

02-03

A heart is the symbol of our company. From the very beginning it has expressed our concern, our confidence and love – our care for our consumers and for all who show interest in our company, the determination in responding to the challenges of our time, the affection and love for Podravka.

Podravka will be the leading company in the region in terms of innovativeness, knowledge, internationalisation, revenue...

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Dear Shareholders, in the previous year Podravka has made some very concrete steps directed towards achieving the goal of becoming the leading food company in the region, where we consider region to be Central, Eastern and South-Eastern Europe, in terms of innovativeness, knowledge, internationalisation and revenue. Our business operations on the markets of Central, Eastern and South-Eastern Europe were characterised by the growth and strong development of the entire business. We continued investing in the knowledge of our employees knowing that this is crucial for future development and growth. This year's growth has been achieved, as we had forecasted, with the combination of organic growth, acquisitions and strategic alliances. At the same time we have continued to focus on the food business which together with pharmaceuticals is the company's core business and we have disposed of minority shares in the businesses that are not part of Podravka's major activities.

Podravka's total operating income in the year 2002 rose to 2,843.3 million Kuna representing a 10 percent growth compared to the previous year. Revenue from sales increased by 8 percent amounting to 2,746.8 million kuna. The mentioned growth percentages in the year 2002 confirm that just a year earlier we had made a good assessment both of the market and the situation, and that our strategy conforms with the circumstances in which we operate. It is worth mentioning that in the year 2002 Podravka strengthened its activities on all markets and the process of further internationalisation is in progress.

The Croatian market is the market in which the Podravka Group achieved over half of its operating income. During 2002, sales in the amount of 1,520.8 million kuna was achieved on the Croatian market which is an 8 percent increase compared to the previous year. An important detail is that despite high market shares in particular categories an increase of the sales of all Podravka's programs was recorded on the Croatian market.

A significant step forward was the acquisition of the company Ital-Ice from Poreč indicating Podravka's entry into the rapidly growing category of frozen and cooled food. This is the business manoeuvre we planned and announced and therefore we expect positive synergy effects between Ital-Ice and Podravka's business units.

In 2002, Podravka significantly strengthened its position on foreign markets. On the markets of South-eastern Europe Podravka, with its brands, is the leading food company and this position has additionally been reinforced by the contract with Nestlé, the world's leading food company. Taken the consolidation and expansion of trade in the region, the co-operation between Nestlé and Podravka in distribution on the markets of South-Eastern Europe gives us a better negotiating position and makes us the strongest provider of branded food on this territory. The present sales, distribution and logistics agreement enables the reduction of distribution costs and product range expansion, but also the possibility of extending co-operation to other business areas. What is also important is the knowledge, the know how that we gain through doing business with the world's leading company in our branch.

Nevertheless, the sales in South-Eastern Europe grew by 20% during 2002 compared to the previous year and a revenue of 509.9 million Kuna was achieved representing over 18% of the total sales revenue

of the Podravka Group. This part of Podravka's market shows above average growth rates in the food business and we expect further growth in the forthcoming period.

On the markets of Hungary, the Czech Republic and Slovakia some movements have been made which already show significant impact on the development of business in this part of Europe. Certainly, the most important of these was the acquisition of Lagris, the leading independent food provider for the markets of the Czech Republic and Slovakia. With this acquisition Podravka purchased the brand Lagris and the market share, broadened the product range that we offer through our own distribution network, and also penetrated into new categories. The Lagris product range shall soon be found on other Podravka's markets. It is a pleasure to mention that the taking over of Lagris is a project led by Podravka's employees in a highly professional manner and the knowledge we have gained in this process shall be implemented in future operations. At the moment the integration of Lagris into the Podravka system is in progress and the process is running as planned. I would like to take the opportunity to congratulate the management for a well done job and Podravka's first foreign acquisition.

At the same time, Podravka became the exclusive distributor for the Hungarian market of Heinz products, the world's leading manufacturer of ketchup. In Hungary, Podravka also distributes products from the company Adria from Zadar. We have been present on the Hungarian market for a number of years and we have a whole structure organised that facilitates development and therefore I am confident that on this market, which will soon together with some other Podravka's markets become a part of the European Union, further growth can be anticipated. During the previous year, Podravka's sales on the markets of Hungary, the Czech Republic and Slovakia grew for 30% compared to the year 2001 and a part of this growth also results from the Lagris acquisition.

The market of Poland and the Baltic countries recorded in 2002 a 13% drop in realisation compared to 2001. The main reason for such a drop lies in the double digit depreciation of the Polish Zloty, although I am convinced that we could have accomplished more. There was a change in management on the Polish market and I am certain that the new management has the capacity to take advantage of the opportunities existing on this, for Podravka, the largest foreign market.

On the markets of Western Europe and overseas countries the realisation remained at the level of the year 2001 and the revenue from these markets contributes with 5.8 percent in Podravka Group's total revenue. Sales on the markets of Russia and the Ukraine grew for 16 percent compared to the year 2001 and I believe that these markets hold great potential for Podravka's further development and growth. Our brands Vegeta, Podravka and Lino have been recognised and I trust that even higher growth figures shall be revealed in the forthcoming period.

All Podravka's strategic business units had a increase of sales in the year 2002 with the exception of Vegeta whose sales dropped 2 percent compared to the previous year. The 2 percent decrease is primarily due to the situation on the Polish market while on other markets the sales of our most distinguished brand increased.

However, it is my pleasure to announce that Podravka's meat industry Danica increased its sales in 2002 for 4 percent and achieved positive results; therefore, I would like to congratulate all the employees and the management on this achievement. The sales of the Beverages program – with brands Studenac and Studena also grew for 39 percent compared to 2001 which is far more than the growth of the water market in Croatia. As in the beverages business, innovativeness and quality have contributed to the growth of sales of mill and bakery products in the amount of 28 percent compared to the year before. The sales of the Podravka Dishes program increased 3 percent compared to 2001 and this is the program that will be innovated and further developed. Namely, in 2002 we started the construction of a new factory for Podravka Dishes that shall apart from modernisation and efficiency enable innovations in the Podravka brand product range. The program with the brands Lino, Dolcela and Kviki also increased its sales for 3 percent in comparison to 2001, while the sales of Podravka products based on fruit and vegetables is 4 percent higher than in the previous year. In the year 2002, Podravka continued its financial restructuring, respectively, finding more favourable means of financing business operations. We are still in the position to easily incur debts, if necessary, and we are an attractive partner to investment houses and business banks. We have established a program of issuing commercial notes in the total value of 150 million Kuna and have issued the first drawdowns of these corporate debt securities. With the issue of commercial notes, which at the same time represent the most favourable means of funding in Kunas in Croatia, we have replaced the unfavourable short term loans and reduced financing costs. Today, we are a company that is also building up its reputation on the market of corporate securities, which has attracted new investors with trust in Podravka's mission.

Last year, we implemented the quality system certification in our business processes that satisfied the strict ISO 9001:2000 standard requirements. Besides certifying the process of development, production, sales and distribution of Vegeta, we have extended the quality management system to other business processes. In that way we have satisfied the quality standards according to the ISO standard in the business processes of Podravka Dishes, the Confectionery Program and Fruit and Vegetables.

The process of certification has successfully been completed in Podravka's companies in Poland and Hungary whereby the entire Vegeta production system has observed the demanding European standards. The quality system according to EU standards shall also be implemented during 2003 and the certification process shall cover the remaining business processes of the food companies within the Podravka Group in Croatia and Podravka's companies abroad.

I have to highlight the fact that we have systematically invested in the education of employees as we have recognised human resources to be the key competitive advantage and we are preparing our managers for the soon entry of a third of Podravka's market into the European Union. We have assessed the competencies of the management structure and the notion of the values of these employees has facilitated the development of heritage maps for the company. In Belupo we have completed the Acclimatisation project, respectively, the testing

of organisational climate and culture that will serve as a base for the follow up, evaluation and development of management.

We have also decided to establish our own academy for managers – POMAK, in co-operation with the Faculty of Economics in Zagreb.

POMAK shall be the platform for developing managerial knowledge and skills of our employees in order to successfully meet our business goals even on the most demanding markets. Concurrently with the preparations for POMAK, the fifth generation of Podravka's employees has finished the school of management in co-operation with the international school of business in Slovenia.

We have decided to take an active role in the guidance and professional development of our young highly educated staff through the program "Podravka Employee at Heart". We familiarise young employees with the company business, develop team spirit and market approach, enable them opportunities for active participation in designing a better manner of conducting company business and provide advancement through workshops, lectures and discussion groups.

The pharmaceutical part of the concern, Belupo, has been transformed into a shareholding company and we have made the decision to list 25 percent of Belupo shares in the I quotation of the Zagreb Stock Exchange. Our motives were explicit: to sell 25 percent of Belupo shares on the stock exchange at the right moment for attaining the highest price, much higher than the nominal value, and thereby finance other company activities, for example new acquisitions and similar investments. However, the decision to list these shares at the stock exchange shall not be implemented so far due to negative trends on the securities market and the price drop of almost all shares. Anyway, we shall await more favourable trends and conditions.

Confirmation of the value of our company came last year at the Croatian contest for the golden share. We were awarded prizes for the best industrial share and the most liquid share and a special journalist jury declared Podravka the Croatian company having best relations with the media. According to the opinion of the prestige financial magazine – Euromoney, Podravka is the leading company in Croatia in corporate governance, respectively, professional company leadership according to international standards that include business transparency. In the year 2003, we expect further growth and adjustment to market conditions. New acquisitions are also possible in order to strengthen Podravka's position in the region and the food business. We also expect more stable business conditions on our most significant export market in Poland and the full effect of the distribution agreement for products of the strongest food company in the world, Nestlé.

Next year we are also awaiting the opening of our new factory for Podravka Dishes and Belupo's plant for the production of semi-solid and liquid drugs in Koprivnica. The state-of-art factories shall significantly advance production efficiency and the potentials for developing new programs.

I am convinced that in the new challenges that await in the forthcoming period we shall be able to recognize and take advantage of the new opportunities for growth and development aimed at making Podravka the leading company in the region in terms of innovativeness, knowledge, internationalism and revenue.



Darko Marinac, President of the Management Board of Podravka d.d.

Key information

- 01... Net profit of HRK 108.5 million, an increase of 75% compared to 2001
- 02... Sales revenue of HRK 2,746.8 million, up 8% compared to 2001
- 03... Acquisition of Ital-Ice
- 04... Acquisition of Lagris, a highly profitable food manufacturer in the Czech Republic and Slovak Republic. Podravka strengthens its position in Central Europe
- 05... Ownership interest in Panonska Brewery sold
- 06... Programme of issuing commercial notes to the amount of HRK 150 million, resulting in more favourable financing terms
- 07... Podravka's Danica meat industry records positive business results
- 08... Strategic business alliance agreed with Nestlé, making Podravka the distributor of Nestlé products in Croatia and South East Europe
- 09... Podravka starts distributing Heinz products in Hungary, and also distributes Adrija Zadar products
- 10... Podravka shares selected as the number one industrial shares of the year
- 11... Podravka shares selected as the most liquid shares on the Zagreb Stock Exchange
- 12... Podravka receives the international Euromany award for corporate management and transparent financial records
- 13... Podravka receives award for best media relations
- 14... Podravka's annual report for 2001 receives design award
- 15... Construction of a new Podravka food plant begins
- 16... Investments in the protection of the environment continue (waste water filters on Danica reconstructed, waste water laboratory reconstructed, construction of a new overhead power line to protect the environment and support sustainable development)
- 17... Continuation of ISO 9001:2000 quality certification for the entire Podravka product range and business operations (Podravka food, Lino, Dolcela and Kviki and Fruit and Vegetables)

Results of the Podravka Group for 2002

The business operations of the Podravka Group in 2002 focused on the following strategic activities: implementing all the planned strategies, clearing the portfolio of non-core and unprofitable activities, strengthening the position on existing markets as well as expanding onto new markets, strategic associations and acquisition of companies whose product range is in synergy with Podravka's products. Podravka has thus secured better access to commercial chains and improved market positions in particular countries by promoting quality management and contributing to sustainable development. In year 2002, the Podravka Group generated total revenues of HRK 2,929.9 million, representing a 10% increase over 2001. In the structure of total revenues, the greatest contribution was made by sales revenues, amounting to 93.8%. Other revenues made up 3.3% and financial revenues made up 2.9% of total revenues. Together with a significant increase in sales, partly due to acquisitions and the distribution of Nestlé products in Croatia and

South East Europe, other financial revenues also increased. The increase in financial revenues is the result of the sale of interests in Panonska Brewery, whereas revenues from interest and foreign currency movements are lower than the previous year. The increase in other revenues is primarily due to the collection of written-off receivables from customers, additional approvals from suppliers, sales of materials, collected insurance claims, etc.

Revenues from sales

In 2002, the Podravka Group generated sales revenues of HRK 2,746.8 million, representing an increase of 8% compared to 2001. Domestic sales revenues generated HRK 1,520.8 million, which is 8% up on 2001. Sales revenues on foreign markets were HRK 1,226 million, which represents a 9% increase compared to the previous year.

Sales by product group

All standard product groups recorded an increase in 2002 except Vegeta whose sales are just below the sales figures achieved in 2001. The largest growth was in drinks – 39%, while other increases were recorded in mill and bakery products – 28%, meat and meat products and fruit and vegetables – 4%, Lino, Dolcela and Kviki and Podravka food – 3% and pharmaceuticals and cosmetics – 1%. The increase in sales of the product group marked as "other" is the result of product sales from the range of acquired companies.

In 2002, the sales of traded goods significantly increased, marking a simultaneous increase in their share in total sales. The biggest impact on the increase of traded goods comes from the sales of Nestlé products (HRK 111.6 million) and sales of Kraš, Adria and Heinz products. As well as its own production, Podravka is developing into a significant distributor of food products, thus strengthening its position and at the same time building its competitiveness.

In the course of 2002, Podravka purchased three companies: Ital-Ice from Poreč, and Lagris from the Czech Republic and Slovak Republic, which accounted for additional sales of HRK 71.2 million.

Sales by market

The Croatian market still generates more than half of total sales, up 8% compared to 2001.

Next in size is the market of South East Europe which generates 19% of total sales, showing a 20% increase.

The market of Central Europe is Podravka's third market in terms of size and significance and includes Poland, Romania and the Baltic countries.

The market of the Czech Republic, Slovak Republic and Hungary is also marked by increases in sales compared to 2001, which is partly due to new acquisitions.

The market of Western Europe and overseas markets generate 6% of total sales, giving the same results as the previous year.

The market of Eastern Europe includes Russia and Ukraine and is marked by an increase in sales of 16%.

Sales in the Croatian market

Sales in the Croatian market increased by 8% compared to 2001.

There was an increase in sales in almost all product groups: drinks 39%, mill and bakery products 28%, Podravka Dishes 11%, Lino, Dolcela and Kviki 7%, meat and meat products 6%, Vegeta 5%, fruit and vegetables 2%, sales of traded goods 48% while pharmaceuticals and cosmetics maintained the same levels as in 2001.

Costs and expenses

Total expenses in 2002 amounted to HRK 2,796.6 million, representing an 8% increase compared to the previous year.

In the structure of expenses, the greatest costs were those of goods sold – 57.4%, followed by general and administrative costs – 10.8%, costs of sales – 27.7% and financial costs, accounting for 4.1% of total expenses.

Structure of costs / expenses

The costs of goods sold amounted to HRK 1,604.6 million, representing an 8% increase compared to the previous year. This increase correlates to the increase in sales. The most significant costs in this group are: material costs 68%, salaries 17%, and depreciation 7%, while the remaining 8% relates to other costs.

General and administrative costs amounted to HRK 302.2 million or 11% of total expenses. In relation to 2001 these costs increased by 10%. The most significant costs in this group are: salaries 43%, depreciation 14%, and the remaining 43% relate to different services, per diems and travelling costs, representation, training and other costs.

The costs of sales and distribution amounted to HRK 776.0 million, representing an increase of 10% in comparison to 2001.

The most significant costs in this group are: salaries 28%, market investment costs 26%, transport costs 7%, depreciation 4%, value adjustment of accounts receivable from customers 3%, and other costs.

Financial expenses amounted to approximately HRK 114 million, showing a 2% decrease compared to 2001.

Profitability

In 2002, the Podravka group generated HRK 160.6 million operating profit, representing a 36% increase compared to the previous year.

EBITDA amounted to HRK 348.4 million, marking a 17% increase over 2001.

The generated net profit of HRK 108.5 million represents a 75% increase compared to the previous year, giving a total return on equity of 5.4%.

Key Information

Results of the Podravka Group for 2002

Elements in mil. kunas	2002		2001		Index
	Amount 1 2	% 3	Amount 4	% 5	
Sales	2746,8	93,8	2537,0	95,0	108
Financial revenues	86,6	2,9	79,9	3,0	108
Other revenues	96,5	3,3	52,4	2,0	184
Total:	2929,9	100,0	2669,3	100,0	110

Revenues from Sales

Elements in mil. kunas	2002		2001		Index
	Amount 1 2	% 3	Amount 4	% 5	
Domestic market	1520,8	55,4	1414,4	55,7	108
Foreign markets	1226,0	44,6	1122,7	44,3	109
Total:	2746,8	100,0	2537,0	100,0	108

Product group in mil. kunas	2002		2001		Index
	Amount 1 2	% 3	Amount 4	% 5	
Vegeta	689,8	25,1	704,9	27,8	98
Pharmaceuticals and cosmetics	550,6	20,0	543,8	21,4	101
Podravka food	272,2	9,9	265,0	10,5	103
Meat and meat products	257,3	9,4	248,4	9,8	104
Lino, Dolcella, Kviki	253,4	9,2	245,1	9,7	103
Fruit and vegetables	181,7	6,6	174,4	6,9	104
Traded goods	232,1	8,5	124,1	4,9	187
Drinks	138,3	5,0	99,8	3,9	139
Mill and bakery products	62,9	2,3	49,1	1,9	128
Other*	108,5	4,0	82,4	3,2	132
Total:	2746,8	100,0	2537,0	100,0	108

Other* – catering and other services, transit goods, public catering, printed material and part of the new range taken over by Podravka through the acquisition of new subsidiaries in 2002 (ice-cream and other frozen food, rice, legumes...)

Key Information

Sales by Market

Markets in mil. kunas	2002		2001		Index 2:4 6
	Amount 1 2	% 3	Amount 4	% 5	
Croatia	1520,8	55,4	1414,4	55,8	108
South East Europe	509,9	18,6	426,7	16,8	120
Central Europe	258,9	9,4	299,0	11,8	87
The Czech Republic, Slovakia and Hungary	221,8	8,1	170,4	6,7	130
Western Europe and overseas	161,2	5,8	162,3	6,4	99
Eastern Europe	74,2	2,7	64,2	2,5	116
Total:	2746,8	100,0	2537,0	100,0	108

Sales in the Croatian Market

Product group in mil. kunas	2002		2001		Index 2:4 6
	Amount 1 2	% 3	Amount 4	% 5	
Pharmaceuticals and cosmetics	464,3	30,5	464,5	32,8	100
Meat and meat products	197,8	13,0	185,9	13,1	106
Fruit and vegetables	151,0	9,9	148,2	10,5	102
Lino, Dolcela and Kviki	146,9	9,7	137,2	9,7	107
Drinks	134,7	8,9	97,2	6,9	139
Vegeta	123,1	8,1	116,7	8,3	105
Podravka food	98,3	6,5	88,9	6,3	111
Mill and bakery products	62,9	4,1	49,1	3,5	128
Traded goods – total	99,4	6,5	67,0	4,7	148
Other*	42,4	2,8	59,7	4,2	71
Total:	1520,8	100,0	1414,4	100,0	108

Other* – catering and other services, transit goods, public catering, Ital-Ice products...)

Key Information

Structure of Costs / Expenses

Cost/Expense in mil. kunas 1	2002		2001		Index 2:4 6
	Amount 2	% 3	Amount 4	% 5	
Costs of goods sold	1.604,6	57,4	1.490,9	57,6	108
General administration	302,2	10,8	275,0	10,6	110
Sales and distribution	776,0	27,7	705,3	27,3	110
Financial expenses	113,8	4,1	115,9	4,5	98
Total:	2.796,6	100,0	2.587,1	100,0	108

Structure of Financial Expenses

Elements in mil. kunas 1	2002		2001		Index 2:4 6
	Amount 2	% 3	Amount 4	% 5	
Interest	50,0	43,9	61,2	52,8	82
Negative exchange rate differences	55,2	48,5	47,0	40,6	117
Expenses from investments	8,6	7,6	7,7	6,6	112
Total:	113,8	100,0	115,9	100,0	98

Profitability

Elements in mil. kunas 1	2002		2001		Index 2:3 4
	Amount 2		Amount 3		
EBIT (operating profit)	160,6		118,2		136
EBITDA	348,4		298,9		117
ROE	5,4		3,2		169
Net profit	108,5		61,9		175

Key Information

Key financial Indicators

	2002	2001
Total operating revenues (million kunas)	2.843,3	2.589,4
% change	10	
Total sales (million kunas)	2.746,8	2.537,0
% change	8	
Revenues from domestic sales (million kunas)	1.520,8	1.414,4
% change	8	
Revenues from foreign sales (million kunas)	1.226,0	1.122,6
% change	9	
ebit (Earnings before interest and tax) (million kunas)	160,6	118,2
% change	36	
ebitda (million kunas)	348,4	298,9
% change	17	
Net profit / loss (million kunas)	108,5	61,9
% change	75	
eps (earnings per ordinary share)	16,8	7,8
% change	115	
Total assets (million kunas)	3.471,4	2.986,1
% change	16	
Capital and reserves (equity) (million kunas)	2.019,0	1.939,1
% change	4	
Cash flow (million kunas)	110,5	72,2
% change	53	
Number of employees	7.488,0	6.885,0
% change	9	
Net profit / number of employees (million kunas)	14,5	9,0
% change	61	
roe (Return on equity) %	5,4	3,2
% change	69	
Total investments (million kunas)	285,8	65,3
% change	338	

10

75% net profit growth

75

3 billion kn (2,929,900,000) is the total revenue in 2002.

3

108.5 million kn net profit in 2002

108

9

30% sales growth in the Czech Republic, Slovakia and Hungary

30

Vegeta

Last year, Podravka's most well known and most profitable brand Vegeta was sold slightly less compared to the total sales achieved in the year 2001. The main reason for such result of Podravka's most famous product was the unpredictable Polish market where the national currency, Zloty in the year 2002 suffered a two digit depreciation.

As Poland is Podravka's most important export market where every business operation is carefully balanced, the weakening of the Zloty could not be followed with an increase in the price of Vegeta so the results are below the planned. However, the new management in Poland and the more stable market should soon restore the planned growth.

We have achieved 689.8 million Kuna of income on Vegeta in the previous year which is a quarter of Podravka's total sales. The sales of Vegeta compared to 2001 was less for about two percent. However, it is worth mentioning that still over 80 percent of products under the brand Vegeta, i.e. the universal seasoning and special food additives Vegeta Twist, are sold abroad.

On the domestic market Vegeta achieved sales of 123.1 million Kuna which is a 5 percent growth and on foreign markets the income from the sales of Vegeta reached 566.7 million Kuna.

Belupo d. d.

Belupo d.d., one of the leading pharmaceutical companies in the region, was engaged in Podravka's total last year's growth of ten percent. The sales of pharmaceuticals and cosmetics recorded a growth of one percent compared to the year 2001 and the total income of sales amounted 550.6 million Kuna last year which is about 20 percent of the total sales of the Podravka Group. On the Croatian market, Belupo realised 464.3 million Kuna of income from sales which is 30.5 percent of the total Podravka Group sales and on the foreign market 86.3 million Kuna or 15.7 percent of Belupo's total sales.

Belupo completed the project Acclimatisation – testing the organisational climate and culture. This is the base for implementing SUPER Belupo – systematic follow-up, evaluation and development of human resources. Belupo has continued to invest primarily in pharmaceutical research of medicaments for the cardiovascular system, skin diseases, the osteomuscular and nervous system. The construction of a new production plant for semi-solid and liquid pharmaceuticals was started in Koprivnica which shall enable our company to reach even higher standards and conditions for the production of these medicaments.

The Management and Supervisory Board brought the decision to list 25 percent of the Belupo d.d. shares in the I quotation of the Zagreb Stock Exchange. The listing of shares was cancelled due to the crisis on the stock market and the drop of all share prices.

Podravka Dishes

The Profit Centre Podravka Dishes recorded a total three percent growth of sales last year. The products include Podravka soups in

bags, bouillon cubes, special seasoning mixes and sauces Fant/Fix, semi-prepared dishes based on pasta and risotto Talianetta and instant soups Fini-Mini. The total sales of the SBU Podravka Dishes reached 272.2 million Kuna or 10% of the total sales of our group in the year 2002.

On the Croatian market the sales of products from the Podravka Dishes group was 11 percent higher than in 2001 and amounted 98.3 million Kuna. Exports achieved sales of 173.9 million Kuna which is about 64 percent of the total sales of Podravka Dishes. In the year 2003, we plan to open the new Podravka Dishes factory in Koprivnica in the total value of 130 million Kuna. This is a state-of-art factory with high technological standards that we are building in order to stronger penetrate on foreign markets, reduce production costs and initiate new production programs under the Podravka Dishes brand. The new factory shall, above all, improve our production efficiency and enable the development of new products.

Danica d. o. o.

Despite the appearance of mad cow disease in the countries of Europe and the ban of beef import, Podravka's meat industry Danica d.o.o. achieved a four percent growth last year and the company after a couple of years of difficulties managed to earn profit. Danica's total sales amounted 257.3 million Kuna, or 9.4 percent of the total sales of the Podravka Group.

Danica achieved sales of 197.8 million Kuna on the domestic market or 76.9 percent of the total sales of that Profit Centre. For example, in 2001 the proportion was 82 against 12 percent in favour of sales in Croatia. The sales of Danica on the domestic market was six percent higher than in 2001, continuing the trend of cost controlling. The high quality meat products from our three factories – the slaughterery, the canned meat factory and the sausage and smoked meat factory – are making considerable progress in conquering the markets of neighbouring countries.

Confectionery program

The Confectionery Program which covers baby food Lino, sweets Dolcela and salty snacks Kviki, achieved a growth of three percent compared to the year 2001. The figures show that the total sales last year were 253.4 million Kuna of which 146.9 million come from the domestic market and 106.5 million Kuna from export.

The products from the Confectionery Program realised a sales growth of seven percent on the Croatian market. Our SBU Lino, Dolcela, Kviki has continued with the building of the Lino and Dolcela brands and establishing on new markets, mostly the neighbouring Serbian market.

Our Linolada factory in Koprivnica celebrated its 20th anniversary.

Fruit and vegetables

Products from the SBU Fruit and Vegetables were the , seeds from

which the present day Podravka developed. Processed fruit and vegetable products, tea and condiments recorded in 2002 sales of 181.7 million Kuna which is four percent more than in the previous year.

Sales in Croatia increased for about two percent and made a total of 151 million Kuna and on the foreign markets the total sales from the product range of SBU Fruit and Vegetables reached 30.7 million Kuna. This Profit Centre participated in the total Podravka Group sales with 6.6 percent.

We opened a new cucumber processing line in the factory Kalnik in Varaždin, an investment worth 400.000 Euro. This has increased production capacities and reduced the operating costs of the factory, the largest vegetable processing factory in the region. Our plum spread, the result of a long tradition in the production of fruit products and the original home-made recipe, has been proclaimed Genuine Product of Croatia.

Beverages

Last year the greatest individual growth in sales was achieved in our SBU Beverages which covers natural mineral water under the brand Studenac, spring water Studena, flavoured or nonflavoured, ice tea with Studena and the program of low calorie non-alcoholic beverages under the brand Deit.

We grew 39 percent compared to the two years before so that the total sales eventually amounted 138.3 million Kuna. Sales on the domestic market reached 134.7 million Kuna or 97 percent of the total sales.

A new bottle filling line, with the capacity of 7000 litres per hour, was put into operation in the factory Lipik. The new line is intended for filling beverages for the catering sector in a recognisable glass packaging, the awarded design of Orsat Franković.

This line is only a part of Podravka's investment in the SBU Beverages for which 100 million Kuna of investment is planned over a two year period. Studena remained the leader on the Croatian market of spring water.

Mill and bakery

Mill and bakery products have significantly increased their sales in the year 2002. A total sales of 62.9 million Kuna was achieved which is a 28 percent increase compared to two years before. The entire income was realised on the domestic market.

We produce bakery and confectionery products, standard and special purpose flour, and we have developed the program of frozen products as well as semi-prepared products with the possibility of baking directly at the point of sales.

The Podravka – Nestlé alliance

Podravka and the Swiss multinational giant Nestlé signed a 5 year Sales, Distribution and Logistics Agreement. This contract granted our company the right to distribute and sell Nestlé products in Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo and Macedonia. Along with our own products we shall also distribute Nestlé's products: milk powder, baby food, instant coffee, cocoa,

culinary products, chocolate and confectionery products.

The Agreement between Podravka and the strongest food company in the world is of great importance. New possibilities of co-operation are emerging for the two companies, for example, in joint production or distribution outside the markets of South-Eastern Europe. Last year the sales of Nestlé products through our distribution channel amounted to 111.6 million Kuna and in the year 2003 a much higher figure is planned.

The visit of the first name at Nestlé, Mr Peter Brabeck Letmathe, to our company in Koprivnica is certainly worth mentioning. The strategic alliance with Nestlé in South-Eastern Europe shall open the opportunities for Podravka to co-operate with this multinational company on other markets as well.

Podravka's acquisitions

Last year, Podravka took over the company Ital-Ice from Poreč and Lagris from the Czech Republic. Ital-Ice is a successful company from Istria engaged in the production of ice-cream, frozen cakes and confectionery products and the distribution of the frozen program. It is also the exclusive distributor of Unilever ice-cream under the brand Eskimo for Croatia.

We have decided to expand into the rapidly growing categories such as frozen and cooled food and here we see our chance for the synergy of Ital-Ice with products from Podravka's Fruit and Vegetables, sweets Dolcela and Lino, meat industry Danica and Mill and Bakery products.

We have also acquired the leading independent food provider on the Czech and Slovakian market, the company Lagris with headquarters in Luhačovice. Lagris is a recognisable brand in the categories of rice, legumes, dry fruit, potato and salt products and its the market leader in packed rice and legumes where it holds about a 50 percent share in the Czech Republic and about 20 percent in Slovakia.

The companies Lagris and Ital-Ice were taken over during the year 2002 enabling us to achieve additional sales of 71.2 million Kuna.

Disposal of the shareholding in the brewery

In 2002 Podravka continued to implement the strategy of focusing on food products and the development of the food business. That is why Podravka d.d. sold its 40 percent shareholding in the Panonska pivovara in Koprivnica to the Danish company Carlsberg making it the 80 percent owner of the brewery. The funds from the disposal of the 40 percent share in Panonska pivovara shall be used to strengthen the core business.

Podravka and Carlsberg have been partners since 1971 when the Tuborg licence contract was signed in Koprivnica. Panonska pivovara still has the brand Podravka beer in its portfolio.

Contracts

The Latvian company Kora has once again become our strategic partner on the Baltic markets and the distributor of our products in Estonia, Lithuania and Latvia. Podravka is the leader on these markets with the brand Vegeta and soups in bags and also sells

the Lino brand baby food. Our company in Budapest has become the exclusive distributor of the largest world ketchup producer, the American Heinz, for Hungary. Podravka shall distribute Heinz ketchup, sauces and a part of the product brand ABC. On the market of Hungary we are already distributing Kraš products. Last year, Podravka accepted into its widespread distribution network the largest world producer of ice-cream, the Dutch Unilever. The agreement for the distribution of the ice-cream brand Eskimo in Croatia was signed strengthening Podravka's supply of frozen food on the domestic market.

Certificates

In the year 2002 we continued to implement the certificate audit of the quality management system thereby fulfilling the ISO 9001:2000 standard requirements. However, the certificate did not only cover the business processes relating to the trade mark Vegeta but the quality management system was also extended to other business processes and products: Podravka Dishes, Confectionery program with the brands Lino and Dolcela, and Fruit and Vegetables. It is important to mention that last year the business process certification was performed at all places where Vegeta is produced, therefore in Poland and Hungary also. In 2003 we plan to complete the certification of the entire food sector of the Podravka Group in Croatia and continue the certification of business processes abroad. This is a part of the process which is preparing Podravka for stronger penetration onto EU markets and facilitating more efficient business operations.

Commercial notes

The issue of our own commercial notes last year has enabled the establishment of the cheapest means of financing in Kunas in Croatia. Podravka has established a program of issuing commercial notes in the total value of 150 million Kuna arranged by Privredna banka Zagreb for a period of five years.

The issue of commercial notes implied for Podravka the reduction of financing costs and a substitute for costly short term loans. This shall, by all means, enable a certain disengagement from the usual bank borrowings and the entry of new investors attracted by Podravka's stable and successful business operations.

On the other hand, for our company this also means strengthening of the trade and business reputation as we are becoming more and more present on the capital market. The program of commercial note issue has been denominated in Kunas without any currency clause and Podravka's bills have been traded in the quotation of short-term securities at the Zagreb Stock Exchange and on the secondary market.

Investment in human resources

Podravka is systematically investing in human resources and developing its own education programs for employees. As we have been strongly present on the foreign markets for some time and in a very short time we shall be encountered with competition

from EU countries as a third of our current market is preparing to enter into this alliance of European countries, we have to be ready for what awaits.

The importance we have given to education and human resources is best shown by establishing Podravka's Management Academy, POMAK, a specific nucleus for the first Croatian school of management. Our company shall co-operate with the Faculty of Economics in this area and the aim of POMAK is to develop the management knowledge and skills of our employees in order to successfully realise Podravka's business goals.

The Faculty of Economics in Zagreb and Podravka shall realise the FBA program (Fundamentals of Business Administration). Podravka's Management Academy has two modules: FBA and Leader. The first is intended for gaining the basic management knowledge and the other teaches leadership skills in management. In the year 2003 it is expected that 70 Podravka managers accomplish both modules. We have also recognised knowledge and human resources as our competitive advantage in our company strategy. The fifth generation of Podravka's employees has also completed the management program in co-operation with the international school of business, IECD Bled in Slovenia.

Sustainable development

Podravka as member of the World's Business Council for Sustainable Development is actively engaged in the preservation and rational use of natural resources. In our company ecological development and environment protection planning are encountered with complete and systematic solutions in the fields of waste water treatment, waste management, air pollution and environment-friendly production processes extending from the raw material to the final product. In the previous year, our most significant investment in the field of environment protection is by all means the new collector for waste water drainage at the industrial zone Danica in Koprivnica and the reconstructed facility for the treatment of waste waters from Podravka's factories. The new collector enables all waste water to be taken to the treatment facility at the meat industry Danica. This has allowed safe waste water drainage from our factories and reduced charges for the discharge of such waters by approximately 50 percent.

With this investment Podravka has fulfilled its obligation from the Environment Protection Action Plan within the concern and significantly contributed to environment protection, especially waters. Today, waste waters from Podravka's factories in the industrial zone in Koprivnica have been purified to the level that enables their release into natural waterways and not only into the collector.

Podravka's experts have also been engaged in the realisation of the project for the construction of a biological part of the waste water treatment facility in Koprivnica which is the largest ever municipality investment and could eventually amount to seven or eight million Euro.

Social responsibility

It is no exaggeration to say that Podravka is a desirable social partner in all communities. This is mostly evident at company headquarters in Koprivnica, but also in Poreč, the Czech Luhačovice,

Hungarian Mohacs, Polish Kostrzyn or the Slovenian Hoče.

Podravka regularly supports cultural projects and sports associations. All larger tourist, cultural or sports events in Koprivnica can not be imagined without the support of Podravka. This is also true for successful individuals – both in the field of sport and culture – who have in general been able to gain such results due to the understanding and public accountability of our company.

Podravka has accepted a more active role in strengthening the local educational system. Besides Podravka's Management Academy, Podravka's education and training experts have directly assisted in the realisation of other programs and courses at the Two-year College in Koprivnica. Our company has decided to engage in the construction of a new high school with a sports hall in Koprivnica because it has recognised the importance of such investment into the infrastructure and the results that improved conditions of education will bring to Podravka and the local community.

Podravka in its surroundings co-operates with small and middle sized enterprises, craftsmen and farmers, directly raising the lifestyle quality level and supporting the development of local communities. It was on the initiative of our company that the system of incentive grants for the production of fruit and vegetables for industrial processing was introduced in Croatia. Following Varaždin where our vegetable processing factory Kalnik successfully operates, funds for industrial vegetable production shall also be provided in Koprivnica.

Awards

Last year we received several awards. It all started in spring in Copenhagen with Belupo's OTC NEWS Marketing Award for presenting non-prescription drugs. Belupo's exhibition "Don't Worry Be Healthy / Zdravo budi!" was also displayed at the Museum for Art and Craft in Zagreb.

In Zagreb, Podravka received the award for the best industrial share. At the 6th Croatian contest for the Golden Share our company won two awards: prize for the most liquid share and best media relations according to votes of the special journalist jury.

The corporate Internet pages of Podravka have been announced as the best in its category in the selection of "Vidi Web Top 100". The board of judges emphasised that Podravka's pages "offer all that a customer, partner or shareholder needs". At the year end our web site was honoured by the reputable computer magazine Bug who included it among the HR TOP 50.

The most influential world financial magazine Euromoney proclaimed Podravka the leading company in Croatia in corporate governance. Our company management therefore received high recognition for professional company leadership according to international standards and results in business transparency, the disclosure of business results both to the public and owners, and the relationship towards shareholders.

And once again: our plum spread, sweetened and without preservatives, was granted the title "Genuine Product of Croatia" by the Croatian Chamber of Commerce. This is, along with Vegeta, our second product that carries this prestige title.

Financial report

Auditors' report to the Shareholders of Podravka d.d.

We have audited the accompanying balance sheet of Podravka d.d. ("the Company"), and of Podravka d.d. and its subsidiaries ("the Group") as at 31 December 2002, and the related income and cash flow statements for the year then ended. These financial statements set out on pages 2 to 36 are the responsibility of the Group'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 consolidated and non-consolidated financial statements present fairly in all material respects the financial position of the Podravka Group and Podravka d.d. as at 31 December 2002, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

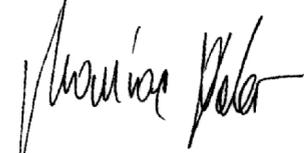
The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers d.o.o.
Zagreb, 20 March 2003

Podravka Group: Income statement for the year ended 31 December 2002

(in thousands of kunas)	Note	Podravka Group		Podravka d.d.	
		2002	2001	2002	2001
Sales	3	2.746.793	2.537.042	1.404.998	1.313.437
Cost of goods sold	5	<u>(1.604.554)</u>	<u>(1.490.867)</u>	<u>(909.151)</u>	<u>(856.215)</u>
Gross profit		<u>1.142.239</u>	<u>1.046.175</u>	<u>495.847</u>	<u>457.222</u>
Other revenues	4	96.544	52.392	23.607	32.383
General and administrative expenses	6	(302.201)	(275.019)	(199.434)	(191.976)
Selling and distribution expenses	7	<u>(776.031)</u>	<u>(705.328)</u>	<u>(322.626)</u>	<u>(306.279)</u>
Operating profit/(loss)		<u>160.551</u>	<u>118.220</u>	<u>(2.606)</u>	<u>(8.650)</u>
Net financial (expense)/income	8	(4.343)	(53.967)	94.303	37.120
Net foreign exchange (losses)/gains		<u>(22.943)</u>	<u>17.961</u>	<u>(15.550)</u>	<u>7.805</u>
Profit before tax		<u>133.265</u>	<u>82.214</u>	<u>76.147</u>	<u>36.275</u>
Tax on profit	10	<u>(24.722)</u>	<u>(20.215)</u>	-	
Net profit		<u>108.543</u>	<u>61.999</u>	<u>76.147</u>	<u>36.275</u>
Minority interests		<u>(55)</u>	<u>(62)</u>	-	
Net profit		<u>108.488</u>	<u>61.937</u>	<u>76.147</u>	<u>36.275</u>
Basic earnings per share	11	16,76 HRK	7,83 HRK		
Diluted earnings per share	11	18,23 HRK	10,41 HRK		

The financial statements set out on pages 2 to 36 were approved by the Management Board on 20 March 2003.



President of the Management Board
Darko Marinac

The following notes form an integral part of these financial statements.

Podravka Group: Balance sheet as at 31 December 2002

(in thousands of kunas)	Note	Podravka Group		Podravka d.d.	
		2002	2001	2002	2001
Assets					
Non-current assets					
Investments in subsidiaries	12	-	-	451.101	331.046
Long-term loan receivables	13	106.351	21.279	307.135	290.873
Intangible assets	14	195.196	69.766	120.182	47.638
Property, plant and equipment	15	<u>1.744.860</u>	<u>1.644.098</u>	<u>1.021.969</u>	<u>964.388</u>
Total non-current assets		<u>2.046.407</u>	<u>1.735.143</u>	<u>1.900.387</u>	<u>1.633.945</u>
Current assets					
Inventories	16	597.110	472.030	288.817	257.654
Available-for-sale investments	17	7.897	76.500	6.542	70.266
Trade receivables	18	630.150	581.180	313.905	269.220
Other receivables and prepaid expenses	19	65.653	40.297	114.662	85.359
Current portion of long-term loan receivables	13	4.078	3.940	91.855	69.833
Short-term loan receivables	20	9.651	4.772	46.634	44.687
Cash and cash equivalents	21	<u>110.468</u>	<u>72.193</u>	<u>66.061</u>	<u>35.577</u>
Total current assets		<u>1.425.007</u>	<u>1.250.912</u>	<u>928.476</u>	<u>832.596</u>
Total assets		<u>3.471.414</u>	<u>2.986.055</u>	<u>2.828.863</u>	<u>2.466.541</u>

The following notes form an integral part of these financial statements.

Podravka Group: Balance sheet as at 31 December 2002

(in thousands of kunas)	Note	Podravka Group		Podravka d.d.	
		2002	2001	2002	2001
Liabilities					
Non-current liabilities					
Long-term debt	22	<u>496.116</u>	<u>311.005</u>	<u>367.235</u>	<u>178.262</u>
Total non-current liabilities		<u>496.116</u>	<u>311.005</u>	<u>367.235</u>	<u>178.262</u>
Current liabilities					
Trade payables	23	430.545	338.816	244.435	215.895
Other liabilities	24	136.561	109.184	73.990	56.268
Short-term borrowings	25	229.545	110.630	110.938	35.124
Current portion of long-term debt	22	<u>159.139</u>	<u>176.870</u>	<u>89.785</u>	<u>94.480</u>
Total current liabilities		<u>955.790</u>	<u>735.500</u>	<u>519.148</u>	<u>401.767</u>
Total liabilities		<u>1.451.906</u>	<u>1.046.505</u>	<u>886.383</u>	<u>580.029</u>
Shareholders' equity					
Share capital		1.812.809	1.812.809	1.812.809	1.812.809
Share premium		12.001	12.001	12.001	12.001
Treasury shares		(30.730)	(30.971)	(30.730)	(30.971)
Revaluation reserve		39.992	39.992	39.286	39.286
Legal and other reserves		35.610	38.459	32.967	35.966
Foreign currency translation reserve		(5.010)	3.396	-	-
Retained earnings		<u>154.286</u>	<u>63.369</u>	<u>76.147</u>	<u>17.421</u>
Total shareholders' equity	26	<u>2.018.958</u>	<u>1.939.055</u>	<u>1.942.480</u>	<u>1.886.512</u>
Minority interest	28	<u>550</u>	<u>495</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>3.471.414</u>	<u>2.986.055</u>	<u>2.828.863</u>	<u>2.466.541</u>

The following notes form an integral part of these financial statements.

Podravka Group: Statement of changes in equity for the year ended 31 December 2002

Podravka Group	Note	Share capital	Share premium	Treasury shares	Revaluation reserve
(in thousands of kunas)					
Balance at 1 January 2001	26 /I/	1.812.809	12.001	(14.482)	39.992
Value adjustment	26 /VI/	-	-	-	-
Transfer to legal reserves	26 /IV/	-	-	-	-
Purchase of treasury shares	26 /V/	-	-	(16.489)	-
Dividend declared	26 /III/	-	-	-	-
Net profit for the year		-	-	-	-
Exchange differences		-	-	-	-
Balance at 31 December 2001	26 /I/, /II/	<u>1.812.809</u>	<u>12.001</u>	<u>(30.971)</u>	<u>39.992</u>
Transfer to legal reserves	26 /IV/	-	-	-	-
Purchase of treasury shares	26 /V/	-	-	(71)	-
Sale of treasury shares	26 /V/	-	-	312	-
Dividend declared	26 /III/	-	-	-	-
Net profit for the year		-	-	-	-
Exchange differences		-	-	-	-
Balance at 31 December 2002	26 /I/, /II/	<u>1.812.809</u>	<u>12.001</u>	<u>(30.730)</u>	<u>39.992</u>

The following notes form an integral part of these financial statements.

Podravka Group: Statement of changes in equity for the year ended 31 December 2002 (cont.)

Podravka Group	Note	Translation reserve	Retained earnings	Legal and other reserves	Total
(in thousands of kunas)					
Balance at 1 January 2001	26 /I/	36.104	87.420	57	1.973.901
Value adjustment	26 /VI/	-	(68.811)	-	(68.811)
Transfer to legal reserves	26 /IV/	2.355	(2.355)	-	-
Purchase of treasury shares	26 /V/	-	-	-	(16.489)
Dividend declared	26 /III/	-	(14.822)	-	(14.822)
Net profit for the year		-	61.937	-	61.937
Exchange differences		-	-	3.339	3.339
Balance at 31 December 2001	26 /I/, /II/	<u>38.459</u>	<u>63.369</u>	<u>3.396</u>	<u>1.939.055</u>
Transfer to legal reserves	26 /IV/	1.849	(1.849)	-	-
Purchase of treasury shares	26 /V/	-	-	-	(71)
Sale of treasury shares	26 /V/	-	-	-	312
Dividend declared	26 /III/	(4.698)	(15.722)	-	(20.420)
Net profit for the year		-	108.488	-	108.488
Exchange differences		-	-	(8.406)	(8.406)
Balance at 31 December 2002	26 /I/, /II/	<u>35.610</u>	<u>154.286</u>	<u>(5.010)</u>	<u>2.018.958</u>

The following notes form an integral part of these financial statements.

Podravka Group: Statement of changes in equity for the year ended 31 December 2002

Podravka d.d.	Note	Share capital	Share premium	Treasury shares	Revaluation reserve
(in thousands of kunas)					
Balance at 1 January 2001	26 /I/	1.812.809	12.001	(14.482)	39.286
Value adjustment		-	-	-	-
Transfer to legal reserves	26 /IV/	-	-	-	-
Purchase of treasury shares	26 /V/	-	-	(16.489)	-
Dividend declared	26 /III/	-	-	-	-
Net profit for the year		-	-	-	-
Balance at 31 December 2001	26 /I/, /II/	<u>1.812.809</u>	<u>12.001</u>	<u>(30.971)</u>	<u>39.286</u>
Value adjustment		-	-	-	-
Transfer to legal reserves	26 /IV/	-	-	-	-
Purchase of treasury shares	26 /V/	-	-	(71)	-
Sale of treasury shares	26 /V/	-	-	312	-
Dividend declared	26 /III/	-	-	-	-
Net profit for the year		-	-	-	-
Balance at 31 December 2002	26 /I/, /II/	<u>1.812.809</u>	<u>12.001</u>	<u>(30.730)</u>	<u>39.286</u>

The following notes form an integral part of these financial statements.

Podravka Group: Statement of changes in equity for the year ended 31 December 2002 (cont.)

Podravka d.d.	Note	Legal and other reserves	Retained earnings	Total
(in thousands of kunas)				
Balance at 1 January 2001	26 /I/	33.120	29.188	1.911.922
Value adjustment		-	(30.374)	(30.374)
Transfer to legal reserves	26 /IV/	2.846	(2.846)	-
Purchase of treasury shares	26 /V/	-	-	(16.489)
Dividend declared	26 /III/	-	(14.822)	(14.822)
Net profit for the year		-	36.275	36.275
Balance at 31 December 2001	26 /I/, /II/	<u>35.966</u>	<u>17.421</u>	<u>1.886.512</u>
Value adjustment		-	-	-
Transfer to legal reserves	26 /IV/	1.699	(1.699)	-
Purchase of treasury shares	26 /V/	-	-	(71)
Sale of treasury shares	26 /V/	-	-	312
Dividend declared	26 /III/	(4.698)	(15.722)	(20.420)
Net profit for the year		-	76.147	76.147
Balance at 31 December 2002	26 /I/, /III/	<u>32.967</u>	<u>76.147</u>	<u>1.942.480</u>

The following notes form an integral part of these financial statements.

Podravka Group: Cash flow statement for the year ended 31 December 2002

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Cash flows from operating activities				
Net profit	108.488	61.937	76.147	36.275
Depreciation	187.876	180.668	98.547	95.847
Value adjustment of current assets	28.060	53.479	3.624	19.453
Value adjustment of investments	5.637	14.477	(1.851)	10.000
Income from sales of investments	(41.265)	(321)	(40.555)	(321)
Other non-cash items	(1.335)	1.770	6.055	4.273
	<u>287.461</u>	<u>312.010</u>	<u>141.967</u>	<u>165.527</u>
(Increase)/decrease in inventories	(104.760)	24.360	(31.700)	7.136
(Increase)/decrease in trade receivables	(35.052)	(99.069)	(47.244)	15.442
(Increase)/decrease in other current assets	(24.260)	2.596	(26.347)	(41.695)
Increase in trade payables	55.845	38.083	28.540	37.301
Decrease in provisions	-	(62.504)	-	(39.180)
Increase in other liabilities	76.415	87.573	26.231	33.957
Tax paid	(23.792)	(13.112)	-	-
Interest paid	(41.538)	(67.414)	(21.011)	(36.356)
	<u>190.319</u>	<u>222.523</u>	<u>70.436</u>	<u>142.132</u>
Cash flows from investing activities				
Purchase of subsidiaries, net cash acquired	(100.388)	-	(105.702)	(629)
Sale of shares and equity interest	87.962	1.328	87.962	1.328
Purchase of tangible and intangible assets	(293.706)	(70.917)	(217.347)	(38.847)
Disposal of tangible and intangible assets	8.125	46.053	4.824	43.283
Long-term loans given and deposits	(88.755)	(7.884)	(89.552)	(44.509)
Repayment of long-term loans and deposits given	3.593	7.260	69.118	46.132
Acquisition of available-for-sale investments	(108.944)	-	(108.944)	-
Sale of available-for-sale investments	106.733	-	106.733	-
Short-term loans given and deposits	-	-	(32.221)	-
Repayment of short-term loans and deposits given	-	-	5.264	-
Dividends paid	(20.420)	(14.822)	(20.420)	(14.822)
	<u>(405.800)</u>	<u>(38.982)</u>	<u>(300.285)</u>	<u>(8.064)</u>
Cash flows from financing activities				
Purchase of treasury shares	(71)	(16.489)	(71)	(16.489)
Sale of treasury shares	312	-	312	-
Proceeds from long-term borrowings	310.132	175.866	280.351	138.889
Repayment of long-term borrowings	(158.690)	(290.717)	(96.073)	(198.595)
Proceeds from short-term loans	378.967	183.575	339.152	145.826
Repayment of short-term loans	(285.716)	(198.146)	(263.338)	(180.510)
	<u>244.934</u>	<u>(145.911)</u>	<u>260.333</u>	<u>(110.879)</u>
Effect of change in exchange rates on cash	8.822	(5.510)	-	-
Net increase in cash and cash equivalents	38.275	32.120	30.484	23.189
Cash and cash equivalents:				
At the beginning of year	<u>72.193</u>	<u>40.073</u>	<u>35.577</u>	<u>12.388</u>
At the end of year	<u>110.468</u>	<u>72.193</u>	<u>66.061</u>	<u>35.577</u>

Podravka Group: Notes to the financial statements for the year ended 31 December 2002

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 "Podravka Group") are manufacturers of a wide range of foodstuffs and non-alcoholic beverages, pharmaceutical and cosmetic products.

Note 2 – Accounting policies

2.1 Basis of presentation

The consolidated financial statements of the Podravka Group and the financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with the 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.

The consolidated financial statements and the financial statements of the Company are presented in Croatian kuna (HRK). The principal accounting policies have been consistently applied for all periods covered by this report.

2.2 Accounting conventions

The consolidated financial statements of the Group are prepared using the historical cost convention (acquisition cost), with the exception of non-current assets acquired prior to 31 December 1993, which were subject to independent valuation at market value.

2.3 Principles and methods of consolidation

The Podravka Group consists of the parent Company and its subsidiaries. A listing of the Group's subsidiaries is set out in Note 12. All intragroup transactions have been eliminated on 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. All intercompany 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. Investments in associated undertakings over which the Company exercises significant influence are accounted for by the equity method of accounting.

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, 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 measurement currency at average exchange rates for the year and their balance sheets 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 a non-monetary asset of the Company. 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 assets acquired before 31 December 1993 which are recorded at restated cost less restated accumulated depreciation and included in the registered shareholder's equity. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use and the proportion of the related borrowing costs for property, plant and equipment for the period of their construction.

The Group performs regular reviews once a year, based on external and internal sources of information, to estimate 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.

The expected useful lives are as follows:

	2002	2001
Buildings	10 do 50 years	10 do 50 years
Plant and equipment	2,7 do 33 years	2,7 do 33 years
Fixtures and fittings	2,7 do 15 years	2,7 do 15 years

Land and assets in the course of construction are not depreciated.

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 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 trading 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 held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity 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. 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 amortisation. 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 parent Company.

2.8 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 estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Trade Receivables

Trade receivables are stated at their nominal value less necessary provisions for bad and doubtful debts. The 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.

2.10 Cash and cash equivalents

Cash and cash equivalents, for the purpose of the balance sheet and the cash flow statement, consist of cash in 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.

2.11 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. For the Company and subsidiaries in Croatia, the corporate profit tax is calculated by applying a 20% rate to the taxable base as prescribed by law, in previous years less protective interest. The taxable base represents profit increased or decreased by certain items which are added to or deducted from the tax base. Under Croatian tax regulations, tax loss can be carried forward in the next five years.

2.12 Deferred taxes

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and

liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. 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.

2.13 Share capital

Share capital consists of ordinary and preferred shares. 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 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. On the issue of short term commercial papers, the fair value of the liability is determined using the market interest rate. Commercial papers are recognised initially at the proceeds received increased by the market interest rate.

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. Restructuring provisions represent mainly employee termination payments and 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.

2.16 Employee benefits

(1) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(2) 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

2.17 Revenue recognition

Amounts received or receivable for goods sold or services provided are recognised as revenue when the goods are delivered or the services are provided. They are stated net of taxes, discounts and rebates.

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 an adequate amount of committed credit facilities. 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. Group treasury policies include use of interest rate swaps for hedging of future interest payments.

(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.

Note 3 – Segment information

The Group's reportable segments are strategic businesses differentiated by the nature of products including: Vegeta, Drugs and Cosmetics, Podravka Dishes, Lino, Dolcela and Kwiki, Fruit and Vegetables, Beverages, Mill and Bakery Products, Merchandise and other.

- The business segment Vegeta includes all types and packagings of Vegeta, its production is organised at the Vegeta factory in Koprivnica, in Mohacs, Hungary and in Kostrzyn, Poland.
- The Drugs and Cosmetics segment includes various drugs and cosmetics produced at the Belupo d.d. plant in Koprivnica and Ludbreg.
- The Podravka Dishes segment includes the production of soups, half-cooked meals and meal seasonings.
- The production of Podravka dishes is organised at the soup factory in Koprivnica, in Mohacs, Hungary and in Kostrzyn, Poland.
- The Meat and Meat Products segment includes fresh meat, sausage, smoked and cured products, canned meat and deep freeze products. The production is organised at the Danica d.o.o. plant in Koprivnica.
- The Lino, Dolcela and Kwiki segment includes the production of

- baby food, Lino-Lada, Dolcela, Kwiki-salty snacks, Ponita (powdered beverage) and grits. The production is organised at plants in Koprivnica and at the Sana factory in Slovenia.
- The Fruit and Vegetable segment includes fruit, vegetable and tea products produced in three locations in Croatia at the factories Kalnik in Varaždin, Povrće Umag and Voće Koprivnica.
- The Beverages segment includes natural, aromatised and mineral water and the product Deit. The production is organised at the Studenac factory in Lipik.
- The Mill and Bakery Products segment includes flour and coarsely milled grain as well as bakery products (bread, rolls etc.).
- By selling merchandise, the Podravka Group widens its selection in order to maintain and strengthen its market position, increase its market shares, thus decreasing the influence of the competition.
- The "Other" segment refers to services, catering, canteens and new product range that Podravka took over by acquiring new subsidiaries in 2002 (ice-cream, rice, legumes).

The segments are managed separately due to the differences in their production technologies. Reports of business segments up to gross profit are based on internal financial data of management accounts.

The analysis of revenue and gross profit by business segments as well as the analysis of revenue by geographical markets are presented below.

Analysis by business segment

	2002		Podravka Group		2001	
	Sales (in thousands of kunas) %		(in thousands of kunas) %		Sales	
Vegeta	689.817	25,1	704.863	27,8		
Drugs and Cosmetics	550.569	20,1	543.804	21,5		
Podravka Dishes	272.218	9,9	265.023	10,4		
Meat and Meat Products	257.317	9,4	248.451	9,8		
Lino, Dolcela, Kwiki	253.358	9,2	245.126	9,7		
Fruit and Vegetables	181.748	6,6	174.359	6,9		
Merchandise	232.058	8,4	124.068	4,9		
Beverages	138.324	5,0	99.894	3,9		
Mill and Bakery Products	62.902	2,3	49.084	1,9		
Other	108.482	4,0	82.370	3,2		
	2.746.793	100	2.537.042	100		

The acquisition of the new subsidiaries Ital Ice, Poreč and Lagris, Czech Republic and Slovakia in 2002 resulted in increasing the revenue in relation to 2001 by hrk 88,379 thousand and the gross profit by hrk 6,686 thousand for their operating period within the Podravka Group from April to December 2002

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Geographical analysis by destination

	2002		Podravka Group		2001	
	(in thousands of kunas)	%	(in thousands of kunas)	%	(in thousands of kunas)	%
Croatia	1.520.846	55,4	1.414.381	55,8		
South-East Europe	509.869	18,6	426.684	16,8		
Central Europe	258.904	9,4	298.968	11,8		
Czech Republic, Slovakia and Hungary	221.817	8,1	170.397	6,7		
Eastern Europe	74.146	2,7	64.248	2,5		
Western Europe and overseas	161.211	5,8	162.364	6,4		
Total	2.746.793	100,0	2.537.042	100,0		

South-East European market: Slovenia, Bosnia and Herzegovina, Serbia, Macedonia, Montenegro, Greece and Bulgaria,
 Central European market: Poland, Romania and the Baltic States,
 Eastern European market: Russia, the Ukraine, Belarus, Kazakhstan,
 Western European market and overseas: Australia, Germany, Austria, Switzerland, Sweden, Brasil, South-East Asia, Africa, USA.

Note 4 – Other revenues

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Recovered trade receivables previously Written-off (i)	31.828	18.588	3.256	10.288
Insurance proceeds for damages	5.108	4.629	3.043	3.005
Sale of material	11.787	7.343	5.951	6.796
Interest receivables written-off	778	-	1.649	3.218
Statute barred liabilities written-off	3.714	-	3.714	4.558
Subsequent discounts from suppliers	17.346	3.056	2.889	2.401
Income from reversal of provisions	8.916	2.970	-	-
Other	17.067	15.806	3.105	2.117
Total	96.544	52.392	23.607	32.383

(i) In 2002, Belupo d.d. recovered HRK 24,667 thousand receivables previously written off from the Croatian Health Insurance Institute (hzzo).

Note 5 – Cost of goods sold

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Material	1.093.652	1.000.986	624.337	597.494
Salaries	266.505	253.986	155.162	139.476
Depreciation	115.219	112.759	60.631	55.935
Other	129.178	123.136	69.021	63.310
Total	1.604.554	1.490.867	909.151	856.215

Note 6 – General and administrative expenses

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Salaries	130.849	120.884	90.779	90.505
Depreciation	42.886	36.341	26.479	26.406
Banking, consultancy and other services	31.275	28.143	24.520	22.954
Material	12.282	11.504	6.265	5.985
Write-off of intragroup interest receivable	-	-	3.638	1.902
Other	84.909	78.147	47.753	44.224
Total	302.201	275.019	199.434	191.976

Note 7 – Selling and distribution expenses

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Advertising and promotion	203.634	195.897	84.261	73.993
Salaries	215.615	180.635	113.348	91.557
Transport	53.530	46.994	23.035	20.055
Provisions	22.729	51.134	2.559	18.165
Maintenance	7.531	7.853	3.735	4.512
Depreciation	29.772	26.819	11.437	8.757
Material	38.023	21.792	13.425	9.985
Other	205.197	174.204	70.826	79.255
Total	776.031	705.328	322.626	306.279

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 8 – Net financial (expense)/income

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Investments				
Income /1/	43.870	1.669	95.078	43.588
Expenses	<u>(8.560)</u>	<u>(7.689)</u>	<u>(1.616)</u>	<u>(11.077)</u>
Net income / (expense) from investments	35.310	(6.020)	93.462	32.511
Interest				
Income	10.375	13.209	29.562	35.806
Expense	<u>(50.028)</u>	<u>(61.156)</u>	<u>(28.721)</u>	<u>(31.197)</u>
Net interest income / (expense)	<u>(39.653)</u>	<u>(47.947)</u>	<u>841</u>	<u>4.609</u>
Total	<u>(4.343)</u>	<u>(53.967)</u>	<u>94.303</u>	<u>37.120</u>

/1/ Income from investments comprise the following:

- (1) In 2002, the subsidiaries' income in the amount of HRK 52,177 thousand (2001: HRK 41,374 thousand) was withdrawn from retained earnings,
- (2) By selling the ownership interest in Panonska pivovara d.o.o., Podravka d.d. recorded an income in the amount of HRK 41,592 thousand, and the Podravka Group recorded an income in the amount of HRK 42,304 thousand. Podravka Group sold its ownership interest in Elite d.o.o. recorded a loss in the amount of HRK 1,037 thousand (Note 17),
- (3) The difference between the carrying amount and the fair value of the property in Ljubljana is HRK 1,307 thousand and is stated as income from investments (Note 15).

Note 9 – Staff costs

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Salaries	612.968	555.505	359.288	321.538
Other	<u>27.884</u>	<u>30.619</u>	<u>16.501</u>	<u>18.808</u>
Total	<u>640.852</u>	<u>586.124</u>	<u>375.789</u>	<u>340.346</u>

Staff costs include salaries, severance payments, fees, awards, transportation costs and medical check-ups.

As at 31 December 2002, the number of employees in the Group was 7,488 (2001: 6,885) and in Podravka d.d. was 4,486 (2001: 4,365).

Note 10 – Profit tax

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Corporate profit tax at 20 %	20.741	15.327	-	-
Overseas tax	<u>3.981</u>	<u>4.888</u>	<u>-</u>	<u>-</u>
Total	<u>24.722</u>	<u>20.215</u>	<u>-</u>	<u>-</u>

In accordance with the Croatian tax regulations, at the end of 2002 the Company and certain subsidiaries realised tax losses which expire as follows:

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
2001	-	150.449	-	58.274
2002	103.772	219.171	73.881	171.880
2003	20.457	20.457	-	-
2004	16.081	16.081	-	-
2005	114.338	112.362	109.219	109.219
2006	13.463	9.956	-	-
	268.111	528.476	183.100	339.373

Note 11 – Earnings and dividends per share

Basic earnings per share of HRK 16.76 (2001: HRK 7.83) has been calculated on the basis of the net earnings of the Podravka Group less total dividend on preferred shares in the amount of HRK 87,898 thousand (2001: HRK 41,486 thousand) and the weighted average number of ordinary shares in issue of 5,244,913 less treasury shares (2001: 5,300,454).

Diluted earnings per share of HRK 18.23 (2001: HRK 10.41) has been calculated on the same basis as basic earnings per share and additionally taking into consideration the impact of the number of preferred shares that may be converted into ordinary shares in the amount of 636,000 and taking into consideration the impact of the assumed conversion of the employee share options of 70,252 which were eligible during the year but remain unexercised.

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 12 – Investments in subsidiaries

(in thousands of kunas)	Holding in %.	Podravka d.d.	
		2002	2001
Belupo d.d., Koprivnica	100,00	157.830	157.830
Belupo d.o.o. Ljubljana (subsidiary)		-	-
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
Hotel Podravina d.o.o., Koprivnica	100,00	9.684	9.684
Ital-Ice d.o.o., Poreč /I/	100,00	47.425	-
Sana d.o.o., Hoče, Slovenia	100,00	217	217
Podravka d.o.o., Ljubljana, Slovenia /II/	100,00	1.925	74
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, Serbia and Montenegro /III/	100,00	1.029	-
Podravka-International Deutschland iKonari GmbH, Germany	100,00	1.068	1.068
Podravka d.o.o. Belgrade (subsidiary)		-	-
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 /IV/	100,00	68.754	-
Lagris s r.o., Zvolen, Slovakia /V/	75,00	996	-
Podravka-International s.r.o., Bratislava, Slovakia	50,00	18	18
Podravka-International s.r.o. Prague (subsidiary)		-	-
		<u>451.101</u>	<u>331.046</u>

/I/ In April 2002, 100% interest in Ital-Ice d.o.o. Poreč was bought in the amount of HRK 47,425 thousand or EUR 6,442,278. In 2002, the amount of HRK 37,094 thousand was paid and the difference of HRK 10,331 thousand is due in 2003 and is stated within Other liabilities in Note 24.

/II/ In August 2002, according to the decision of the Company's Management, an equity investment in Podravka d.o.o., Ljubljana has been increased by transfer of properties in the estimated amount of HRK 1,851 thousand (Note 15).

/III/ In June 2002, the subsidiary of Podravka d.o.o. in Podgorica, Montenegro has been founded with a share capital of EUR 140,000 or HRK 1,029 thousand.

/IV/ In October 2002, the 100% interest in Lagris a.s., Lhota in Luhačović in the Czech Republic in the amount of EUR 9,367 thousand or HRK 68,754 thousand has been purchased. According to the acquisition agreement in 2002, EUR 9,075,200 has been paid to the previous owners of Lagris. The remaining amount of EUR 291,800 or HRK 2,171 thousand is due in 2003 and is stated within Other liabilities in Note 24.

/V/ In November 2002, 75% of Lagris s.r.o. Zvolen in Slovakia has been acquired for the amount of EUR 133 thousand or HRK 996 thousand. The remaining 25% interest in Lagris s.r.o. Zvolen has been acquired through Lagris a.s., Lhota in Luhačovic in the Czech Republic.

Note 13 – long-term loan receivables

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Flats and sale of flats on credit	4.505	4.733	4.505	4.720
Due from associated companies /I/	-	-	299.290	344.857
Other loans /II/	105.924	20.486	95.195	11.129
Total long-term receivables, including current portion	110.429	25.219	398.990	360.706
Current portion of long-term receivables	<u>(4.078)</u>	<u>(3.940)</u>	<u>(91.855)</u>	<u>(69.833)</u>
Total long-term receivables	<u>106.351</u>	<u>21.279</u>	<u>307.135</u>	<u>290.873</u>

/I/ Receivables from associated companies include long-term loans granted to:

- Belupo d.d., Koprivnica in the amount of HRK 159,218 thousand (2001: HRK 211,608 thousand), interest 6%, maturity 5 years;
- Danica d.o.o., Koprivnica in the amount of HRK 113,493 thousand (2001: HRK 127,249 thousand), the average interest rate on borrowings for working capital of Podravka d.d., maturity 10 years;
- Podravka-International sp.z.o.o., Warsaw of HRK 21,779 thousand, interest monthly LIBOR+3%, 18 months prolongation;
- Poni d.o.o., Koprivnica in the amount of HRK 4,800 thousand (2001: HRK 6,000 thousand), interest 6%, maturity 5 years;

/II/ This item refers to a 2-year foreign time deposit at Privredna banka Zagreb d.d. in the amount of EUR 11,568,466 or HRK 86,096 thousand. The interest rate is fixed and amounts to 3.95% annually. The interest is added to the principal.

Note 15 – Tangible fixed assets

The cost of tangible fixed assets of the Podravka Group together with the related accumulated depreciation at 31 December 2001 and 2002 are presented below:

Podravka Group (in thousands of kunas)	Land and buildings	Equipment	Assets in course of construction	Total
2001				
Cost				
At 1 January 2001	1.749.895	1.259.129	14.904	3.023.928
Effect of foreign exchange rate movements	5.821	6.781	192	12.794
Additions	22	6.564	53.956	60.542
Transfer	4.421	36.044	(40.465)	-
Disposals and retirements	(48.364)	(86.879)	(110)	(135.353)
Value adjustment /I/	(7.864)	-	-	(7.864)
At 31 December 2001	1.703.931	1.221.639	28.477	2.954.047
Accumulated depreciation				
At 1 January 2001	499.132	696.373	-	1.195.505
Effect of foreign exchange rate movements	215	4.023	-	4.238
Additions /II/	10.230	25.267	-	35.497
Charge for the year	57.597	106.412	-	164.009
Disposals	(16.608)	(72.692)	-	(89.300)
At 31 December 2001	550.566	759.383	-	1.309.949
Net book value at 31 December 2001	1.153.365	462.256	28.477	1.644.098
At 31 December 2002				
Cost				
At 1 January 2002	1.703.931	1.221.639	28.477	2.954.047
Effect of foreign exchange rate movements	(9.574)	(7.874)	14	(17.434)
Additions /iii/	1.346	15.156	208.517	225.019
Acquisition of subsidiaries /IV/	58.722	48.268	250	107.240
Transfer	9.765	135.405	(145.170)	-
Disposals and retirements	(3.353)	(54.721)	-	(58.074)
At 31 December 2002	1.760.837	1.357.873	92.088	3.210.798
Accumulated depreciation				
At 1 January 2002	550.566	759.383	-	1.309.949
Effect of foreign exchange rate movements	(513)	(2.223)	-	(2.736)
Acquisition of subsidiaries /IV/	9.406	32.460	-	41.866
Depreciation charge for the period	57.106	109.842	-	166.948
Disposals	(137)	(49.952)	-	(50.089)
At 31 December 2002	616.428	849.510	-	1.465.938
Net book value at 31 December 2002	1.144.409	508.363	92.088	1.744.860

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 15 – Tangible fixed assets (cont.)

/I/ The impairment charge for buildings belonging to subsidiary Hotel Podravina was calculated on the expected recoverable amount in the amount of HRK 7,864 thousand. Other operating expenses increased by the same amount and are recognised under 'General and administrative expenses' in 2001

/II/ In 2001, an increase in accumulated depreciation of HRK 35,497 thousand relates to the difference which occurred in the period between 1997 and 2000 as a result of using different accounting policies for recording useful life of these in the financial statements of the subsidiary Belupo d.o.o. and in the financial statements of the Group. This difference was reduced by the amount of deferred tax liability in the amount of HRK 5,226 thousand and increased by the amount of HRK 1,287 thousand of accumulated depreciation of intangible assets (Note 14), and stated as a part of decrease of retained earnings (Note 26).

/III/ In 2002, the most significant increase in tangible fixed assets refer to investments in:

- the factory Studenac Lipik in the amount of HRK 56.8 million,
- food factory in the amount of HRK 22.1 million,
- IT and telecom equipment in the amount of HRK 17.6 million,
- a printing machine for the printing plant of Koprivnica in the amount of HRK 10.4 million,
- a production line for pills and other equipment for Belupo in the amount of HRK 32.1 million,
- equipment for the production of meat products in the amount of HRK 6.3 million,
- other production equipment for approximately HRK 10.0 million,
- transportation vehicles for approximately HRK 7.1 million, and
- properties for approximately HRK 25.4 million.

/IV/ By acquiring subsidiaries in 2002, a net value of tangible fixed assets in the amount of HRK 65,374 thousand was acquired, HRK 35,107 thousand of which refer to the net value of tangible fixed assets of the company Ital-Ice d.o.o. and HRK 30,267 thousand to the net value of tangible fixed assets of the Lagris group (Note 29).

/V/ Group buildings and land worth HRK 558,697 thousand (2001: HRK 439,020 thousand) have been mortgaged against the Group's borrowings (Note 22).

Note 15 – Tangible fixed assets (cont.)

The cost of tangible fixed assets of Podravka d.d. together with the related accumulated depreciation at 31 December 2001 and 2002 are presented below:

Podravka d.d. (in thousands of kunas)	Land and buildings	Equipment	Assets in course of construction	Total
2001				
Cost				
At 1 January 2001	1.093.794	701.748	4.795	1.800.337
Additions	-	620	35.595	36.215
Transfer from assets in course of construction	1.106	20.444	(21.550)	-
Disposals and retirements /I/	(48.364)	(69.334)	(1.698)	(119.396)
Amount brought forward from subsidiaries	-	1.793	-	1.793
At 31 December 2001	1.046.536	655.271	17.142	1.718.949
Accumulated depreciation				
At 1 January 2001	316.666	426.278	-	742.944
Charge for the year	35.247	48.186	-	83.433
Disposals and retirements /I/	(16.608)	(56.777)	-	(73.385)
Amount brought forward from subsidiaries	-	1.569	-	1.569
At 31 December 2001	335.305	419.256	-	754.561
Net book value at 31 December 2001	711.231	236.015	17.142	964.388
2002				
Cost				
At 1 January 2002	1.046.536	655.271	17.142	1.718.949
Additions /II/	1.307	5	147.189	148.501
Transfer from assets in course of construction	8.458	85.439	(93.897)	-
Disposals and retirements	(3.016)	(34.826)	-	(37.842)
Transfer to subsidiaries /III/	(1.968)	(956)	-	(2.924)
At 31 December 2002	1.051.317	704.933	70.434	1.826.684
Accumulated depreciation				
At 1 January 2002	335.305	419.256	-	754.561
Charge for the period	33.922	51.061	-	84.983
Disposals and retirements	(82)	(34.219)	-	(34.301)
Transfer to subsidiaries /III/	(117)	(411)	-	(528)
At 31 December 2002	369.028	435.687	-	804.715
Net book value at 31 December 2002	682.289	269.246	70.434	1.021.969

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 15 – Tangible fixed assets (cont.)

/I/ In 2001, land, buildings and equipment for yeast production and the holiday home in Pirovac were sold for the amount of HRK 42,485 thousand. The book value of the sold assets was HRK 42,607 thousand. The loss on sale amounted to hrk 122 thousand.

/II/ In 2002, the interest in Panonska pivovara was sold and a property fair value in the amount of HRK 18.0 million was acquired.

/III/ In 2002, a property worth HRK 1,851 thousand has been transferred into the ownership of Podravka Ljubljana (Note 12). The book value of the property originally amounted to HRK 544 thousand. Before the transfer an independant estimation of the property value was performed and according to that an increase in the property value and the income from investments in the amount of HRK 1,307 thousand was recorded (Note 8).

/IV/ Company buildings and land worth HRK 382,192 thousand (2001: HRK 303,198 thousand) have been mortgaged against the Company's borrowings.

Note 16 – Inventories

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Raw material and supplies	212.487	189.105	122.374	111.204
Work in progress	67.261	59.672	48.907	43.612
Finished goods	162.327	146.946	86.979	83.955
Merchandise	<u>155.035</u>	<u>76.307</u>	<u>30.557</u>	<u>18.883</u>
Total	<u>597.110</u>	<u>472.030</u>	<u>288.817</u>	<u>257.654</u>

Note 17 – Available-for-sale investmensts

(in thousands of kunas)	Holding in %	Podravka Group		Podravka d.d.	
		2002	2001	2002	2001
Panonska pivovara d.o.o., Koprivnica /I/	40,00	-	70.207	-	63.973
Elite Hrvatska d.o.o., Koprivnica /I/	20,00	-	1.434	-	1.434
Investments in equity instruments		7.777	4.859	6.542	4.859
Other		<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments		<u>7.897</u>	<u>76.500</u>	<u>6.542</u>	<u>70.266</u>

/I/ In May 2002, the ownership interest in Panonska pivovara d.o.o. was sold for the amount of HRK 105,565 thousand as well as the ownership interest in Elite d.o.o. for the amount of HRK 379 thousand. From these transactions, a net income from investments was realised as disclosed in Note 8.

Note 18 – Trade receivables

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Trade receivables	776.713	767.657	188.694	222.365
Provisions	(155.919)	(188.926)	(83.512)	(98.877)
Net trade receivables	620.794	578.731	105.182	123.488
Due from associated companies	-	-	208.183	144.427
Prepayments	9.356	2.449	540	1.305
Total	630.150	581.180	313.905	269.220

Note 19 – Other receivables and prepaid expenses

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Receivables for retained earnings from affiliated companies /I/	-	-	49.116	41.954
Other receivables from affiliated companies /II/	-	-	38.457	33.494
Other receivables from non-affiliated companies /III/	5.330	3.887	5.146	3.509
Tax receivable /IV/	22.678	21.557	2.125	1.697
Other	37.645	14.853	19.818	4.705
Total	65.653	40.297	114.662	85.359

/I/ According to the Management Board decisions in 2002, the Company recorded receivables for withdrawal of retained earnings from Belupo d.d. in the amount of HRK 25,000 thousand and from Podravka Poland Kostrzyn in the amount of HRK 24,116 thousand.

/II/ Due unpaid receivables from long-term receivables of subsidiaries in the amount of HRK 22,104 thousand and receivables from interest due in the amount of HRK 16,353 thousand, HRK 36,812 thousand of which refers to Belupo d.d.

/III/ Due unpaid receivables and interest from long-term loans of non-affiliated companies.

/IV/ Tax receivable relates to value added tax prepayments.

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 20 – Short-term loan receivables

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Short-term loans to subsidiary – Podravka-International Sp.z o.o., Warsaw, Poland	-	-	16.435	44.687
Poni trgovina d.o.o. Koprivnica	-	-	26.478	-
Podravka d.o.o. Belgrade	-	-	3.721	-
Other	9.651	4.772	-	-
Total	<u>9.651</u>	<u>4.772</u>	<u>46.634</u>	<u>44.687</u>

Note 21 – Cash and cash equivalents

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Cash with banks	93.408	65.106	49.461	28.781
Cheques received	175	297	61	95
Bills received	16.843	6.705	16.513	6.675
Deposits	42	85	26	26
Total	<u>110.468</u>	<u>72.193</u>	<u>66.061</u>	<u>35.577</u>

Note 22 – Long-term debt

Podravka d.d.	Interest rate	2002	2001
Repayment due in 2002	4,72%-7,50%		94.480
Repayment due in 2003	4,72%-7,50%	89.785	57.424
Repayment due in 2004	4,72%-7,35%	101.528	53.813
Repayment due in 2005	4,72%-7,35%	88.888	41.289
Repayment due in 2006	4,72%-7,35%	78.255	20.166
Repayment due in 2007 and thereafter	4,72%-7,35%	98.564	5.570
Total long-term debt		457.020	272.742
Current portion of long-term debt		(89.785)	(94.480)
Total long-term debt excluding current portion		367.235	178.262
Podravka Group			
Repayment due in 2002	4,11%-12,70%		176.870
Repayment due in 2003	4,11%-12,70%	159.139	115.810
Repayment due in 2004	4,72%-12,70%	160.790	90.968
Repayment due in 2005	4,72%-12,70%	133.056	64.214
Repayment due in 2006	4,72%-9,20%	99.561	34.443
Repayment due in 2007 and thereafter	4,72%-6,68%	102.709	5.570
Total long-term debt		655.255	487.875
Current portion of long-term debt		(159.139)	(176.870)
Total long-term debt excluding current portion		496.116	311.005

The increase of liabilities from long-term debt mainly refer to granted loans from:

- Bank Austria, Vienna in the amount of EUR 15,000,000 i.e. HRK 111,851 thousand, with an interest rate based on 6 monthly EURIBOR+1.75%. The loan is repayable in 9 equal half-year instalments, the first of which is due on 30 June 2003 and the last one on 30 June 2007.
- Kronos AG, Germany for the purchase of a production line for filling mineral water in the amount of eur 3,617,500 with an annual interest rate of 6.6%. 10% of the settled amount was repaid by the end of February 2002 and the rest is repayable in 10 equal half-year instalments, the first of which was due on 30 November 2002, and the last one on 30 May 2007.
- Raiffeisen Bank Austria for financing new acquisitions in the amount of EUR 10,000,000, EUR 9,500,000 or HRK 69,602 thousand of which was used. The interest rate amounts to 6 monthly EURIBOR + 1.50%. The loan is repayable in 10 equal half-year instalments, the first of which is due in March 2004. The last instalment is due in 2008.
- hbor as a part of the programme for granting credits for the development of economic activities in the amount of EUR 10,913,000, EUR 6,270,000 or HRK 46,835 thousand of which were used. The interest rate is 5,5% p.a. The loan repayment starts at the end of 2005. The last instalment is due in 2013.

The majority of long-term debt carry variable interest rates based on euribor, wibor, bubor, pribor and tom. The interest rates included in the table above have been calculated as at 31 December 2002. The total insured loans of Podravka d.d. and the Group amount to HRK 380,446 thousand (2001: HRK 187,492 thousand) and HRK 551,239 thousand (2001: HRK 401,176 thousand) respectively.

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 23 – Trade payables

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Trade payables	430.545	338.816	200.070	164.214
Due to associated companies	<u>-</u>	<u>-</u>	<u>44.365</u>	<u>51.681</u>
Total	<u>430.545</u>	<u>338.816</u>	<u>244.435</u>	<u>215.895</u>

Note 24 – Other liabilities

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Salaries and other payments to employees	55.386	47.238	32.140	30.166
Dividend payable	123	124	123	124
Interest payable on borrowings	7.687	8.744	5.919	5.755
Taxes and contributions payable	33.817	30.773	14.448	11.809
Interest payable (Note 12)	12.502	-	12.502	-
Other payables	<u>27.046</u>	<u>22.305</u>	<u>8.858</u>	<u>8.414</u>
Total	<u>136.561</u>	<u>109.184</u>	<u>73.990</u>	<u>56.268</u>

Note 25 – Short-term borrowings

Podravka d.d.	Interest rate/yield	2002	2001
Commercial papers /i/	2,83%–3,80%	110.000	-
Banks	5,86%–8,00%	-	27.619
Other	4,50%	<u>938</u>	<u>7.505</u>
Total		<u>110.938</u>	<u>35.124</u>
Podravka Group			
Commercial papers /i/	2,83%–3,80%	110.000	-
Banks	4,94%–13,50%	114.865	103.125
Other	4,50%	<u>4.680</u>	<u>7.505</u>
Total		<u>229.545</u>	<u>110.630</u>

/i/ In March 2002, a contract on issuing commercial papers by Privredna banka Zagreb d.d., Zagreb was executed in the amount of HRK 150 million in five annual programmes.

During 2002, HRK 162 million of commercial papers were issued, HRK 52 million of which were realised in the same year. The net yield on issued commercial papers is 2.83%–3.80%. The maturity of issued papers is from 91 to 182 days.

Note 26 – Shareholders' equity

/I/ As at 31 December 2002, the share capital amounts to HRK 1,812,808,800, and consists of 6,042,696 shares, with a nominal value of HRK 300 each. These shares are comprised as follows:

- 5,406,696 are ordinary shares, amounting in total to HRK 1,622,008,800, and
- 636,000 are preferred shares, amounting in total to HRK 190,800,000.

In 1993, the subscribed share capital was stated in the equivalent amount of DEM 523,524,700, consisting of 5,235,247 shares, with a nominal value of dem 100 each (or HRK 380.18 each as translated using the exchange rate in effect on the date of initial registration). In 1996, the nominal value per share was reduced to HRK 300. As at 31 December 1996, such reduced subscribed share capital of Podravka d.d. amounted to HRK 1,570,574,100, and other reserves of the Company were increased by the amount of decrease in the share capital (HRK 419,762,100). During 1997, 171,449 ordinary shares were issued, with a nominal value of HRK 300 per share, representing an additional share capital in the amount of HRK 51,434,700. These shares were sold at HRK 370 each, which resulted in a total share premium in the amount of HRK 12,001,430. In 1998, the share capital was increased by an additional amount of HRK 111,900,000 by issuance of 373,000 A series preferred shares. In 1999, the share capital was increased by HRK 78,900,000 by issuance of 263,000 B series preferred shares. The nominal value of a and b series shares is HRK 300 each. The preferred shareholder is the European Bank for Reconstruction and Development (the EBRD). The agreements reached with the ebrd pursuant to the contract on subscription of shares are as follows:

- For the first three years, the dividend per preferred share amounts to DEM 6.00 per share, and thereafter to DEM 8.50 per share,
- Within five years from the subscription of the preferred shares, the Bank may convert them into ordinary shares at a price of one preferred share for one ordinary share,
- The Bank may require from the Company to redeem all of the Bank's preferred shares if conditions for an accelerated redemption are created,
- If the Bank wishes to sell the preferred shares, such sale should first be offered to the Company,
- In case of inability to sell or transfer the preferred shares due to liquidation of the Company, the Company shall pay the Bank the price of the shares offered,
- The Company is to adhere to certain financial conditions, such as: certain current liquidity ratios, profitability ratios and net value of tangible assets.

/II/ The principal shareholders and their respective holdings are as follows:

	2002		2001	
	Number of shares	%	Number of shares	%
Ordinary shares				
Shareholders legal entities	2.536.163	41,97	2.460.931	40,73
Shareholders individuals	1.926.183	31,88	2.045.219	33,85
Croatian Privatisation Fund	784.097	12,97	738.880	12,22
Treasury shares	<u>160.253</u>	<u>2,65</u>	<u>161.666</u>	<u>2,67</u>
Total	5.406.696	89,47	5.406.696	89,47
Preferred shares				
EBRD	<u>636.000</u>	<u>10,53</u>	<u>636.000</u>	<u>10,53</u>
Total	6.042.696	100,00	6.042.696	100,00

/III/ The realised dividend for preferential shares in 2001 amounted to EUR 2,766,600 or HRK 20,420 thousand (2000: DEM 4,041,250 or HRK 14,822 thousand), and was paid to ebrd in July 2002. As a result of paying dividends to ebrd, the total retained earnings were reduced by HRK 15,722 thousand and other reserves by HRK 4,689 thousand.

/IV/ The legal reserve is required under Croatian law and must be built up to a minimum of 5% of the profit for the year until the total reserve reaches 5% of the Company's share capital. This reserve is not distributable.

In 2002, an amount of HRK 871 thousand (2001: HRK 1,459 thousand) was transferred to legal reserves.

This amount refers to realised profit in 2001 HRK 828 thousand were transferred to other reserves (2001: HRK 1,387 thousand) in accordance with the Company's Statute.

In 2002, 237 (2001: 95,577) treasury shares at the total cost of HRK 71 thousand (2001: HRK 16,489 thousand) were purchased. In 2002, 1,650 treasury shares were sold for the amount of HRK 312 thousand.

/V/ Retained earnings of the Group from previous periods was reduced in 2001 by the amount of HRK 68,811,000 as follows:

- the amount of HRK 31,558,000 is the result of applying different accounting policies in recording the expected useful life of tangible and intangible fixed assets in the financial statements of the subsidiary Belupo d.o.o. and the financial statements of this subsidiary stated within the Group, which previously resulted in overstating Group profits.
- the amount of HRK 6,879,000 relates to a decrease in investment by the corresponding portion of the accumulated loss of the related company, Panonska pivovara d.o.o., which was incurred in the previous period
- Retained earnings of HRK 30,374,000 was reduced by deferred tax assets recorded in 1998.

Podravka Group: Notes to the financial statements for the year ended 31 december 2002

Note 27 – Management benefits

in 2002, benefits paid to members of the management board and the supervisory board amounted to HRK 4,195 thousand (2001: HRK 4,188 thousand) and HRK 1,360 thousand (2001: HRK 1,297 thousand), respectively.

Note 28 – Minority interests

(in thousands of kunas)	2002	2001
At 1 January	495	433
Share of net profit for the year	<u>55</u>	<u>62</u>
Total	<u>550</u>	<u>495</u>

Note 29 – Acquisition of subsidiaries

(in thousands of kunas)	Ital-Ice Poreč	Lagris, Czech Republic and Slovakia	Total
Fixed assets	35.133	38.668	73.801
Current assets	16.970	55.167	72.137
Cash and cash equivalents	314	3.971	4.285
Non-current liabilities	(6.419)	(2.896)	(9.315)
Current liabilities	(7.611)	(68.582)	(76.193)
Goodwill	<u>9.038</u>	<u>43.422</u>	<u>52.460</u>
Total acquisition cost	47.425	69.750	117.175
Less:			
Interest payable	(10.331)	(2.171)	(12.502)
Cash acquired by purchase of interest	<u>(314)</u>	<u>(3.971)</u>	<u>(4.285)</u>
Cash outflow	36.780	63.608	100.388

Note 30 – Commitments

In 2002, the purchase costs of tangible fixed assets contracted with suppliers were HRK 129,019 thousand for the Group and HRK 89,608 thousand for the Company (2001: HRK 26,710 thousand for the Group and HRK 4,657 thousand for the Company), which are not yet realised or recognised in the balance sheet as at 31 December 2002 i.e. 2001.

Bilješka 31 – Contingent Liabilities

(in thousands of kunas)	Podravka Group		Podravka d.d.	
	2002	2001	2002	2001
Legal proceedings	37.373	-	10.719	-
Guarantees for borrowings	<u>527.378</u>	<u>371.008</u>	<u>358.045</u>	<u>326.536</u>
Total	<u>564.751</u>	<u>371.008</u>	<u>368.764</u>	<u>326.536</u>

The stated contingencies have not been recognised in the balance sheet as at 31 December.

Note 32 – Post balance sheet event

Following approval of the financial statements by the General Assembly, based on the subscription contract for preferred shares with ebrd, the dividend for 2002 will amount to EUR 4.35 per share and the total amount of dividend will be EUR 2,766,600 i.e. HRK 20,590 thousand.

This Report covers the period from 1 January 2002 till 31 December 2002

The Supervisory Board of Podravka d.d. (hereinafter: Supervisory Board), in accordance with its authorities established by the provisions of the Company Act, the Statute of Podravka d.d. and the Rules of Procedure of the Supervisory Board has consistently supervised the management of affairs of Podravka d.d. during the business year 2002, by making decisions and conclusions on eight meetings that had been held during the year 2002. Throughout the year 2002, the Supervisory Board among other matters gave their approval for the following:

- Decision on the feasibility study concerning the relocation of the Podravka Dishes factory,
- Decision on the sales and transfer of shareholding in Panonska pivovara d.o.o.,
- Disposal of the shareholding of Podravka d.d. in Elite-International b.w.
- Decision on the advance on dividends for the business year 2002,
- Decision on the purchase of shares and shareholding in the company Iagris,
- Decision on the open offer of Belupo d.d. shares and listing of Belupo d.d. shares in the I Quotation of the Zagreb Stock Exchange,
- Revision of the Investment Plan for 2002 in the Podravka Group.

On 11 July 2002 the Supervisory Board held their constituting meeting where Mr Božo Prka was appointed President of the Supervisory Board and Mr Marko Ećimović Deputy President.

On the meeting held on 10 September 2002 the Supervisory Board discussed the strategic development of Podravka d.d. for the period of 2002 – 2007.

In the reporting period, the Supervisory Board consisted of the following members during the period from

1 January 2002 till 11 July 2002:

Božo Prka, Slavko Antolić, Nataša Badovinac, Franjo Cirkvenec, Marko Ećimović, Sonja Klingor, Juliet Sjöborg and Ivana Vujić.

The Supervisory Board consisted of the following members during the period from 11 July 2002 till 13 November:

Božo Prka, Marko Ećimović, Nataša Badovinac, Marijan Cingula, Barica Macan, Darko Ostoja, Juliet Sjöborg, Ivana Vujić and Đuro Zalar.

The Supervisory Board consisted of the following members during the period from 13 November till 17 December:

Božo Prka, Marko Ećimović, Nataša Badovinac, Marijan Cingula, Barica Macan, Darko Ostoja, Ivana Vujić and Đuro Zalar.

The Supervisory Board consisted of the following members during the period from 17 December till 31 December:

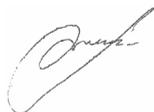
Božo Prka, Marko Ećimović, Marijan Cingula, Josip Friščić, Barica Macan, Zvonimir Mršić, Darko Ostoja and Đuro Zalar.

The Supervisory Board having insight in the management of affairs of Podravka d.d. has concluded that in the year 2002 Podravka d.d. acted in compliance with all laws and the by-laws of Podravka d.d., accordingly.

The Supervisory Board has on 8 April 2003 adopted the draft decision of the Podravka d.d. Management for accepting the original financial statements for 2002 and on 30 May 2003 has approved the proposal of the Podravka d.d.

Management concerning the employment and allocation of profit from the business year 2002 and forwarded the corresponding draft decisions to the General Assembly of Podravka d.d. for approval.

The Supervisory Board has confirmed that the financial statements of Podravka d.d. present a fair and accurate standing of the assets, liabilities and capital of Podravka d.d.



PODRAVKA prehrambena industrija d.d.
President of the Supervisory Board:
Božo Prka

Božo Prka, president of the Supervisory Board

Mr. Božo Prka was born in 1958. He graduated at the Faculty of Foreign Trade of the University of Zagreb and won a master's degree at the Faculty of Economics of the University of Zagreb. He worked as sales director and later finance director of Diona, Zagreb, financial consultant in the consulting company Progres, and tax and accounting advisor in TEB, Zagreb. In 1992, he was appointed assistant to the Minister of Finance of the Republic of Croatia and in 1993 Deputy Minister of Finance of the Republic of Croatia. During the period from 1994 to 1997, he was Minister of Finance in the Government of the Republic of Croatia. In 1996, he was awarded the title: "Minister of the Year" – the annual award of the magazine Central European. He was appointed President of the Management Board of Privredna banka Zagreb d.d. in 1998. He has participated and spoken at numerous conferences and seminars in the organisation of the European Council, effas, Euromoney, Wall Street Journal.

Marko Ećimović, deputy president of the Supervisory Board

Mr. Marko Ećimović was born in 1947. In the year 1969, he graduated at the Faculty of Economics in Osijek. In 1970, he started working in Podravka as planner–analyst and during the period 1975–1979, as director of the Organisation and Distribution Sector. From 1979 till 1983, he was director of the Investment Planning Sector and from 1983 till 1986, director of the organisation of Podravka–Belupo. During 1989 till 1991, he was member of the Management Board of Podravka responsible for economy, accounting and informatics. He was advisor to the President of the Management Board of Podravka d.d. from 1991 till 1996. He has performed the duties of advisor to the Finance Sector since 1998. During the period from 1990 to 1994, he was especially engaged in the evaluation process and company transformation as job holder. In 1999, he completed the post graduate scientific studies at the Faculty of Economics in Osijek. He has won several public honours and awards for economic and social development and is fluent in German.

Darko Ostoja, member of the Supervisory Board

Mr. Darko Ostoja graduated at the Faculty of Mechanical Engineering in Zagreb. In the year 1991, he completed an entrepreneurship course at the Babson College, USA and in 1994 passed the exam for brokers in Zagreb. Since the beginning of his professional career he has been engaged in entrepreneurship in the private sector. 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. During the period from 1990 till 1995, he was co–owner and director of the consulting company Consult Invest d.o.o. from Varaždin. In 1995, he became co–owner and director of the company for securities dealings I.C.F. d.o.o. Zagreb, and the manager of the

largest closed investment fund in Croatia – Dom, fund for family and business investment. His field of business is entrepreneurship and management and has led significant business projects, over 30 acquisitions of companies that underwent the process of transformation and privatisation. Many of these acquisitions represent the entry of foreign capital and know–how into Croatia. He has also designed and been in charge of one of the largest Croatian ventures abroad – the takeover of the company Elan in Slovenia. Fluent in English.

Đuro Zalar, member of the Supervisory Board

Mr. Đuro Zalar was born on 5 April 1949 in Kalinovac. He finished grammar school in Zagreb in 1968 and in 1974 graduated at the Faculty for Food and Biotechnology in Zagreb. He won his master's degree at the Faculty for Food and Biotechnology in Zagreb in the field of Biotechnology in 1990. He has been employed in Podravka d.d. since 1974 and has performed the following duties: from 1974 – 1980, technologist in Research & Development, from 1980 – 1983, technical director of the Soup Factory, from 1983 – 1988, director of the Soup Factory, from 1988 – 1991, director of the Food Industry, from 1991 – 1997, member of the Management Board of Podravka d.d. and during the period from 1997 till 2001, director of Investment Projects. Since 2001 he has occupied the position of director of Technology Development and Controlling. Fluent in German and English.

Barica Macan, member of the Supervisory Board

Ms. Barica Macan was born on 30 August 1949 in Brest Pokupski, Municipality of Petrinja, where she finished grammar school in 1968. She graduated at the Faculty of Agriculture of the University of Zagreb, Department for Economy, in 1973. In the same year she started employment with "Agrariacoop" d.o.o. Zagreb as senior finance 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 for some time a part of "Unikonzum" d.o.o. Zagreb and in 1990 separated and again became an independent company. In the same year "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 has been working in the function of finance director with one break. Namely, in the year 2000, she was appointed deputy principal of the Municipality Office for Economy of the City of Zagreb. She returned to "Zagrebačka veletržnica" d.d. as finance director in 2001 and still occupies this function. 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, member of the Supervisory Board

Mr Marijan Cingula graduated Economy at the Faculty of Economics of the University of Zagreb in the year 1975 and in 1985 he won a master's degree in Economy, University of Zagreb, Faculty of Organisation and Informatics, Varaždin. He became Doctor of Information Science, University of Zagreb, Faculty of Organisation and Informatics, Varaždin in 1992. 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 University of Zagreb, 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 restructuring process for the organisation and development of trade 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 developed 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. He 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. He has attended many specialisation courses abroad and worked in the organisation of numerous scientific and professional gatherings, domestic and international. Speaks English, Russian and German.

Zvonimir Mršić, member of the Supervisory Board

Mr Zvonimir Mršić was born on 6 January 1966. He graduated in 1990 at 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. From October 2000 till June 2001, he was director of the Investor Relations Office in podravka d.d. Since June 2001, he has been 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. He 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 spoken and written English.

Josip Friščić, member of the Supervisory Board

Mr Josip Friščić was born 15 August 1949 in Subotica Podravska. He finished Secondary Commercial School in Koprivnica, and the two-year 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 Preschool Children of the Municipality of Koprivnica in 1990. On 29 June 1993 he was appointed by the County Prefect, acting secretary of the Secretariat for Economy in the Koprivničko-križevačka County and in June 1994 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 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 bringing the Local Self-government and Government Act and the establishment of the City of Koprivnica as a unit of local selfgovernment, he was appointed principal of the Administrative Office for Finance and Economy of the City of Koprivnica. He was appointed 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.

Slavko Antolić, member of the Supervisory Board

Mr. Slavko Antolić was born in 1953. He graduated at the Faculty of Medicine of the University of Zagreb and specialised epidemiology. He finished post graduate studies in the field of epidemiology and public health. Attended various courses and seminars from information technology, management, finance and accounting as well as foreign languages. From 1978 till 1991, he worked in medical institutions as a general practitioner and epidemiologist (four years as head of department and service). In the year 1991, he joined the Ministry of Defence – Health Department – as a senior consultant for matters concerning the healthcare of Croatian Army members and actively participated in the Homeland War. From the year 1993 till 1995, he worked in a private company in the marketing and sales of medical equipment, healthcare supplies and drugs, and since the year 1995 he has been employed in Belupo d.o.o. on the following jobs: assistant director of the Sales Department – Marketing division, director of the Marketing Department and also assistant to the director of Belupo.

Franjo Cirkvenec, member of the Supervisory Board

Mr. Franjo Cirkvenec, member of the Supervisory Board, was born in 1953. He graduated at the Faculty of Law of the University of Zagreb. In 1978, he started employment with the Municipality of Koprivnica as officer for legal affairs. From 1981 till 1991, he worked as the director of property–rights relations at the Municipal Assembly of Koprivnica. Wherefrom he entered the Executive Council of the Municipality of Koprivnica as Executive Council secretary and coordinator of the administrative services of the Municipality of Koprivnica. In 1993, he became senior advisor at the Office of the Director of the State Pension and Disability Insurance Fund, Central Office in Zagreb, and since 1994 has been appointed head of the Regional Office of the State Pension and Disability Insurance Fund in Koprivnica.

Ivana Vujić, member of the Supervisory Board

Ms. Ivana Vujić, member of the Supervisory Board, was born in 1938. She graduated at the Faculty of Law in the year 1962. After completing her studies she worked for ten years in the bodies of the Municipality Assembly of Banja Luka engaged in legal affairs. During this period, respectively, in 1965 she passed her State Examination and in 1973 the Bar Examination. She worked in the judiciary branch during the period of 1972 and 1992. From February 1993, she worked for a public notary till July, 1995 when she started employment with the Croatian Privatisation Fund as senior consultant. In 1996, she was appointed head of the Department for Administrative Procedure and Administrative Disputes, and since July 1999 she has been performing the duties of assistant to the deputy president of the Croatian Privatisation Fund for legal affairs.

Juliet Sjöborg, member of the Supervisory Board

Ms. Juliet Sjöborg, member of the Supervisory Board, was born in 1963. She graduated Electrical Engineering at the University of Pennsylvania, School of Engineering in Philadelphia. From 1986 till 1988, she worked as system engineer at Questech Inc., USA. She won her master's degree in economy at the University de Nice, College of Law and Economics, and completed her second master's degree (MBA–Master of Business Administration) at Wharton School, University of Pennsylvania. During 1991, as consultant to the Ministry for Privatisation of the Polish Government, she participated in the preliminary privatisation evaluations of the Polish pharmaceutical industry. In 1992, she started working for the European Bank for Research and Development (EBRD) in London. She worked on the transactions of the public and private sector in Romania and Moldavia, and was especially engaged in matters concerning the electric power industry in Croatia, Macedonia and Georgia. From 1996 till December 1998, she was head of the Zagreb Branch of the European Bank for Research and Development, leading EBRD projects in Pliva, HEP (Croatian Power Utility) and Podravka. She also participated in EBRD projects in the private and public sector whose portfolio amount to over 500 million us\$. In the year 1999, she was transferred to the EBRD office in London where she has been working as Senior Banker within the Agribusiness team on projects in the food industry for the region of Central and Eastern Europe.

Nataša Badovinac, member of the Supervisory Board

Ms. Nataša Badovinac, member of the Supervisory Board, was born in 1969. She graduated at the Faculty of Law in Zagreb in 1993. From 1992 till 1996, she completed her student's practical training at the law firm Bendel Gerhard and Partners, solrs. Wrzburg, Germany, lawyer internship at the lawyer's office of Mr Ž. Olujić, Zagreb, and the lawyer's office of T. Burjačenko–Grubiša, Zagreb. She is associate to the Lawyer's Committee for Human Rights, New York, legal advisor to the Antiwar Campaign – Protection of Human Rights (non–governmental organisation), and practiced law at the law firm Herbert Smith, London, England at the post of "foreign lawyer". She was registered at the Croatian Bar Association in 1997 and during that year she practiced law at the international layer's firm Weiss–Tessbach in Vienna and Prague. During the period 1997 till 2000, she established a lawyer's office that is contracted with the international lawyer's firm Weiss–Tessbach Vienna, with office headquarters in Zagreb. She has attended many courses and professional advancement seminars in the country and abroad and is fluent in English, German, Slovene and Italian. She was appointed deputy president of the Legal Department at the Croatian Privatisation Fund in 2000, and still holds this position.

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 of the University of Zagreb. He completed his interdisciplinary postgraduate studies at the University of Zagreb in 1975. In 1987 he completed the PKH Managerial Studies and in 1987 the CPG Business School in Cologne, Germany. During the same year he specialized 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 industry 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 the Managing Director of the Antibiotics Penicillin Factory. In 1985 he was appointed Director of Pliva's Animal Health Division "Veterina" (including animal feed and agro-chemicals) and remained there until 1989. In the following 1990 he was appointed Director of Pliva's Research and Development Department (including the Research Institute, Engineering, Business Research, Planning and Technology Transfer) and he carried out these activities until 1991. Mr. Marinac was also the founder and Director of Pliva Kiev (marketing and sales of pharmaceuticals and food products) in 1992. During the period from 1992 to 1996 he was the founder and Director of Pliva Prague and Pliva Bratislava (marketing and sales of pharmaceuticals and food products). 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 the Integration Manager of Pliva Krakow and senior advisor to the Pliva Management Board in 1999. Mr. Marinac is the author of one patent, several technical-technological advancements and the winner of the INOVA award (Croatian Exhibition of Innovations) and many professional publications. He has received many awards for his achievements in management and entrepreneurship – the Annual Award of Pliva, the Annual Award of the City of Zagreb, the medal "The First Croatian Kuna" for the highest business achievements attained as President of the Management Board of Podravka d.d. He has also been awarded "International Manager of the Year", a worthy recognition by the IMDA (International Management and Development Association) and in 2002 was announced Manager of the Year according to the weekly magazine "Nacional". The President of Croatia honored him for his contribution to the development of Croatian economy.

Željko Đurđina, Deputy President

Mr. Željko Đurđina was born in 1948. He graduated from the Faculty of Chemistry and Technology of the University of Zagreb and won his master's degree at 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 the Director of the Vegeta and Soup Factory while it was under construction and in 2000 he was appointed Director of the same Vegeta factory.

Nevenka Cerovsky, the Board member

Mrs. Nevenka Cerovsky was born in 1958. She graduated from the Department of Foreign Trade at the Faculty of Economics of the University of Zagreb. After completing her studies in 1982 she started working in Zagrebačke pekare (Zagreb Bakeries) and worked there for two years as accounts officer. From 1984 to 1988 she worked in Pliva as independent currency officer in the Financial Department of Pliva and after that, until 1991, Mrs. Cerovsky worked on special projects of Pliva d.d. In 1992 she was appointed Manager of the Pliva Shareholders Office and from August of 1992 to February 1993 she was the Finance Development Manager. In 1993 she was appointed the Financial Director of Pliva until June 1996. After that, from July 1996 to January 1998, she worked as the Manager of the Business Program of Cosmetics and Hygiene. In January 1998 Mrs. Cerovsky was appointed Director of the Public Limited Company Neva within the Pliva Group. She was honored for achievements in economy in 1996. She was appointed the CFO of Podravka d.d. in 2000.

Davor Cimaš, the Board member

Mr. Davor Cimaš was born in 1959. He graduated in Marketing in 1982 from the Faculty of Economics of the

University of Zagreb. After completing his studies he began to work in Podravka, where he has been working till the present day. He started work as a sale officer and remained at this post until 1984. He worked as a Product Manager in Marketing from 1985 to 1991. In 1992 he was appointed Export Manager for Slovenia in the Foreign Trade Department and carried out these duties until 1996. He participated in the work of the Restructuring Team from 1996 to 1997 as a team member responsible for sales and marketing. During 1996 and 1997 he was Assistant Sales Manager for Croatia and for foreign markets. In August 1999 Mr. Cimaš was appointed Marketing Manager of Podravka's Branded Food Division. He also finished a seven-week course for managers at the Business School "Center", at Brdo kod Kranja. Since 2000 he is a Board member of Podravka d.d.

Damir Polančec, the Board member

Mr. Damir Polančec was born in 1967. He graduated from the Agro-economics Department of the Faculty of Agriculture of the University of Zagreb in 1992. From 1992 until now he has been employed in Podravka. He worked in Purchasing – import as a purchasing officer for fruit and vegetables two years. Subsequently, he was appointed purchase officer, and three years later senior purchase officer for dried vegetables, especially from countries in transition (Hungary, the Czech Republic, Poland, Bulgaria and Macedonia). He became a member of the Restructuring Team for Purchasing, Logistics and Production responsible for purchasing in April 1997. He was appointed Director of the Purchasing Department in September 1997. He finished the General Management Program at the Business School Center, at Brdo kod Kranja. He is the member of the Steering Committee of the Croatian Handball Association, and the president of the Handball Club Podravka Koprivnica from July 2000.

Podravka Stock Trade Statement for the Year 2002

Podravka stock listed in the first quotation of the Zagreb Stock Exchange realised in the year 2002 a turnover of 204,264,445 Kuna with a trade volume of 1,017,966 shares, which is a 70.3 million Kuna (525%) higher turnover compared to the year 2001. The most intensive stock trade was recorded in January (when the share price started rising and continued till April), March and April (when the share price reached its ceiling in 2002). In January, 185,030 shares were traded in the value of 31,272,525 Kuna, which is a 6.4 million Kuna higher turnover than the highest monthly turnover realised in the year 2001 (in September in the value of 24.9 million Kuna). The turnover achieved in the first four months covers almost 50% (48.9%) of the total turnover in 2002 Table 1 shows the comparison of the quarterly turnover of Podravka stock in 2002 and 2001, respectively. The fall of the quarterly turnover in 2002 compared to 2001 occurred in the third quarter due to the general stock trade drop at the Zagreb Stock Exchange (in the third quarter 2002 a drop of stock turnover in the amount of 34.6% was recorded compared to the second quarter of 2002). During 2002 the highest quarterly turnover of Podravka stock was recorded in the first quarter making 34.8% of the total 2002 turnover.

Trade of Podravka d.d. shares

Period	2002		2001		%2002/2001	
	Turnover in kn	Volume	Turnover in kn	Volume	Turnover	Volume
I. Quarter	71,048,909	384,395	31,212,766	197,908	127,63%	94,23%
II. Quarter	57,682,487	259,312	33,032,956	205,169	74,62%	26,39%
III. Quarter	27,881,194	139,215	38,371,934	251,865	-27,34%	-44,73%
IV. Quarter	47,651,856	235,044	31,319,578	204,738	52,15%	14,80%
Total	204,264,445	1,017,966	133,937,234	859,680	52,51%	18,41%

Comparison of quarter stock turnover at the Zagreb Stock Exchange

Period	Turnover in kn		2002/2001 % change	2002, Share %	2001 Share %
	2002	2001			
I. Quarter	500.207.402	195.871.568	155%		
II. Quarter	251.969.646	234.959.730	7%		
III. Quarter	164.804.343	231.683.396	-29%		
IV. Quarter	254.422.944	305.945.278	-17%		
Total share trade	1.171.404.335	968.459.972	21%	19,9%	57,5%
Bond trade	4.669.100.000	710.600.000	557%	79,4%	42,1%
Total trade ZSE ¹	5.879.200.000	1.684.900.000	249%	100,0%	100,0%

¹ The total turnover of the Zagreb Stock exchange also covers rights and note trade which is not shown in the table

Although the total annual turnover at the Zagreb Stock Exchange in 2002 increased just 21%, the turnover of Podravka stock in 2002 grew more intensively, at a rate of 525%. This indicates the high liquidity of Podravka shares despite the expansion of bond investments (pension scheme reform and investment funds) which characterised the Zagreb Stock Exchange trade in 2002 (the 2001 trade in shares covered 57% of the total Stock Exchange trade dropping in 2002 the share turnover to only 20% in favour of bonds that in 2002 reached a high 79%).

Price

The price of Podravka shares ranged during 2002 from 153.00 Kuna (January) to 246.00 Kuna (April). The last price in December 2002 was 206.00 Kuna representing a 26% growth compared to the same period in 2001. The total annual growth of the last price from January to December reached 15,7%. The highest turnover during 2002 was realised in January when the price rising tendency started and lasted till the end of April.

Price review for the period 1997 – 2002

at 3112	1997	1998	1999	2000	2001	2002
Highest	400,00	201,00	106,00	185,00	175,00	246,00
Lowest	155,00	73,00	60,00	89,00	139,99	153,00
Last	185,00	100,00	89,00	154,99	153,00	206,00
CROBEX value	1.002,1	711,6	715,3	890,0	1.034,70	1.172,60

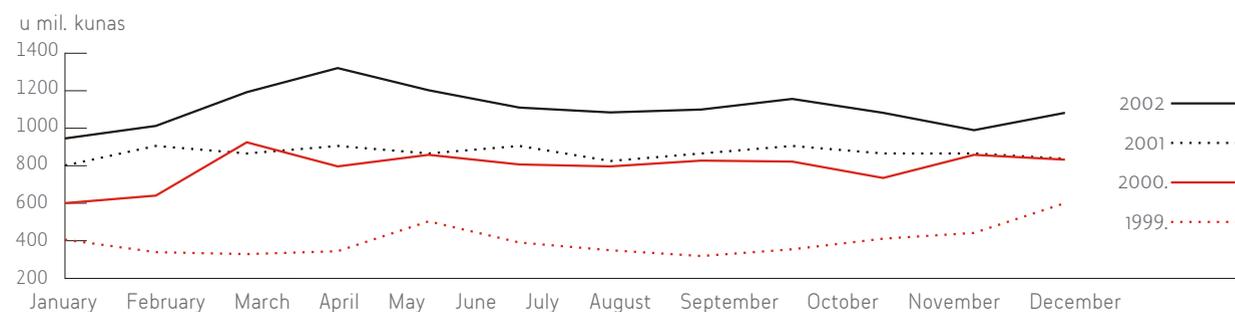
Market capitalisation

Market capitalisation increased due to the upward trend of Podravka share price in average for 292 million Kuna compared to 2001, respectively by 35% (annual average in 2002 amounted 1,118 million Kuna compared to the 2001 average of 826 million Kuna). The market capitalisation share of Podravka in the total market capitalisation of all stock listed at the Zagreb Stock Exchange reached 4%, exceeding for the first time in six years the share of 3.6% realised in 1996.

Podravka's share in the total Zagreb Stock Exchange market capitalisation

Market capitalisation in mil. kunas	1997.	1998.	1999.	2000.	2001	2002
Market capitalisation of Podravka	968,5	540,7	481,2	838,00	827,2	1.113,7
Total shares of the zse	26.760,4	18.275,8	19.225,1	22.178,6	25.815,5	28.320,4
% total market capitalisation	3,6%	3,0%	2,5%	3,8%	3,2%	3,9%
Standing among top 10	4 TH PLACE	4 TH PLACE	4 TH PLACE	5 TH PLACE	8 TH PLACE	6 TH PLACE

Market capitalisation of Podravka



Comparison of indicators with the year 2001

The basic earning per share increased by 8.93 Kuna, from 7.83 Kuna in 2001 to 16.76 Kuna in 2002. The increase of turnover rate of Podravka shares from 16.2% in 2001 to 18.3% in 2002 shows the high liquidity of Podravka shares on the Croatian capital market. This means that a 15 times higher turnover in terms of value was achieved compared to 2001 (204.3 million Kuna in 2002 compared to 133.94 million Kuna in 2001) and a 12 times higher amount of traded stock (1,017,966 shares in 2002 compared to 859,680 shares in 2001) respectively.

COMPARISON OF INDICATORS WITH THE YEAR 2001

	1997.	1998.	1999.	2000.	2001	2002
Number of regular shares	5.235.247	5.406.696	5.406.696	5.406.696	5.406.696	5.406.696
Last price	185,00	100,00	89,00	154,99	153,00	206,00
Market capitalisation	968,5	540,7	481,2	838,0	827,2	1113,8
EPS*	N/A	12,6	3,9	12,20	7,83	16,62
P/E	N/A	7,9	22,9	12,71	19,55	19,55
Trade rate**	15,6%	12,4%	3,0%	11,1%	16,2%	18,3%
Dividends	N/A	-	3,00	-	-	-
P/BV	0,59	0,3	0,3	0,42	0,43	0,55

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

** Trade and market capitalisation ratio

CROBEX

In the year 2002, CROBEX realised an annual value growth of 0.5%. CROBEX opened the year at the level of 1,167.1 points in January to end December at the level of 1,176.6 points, which is a 13.3% higher value compared to December 2001. The highest level during 2002 CROBEX was realised in March reaching 1,297.9 points (25% higher value than the highest values recorded in 2001). Despite the relatively low index increase at the year level, the price of Podravka shares grew 15.7% in the year 2002 (December /January 2002).

Comparison of Podravka share prices and CROBEX

at 3112	1997.	1998.	1999.	2000.	2001	2002
Podravka last price	185,00	100,00	89,00	154,99	153,00	206,00
CROBEX value	1002,1	711,6	715,3	890,0	1034,70	1172,60

Analyst recommendation:

RBA recommendation buy (Source: RBA tjednik (weekly) 28 April 2003)
ERSTE recommendation ACCUMULATE (Erste Podravka update April 2003.)
HYPO-ALPE ADRIA BANK recommendation accumulate (Podravka fy02, 21 May)

Awards for the Podravka share:

Financijski forum (Financial Forum) May, 2003, Award for Share Liquidity

Subsidiaries in Croatia

Danica d.o.o.
 Đelekovečka cesta 21
 48000 Koprivnica
 Podravka d.d. (100%)

Belupo d.d.
 Ulica danice 5
 48000 Koprivnica
 Podravka d.d. (100%)

Koprivnička tiskarnica d.o.o.
 Đure Estera 1
 48000 Koprivnica
 Podravka d.d. (100%)

Podravka inženjering d.o.o.
 Trg kralja Tomislava 13
 48000 Koprivnica
 Podravka d.d. (100%)

Poni d.o.o.
 Ulica Josipa Vargovića bb
 48000 Koprivnica
 Podravka d.d. (100%)

Ital-ice d.o.o.
 Mate Vlašića 47
 52000 Poreč
 Podravka d.d. (100%)

Foreign Subsidiaries

Sana d.o.o.
 Stara cesta 20
 Hoče
 Slovenia
 Podravka d.d. (100%)

Podravka d.o.o. Ljubljana
 Tivolska cesta 50
 1000 Ljubljana
 Slovenia
 Podravka d.d. (100%)

Podravka d.o.o. Sarajevo
 Zelenih beretki 6/1
 71 000 Sarajevo
 Bosnia i Hercegovina
 Podravka d.d. (100%)

Podravka d.o.o.e.l. Skopje
 Ul. Blagoja Stefkovski bb
 91000 Skopje
 Macedonia
 Podravka d.d. (100%)

Podravka International Deutschland – "Konar" GmbH
 Wöhlerweg 8
 d-82538 Geretsried
 Germany
 Podravka d.d. (100%)

Podravka International s.r.o.
 Záhradnícka 68
 821 08 Bratislava 2
 Slovakia
 Podravka d.d. (50%)
 Cerrere s.r.l. (50%)

Podravka-International Spol. s.r.o.
 Fr.Kadlece 572 / 16
 180 00 Prague 8 – Libeň
 Czech Republic
 Podravka International s.r.o.
 Bratislava (100%)

Podravka-International Export-Import Sp.z.o.o.
 Ul. Rejtana 15/24
 Warszawa
 Poland
 Podravka d.d. (100%)

Podravka Polska sp.z o.o.
 Ul. Asfaltowa 28
 Kostrzyn n/odra
 Poland
 Podravka d.d. (100%)

Podravka-International kft
 Ilka u. 34
 1143 Budapest
 Hungary
 Podravka d.d. (100%)

Podravka d.o.o. Beograd
 Simina 18
 11000 Beograd
 Serbia and Montenegro
 Podravka d.d. (100%)

Podravka International s.r.l.
 Str. Pridvorului nr. 5a, sect. 4
 Bucuresti Romania
 Podravka d.d. (100%)

Podravka International Pty. Ltd
Unit 4, 59-64 Cawarra Road
Caringbah Nsw 2229 Sydney
Australia
Podravka d.d. (100%)

"Podravka" d.o.o. Podgorica
Ulica slobode 75
Podgorica
Serbia and Montenegro
Podravka d.d. (100%)

Lagris a.s.
Dolní lhota 39
763 23 Lhota u Luhacovic
Czech Republic
Podravka d.d. (100%)

Lagris Slovakia s.r.o.
Jesenskeho 1486
960 01 Zvolen
Slovakia
Podravka d.d. (75%)
Lagris a.s. (25%)

Podravka International d.d.
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Ukraine

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