading securities	16 /ii/, /iii/	(24,479)	(8,979)	(24,479)	(8,979)
Sale of trading securities	16 /iii/	20,900	2,326	20,900	2,218
Short-term loans given and deposits		(6,150)	(2,102)	(44,767)	(11,074)
Repayment of short-term loans and deposits given		3,150	59	10,809	29,733
Interest received		39	185	18,120	14,187
Dividends received		343	456	343	456
Payment of bonus from retained earnings	27 /x/	(2,269)	-	-	-
		(131,392)	(182,135)	(43,540)	(39,999)
<i>Cash flows from financing activities</i>					
Purchase of treasury shares	27 /vii/	-	(195,959)	-	(195,959)
Sale of treasury shares	27 /vi/	14,343	989	14,343	989
Proceeds from long-term borrowings	23	143,432	166,969	83,722	90,953
Repayment of long-term borrowings	23	(183,596)	(166,277)	(101,398)	(94,230)
Proceeds from short-term loans		247,564	607,614	162,162	497,815
Repayment of short-term loans		(421,093)	(368,544)	(257,828)	(320,130)
Proceeds from bonds issued	23 /i/	15,829	-	15,829	-
Dividends paid	25, 27	(10,708)	(51,242)	(10,708)	(51,242)
		(194,229)	(6,450)	(93,878)	(71,804)
<i>Net (decrease)/increase in cash and cash equivalents</i>		(23,463)	29,135	(2,654)	1,794
Cash and cash equivalents at beginning of year	22	139,603	110,468	67,855	66,061
Cash and cash equivalents at the end of year	22	116,140	139,603	65,201	67,855

NOTE 1 - GENERAL INFORMATION

Podravka prehrambena industrija d.d., Koprivnica (the "Company") is incorporated in the Republic of Croatia. The Company and its subsidiaries (the "Group") are manufacturers of a wide range of foodstuffs and non-alcoholic beverages, pharmaceutical and cosmetic products. Apart from Croatia, the Group has production facilities in Poland, the Czech Republic and Slovenia. The production plant in Hungary was discontinued in 2004. More than half of overall sales is realised in Croatia, and more than one third of sales is realised in European countries.

The Company is domiciled in Koprivnica, Croatia, Ante Starčevića 32.

The Company's shares are listed on the Zagreb stock exchange.

NOTE 2 - ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. The principal accounting policies have been consistently applied for all periods covered by this report, unless otherwise stated.

2.1. BASIS OF PRESENTATION The consolidated financial statements of the Group and the non-consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable as at 31 December 2004. IFRS-1 that has to be applied at the beginning of 2005 has not been applied earlier on the financial statements for the year 2004.

The consolidated financial statements of the Group and the non-consolidated financial statements of the Company have been prepared using the historical cost convention (acquisition cost), as modified by the valuation of fair value of investments available-for-sale, the effects of which are recorded in the income statement.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

2.2. CONSOLIDATION Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries included in consolidation are presented in Note 14. The cost of an acquisition is measured at fair value of the assets given, shares issued and liabilities assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill (Note 2.6).

All intragroup transactions have been eliminated on consolidation. All intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2.3. SEGMENT REPORTING A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4. FOREIGN CURRENCIES

(1) **MEASUREMENT CURRENCY** Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in Croatian Kuna (HRK), which is the measurement currency of the Company.

(2) **TRANSACTIONS AND BALANCES** Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(3) **GROUP COMPANIES** Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their assets and liabilities are translated at the exchange rates ruling on 31 December. Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity to Translation reserves. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill arising on the acquisition of a foreign entity is treated as an intangible asset of the Group. Goodwill is carried at historical cost denominated in the foreign currency and reported using the exchange rate at the date of the transaction.

2.5. **PROPERTY, PLANT AND EQUIPMENT** Property, plant and equipment is included in the balance sheet at cost less accumulated depreciation, except for those assets which are stated at estimated market value pursuant to a valuation performed by an external independent valuator. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent costs that can be measured reliably are included in the carrying amount of property, plant and equipment, only when it is probable that future economic benefits associated with the item will flow to the Group. The costs incurred are written off over the asset's remaining useful life. All other costs are charged to the income statement when they are incurred.

The Group performs regular reviews once a year, based on external and internal sources of information, to estimate the recoverable amount of tangible fixed assets. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Depreciation is calculated so as to write off the cost, or valuation of tangible fixed assets, less their estimated residual values, on a straight-line basis over their expected useful lives. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life or the lease term. During 2004, the expected useful life of certain groups of equipment was changed in comparison to 2003. The effects of such change are presented in Note 12. Land and assets in the course of construction are not depreciated.

The expected useful lives are as follows:

	2004	2003
Buildings	10 to 50 years	10 to 50 years
Plant and equipment	2.7 to 33 years	2.7 to 33 years

2.6. INTANGIBLE ASSETS

(1) **GOODWILL** Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated amortisation and impairment losses.

Goodwill arising on each acquisition is amortised on a straight-line basis depending on the nature of the acquisition and management's estimate of its useful economic life or based on the useful economic life of acquired products,

within the period of 5 years. Goodwill amortisation is included in the income statement line item 'General and administrative expenses'.

At each balance sheet date, the Group assesses whether there is any indication of goodwill impairment. If such indications exist an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(2) PATENTS, LICENSES AND TRADEMARKS Expenditure to acquire licences for software as well as other rights connected to product distribution are amortised using the straight-line method over their expected or settled useful lives within a period of 5 years.

Expenditure which enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

2.7. INVESTMENTS Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as available-for-sale investments and included in current assets.

Investments with fixed maturity that the management has the intent and ability to hold to maturity, are classified as non-current assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date in which case they are included in current assets.

Long-term loans and long-term receivables granted by the Group relate to cash invested in employees and other borrowers with specified repayment schedules and without the intention of being sold.

Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments in shares are classified as investments available-for-sale and are carried at fair value. Equity instruments which are not traded and for which it is not possible to determine fair value are carried at cost less discount. Marketable securities are carried at market value determined by reference to stock exchange quoted bid prices at the balance sheet date.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the income statement in the period in which they arise.

Investments in subsidiaries are stated at cost in the financial statements of the Company.

2.8. LEASES Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease term.

2.9. INVENTORIES Inventories are stated at the lower of cost or net realisable value. Cost is calculated on the average annual cost price basis. Cost of work in progress and finished goods includes materials, direct labour and an appropriate proportion of variable and fixed overhead costs, the latter being allocated on the basis of normal operating activity. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary, a provision is made for damaged and expired inventories.

2.10. TRADE RECEIVABLES Trade receivables are stated at their nominal value less necessary provisions for bad and doubtful debts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision of trade

receivables is the difference between the trade receivables incurred and the estimated value of future discounted cash flows from the collection of trade receivables. The amount of the provision is recognised in the income statement.

2.11. CASH AND CASH EQUIVALENTS For the purpose of the balance sheet and the cash flow statement, cash and cash equivalents comprise cash on hand and balances with banks, and highly liquid investments (such as short-term deposits and bills of exchange) with insignificant risk of changes in value and original maturities of three months or less from the date of acquisition.

2.12. PROFIT TAX Profit tax is computed on the basis of reported income under the laws and regulations of the country in which the respective Group company is registered. Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. As a result of certain tax regulations, tax losses may arise which can be utilised over the future period of five years.

Deferred income tax is provided using the balance sheet liability method, as the difference arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Amounts of unutilised tax losses are not used to recognise deferred tax assets in the balance sheet, as it is uncertain that sufficient taxable profit will be realised against which these deferred tax assets may be utilised.

2.13. SHARE CAPITAL Share capital consists of ordinary shares. Preferred shares were included in the share capital up to July 2003. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Where the Company purchases the Company's equity share capital, the consideration paid including any attributable transaction costs is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.14. BORROWINGS Borrowings and issued bonds are recognised initially at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities, if the contracted maturity of these liabilities is set within the period of 12 months after the balance sheet date.

2.15. PROVISIONS Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions for legal claims and disputes are recorded based on management's estimate of probable losses after consultation with legal counsel.

2.16. EMPLOYEE BENEFITS

(1) **PENSION OBLIGATIONS** In the normal course of business through salary deductions, the Group makes payments to the mandatory pension funds in Croatia on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group does not have any other pension scheme and conse-

quently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any future benefits to current and former employees.

(2) **TERMINATION BENEFITS** Employee termination benefits are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the numbers of employees affected, or after individual employees have been advised of the specific terms.

(3) **BONUS PLANS** A liability for employee benefits is recognised in provisions based on the Group's formal plan and when past practice has created a valid expectation by management/key employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements. Liabilities for bonus plans are expected to be settled within 12 months.

(4) **SHARE-BASED COMPENSATION** Treasury share options are granted to members of Management and certain CEOs. The options are exercisable through the sale of treasury shares on various from the vesting date and at discounted market price determined at the date the option was granted. Upon realising the options, total equity is increased by the net proceeds received. The Group does not record share-based compensation as employee expenses.

2.17. REVENUE RECOGNITION Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(A) **SALES OF GOODS - WHOLESALE** Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(B) **SALES OF SERVICES** Sales of energy maintenance and catering services are recognised in the accounting period in which they are rendered.

(C) **INTEREST INCOME** Interest income is recognised when accrued and when its collection is virtually certain.

(D) **DIVIDEND INCOME** Dividend income is recognised when collected.

2.18. DIVIDENDS Dividends from ordinary and preferred shares are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

2.19. FINANCIAL RISK MANAGEMENT

(1) **FINANCIAL RISK FACTORS** The Group's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The Group does not use derivative financial instruments to hedge financial risk exposure.

(2) **FOREIGN EXCHANGE RISK** The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the EUR and USD. Additionally, the Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

(3) **CREDIT RISK** The Group's liquidity risk management includes maintaining sufficient cash and working capital, and availability of funding through credit lines. Financial assets that potentially subject the Group to concentrations of credit risk primarily include cash, trade receivables and given loans. The Group keeps its cash with major banks. Trade receivables are presented net of the provision for doubtful accounts.

(4) **INTEREST RATE RISK** The Group's income and operating cash flows are dependent on changes in market interest rates. The majority of the Group's borrowings are stated at variable rates. According to Group policies market interest rates are used to hedge future cash flows.

(5) **FAIR VALUE ESTIMATION** The book values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The book value of long-term financial liabilities approximate fair value as stated interest rates are tied to contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2.20. RECLASSIFICATION Certain items from the balance sheet, income statement and cash flow statement for the year 2003 have been reclassified to conform to the current year's presentation in accordance with International Financial Reporting Standard 1 - Presentation of financial statements.

In 2004, the Company and the Group carried out changes in organisation. The segment analysis for the year 2003 has been reclassified to conform to the presentation in 2004.

Furthermore, in 2004 deferred tax assets have been separately recorded within non-current assets and comparatives for 2003 have been adequately reclassified.

NOTE 3 - SEGMENT INFORMATION

The Group's reportable segments are strategic businesses differentiated by the nature of products including: Food and beverages, Pharmaceuticals and Services.

Business segments are separate units due to differences in their production technologies. Business segment reports up to their gross profit are based on internal financial information of management accounts.

The tables below present the analysis of revenues and gross profit by business segments, the analysis of sales revenues according to different geographical markets and an overview of most significant assets which may be allocated according to various business segments:

3.1. ANALYSIS BY BUSINESS SEGMENT

	Podravka Group							
	2004				2003			
	Sales		Gross profit		Sales		Gross profit	
	(in thousands of HRK)	%						
Food and beverages	2,688,872	81.6	958,829	73.4	2,630,231	81.7	929,552	74.4
Pharmaceuticals	594,681	18.1	347,604	26.6	572,767	17.8	319,446	25.6
Services	11,396	0.3	140	0.0	14,664	0.5	195	0.0
	3,294,949	100	1,306,573	100	3,217,662	100	1,249,193	100

	Podravka d.d.			
	2004		2003	
	Sales		Sales	
	(in thousands of HRK)	%	(in thousands of HRK)	%
Food and beverages - out of Group	1,098,821	71.3	1,130,069	73.8
Food and beverages - within Group	313,522	20.3	291,611	19.0
Services - out of Group	10,247	0.7	12,331	0.8
Services - within Group	118,905	7.7	97,730	6.4
	1,541,495	100	1,531,741	100

3.2. ANALYSIS BY GEOGRAPHICAL MARKET

	2004		Podravka Group		2003	
	(in thousands of HRK)	%	(in thousands of HRK)	%	(in thousands of HRK)	%
Croatia	1,769,124	53.7	1,748,190	54.3		
South-East Europe	722,954	21.9	687,162	21.4		
Central Europe	487,778	14.8	480,319	14.9		
Western Europe, overseas and Orient	201,258	6.1	185,782	5.8		
Eastern Europe	113,835	3.5	116,209	3.6		
Total	3,294,949	100	3,217,662	100		

	2004		Podravka d.d.		2003	
	(in thousands of HRK)	%	(in thousands of HRK)	%	(in thousands of HRK)	%
Croatia	1,031,488	66.9	1,002,897	65.5		
South-East Europe	242,812	15.8	248,992	16.2		
Central Europe	53,357	3.5	62,961	4.1		
Western Europe, overseas and Orient	134,622	8.7	139,442	9.1		
Eastern Europe	79,216	5.1	77,449	5.1		
Total	1,541,495	100	1,531,741	100		

3.3. SEGMENT ANALYSIS OF BALANCE SHEET POSITIONS The segment analysis of assets and liabilities of the Group as at 31 December 2003 and investments in property, plant and equipment for the year then ended is as follows:

(in thousands of HRK)	Food and beverages	Medicines	Services	Total
<i>Assets</i>				
- property and equipment	1,436,391	350,322	13,617	1,800,330
- inventories	501,075	105,651	3,588	610,314
Other assets	765,497	309,158	8,733	1,083,388
<i>Total assets</i>	<i>2,702,963</i>	<i>765,131</i>	<i>25,938</i>	<i>3,494,032</i>
<i>Liabilities</i>	<i>1,213,322</i>	<i>487,610</i>	<i>12,999</i>	<i>1,713,931</i>
<i>Investments</i>	<i>203,833</i>	<i>68,768</i>	<i>163</i>	<i>272,764</i>

The segment analysis of assets and liabilities of the Group as at 31 December 2004 and investments in property, plant and equipment for the year then ended is as follows:

(in thousands of HRK)	Food and beverages	Medicines	Services	Total
<i>Assets</i>				
- property and equipment	1,385,381	338,057	11,074	1,734,512
- inventories	467,984	96,988	3,952	568,924
Other assets	746,222	360,683	6,199	1,113,104
<i>Total assets</i>	<i>2,599,587</i>	<i>795,728</i>	<i>21,225</i>	<i>3,416,540</i>
<i>Liabilities</i>	<i>1,047,713</i>	<i>478,021</i>	<i>11,378</i>	<i>1,537,112</i>
<i>Investments</i>	<i>98,713</i>	<i>32,577</i>	<i>110</i>	<i>131,400</i>

NOTE 4 - OTHER REVENUES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Insurance proceeds for damages	7,810	7,137	5,022	5,256
Statute barred liabilities written-off	4,578	4,387	3,964	1,997
Revenues from subsidies	3,145	4,205	-	3,464
Discounts from suppliers	7,806	3,567	1,242	1,231
Other	10,963	12,036	2,720	5,289
Total	34,302	31,332	12,948	17,237

NOTE 5 - COST OF GOODS SOLD

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Material	1,457,148	1,393,558	511,483	502,061
Material within Group	-	-	128,411	134,768
Salaries	273,166	282,709	153,162	161,842
Depreciation	133,594	129,236	82,595	68,041
Other	124,468	162,966	65,539	101,007
Total	1,988,376	1,968,469	941,190	967,719

NOTE 6 - GENERAL AND ADMINISTRATIVE EXPENSES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Salaries	153,909	158,359	98,863	106,214
Depreciation	55,105	54,083	30,760	28,531
Non-production services	20,944	21,897	14,734	10,861
Other	107,607	107,275	56,021	62,614
Total	337,565	341,614	200,378	208,220

NOTE 7 - SELLING AND DISTRIBUTION COSTS

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Advertising and promotion	213,924	197,526	100,949	92,062
Salaries	257,743	244,807	126,916	126,537
Transport	57,884	59,064	24,975	27,419
Provisions	17,494	25,151	7,255	6,151
Rental	45,052	43,122	19,091	17,770
Depreciation	41,180	41,477	24,765	24,679
Material	32,988	31,045	17,031	17,149
Other	182,748	184,737	67,767	68,840
Total	849,013	826,929	388,749	380,607

NOTE 8 - NET FINANCIAL (EXPENSE)/INCOME

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
<i>Investments</i>				
Income				
- income from subsidiaries /i/	-	-	17,103	59,713
- sale of interests (Note 16)	1,900	7	1,900	-
- other	1,344	1,818	2,678	1,810
	3,244	1,825	21,681	61,523
Expenses /ii/, /iii/	(4,421)	(1,628)	(4,949)	(50,586)
Net (expense)/income from investments	(1,177)	197	16,732	10,937
<i>Interest</i>				
Income out of Group	10,524	9,411	7,183	5,573
Income within Group	-	-	22,435	20,256
Expense out of Group	(60,545)	(49,390)	(39,962)	(31,095)
Expense within Group	-	-	(799)	(445)
Net interest (expense)	(50,021)	(39,979)	(11,143)	(5,711)
	(51,198)	(39,782)	5,589	5,226

/i/ In 2004, withdrawn profit was recorded with respect to the subsidiary Belupo d.d. (2003: from Belupo d.d. an amount of HRK 50.0 million and from other subsidiaries HRK 9.7 million).

/ii/ In 2004, expenses were realised from the purchase of interests in the subsidiary Podravka-International s.r.o., Bratislava, Slovakia in the amount of HRK 3,739 thousand (Note 14).

/iii/ In 2003, by selling the subsidiary Hotel Podravina d.o.o., the Company recorded a loss in the amount of HRK 3,284 thousand, and the Group recorded a loss in the amount of HRK 573 thousand.

In 2003, the Company made a provision for outstanding amounts due from associated companies in the amount of HRK 47,300 thousand for long-term and short-term loans granted to subsidiaries and receivables for outstanding profit from subsidiaries (Note 17, 20, 21).

NOTE 9 - STAFF COSTS

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Salaries	684,818	685,875	378,941	394,593
Other /i/	63,151	56,979	33,927	44,016
Total	747,969	742,854	412,868	438,609

As at 31 December 2004, the number of employees in the Group was 7,283 (2003: 7,376), and in the Company there were 4,251 employees (2003: 4,311)

/i/ In 2004, the Group calculated and paid termination benefits in the amount of HRK 31,636 thousand (2003: HRK 25,119 thousand) for 250 employees (2003: 214 employees). The Company calculated and paid termination benefits in the amount of HRK 14,770 thousand (2003: HRK 24,520 thousand) for 117 employees (2003: 200 employees).

NOTE 10 - PROFIT TAX

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Croatian corporate profit tax at 20%	15,999	20,754	-	-
Profit tax (abroad)	2,196	4,343	-	-
Deferred tax (abroad)	170	(1,313)	-	-
	18,365	23,784	-	-

In accordance with Croatian tax regulations, by the end of 2004 the Group realised tax losses in the amount of HRK 127,176 thousand in certain subsidiaries in Croatia (2003: HRK 137,319 thousand), which may be utilised up to 2009 at the latest. The amounts of unutilised tax losses have not been utilised for the recognition of deferred tax assets in the balance sheet, as it is uncertain whether a sufficient amount of taxable profit will be realised against which these deferred tax assets can be utilised in the corresponding Group subsidiaries.

During 2004, the Tax Authority of the Ministry of Finance of the Republic of Croatia carried out a tax audit of the Company's profit tax, income tax and VAT for the years 2003 and 2002. The audit did not result in significant irregularities, which may give rise to a potential material liability in this respect.

NOTE 11 - EARNINGS/(LOSS) PER SHARE

(1) **BASIC** Basic earnings per share is calculated by dividing the net profit of the Group (in 2003 less total dividend on preferred shares) by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2004	2003
Net profit /(loss) attributable to shareholders (in thousands of HRK)	84,237	(855)
Weighted average number of ordinary shares in issue	5,276,121	5,234,327
Basic earnings/(loss) per share (in HRK)	15.97	(0.16)

(2) **DILUTED** Diluted earnings per share is calculated as basic earnings per share (up to July 2003, taking into account the effect of number of shares with the option of being converted from preference to ordinary shares and the effect of the number of share options given to employees, of which 208,500 were not utilised).

	2004	2003
Net profit attributable to shareholders (in thousands of HRK)	84,237	9,958
Weighted average number of ordinary shares in issue	5,484,621	5,593,323
Basic earnings per share (in HRK)	15.36	1.78

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

PODRAVKA GROUP (in thousands of HRK)

	Land and buildings	Equipment	Assets in course of construction	Total
<i>Year ended 31 December 2003</i>				
Opening net book amount	1,144,409	508,363	92,088	1,744,860
Effect of changes in foreign exchange rates	(8,732)	(4,615)	53	(13,294)
Additions /i/	1,664	9,068	251,105	261,837
Transfer	63,976	140,504	(204,480)	-
Sale of subsidiaries	(7,154)	(565)	(13)	(7,732)
Disposals	(3,871)	(1,350)	(8)	(5,229)
Depreciation	(56,666)	(123,446)	-	(180,112)
Closing net book amount	1,133,626	527,959	138,745	1,800,330
<i>At 31 December 2003</i>				
Cost	1,796,100	1,460,501	138,745	3,395,346
Accumulated depreciation	(662,474)	(932,542)	-	(1,595,016)
Net book value	1,133,626	527,959	138,745	1,800,330

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<i>Year ended 31 December 2004</i>				
Opening net book amount	1,133,626	527,959	138,745	1,800,330
Effect of changes in foreign exchange rates	10,364	3,255	(1,609)	12,010
Additions /i/	3,545	3,380	111,712	118,637
Transfer	66,503	129,257	(195,760)	-
Disposals	(292)	(2,652)	(2,992)	(5,936)
Transfer to available-for-sale (Note 16 /iv/)	(7,162)	-	-	(7,162)
Depreciation /ii/	(59,923)	(123,444)	-	(183,367)
Closing net book amount	1,146,661	537,755	50,096	1,734,512
<i>At 31 December 2004</i>				
Cost	1,869,197	1,561,721	50,096	3,481,014
Accumulated depreciation	(722,536)	(1,023,966)	-	(1,746,502)
Net book value	1,146,661	537,755	50,096	1,734,512

- /i/ In 2004 and in 2003, the most significant increase in tangible fixed assets refer to investments in:
- the factory Studenac, Lipik in the amount of HRK 13.4 million (2003: HRK 15.1 million),
 - the factory Vegeta in the amount of HRK 11.5 million,
 - the factory for the production of semisolid and liquid medicine in the amount of HRK 9.3 million (2003: HRK 60.5 million),
 - buildings and equipment for the production of rice in the amount of HRK 8.2 million,
 - buildings and production equipment in the meat industry in the amount of HRK 6.2 million (2003: HRK 11.8 million),
 - the factory Voće in the amount of HRK 4.1 million,
 - the baby food factory in the amount of HRK 3.8 million,
 - business premises of Podravka, Ljubljana in the amount of HRK 3.4 million,
 - the factory Podravka Dishes in the amount of HRK 1.4 million (2003: HRK 100.2 million),
 - the factory Kalnik in the amount of HRK 2.0 million (2003: HRK 9.0 million),
 - IT equipment in the amount of HRK 3.6 million (2003: HRK 3.3 million),
 - mill and bakery equipment in the amount of HRK 4.2 million,
 - the reconstruction of the boiler-room at Belupo d.d. in the amount of HRK 4.0 million,
 - laboratory equipment in the amount of HRK 2.6 million,
 - logistics assets and transportation vehicles in the amount of HRK 1.6 million (2003: HRK 3.0 million).
- /ii/ At the beginning of 2004, based on the performed evaluation the Group extended the useful life of certain groups of assets. The effect of this change is an understated depreciation charge in the amount of HRK 13,097 thousand in comparison to the depreciation charge recorded pursuant to the useful life used in the 2003 calculation.
- /iii/ Group buildings and land worth HRK 946,473 thousand (2003: HRK 921,543 thousand) have been mortgaged against the Group's borrowings (Note 23).

Leased tangible assets where the Group is the lessee under a finance lease comprise the following:

<i>(in thousands of HRK)</i>	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
Cost of capitalised finance leases	52,892	44,220	3,471	-
Accumulated depreciation	(21,585)	(12,789)	(174)	-
Net book value	31,307	31,431	3,297	-

<i>PODRAVKA D.D.</i> <i>(in thousands of HRK)</i>	Land and buildings	Equipment	Assets in course of construction	Total
<i>Year ended 31 December 2003</i>				
Opening net book amount	682,289	269,246	70,434	1,021,969
Additions /i/	1,112	520	156,883	158,515
Transfer	59,458	118,643	(178,101)	-
Transfer from subsidiaries	-	3,613	-	3,613
Disposals	(3,833)	(350)	-	(4,183)
Depreciation	(33,375)	(58,549)	-	(91,924)
Closing net book amount	705,651	333,123	49,216	1,087,990
<i>At 31 December 2003</i>				
Cost	1,106,586	809,110	49,216	1,964,912
Accumulated depreciation	(400,935)	(475,987)	-	(876,922)
Net book value	705,651	333,123	49,216	1,087,990
<i>Year ended 31 December 2004</i>				
Opening net book amount	705,651	333,123	49,216	1,087,990
Additions /i/	3,509	110	58,593	62,212
Transfer	37,133	40,204	(77,337)	-
Transfer from subsidiaries	(266)	8	3,351	3,093
Disposals	(292)	(1,119)	(785)	(2,196)
Depreciation	(36,536)	(70,839)	-	(107,375)
Closing net book amount	709,199	301,487	33,038	1,043,724
<i>At 31 December 2004</i>				
Cost	1,147,710	841,390	33,038	2,022,138
Accumulated depreciation	(438,511)	(539,903)	-	(978,414)
Net book value	709,199	301,487	33,038	1,043,724

/i/ Disclosed in the table of movements for the Group.

/ii/ Company buildings and land worth HRK 490,408 thousand (2003: HRK 504,581 thousand) have been mortgaged against the Company's borrowings (Note 23).

NOTE 13 - INTANGIBLE ASSETS

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
<i>For the year ended 31 December</i>				
Opening net book amount	156,969	195,196	96,302	120,182
Effect of changes in foreign exchange rates	1,667	(1,670)	-	-
Additions /i/	12,763	10,927	5,312	8,156
Disposals	(438)	(2,800)	(185)	(2,709)
Amortisation	(46,511)	(44,684)	(30,745)	(29,327)
Impairment /ii/	(2,000)	-	-	-
Closing net book amount	122,450	156,969	70,684	96,302
<i>At 31 December</i>				
Cost	265,888	251,163	163,789	158,729
Accumulated amortisation	(143,438)	(94,194)	(93,105)	(62,427)
Net book value	122,450	156,969	70,684	96,302

/i/ The increase in intangible assets primarily relates to an upgrade of the SAP application software and the purchase of software for warehouse management.

/ii/ In 2004, pursuant to the evaluation of operating results of the acquired company Ital-Ice d.o.o., goodwill was impaired at the acquisition, which was recorded as part of general and administrative expenses.

NOTE 14 - INVESTMENTS IN SUBSIDIARIES

	Holding in %	Podravka d.d.	
		2004	2003
<i>(in thousands of HRK)</i>			
Belupo d.d., Koprivnica	100.00	157,830	157,830
- Belupo d.o.o. Ljubljana (subsidiary)	100.00	-	-
- Belupo s.r.o., Bratislava (subsidiary)	100.00	-	-
Koprivnička Tiskarnica d.o.o., Koprivnica	100.00	14,142	14,142
Danica d.o.o., Koprivnica	100.00	92,311	92,311
Podravka Inženjering d.o.o., Koprivnica	100.00	20	20
Poni trgovina d.o.o., Koprivnica	100.00	20	20
Ital-Ice d.o.o., Poreč	100.00	47,425	47,425
Sana d.o.o., Hoče	100.00	217	217
Podravka d.o.o., Ljubljana	100.00	1,925	1,925
Podravka d.o.o., Skopje, Macedonia	100.00	42	42
Podravka d.o.o., Sarajevo, Bosnia and Herzegovina	100.00	40	40
Podravka d.o.o., Podgorica, Srbija i Crna Gora	100.00	1,029	1,029
Podravka-International Deutschland - "Konar" GmbH, Germany	100.00	1,068	1,068
Podravka d.o.o., Beograd	100.00	34	34
Podravka-International Kft, Budapest, Hungary	100.00	5,343	5,343
Podravka-International e.o.o.d., Sofia, Bulgaria	100.00	10	10
Podravka-International Pty Ltd, Sydney, Australia	100.00	426	426
Podravka-International Sp.z o.o., Warsaw, Poland	100.00	277	277
Podravka-Polska Sp.z o.o., Kostrzyn, Poland	100.00	49,440	49,440
Podravka-International s.r.l., Bucharest, Romania	100.00	84	84
Lagris a.s., Lhota u Luhačovic, Czech Republic	100.00	56,268	56,268
- Lagris s r.o., Zvolen, Slovakia	25.00	-	-
Lagris s r.o., Zvolen, Slovakia	75.00	996	996
Podravka-International s.r.o., Bratislava, Slovakia /i/	100.00	38	18
- Podravka-International s.r.o. Prag (subsidiary)	100.00	-	-
		428,985	428,965

/i/ By purchase of the interest holder Cerrera s.r.l., Italy, the Company acquired an additional 50% interest in the subsidiary Podravka-International s.r.o., Bratislava, Slovakia. The purchase price of the acquired interest amounted to HRK 3,759 thousand, of which HRK 2,257 thousand was paid in cash, and the remaining part of the purchase price in the amount of HRK 1,502 thousand was settled through the transfer of ownership over shares of Podravka banka d.d. to the seller (Note 16). The difference between the acquired value of the nominal interest and the purchase price in the amount of HRK 3,739 thousand was recorded as investment expense (Note 8).

NOTE 15 - DEFERRED TAX

	2004	2003
At beginning of year	1,313	-
Foreign exchange differences	91	
Tax for the year	(170)	1,313
At end of year	1,234	1,313

NOTE 16 - AVAILABLE-FOR-SALE INVESTMENTS

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
<i>Long-term investments</i>				
Investments in equity instruments /i/	5,277	-	3,965	-
RTL d.o.o. /ii/	14,458	-	14,458	-
	19,735	-	18,423	-
<i>Short-term investments</i>				
Investments in equity instruments /i/	-	6,903	-	5,676
RTL d.o.o. /ii/	-	259	-	259
Dinova d.o.o. /iii/	-	8,720	-	8,720
Properties at subsidiary Podravka Kft, Budapest /iv/	5,862	-	-	-
Total	5,862	15,882	-	14,655

/i/ In December 2004, shares of Podravka banka d.d. in the amount of HRK 1,502 thousand of Cerrera s.r.l., Italy were transferred as part of the price for the purchase of part of the ownership interest in the subsidiary Podravka-International s.r.o., Bratislava, Slovakia (Note 14).

/ii/ During 2004, the investment in RTL d.o.o. was increased by HRK 14,199 thousand as part of the capital increase in RTL. The equity interest of 8.5% remained unchanged. This investment was classified as an investment over one year.

/iii/ At the beginning of 2004, the Group paid in an additional amount of HRK 10,280 thousand as an increase in the investment in Dinova d.o.o. In April 2004, the entire interest with a book value of HRK 19,000 thousand was sold at a price of HRK 20,900 thousand, and the difference between the sales price and the book value in the amount of HRK 1,900 thousand was recorded in income from interests sold (Note 8).

/iv/ In 2004, the Vegeta production facility in Podravka Kft, Budapest was discontinued. The relating property with a net book value of HRK 7,162 thousand was recorded as an investment available-for-sale within the period of one year at an estimated value of HRK 5,862 thousand. The difference between the book value and the estimated value of the investment available-for-sale in the amount of HRK 1,300 thousand is recorded under general and administrative expenses.

NOTE 17 - LONG-TERM RECEIVABLES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Flats and sale of flats on credit	3,356	3,711	3,356	3,711
Due from associated Group companies /i/	-	-	254,353	311,119
Other long-term receivables and deposits /ii/	7,312	13,757	1,177	6,413
Total long-term receivables, including current portion	10,668	17,468	258,886	321,243
Current portion of long-term receivables	(34)	(2,739)	(77,398)	(82,412)
Total long-term receivables	10,634	14,729	181,488	238,831

/i/ Receivables from associated companies include long-term loans granted to subsidiaries within the Group as follows:

- Belupo d.d., Koprivnica in the amount of HRK 159,529 thousand (2003: HRK 205,966 thousand), interest rate 6% p.a., the loan in the amount of HRK 141,529 thousand is repayable within 5 years, and the loan in the amount of HRK 18,000 thousand is repayable within 1.5 years;
- Danica d.o.o., Koprivnica in the amount of HRK 89,380 thousand (2003: HRK 99,737 thousand), the average interest rate on borrowings for working capital of Podravka d.d., maturity 10 years;
- Poni d.o.o., Koprivnica in the amount of HRK 2,400 thousand (2003: HRK 3,600 thousand), interest rate 6% p.a., maturity 5 years;
- Podravka d.o.o., Beograd in the amount of HRK 1,510 thousand (2003: HRK 1.805 thousand), interest rate monthly EURIBOR+2%, maturity 3 years.
- Podravka-International Kft, Budapest in the amount of HRK 1,534 thousand, interest rate monthly EURIBOR+1.5%, maturity 2 years.

In 2003, a provision was made for the long-term loan receivable from Podravka International, Warsaw in the amount of HRK 18,637 thousand (Note 8).

/ii/ The most significant items of other long-term receivables of the Group are as follows:

- prepaid lease expenses for Podravka d.o.o., Sarajevo in the amount of HRK 4,158 thousand (2003: HRK 4,876 thousand),
- long-term deposits in the amount of HRK 2,196 thousand (2003: HRK 2,153 thousand), of which an amount of HRK 1,177 thousand relates to the Company.
- recorded receivable for the long-term loan given to Segestica d.d., Sisak in 2003 in the amount of HRK 1,990 thousand, which was transferred to other short-term receivables in 2004, and in 2005 it will be repaid through a compensation for goods received.

NOTE 18 - INVENTORIES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Raw materials and supplies	175,570	201,163	93,052	113,775
Work in progress	83,245	69,967	62,422	57,115
Finished goods	175,131	186,397	86,712	83,776
Merchandise	134,978	152,787	30,905	28,838
	568,924	610,314	273,091	283,504

Inventories of raw materials, supplies and merchandise are stated at cost, while inventories of work in progress and finished goods are stated at total production cost, depending on the level of completion.

NOTE 19 - TRADE RECEIVABLES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Trade receivables	934,618	825,932	236,470	211,198
Provisions	(171,770)	(165,116)	(87,091)	(83,784)
Net trade receivables	762,848	660,816	149,379	127,414
Due from associated Group companies	-	-	241,916	222,686
Prepayments	7,267	12,374	240	127
	770,115	673,190	391,535	350,227

NOTE 20 - OTHER RECEIVABLES AND PREPAID EXPENSES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Receivables for retained earnings from associated Group companies /i/	-	-	6,880	11,127
Other receivables from associated Group companies /ii/	-	-	35,028	15,781
Other receivables from non- associated companies	217	6,102	214	6,099
Overpaid VAT receivable	34,754	33,499	9,356	4,720
Overpaid income tax receivable	6,457	5,162	1,878	3,335
Due from employees	2,275	3,781	1,649	2,793
Prepaid expenses and accrued income	9,608	20,255	1,554	6,567
Amounts due from settlement agreements	4,016	2,351	1,501	-
Other	6,573	4,170	2,285	2,321
	63,900	75,320	60,345	52,743

/i/ The Company's receivables for the withdrawal of retained earnings from the subsidiary Belupo d.d. were collected in January and February 2005.

In 2003, a provision was made for the transfer of retained earnings from Podravka-Poljska Sp.z o.o., Kostrzyn in the amount of HRK 14,591 thousand (Note 8).

/ii/ The Company's receivables due from long-term loans from subsidiaries in the amount of HRK 31,024 thousand and receivables for interest due in the amount of HRK 4,004 thousand, of which HRK 33,724 thousand relates to Belupo d.d. (2003: HRK 14,540 thousand).

NOTE 21 - SHORT-TERM LOAN RECEIVABLES

	Average interest rate	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
<i>(in thousands of HRK)</i>					
Poni trgovina d.o.o., Koprivnica	6.00%	-	-	24,809	5,982
Podravka d.o.o., Beograd	4.08%	-	-	11,983	3,186
Belupo d.d., Koprivnica	6.00%	-	-	-	2,474
Ital-Ice d.o.o., Poreč	6.00%	-	-	4,500	-
Podravka-International Kft, Budapest	3.59%	-	-	1,534	-
Podravka-International s.r.l., Bucharest	3.59%	-	-	460	-
Other /i/		3,000	3,643	3,000	-
		3,000	3,643	46,286	11,642

In 2003, the short-term loan receivable from Podravka International, Warsaw was provided for in the amount of HRK 14,072 thousand (Note 8).

/i/ In 2004, a short-term loan was granted to NK Slaven Belupo in the amount of HRK 3.0 million at an interest rate of 6%.

NOTE 22 - CASH AND CASH EQUIVALENTS

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Cash with banks	64,465	104,029	24,655	32,789
Cheques received	101	87	8	14
Bills of exchange received	50,934	35,274	40,518	35,046
Deposits	640	213	20	6
	116,140	139,603	65,201	67,855

NOTE 23 - LONG-TERM DEBT

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Domestic banks	435,908	416,869	367,639	360,362
Foreign banks	166,564	215,833	76,898	107,124
Bonds issued	207,123	-	207,123	-
Finance lease	23,713	25,803	3,374	-
Long-term debt including current portion	833,308	658,505	655,034	467,486
Current portion of long-term debt	(148,812)	(157,046)	(94,755)	(104,141)
Long-term debt	684,496	501,459	560,279	363,345

The repayment schedule of long-term loans is as follows:

	Effective interest rate	2004.	2003.
<i>(in thousands of HRK)</i>			
PODRAVKA D.D.			
Repayment due in 2004	3.57% - 6.60%	-	104,141
Repayment due in 2005	3.57% - 6.60%	94,755	93,748
Repayment due in 2006	3.57% - 6.60%	139,220	138,221
Repayment due in 2007	3.57% - 6.60%	328,400	50,407
Repayment due in 2008	3.57% - 5.50%	28,146	12,821
Repayment due in 2009 and thereafter	4.00% - 5.50%	64,513	68,148
Total long-term debt		655,034	467,486
Current portion of long-term debt		(94,755)	(104,141)
Total long-term debt excluding current portion		560,279	363,345
PODRAVKA GROUP			
Repayment due in 2004	3.57% - 8.51%	-	157,046
Repayment due in 2005	3.57% - 8.51%	148,812	151,948
Repayment due in 2006	3.57% - 8.51%	184,585	171,754
Repayment due in 2007	3.57% - 6.60%	369,561	67,455
Repayment due in 2008	3.57% - 5.50%	45,543	27,561
Repayment due in 2009 and thereafter	3.68% - 5.50%	84,807	82,741
Total long-term debt		833,308	658,505
Current portion of long-term debt		(148,812)	(157,046)
Total long-term debt excluding current portion		684,496	501,459

(1) BONDS ISSUED In February 2004, the Company issued bonds in the amount of EUR 27.0 million with maturity in February 2007. Short-term loans from Zagrebačka banka and Privredna banka in the total amount of HRK 189.4 million were closed through bonds issued and the remaining amount of HRK 15.8 million was used to increase cash on the Company's giro account.

As at 31 December 2004, the balance of liabilities for bonds issued was translated using the mid-market exchange rate of the EUR and was recorded in the amount of HRK 207.1 million. The relating accrued interest for the period from issuing the bonds to the balance sheet date amounted to HRK 8.7 million and is recorded under other liabilities (Notes 8 and 25).

(2) LONG-TERM LOANS

INCREASE IN LONG-TERM LOANS For the Group, the increase of liabilities from long-term debt during 2004 amounted to HRK 143,432 thousand, and for the Company HRK 83,722 thousand (2003: the Group: HRK 166,969 thousand; the Company: HRK 90,953 thousand). The increase mainly relates to granted loans from the following banks:

- HVB Splitska banka in the amount of HRK 70,000 thousand from HBOR funds as part of the programme for granting credits for the development of export and import of goods. The interest rate is 4% p.a. The loan is due in full in 2007.
- HBOR in the amount of EUR 1,327,707, of which EUR 1,172,293 was utilised in 2003. The interest rate is 4%. The loan repayment starts in 2006, and the last instalment is due in 2014.
- RBA Zagreb in the amount of EUR 1,560,000 for Belupo d.d. The interest rate is 3 month EURIBOR + 1.85%. The loan repayment starts on 31 March 2005 and the last instalment is due on 30 September 2009.
- Privredna banka, Zagreb for Belupo d.d. in the amount of EUR 1,696,000. The interest rate is 3 month EURIBOR + 1.75%. The loan repayment starts on 20 March 2005 and the last instalment is due on 20 September 2007.
- HVB Splitska banka for Danica d.o.o. in the amount of HRK 15,000 thousand from HBOR funds as part of the programme for granting credits for the development of export and import of goods. The interest rate is 4% p.a. The loan is due in full in 2007.

REPAYMENT OF LONG-TERM LOANS Repayments of long-term loan liabilities corresponded to the loan repayment schedule in 2004 and amounted to HRK 183,596 thousand for the Group and HRK 101,398 thousand for the Company (2003: HRK 166,277 thousand for the Group and HRK 94,230 thousand for the Company).

In 2004, the average weighted interest rate for loans from banks for the Company was set at 4.29% (2003: 4.32%), and for the Group 4.24% (2003: 4.27%). The major part of the long-term debt carries variable interest rates based on EURIBOR, WIBOR, BUBOR, PRIBOR and TOM.

In 2004, the average weighted interest rate for finance lease liabilities was set at 5.29% for the Company, and 8.06% for the Group (2003: 8.74%).

Total secured loans of the Company and the Group amounted to HRK 404,830 thousand (2003: HRK 408,356 thousand) and HRK 562,765 thousand (2003: HRK 568,219 thousand), respectively.

NOTE 24 - TRADE PAYABLES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Trade payables	465,969	462,909	179,198	164,358
Due to associated Group companies	-	-	48,125	53,048
	465,969	462,909	227,323	217,406

NOTE 25 - OTHER LIABILITIES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Salaries and other payments to employees	60,227	63,881	34,059	39,369
Dividend payable	896	1,214	896	1,214
Interest payable on borrowings /i/	14,403	9,873	12,641	7,923
Taxes and contributions payable	11,531	19,305	8,137	10,754
Purchase of equity interests	767	2,996	767	2,996
Other	15,030	15,764	2,381	3,726
	102,854	113,033	58,881	65,982

/i/ Interest payable includes an amount of HRK 8.7 million of accrued interest from bonds issued (Note 23).

NOTE 26 - SHORT-TERM BORROWINGS

(in thousands of HRK)	Interest rate/yield	2004	2003
PODRAVKA D.D.			
Commercial papers /i/	4.20%-4.75%	-	77,630
Banks /ii/	4.08%-6.39%	-	210,299
Other	4.50%	1,026	982
Total		1,026	288,911
PODRAVKA GROUP			
Commercial papers	4.20%-4.75%	-	77,630
Banks /ii/	3.87%-12.05%	121,970	367,130
Other	4.50%	1,026	34,724
Total		122,996	479,484

/i/ The commercial papers issued in 2003 in the amount of HRK 78 million have been realised from the beginning of January to the end of June 2004.

/ii/ The decrease in short-term borrowings relates to loans from domestic banks (Note 23).

NOTE 27 - SHAREHOLDERS' EQUITY

/i/ As at 31 December 2004, the Company's share capital amounted to HRK 1,626,000,900, distributed among 5,420,003 shares (2003: HRK 1,623,121,200 and 5,410,404 shares). The nominal value amounted to HRK 300 per share. These shares are comprised as follows:

	2004		2003	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	5,420,003	1,626,001	5,410,404	1,623,121
Total	5,420,003	1,626,001	5,410,404	1,623,121
Treasury shares	(92,823)	(21,159)	(185,597)	(35,502)

/ii/ The ownership structure is as follows:

	2004		2003	
	Number of shares	%	Number of shares	%
<i>Ordinary shares</i>				
Shareholders - legal entities	3,055,837	56.38	2,606,743	48.18
Shareholders - individuals	1,712,385	31.60	1,815,225	33.55
Croatian Privatisation Fund	558,958	10.31	802,839	14.84
Treasury shares	92,823	1.71	185,597	3.43
Total	5,420,003	100.00	5,410,404	100.00

/iii/ According to the decision of the Croatian Privatisation Fund in 2004, the capital was increased by issuing 9,599 new shares with a nominal value of HRK 300 per share. These shares relate to the valuation of land in Zagreb, Žitnjak in the amount of HRK 2,879,700 (2003: 3,708 new shares with a nominal value of HRK 300 per share, which relate to the valuation of land on the island of Čiovo in the amount of HRK 1,112,400), which was not included in capital during the Company's privatisation process in 1993.

/iv/ According to the decision of the General Assembly in July 2004, the Company's loss was covered from other reserves in the amount of HRK 3,956 thousand.

/v/ The realised preferred dividend for 2003 (for the period from 1 January to 2 July 2003) amounted to EUR 1,405,077 or HRK 10,390 thousand (entire 2002: EUR 2,766,600 or HRK 20,864 thousand), paid to EBRD in July 2004 and in July 2003. Following the decision of the General Assembly, the dividend from net profit for 2002 was approved in the gross amount of HRK 6.0 per ordinary share, which totals HRK 31,469 thousand (from net profit for 2001: -). The dividend was paid in full by the end of 2003 in the amount of HRK 30,375 thousand.

/vi/ In 2004, 92,774 treasury shares were sold (2003: 6,032) for an amount of HRK 14,343 thousand (2003: HRK 989 thousand).

- /vii/ In 2003, 667,376 treasury shares (2002: 237) were purchased at the total cost of HRK 196,561 thousand (2002: HRK 71 thousand). From total purchased treasury shares, 636,000 shares represents preferred shares of series "B" purchased from EBRD at HRK 300 per share, which totals EUR 25,564,595 or HRK 190,800 thousand. The purchase was performed in accordance with the agreed timing on 15 July 2003.
- /viii/ According to the decision of the General Assembly in July 2003 on the decrease in capital by withdrawing 636,000 shares of series "B" with a nominal value of HRK 300 each, in August 2003 the decrease in capital was executed at the Commercial Court in Bjelovar in the amount of HRK 190,800 thousand.
- /ix/ The legal reserve is required under Croatian law according to which certain Group companies must build up the legal reserve by transferring a certain part of profit of the current year. This reserve is not distributable. In 2004, an amount of HRK 3,952 thousand (2003: HRK 7,983 thousand). This amount refers to realised profit in 2003 and in 2002. In 2004, an amount of HRK 3,693 thousand (2003: HRK 28,804 thousand) was transferred to other reserves in accordance with the Statutes of certain Group companies.
- /x/ In 2004, the share option right was utilised by a management member of the subsidiary Belupo d.d. in the amount of HRK 1,928 thousand, increased by the relating tax of HRK 341 thousand, totalling HRK 2,269 thousand, which was recorded as a decrease in retained earnings.

NOTE 28 - MANAGEMENT BENEFITS

In 2004, benefits paid to members of the Company's Management Board and the Supervisory Board amounted to HRK 4,332 thousand, (2003: HRK 6,649 thousand including termination benefits; HRK 4,346 thousand excluding termination benefits) and HRK 1,782 thousand (2003: HRK 1,589 thousand), respectively.

SHARE OPTIONS The Group grants treasury share options to members of Management and certain CEOs in accordance with active contracts, as follows:

	2004		2003	
	Average exercise price (in HRK per share)	Options (in thousands of HRK)	Average exercise price (in HRK per share)	Options (in thousands of HRK)
<i>At 1 January</i>	161.51	44,242	159.22	28,546
Granted	173.68	16,386	163.85	16,496
Forfeited	156.54	(1,722)	-	-
Exercised	147.78	(16,271)	184.36	(375)
Lapsed	187.96	(7,268)	106.32	(425)
At 31 December	169.63	35,367	161.51	44,242

Expiry date	Shares		
	Exercise price	2004	2003
2005	140.70	-	40,000
2006	119.47	18,000	-
2007	183.31	46,000	-
2008	161.32	64,000	-
2009	178.36	80,500	-
		208,500	40,000

NOTE 29 - MINORITY INTEREST

(in thousands of HRK)	2004	2003
At 1 January	-	550
Share of net profit for the year	-	45
	-	595

During 2004, the Company purchased the interest holder Cerrera s.r.l., Italy and acquired an additional 50% interest in the subsidiary Podravka-International s.r.o., Bratislava, Slovakia (Note 14). As a result, there is no minority interest in the Group.

NOTE 30 - COMMITMENTS

In 2004, the purchase costs of tangible fixed assets contracted with suppliers were HRK 41,730 thousand for the Group and HRK 29,865 thousand for the Company (2003: HRK 39,989 thousand for the Group and HRK 30,543 thousand for the Company), which are not yet realised or recognised in the balance sheet as at 31 December 2004 and 2003.

The future payments receivable under operating leases for the usage vehicles, forklift trucks and refrigerating show-cases as follows:

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Not later than 1 year	20,782	17,998	15,384	13,925
Later than 1 year and not later than 5 years	32,228	45,757	23,343	33,723
	53,010	63,755	38,727	47,648

NOTE 31 - CONTINGENCIES

	Podravka Group		Podravka d.d.	
	2004	2003	2004	2003
<i>(in thousands of HRK)</i>				
Long-term provisions for legal proceedings /i/	11,985	-	-	-
	11,985	-	-	-
Legal proceedings /ii/	21,099	36,877	3,868	10,223
Guarantees /iii/	25,467	28,651	405,793	430,166
	46,566	65,528	409,661	440,389

/i/ During 2004, a long-term provision was made for legal proceedings out of which a potential liability may arise for the Group.

/ii/ With respect to other legal proceedings and guarantees granted, contingencies have not been recognised in the balance sheet as at 31 December, as it was estimated that no potential liability will arise for the Group.

NOTE 32 - CASH GENERATED FROM OPERATIONS

	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
<i>(in thousands of HRK)</i>					
Net profit/(loss)		84,237	9,958	32,722	(20,346)
Income tax	10	18,365	23,784	-	-
Depreciation, amortisation	12, 13	229,879	224,796	138,120	121,251
Loss from sale of tangible and intangible fixed assets		695	968	576	1,845
Provisions for current assets		25,246	46,677	9,249	58,806
Provisions for non-current assets		2,821	-	821	-
Provisions for investments	16 /iv/	1,509	-	209	12,486
Long-term provisions	31	11,985	-	-	-
Loss/(profit) from sale of investments	16 /iii/	(1,900)	573	1,839	3,284
Interest income	8	(10,524)	(9,411)	(29,618)	(25,829)
Dividend income		(343)	(456)	(343)	(456)
Interest expense	8	60,545	49,390	40,761	31,540
Effect of movements in exchange rate	12,13	13,904	24,635	(2,877)	19,743
Other items not affecting cash		8,281	6,672	2,880	8,096
<i>Movements in working capital</i>					
Movements in inventories		40,650	(22,933)	9,399	388
Movements in trade receivables		(119,890)	(77,171)	(50,249)	(47,655)
Movements in other current assets		21,135	87	18,902	18,112
Movements in trade payables	24	3,060	33,592	9,917	(27,029)
Movements in other liabilities		(17,066)	(24,323)	(19,760)	(18,930)
Cash generated from operations		372,589	286,838	162,548	135,306

