

Business results of the Podravka Group for 2004



THE PODRAVKA GROUP IN 2004

1. 2.4% increase in sales, amounting to HRK 3.3 billion
2. Sales in the domestic market rise by 1%
3. Sales in foreign markets increase by 4%
4. EBITDA margin for 2004 reaches 11.7%, showing an increase of 119.2 bp over 2003
5. EBIT for 2004 amounts to HRK 154.3 million, recording a 38% growth over 2003
6. Net profit reaches HRK 84.2 million
7. In 2004, a programme implemented for resolving the surplus of employees, directed at 252 employees
8. Issue of bonds to the amount of Euro 27 million with due date in 2007
9. Opening of a new plant for solid and semi-solid drugs - Belupo d.d.
10. Adoption of new organisational structure of Podravke d.d.
11. Closure of the Vegeta plant in Mohacs
12. Purchase of a 50% stake in Cerere in Podravka International Bratislava
13. Investment cycle continued – investments in 2004 to the amount of HRK131.4 million
14. Contract signed with Unilever on the exclusive distribution of ice cream in the territory of Croatia
15. Vegeta among the first three brands with the highest growth potential in the market of Poland – according to a survey conducted by Young & Rubicam

BUSINESS RESULTS OF THE PODRAVKA GROUP IN 2004

The total revenue of the Podravka Group in 2004 amounts to HRK 3.4 billion, recording a 3% rise over the revenue achieved in 2003.

In the total revenue structure, revenues from sales account for 96.5%, financial revenues account for 2.5% and other revenues for 1.0%.

in HRK mil.

Ord. No.	ELEMENTS	2004		2003		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Sales	3,294.9	96.5	3,217.7	96.9	102
2	Financial revenues	85.1	2.5	71.1	2.1	120
3	Other revenues	34.3	1.0	31.3	0.9	109
	Total revenues	3,414.3	100.0	3,320.1	100.0	103

Sales revenues

In 2004 the Podravka Group realised revenues from sales to the amount of HRK 3.3 billion, representing an increase of 2.4% over 2003.

Sales revenues in the domestic market amounted to HRK 1.8 billion and were 1.2% higher than in the previous year.

In foreign markets, the sales revenues amounted to HRK 1.5 billion, recording an increase of 4%.

in HRK mil.

Ord. No.	ELEMENTS	2004		2003		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Domestic market	1,769.1	53.7	1,748.2	54.3	101
2	Foreign markets	1,525.8	46.3	1,469.5	45.7	104
	Total	3,294.9	100.0	3,217.7	100.0	102

Sales by segments

The new organisation adopted in September 2004 defined the following three Strategic Business Areas (SBAs): Food and Beverages, Pharmaceuticals and Services.

Ord. No.	BUSINESS SEGMENTS	2004		2003		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	2,688.9	81.6	2,630.2	81.7	102
2	Pharmaceuticals	594.7	18.0	572.8	17.8	104
3	Services	11.4	0.3	14.7	0.5	78
	Total	3,294.9	100.0	3,217.7	100.0	102

Food and Beverages accounted for 81.6% of the sales structure of the Podravka Group in 2004 (of which 21% relates to consumer goods), Pharmaceuticals accounts for 18.0%, and Services for 0.3%.

Sales by product groups

in HRK mil.

Ord. No.	PRODUCT GROUP	2004		2003		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Vegeta - food complements	656,2	19,9	642,0	20,0	102
2	Podravka dishes	221,0	6,7	222,8	6,9	99
3	Children's food	142,9	4,3	148,5	4,6	96
4	Snacks and desserts	127,7	3,9	127,3	4,0	100
5	Fruit and tea	68,2	2,1	67,1	2,1	102
6	Vegetables and condiments	149,1	4,5	144,4	4,5	103
7	Meat and meat products	271,2	8,2	269,8	8,4	101
8	Mill and bakery products	88,3	2,7	65,3	2,0	135
9	Rice, legumes and other prod.	177,6	5,4	179,3	5,6	99
10	Frozen foods	17,8	0,5	12,1	0,4	148
11	Consumer goods	574,6	17,4	523,2	16,3	110
12	Beverages	165,7	5,0	195,4	6,1	85
13	Pharmaceuticals	594,7	18,0	572,8	17,8	104
14	Services	11,4	0,3	14,7	0,5	78
15	Other	28,4	0,9	33,1	1,0	86
	Total	3.294,9	100,0	3.217,7	100,0	102

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

Sales by markets

in HRK mil.

Ord. No.	MARKET	2004.		2003.		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,769.1	53.7	1,748.2	54.3	101
2	Southeast Europe	723.0	21.9	687.2	21.4	105
4	Central Europe	487.8	14.8	480.3	14.9	102
5	Western Europe, transoceanic countries, Far East	201.3	6.1	185.8	5.8	108
6	Eastern Europe	113.8	3.5	116.2	3.6	98
	Total	3,294.9	100.0	3,217.7	100.0	102

In the Croatian market, sales grew by 1%, and the market of Southeast Europe recorded a 5% growth.

The market of Central Europe achieved a growth in sales of 2% over 2003, with business stabilising in Poland.

In the markets of Western Europe, transoceanic countries and the Far East, an 8% growth in sales was achieved compared with 2003.

Sales in the market of Eastern Europe were 2% lower when compared with sales in 2003. The unfavourable exchange rate of the American dollar had the greatest impact on the decline in income.

Sales in the domestic market per product group

in HRK mil.

Ord. No.	PRODUCT GROUP	2004		2003		Index 2:4
		Iznos	%	Iznos	%	
0	1	2	3	4	5	6
1	Vegeta - food complements	143,1	8,1	138,8	7,9	103
2	Podravka dishes	83,6	4,7	84,6	4,8	99
3	Children's food	84,5	4,8	85,1	4,9	99
4	Snacks and desserts	71,4	4,0	68,8	3,9	104
5	Fruit and tea	51,4	2,9	52,4	3,0	98
6	Vegetables and condiments	115,9	6,5	114,5	6,6	101
7	Meat and meat products	204,7	11,6	204,8	11,7	100
8	Mill and bakery products	87,5	4,9	65,2	3,7	134
9	Rice, legumes and other prod.	1,1	0,1	0,5	0,0	223
10	Frozen foods	17,8	1,0	11,9	0,7	149
11	Consumer goods	235,5	13,3	214,3	12,3	110
12	Beverages	159,2	9,0	190,5	10,9	84
13	Pharmaceuticals	482,3	27,3	480,0	27,5	100
14	Services	11,4	0,6	14,7	0,8	78
15	Other	19,7	1,1	22,2	1,3	89
	Total	1.769,1	100,0	1.748,2	100,0	101

Growth in sales in the Croatian market was recorded by Vegeta – food complements (3%), snacks and desserts (4%), consumer goods (10%), frozen foods (49%), mill and bakery products (34%) and vegetables and condiments (1%).

A significant drop in sales was recorded in the beverages category (16%) which was caused by unfavourable weather conditions during the season and a strong surge in competition within this category.

Costs / expenses

The total expenses in 2004 amounted to 3.3 billion, marking a 1% rise over expenses in 2003.

In the structure of expenses, costs of goods sold accounted for 60.0%, costs of sales for 25.6%, general and administrative costs for 10.2%, and financial expenses for 4.1% of total expenses.

Structure of costs / expenses

in HRK mil.

Ord. No.	COST / EXPENSES	2004		2003		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	1.988,4	60,0	1.968,5	59,9	101
2.	Cost of sales and distribution	849,0	25,6	826,9	25,1	103
3.	General and administrative costs	337,6	10,2	341,6	10,4	99
4.	Financial expenses	136,8	4,1	151,1	4,6	91
	Total	3.311,7	100,0	3.288,1	100,0	101

Profitability

On sales of HRK 3.29 billion sales, minus costs, the Podravka Group made a net profit of HRK 84 million.

Basic earnings per share amount to HRK 15.97, compared to HRK 0.16 in 2003.

Return on equity in 2004 amounts to 4.5%, while in 2003 it amounted to 2.4%. Return on total assets in 2004 amounts to 2.5%, compared with 1.2% in 2003.

in HRK mil.

Red. br.		2004		2003		Index 2:4
		Amount	% in sales	Amount	% in sales	
0	1	2	3	4	5	6
1	Sales	3,294.9	100.0	3,217.7	100.0	102
2	Gross profit	1,306.6	39.7	1,249.2	38.8	105
3.	EBITDA	384.2	11.7	336.8	10.5	114
4.	EBIT	154.3	4.7	112.0	3.5	138
5.	Net profit	84.2	2.6	10.0	0.3	846

FREE TRANSLATION FROM CROATIAN ORIGINAL

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 d.o.o.
Zagreb, 18 April 2005

PODRAVKA GROUP**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2004**

<i>(in thousands of HRK)</i>	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)
Gross profit		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)
Operating profit/(loss)		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)
Profit/(loss) before tax		102,602	33,787	32,722	(20,346)
Profit tax expense	10	(18,365)	(23,784)	-	-
Net profit/(loss)		84,237	10,003	32,722	(20,346)
Minority interest	29	-	(45)	-	-
Net profit/(loss)		84,237	9,958	32,722	(20,346)
Earnings/(loss) per share					
- Basic	11	HRK 15.97	HRK -0.16		
- Diluted	11	HRK 15.36	HRK 1.78		

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

President of the Management Board

Darko Marinac

PODRAVKA GROUP**BALANCE SHEET****AS AT 31 DECEMBER 2004**

<i>(in thousands of HRK)</i>	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
ASSETS					
Non-current assets					
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
Total non-current assets		1,888,565	1,973,341	1,743,304	1,852,088
Current assets					
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
Total current assets		1,527,975	1,520,691	913,856	863,038
Total assets		3,416,540	3,494,032	2,657,160	2,715,126

PODRAVKA GROUP**BALANCE SHEET****AS AT 31 DECEMBER 2004**

<i>(in thousands of HRK)</i>	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
LIABILITIES					
Non-current liabilities					
Long-term debt	23	684,496	501,459	560,279	363,345
Long-term provisions	31	11,985	-	-	-
Total non-current liabilities		696,481	501,459	560,279	363,345
Current liabilities					
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
Total current liabilities		840,631	1,212,472	381,985	676,440
Total liabilities		1,537,112	1,713,931	942,264	1,039,785
Shareholders' equity					
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**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2004**

<i>(in thousands of HRK)</i>	Note	Podravka Group		Podravka d.d.	
		2004	2003	2004	2003
Cash flows from operating activities					
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
Cash flows from investing activities					
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)
Cash flows from financing activities					
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)
Net (decrease)/increase in cash and cash equivalents		(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