



Annual Report 2003

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The Letter from the President of the Board

Dear Shareholders,

In the previous year Podravka managed its affairs in accordance with the company's business strategy in order to achieve further company growth and development. Podravka's total income amounted to 3,321.9 million kuna and grew by 15% in comparison with the year before. The sales revenue was 3,217.7 million kuna and grew by 17% compared to last year. The mentioned growth rates from the previous year are in compliance with the company's business strategy and the market circumstances in which we operate.

The Podravka Group achieved less profit than planned for the previous year. As we realised loss in the first half of the year, at the year

end we showed the pure economic result and balance, establishing a sound base for the following business year. During the year 2003, we achieved net profit in the amount of 10 million kuna. The realised profit is less than the year before but represents a positive move compared to the first six months when a loss of 29 million kuna was disclosed. It is necessary to emphasise that Podravka in the second half of last year achieved net profit in the amount of about 39 million kuna. However, if we exclude the costs of taking care of technological redundant labour, the net profit would be about 63 million kuna, as non-recurring redundant labour costs in the second half of the year were about 24 million kuna. The program for taking care of redundant labour, covering employees defined

as technological redundant labour, has been realised in agreement with legal regulations and during the last year 189 employees left the company as part of this program.

Podravka on the Croatian market realises over a half of its revenue, and last year a 15% growth was recorded compared to the year before, with sales in the amount of 1,748.2 million kuna. It is necessary to highlight that all product groups contributed to the growth of sales on the domestic market. On foreign markets Podravka achieves over 45.7% of its sales revenue. The sales results on foreign markets and growth of 20% compared to last year, respectively, indicate good and successful management operations on these

markets taken that the food industry average ranges from 1 to 5%.

In the markets of South-eastern Europe Podravka is the leading food company in the region with its recognisable brands. These markets have recorded a growth of 35% and further increase is expected in the forthcoming period. This growth was also supported by the distribution agreement with the company Nestlé concluded last year, which has put us in a more favourable negotiating position making us one of the strongest food suppliers. On the markets of South-eastern Europe a revenue of 687.2 million kuna was achieved which is 21% of the total sales revenue of the Podravka Group.

The markets of Central Europe, including the Czech Republic, Slovakia and Hungary, have realised 361.6 million kuna which makes 11% of the total sales revenue, recording a 63% growth. This growth was supported by the sales of acquired companies that are in the process of integrating and adjusting to Podravka Group operations.

The markets of Eastern Europe recorded sales revenue in the amount of 82.9 million kuna and is 12% higher compared to the previous year, while the markets of the USA, Canada, Western Europe and Scandinavia recorded sales revenue in the amount of

140.5 million kuna and an increase of 10%, and project markets had a growth of 27%. The markets of Poland and the Baltic states realised a drop of sales of 46% last year. When speaking about the Polish market, I would like to stress this market has stabilised after the entire management was replaced and the results achieved in the second year half are much better than planned, yet this could not cover the loss from the first half of the year and written off receivables in the amount of 47.3 million kuna.

From the aspect of product groups, all Podravka's strategic business units marked a growth compared to last year, only Vegeta recorded a drop of sales, primarily on the

markets of Poland and the Baltic states, while on other markets the sales of our most distinguished brand grew. The largest growth of sales was achieved by beverages, even 39%, followed by the brands Lino, Dolcela and Kviki (6%), and the program of fruit and vegetables. Meat products from our meat industry Danica also marked an increase of 6%, mill and bakery products grew by 5%, and the program of Podravka Dishes had a 2% growth. This year a new factory for Podravka Dishes was constructed with an annual capacity of about 12 500 tons, which means the production of about 130 million different individual packings. The value of the whole investment is 123 million kuna. Modern and sophisticated technology shall enable significant savings in the consumption of material, raw material,

packaging and energy compared to the former technology, as well as high flexibility for new programs and new products from the Podravka Dishes range of products.

During the year 2003, there was a change in the Management Board of Podravka. New Board members were appointed: Mr Dušan Tomašević for finance and controlling, Mr Miroslav Vitković for the markets of South-eastern Europe and Mr Dragan Habdija for business programs and marketing. The Supervisory Board confirmed the new members. Mr Davor Cimaš, responsible for non-core operations, and Ms Nevenka Cerovsky, responsible for finance and controlling, were relieved of their duties.

Podravka's distribution network, stretching from the North Sea to the Adriatic, has strengthened during the year 2003. Cooperation agreements with Adria and Heinz for the market of Hungary were signed.

During the previous one-year Commercial Note Issue Program Podravka successfully released six issues of commercial notes in the total value of 240 million kuna. We also released the seventh issue of commercial notes in the amount of 52 million kuna. The issue of commercial notes enabled Podravka to swap short-term loans and reduce financing costs, and optimise the currency debt structure. Preparations have also been

made for the issue of Podravka corporate bonds, which will enable the refinancing of short-term loan taken for the redemption of preferential shares of the European Bank for Reconstruction and Development and noticeably improve the current debt structure of the Podravka Group.

The investment cycle continued in the year 2003. Besides the mentioned new factory of Podravka Dishes, investments were made in the development of a business information system, respectively, in investment and asset management integrated in the SAP system, optimisations in controlling, introduction of Cash Management and Business Warehouse, and the companies Ital-Ice, the new factory

Podravka Dishes, the central warehouse and Podravka's companies in Poland and Slovenia were integrated into the SAP system.

In our strategy we have defined knowledge and people as the sources of our competitive advantage. In accordance to this strategy we established our own management academy called Pomak with the aim of developing, acquiring and supplementing managerial competencies of Podravka's employees for more successful achievement of business goals and therefore, strengthening the company's competitive capacity. Podravka wants to become the leading company with headquarters in the regions of South-eastern, Central and Eastern Europe in terms of

innovativeness, knowledge, revenue and consumer relations. Our task is to create top quality products with brands that capture consumer trust. In order to accomplish these goals, great effort from all company employees is required, as well as their confidence in both personal and company potential. That is the reason why one of our company's priorities lies in permanent investment in human resource development and education. Our employees and our brands are our greatest value and the foundation for building our future.

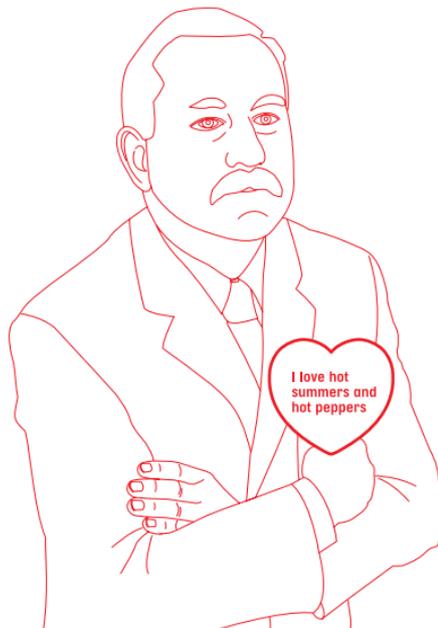
Darko Marinac,
Chairman of the Board Podravka d.d.

What's in Their Hearts?

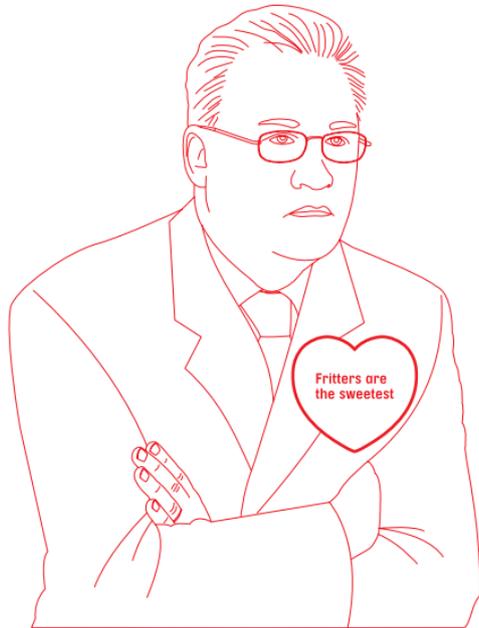
From left to right:

Chairman of the Management Board: Darko Marinac; Members of the Board: Željko Đurđina, Damir Polančec...

Scratch the heart and reveal the secret!



...Dušan Tomašević, Miroslav Vitković, Dragan Habiija



The Podravka Group in the Year 2003

01. Increase of external sales by 17%
02. Increase of domestic sales by 15%
03. Increase of foreign market sales by 20%
04. New Podravka Dishes factory opened
05. Investment cycle continued
06. Withdrawal of EBRD from Podravka's ownership structure
07. Program of commercial note issue continued
08. Preparations for issuing corporate Podravka bonds completed
09. Podravka's school of management POMAK established in Koprivnica
10. Development of business information system
11. Process of implementing ISO procedures and HACCP continued

Podravka group business results for the year 2003

The total revenue of the Podravka Group achieved in the year 2003 amounts to 3,321.9 million kuna and is 15% higher than in the year 2002. The total revenue structure consists of 96.9% of sales revenue, 2.2% financial income and 0.9% other income.

(in mil. kn)	2003			2002			Index 2 : 4
Elements	Amount	%	Amount	%			
1	2	3	4	5		6	
Sales	3,217.7	96.9	2,746.8	95.0		117	
Financial income	72.9	2.2	86.6	3.0		84	
Other income	31.3	0.9	58.4	2.0		54	
Total	3,321.9	100.0	2,891.8	100.0		115	

Sales revenue

In the year 2003, the Podravka Group achieved sales revenue in the amount of 3,217.7 million kuna, which is 17% more than in the year 2002. Sales revenue from the domestic market was realised in the amount of 1,748.2 million kuna, 15% more than in the previous year. Foreign markets produced sales revenue in the amount of 1,469.5 million kuna, recording an increase of 20%.

(in mil. kn)	2003			2002			Index 2 : 4
Elements	Amount	%	Amount	%			
1	2	3	4	5		6	
Domestic market	1,748.2	54.3	1,520.8	55.4		115	
Foreign market	1,469.5	45.7	1,226.0	44.6		120	
Total	3,217.7	100.0	2,746.8	100.0		117	

Sales per segments

(in mil. kn)

Business segment	2003			2002			Index 2 : 4
	Amount	%		Amount	%		
1	2	3		4	5	6	
Food and beverages	2,082.8	64.7		1,932.1	70.3	108	
Pharmaceutics	572.8	17.8		550.6	20.0	104	
Commercial goods	525.3	16.3		228.7	8.4	230	
Other	36.8	1.2		35.4	1.3	104	
Total	3,217.7	100.0		2,746.8	100.0	117	

The sales structure of the Podravka Group consisted of food and beverages with 64.7%, pharmaceuticals with 17.8%, commercial goods with 16.3% and other products and services with 1.2%.

Sales per product group

(in mil. kn)		2003		2002		Index 2 : 4
Business segment	Amount		%	Amount	%	
1	2		3	4	5	6
Vegeta	595.4		18.5	692.5	25.2	86
Drugs	572.8		17.8	550.6	20.0	104
Commercial goods	525.3		16.3	228.7	8.3	230
Lino, Dolcela and Kviki	280.3		8.7	263.2	9.6	106
Podravka Dishes	273.1		8.5	268.2	9.8	102
Meat products	271.7		8.5	257.6	9.4	106
Fruit and vegetables	213.7		6.7	201.4	7.3	106
Beverages	192.9		6.0	138.3	5.1	139
Mill and bakery products	65.9		2.0	62.9	2.3	105
Acquisitions and other	226.6		7.0	83.4	3.0	272
Total	3,217.7		100.0	2,746.8	100.0	117

Examined per product group the highest sales growth was achieved by beverages (index 139), then Lino, Dolcela and Kviki (index 106), fruit and vegetables (index 106), meat products (106), mill and bakery products (index 105), drugs (index 104) and Podravka Dishes (index 102). Vegeta recorded a drop of sales on the markets of Poland and the Baltic states and on the Central European market. Commercial goods have recorded an increase of sales due to the distribution of Nestlé products.

Sales per markets

(in mil. kn)

Market	Amount	2003	%	Amount	2002	%	Index 2 : 4
1	2		3	4		5	6
Croatia	1,748.2		54.3	1,520.8		55.3	115
South-eastern Europe	687.2		21.4	507.5		18.5	135
Poland and the Baltic states	132.1		4.1	243.8		8.9	54
Central Europe	361.6		11.2	221.8		8.1	163
Eastern Europe	82.9		2.6	74.3		2.7	112
USA, Canada, Western Europe and Scandinavia	140.5		4.4	127.3		4.6	110
Project markets	65.2		2.0	51.3		1.9	127
Total	3,217.7		100.0	2,746.8		100.0	117

Sales on the Croatian market grew by 15%, while on the markets of South-eastern Europe a 35% growth was recorded.

The market of Central Europe recorded a sales growth of 63% compared to the year 2002. The sales of products from acquired companies contributed to this increase.

Sales on the markets of Eastern Europe was higher by 12% compared to the year 2002, the markets of the USA, Canada, Western Europe and Scandinavia grew by 10% and the project markets showed a 27% growth.

The markets of Poland and the Baltic states recorded in the year 2003 a drop of sales by 46%. In the second part of the year sales on the Polish market became stable; however, the cutback from the beginning of the year could not be covered.

Sales on the domestic market

(in mil. kn)	2003			2002			Index 2 : 4
Product group	Amount	%	Amount	%			
1	2	3	4	5		6	
Drugs	480.0	27.4	464.3	30.5		103	
Commercial goods	216.4	12.4	90.3	5.9		240	
Meat products	206.7	11.8	197.9	13.0		104	
Beverages	188.3	10.8	134.7	8.9		140	
Fruit and vegetables	169.2	9.7	158.9	10.5		106	
Lino, Dolcela and Kviki	158.2	9.0	155.8	10.3		102	
Vegeta	123.3	7.1	123.4	8.1		100	
Podravka Dishes	103.8	5.9	97.9	6.4		106	
Mill and bakery products	65.8	3.8	62.9	4.1		105	
Acquisitions and other	36.6	2.1	34.7	2.3		105	
Total	1,748.2	100.0	1,520.8	100.0		115	

The growth of sales on the domestic market was supported by all the product groups: beverages 40%, fruit and vegetables 6%, Podravka Dishes 6%, meat products 4%, mill and bakery products 5% and drugs 3%.

The sales of Lino, Dolcela and Kviki products recorded a growth of 2%, while the sales of Vegeta on the domestic market remained at last year's level.

Costs/expenses

The total expenses in the year 2003 amounted to 3,288.1 million kuna which is 19% higher than in the year 2002.

The structure of expenses consists of the costs of sold products with 59.9%, costs of sales 25.1%, general and operating expenses 10.4% and financial expenses 4.6,

Expense/cost structure

(in mil. kn)

Cost/expense	Amount	2003	%	Amount	2002	%	Index 2 : 4
1	2		3	4		5	6
Costs of sold products	1,968.5		59.9	1,575.4		57.1	125
Costs of sales and distribution	826.9		25.1	767.1		27.8	108
General & operating expenses	341.6		10.4	302.2		11.0	113
Financial expenses	151.1		4.6	113.8		4.1	133
Total	3,288.1		100.0	2,758.5		100.0	119

Profitability

On the grounds of sales in the amount of 3.22 billion kuna and the disclosed expenses, the Podravka Group achieved in the year 2003 profit in the amount of 10 million kuna. The achieved profit is less than last year's but represents a significant move compared to the half year results of 1-6 2003.

The Group's positive operations in the second half of the year 2003 result from higher sales, change of sales structure in favour of more profitable products (Vegeta) and effects of the operative efficiency program.

In the second half of the year 2003 a net profit of ca. 39 million kuna was realised (without costs of providing for redundant labour the net profit would be ca. 63 million kuna).

Cost/Expense Structure

There are two major groups of expenses, operating and financial expenses. Operating expenses include expenses for sold products, general and administrative costs and the costs of sales and distribution. The cost of sold goods have been realised in the amount of 1,968.5 million kuna and are 25% higher than those realised in the year 2002. A more rapid growth of costs compared to the growth of sales results from the change in sales structure with the increase of commercial goods share, where the majority comes from the costs of sold goods, i.e. the purchase value of commercial goods. If we eliminate commercial goods from sales and the cost of sold goods, the trend of costs would correlate with the sales.

The most significant costs of this group are: material 71%, salaries 14%, depreciation 7%, while the remaining 8% belongs to other costs.

General and administrative costs make 10% of the total expenses, respectively, 11% of operating expenses. Compared to the year 2002 this represents a 13% growth.

The most significant costs from this group are salaries with 46%, depreciation 16% and the remaining 18% consists of various services, daily and travel allowances, entertainment, education and other costs.

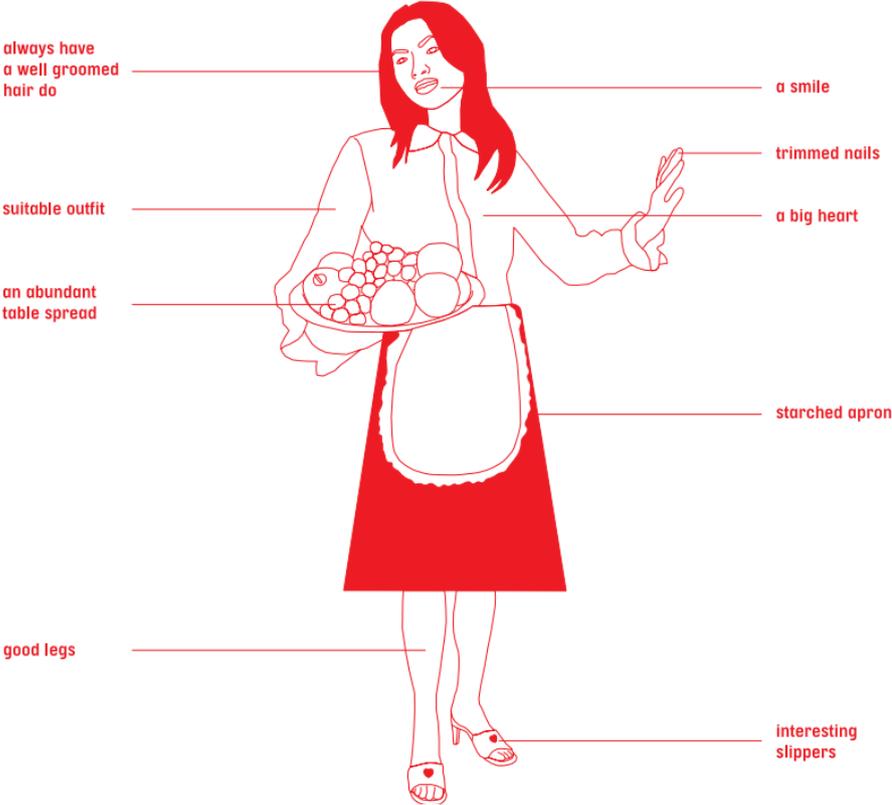
The costs of sales and distribution have been realised in the amount of 826.9 million kuna. If compared to the year 2002 they are 8% higher. The most significant costs of this group are: salaries 30%, market investment costs 24%, transport costs 7%, depreciation 5% and other services road tolls, graphic services and similar 6%, value corrections of trade accounts receivable 3%, daily and travel allowances 2% and the rest refers to other services and costs.

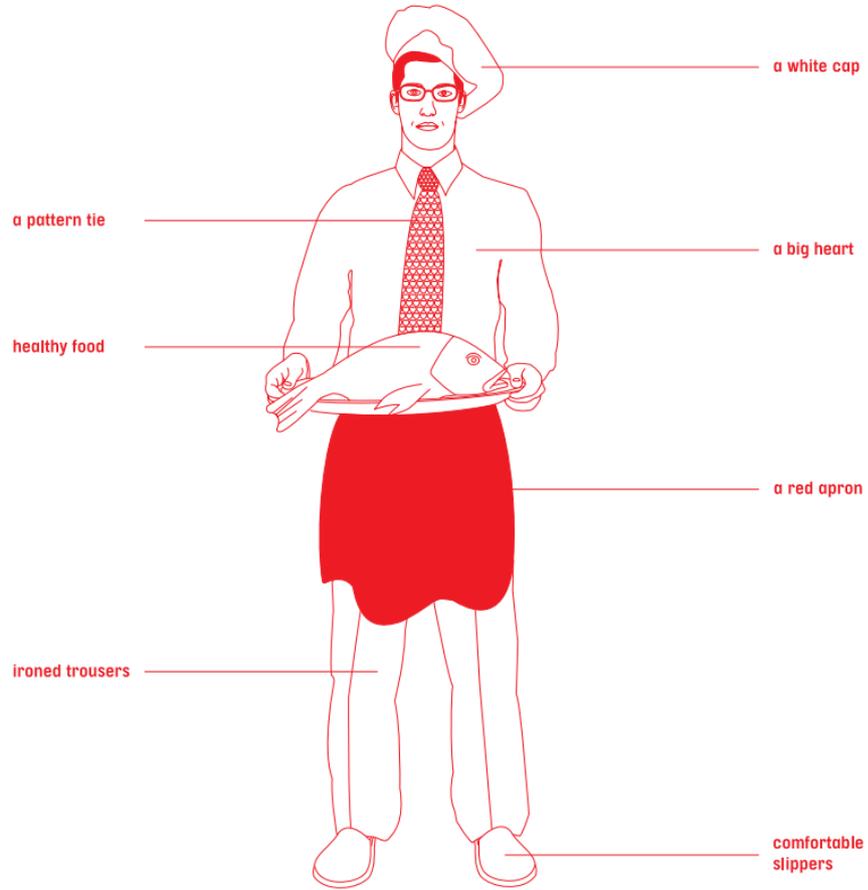
Financial expenses consist of interest, negative exchange rate differences and investment costs realised in the amount of 151.1 million kuna, and are 33% higher than those realised in the year 2002. The high increase of financial expenses is the result of negative exchange rate differences (index 181) while the realised interest is at the previous year level.

2003 Podravka Group Business Key Indicators

	2003	2002
Total business income (mil. kn)	3,321.9	2,891.8
% of change	15	
Total sales (mil. kn)	3,217.7	2,746.8
% of change	17	
Sales income in Croatia (mil. kn)	1,748.2	1,520.8
% of change	15	
Sales income abroad (mil. kn)	1,469.5	1,225.9
% of change	20	
EBIT (earnings before interest and tax) (mil. kn)	112.0	160.6
% of change	-30	
EBITDA (mil. kn)	336.8	348.4
% of change	-3	
Net earnings (mil.kn)	10.0	108.5
% of change	-91	
EPS (earnings per regular share)	-0.2	16.8
% of change	-101	
Total assets (mil. kn)	3,494.0	3,471.4
% of change	1	
Capital and reserve (equity) (mil. kn)	1,780.1	2,019.5
% of change	-12	
Cash flow (mil.kn)	139.6	110.5
% of change	26	
Number of employees	7,376	7,488
% of change	-1	
Net earnings/number of employees (000 kn)	1.4	14.5
% of change	-91	
ROE (return on equity)	0.6	5.4
% of change	-89	
Total investments (mil. kn)	272.8	313.0
% of change	-13	

Hostess's/Host's Image





a white cap

a pattern tie

a big heart

healthy food

a red apron

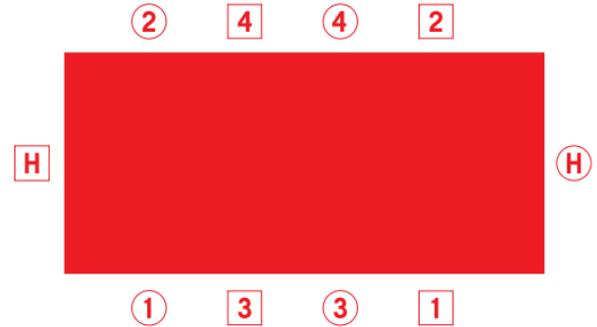
ironed trousers

comfortable
slippers

Seating Arrangements

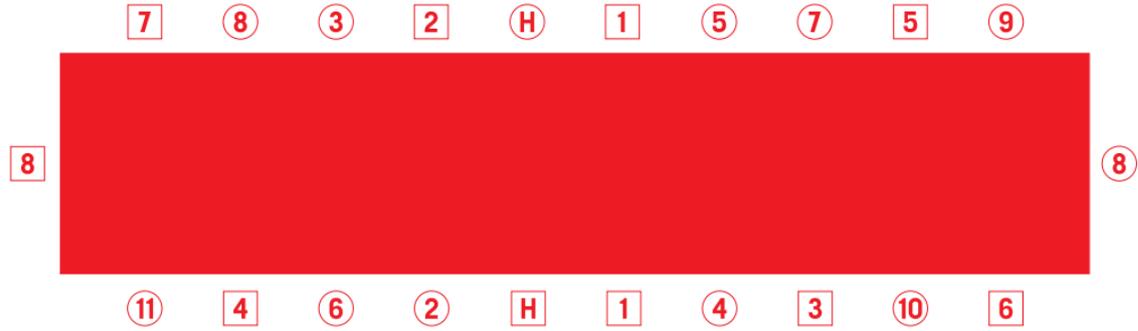
- when inviting guests you should think about the seating arrangements, therefore if you feel someone would not fit in, they should not be invited
- if the hostess invites an equal number of male and female guests, she will make sure that a man always sits to the left of the woman
- if more female guests have been invited, then two women should be seated between two men
- if more male guests have been invited, then two men should be seated between two women
- the hostess can even draw the seating arrangement, write down the numbers and the names in advance

For 8 guests

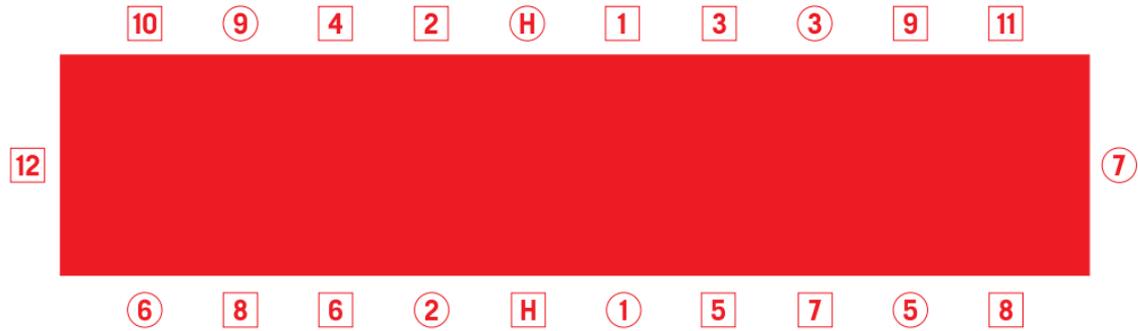


- woman
- man
- H hostess and host

When there are more women than men



When there are more men than women



Vegeta

The universal food seasoning Vegeta is an example of a successful combination of a high quality product and carefully planned marketing strategy. From its very beginning, forty five years ago, until today it has outgrown from a mere food product into a brand, the synonym for the seasoning food category. Today, it is an unavoidable ingredient of meals from all world cuisines, and is sold in over 40 countries on all continents.

In the year 2003, Podravka's most famous brand Vegeta was sold below the total sales realised in the year 2002. The underlying reasons are the drop of sales on the market of Poland where Vegeta holds the largest share of sales per market. The declining trend of Vegeta sales on the Polish market recorded in the first half of the year was stopped, leading to an increase in the second year half. However, very good business results in the second half of the year 2003 could not fully cover the loss of sales in the first 6 months. The sales revenue of Vegeta reached the amount of 595.4 million

kuna in 2003, which is almost a fifth of the total Podravka sales. About 80 percent of the products under the trade mark Vegeta, respectively, the universal seasoning and special food supplements Vegeta Twist, are still sold abroad.

Vegeta realised sales on the domestic market in the amount of 123,3 million kuna. While the sales revenue on foreign markets was about 472,1 million kuna. Vegeta continues to be best sold in bags, and a 250 g bag of Vegeta is Podravka's most well sold individual product.

In the year 2003, 111 new products/packings were launched on 17 markets. It is important to highlight the launching of Vegeta Twist in bottles with PVC sprinkler, which was our response to market demands for such type of packing. So far, they have been introduced to the markets of Croatia, Slovenia, Bosnia and Herzegovina, the USA, Canada and Australia. Marketing activities in 2003 worth mentioning are the entry of Vegeta to the Turkish market and the action "Mediterraneo" which was concurrently conducted and aimed

at the markets of Croatia, Czech Republic, Slovakia, Hungary and Poland.

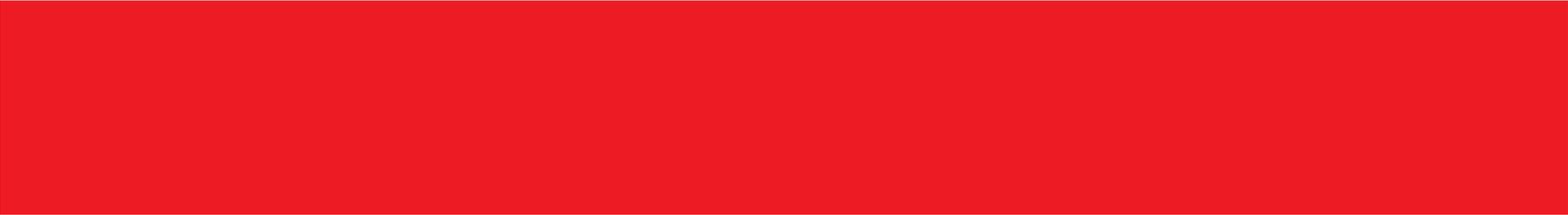
Podravka dishes

Recognising and respecting local and regional tastes, Podravka Dishes offers a wide range of high quality and practical products in its business program, at the same time leaving enough space for culinary creativity and imagination. The business program of Podravka Dishes covers the following: Podravka soups in bags and Podravka bouillon cubes, instant soups Fini-Mini, special food supplements Fant/Fix/Fantastic, half prepared and instant meals based on noodles with sauce and risotto Talianetta, Podravka milk rice, the foodservice assortment of soups, bouillon, stock and Fant products, as well as soup supplements, spaghetti Milanese and Aji-shio. The most significant segment of this business program are Podravka soups in bags with a 63% share in sales, followed by Fant and Podravka bouillon

cubes. The whole assortment consists of 230 different products sold in 37 countries worldwide. Export covers 63% of sales, primarily exported to the markets of Bosnia & Herzegovina, Macedonia and Slovenia. In the year 2003, the sales of the business program Podravka Dishes reached 273.1 million kuna which is 2% higher than the sales achieved in the year 2002. The Croatian market recorded 6% higher sales, while 8% higher sales were achieved on the markets of South-eastern Europe.

Innovativeness in the business program Podravka Dishes continued in 2003. New product groups were introduced to the market, just to mention the most significant ones: light products with dietary fibres (functional products), milk rice, sauces in cubes, premium soups, new types of Talianetta noodles with sauce and risotto as well as new Fant products. During the year 2003, a total of 50 new and 170 innovated products, respectively, were introduced.

Promotional activities, especially on the markets of Croatia and South-eastern Europe are still being oriented towards strengthening



the image of Podravka and Fant brands, as well as strengthening the awareness of the Talianetta and Fini-Mini brands. Customers are being constantly educated about various possibilities of using products from the Podravka Dishes program through recipes printed on the packaging and in recipe booklets.

All processes of the business program Podravka Dishes hold the ISO 9001:2000 certificate.

Lino, Kviki and Dolcela

Lino, Dolcela and Kviki are the Croatian leaders in their product categories. These Podravka trade brands in the year 2003 managed to keep their leading positions on the Croatian market despite strong competition both from domestic and foreign manufacturers. This strategic business unit achieved a 6% growth in 2003 compared to the previous year. Namely, sales in the value of 280.3 million kuna were achieved of which 158.2 million kuna on the Croatian market. Podravka's popular calendar this year

showed Lino living with his friends in Linoland.

Dolcela also kept its leading position. This was supported by considerable marketing activities, such as those conducted last Easter. Dolcela also made a successful presentation of new products for Christmas – mousse, melon and hazelnut pudding, Podravka wafers and Linolada.

Podravka's brand – Kviki is the Croatian leader in the category of salty snacks. A significant growth was achieved due to the entry into the flips category. This is the area with enough space where Kviki, with its innovative approach and product quality, can maintain – but also enhance – its share on the snack market.

Fruit and vegetables

Podravka was founded by the brothers Wolf in the far 1934 as a workshop for the processing of fruit and vegetables. Today, 70 years later, Podravka is a large renowned company, and its original assortment still keeps a distinguished



place in Podravka's family.

In the year 2003, the strategic business unit Fruit and Vegetables realised total sales in the amount of 213.7 million kuna which represents a 6% growth compared to the previous year. Export in the total sales structure covers 21%. Along with the growth of sales, a significant growth was recorded in the quantity of processed raw material. This was supported by the improved organisation of purchasing raw material and despite a dry season enough raw material was purchased for most of the production. Podravka's positive impact on the development of fruit and vegetable growing in Croatia increases every year providing a safe and cheaper supply of high quality raw material for the future. An increased production was achieved with a smaller number of seasonal workers, resulting in significant productivity growth. Investments were made in technology, for example a new cold storage plant was opened at the Kalnik factory in Varaždin. The construction of this cold storage plant has enabled better storage of raw material base providing

continued production during the year and significant cost cutting. The assortment of Fruit and Vegetables is very wide: processed fruits, tomato based products, processed vegetables, tea and condiments. Each of these categories has recorded sales growth, for example tomato based products 11 percent, while new trendy products of light jams grew by 25%. It is important to stress the 4% increase of the traditional, original Croatian product – plum spread (powidl). In the year 2003, preparations began for better product communication and a new packing was introduced bearing the label "Genuine Product of Croatia".

An encouraging fact is that products from the condiment category (vegetable side dishes and ready made sauces) that belong to trendy products on the world market have recorded a growth of 13%. The leader product is Aivar with the highest increase in the category (14%). Following world trends and consumer habits, Podravka expanded this product segment. Hence, during the year 2003 "pindur", hot salsa, tomato sauce with mushrooms, hot and

mild ketchup and horse-radish in new packaging were placed on the market.

Beverages

Our Profit Centre Beverages achieved the greatest individual growth last year. It includes natural mineral water Studenac, pure spring water Studena, aromatised spring water Studena, Ice Tea Studena and low calorie non-alcoholic beverages Deit. Since last year the Profit Centre Beverages is the exclusive importer and distributor of the energy beverage Power Horse. The range of aromatised spring water Studena has been expanded with three new flavours – green apple, peach and strawberry. The growth was 29% higher compared to the year 2002 reaching total sales of 192.9 million kuna in the year 2003. Sales on the domestic market were 188.3 million kuna or 98 percent of total sales. The investments in expanding the capacities of the Studenac factory at Lipik and in the construction of factory and logistic warehouse

facilities at Lipik were continued.

Pure spring water Studena in 18.9 litre packing covered over 80 percent of the cooler water market in 2003, the fastest growing segment of the spring water market. Studena remained the leader on the Croatian market of spring water in the year 2003.

Mill and bakery

Our smallest strategic business unit – Mill and Bakery, achieved revenue of 65.9 million kuna in the year 2003, mostly on the Croatian market, which is a 5% growth compared to last year.

Six new products were launched on the market in 2003 from the mill – bakery part of the product range. Marketing activities are most frequently held at Easter and Christmas holidays and those with especially good results are the activities for flour which has also reflected upon a significant sales growth of this part of the product range.

Danica

Podravka's meat industry Danica d.o.o. made significant investments in production in the year 2003.

Production capacities for smoked meat and sausages were expanded and the facilities for cutting and vacuum packing of sausage and smoked meat products were reconstructed and new equipment purchased.

The facilities for frozen shaped products were also reconstructed and new technological equipment purchased, and the same investment was made in the production of boiled and semi-durable poultry products. Investment was made in cooling energy in order to save energy and improve cooling effects. The total investment in production in the year 2003 was 18.3 million kuna.

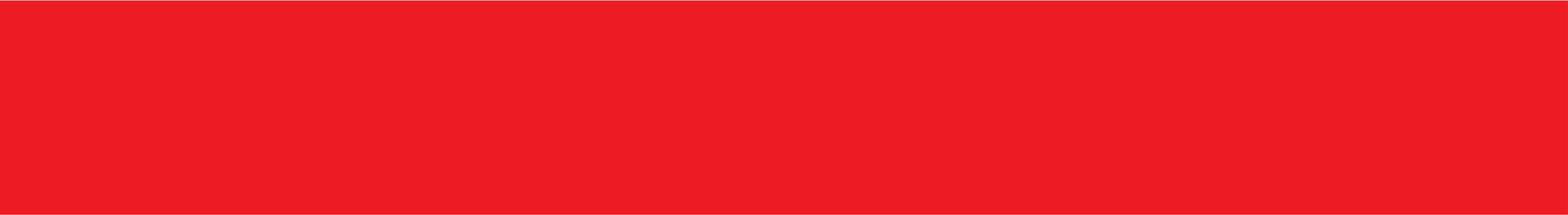
Sales in the year 2003 recorded a 6% growth making a total of 271.7 million kuna, of which 24% was realised on foreign markets. The stated growth of sales was conditioned by the introduction of some ten new products, and expanding the existing assortment to foreign

markets. In June 2003, the export of sausage products based on poultry to Bosnia and Herzegovina started, which proved to be a good business move and has been recording constant sales growth.

Belupo

Podravka's pharmaceutical company recorded a growth of 4% in the sales of drugs and cosmetics in the year 2003 compared to 2002, and the total sales revenue was 572.8 million kuna. The sales revenue on the Croatian market amounted to 480 million kuna, while on the foreign market 92.8 million kuna, or 16.2% of the total sales of Belupo, was achieved.

In the year 2003, within the ethical drugs program about two hundred various pharmaceutical forms, doses and packing sizes were manufactured from sixty active substance. During last year a total of some twenty million packings were produced. Belupo launched 7 new products: Amonex (amlodipin), Amlox (amiodarone), Statim (pravastatin), Makcin SR (klaritromycin), Ninur (nitrofurantoin),



Lumidol ret.supp (tramadol) and Itrac 28x100 (itraconazol). Investment in the construction of a new factory for semi-solid and liquid drugs, which is scheduled to be completed by June 2004, represents a technological investment. The investment value is estimated to about 10 million euro. The construction and equipping of the factory has been financed from own assets in the amount of 3.4 million euro and loans in the amount of 6.5 million euro with a repayment term of five years. The new factory is planned to employ about seventy pharmaceutical and economic technicians. Investment in human resource development has been continued using the Super Belupo system – systematic monitoring, evaluation and human resource development that represents career development and evaluating the contribution of each and every individual to the company success (according to a particular methodology). The system have been alive for two years and up to now it has shown extremely good results – so far 90 managers have planned their career following this principle.

Employees are our greatest value

A total of 7376 people, 6135 in Croatian and 1241 in international companies, welcomed the New Year as Podravka's employees. Today, their knowledge and skills are Podravka's most precious asset, making human resource management the key area for creating Podravka's competitive advantage. Podravka's Human Resources have, therefore, initiated a Succession Map with the aim to detect people with high quality features and develop managerial and professional potential within the Podravka Group. The needs for developing particular managerial knowledge and skills have been identified in order to achieve the defined business strategic goals in a more efficient manner and strengthen the competitive skills on a longer term. The managerial knowledge and skill development program has been integrated under the title Podravka's Management Academy – POMAK. It started in February last year and some sixty students of the first generation of POMAK within a two-year curriculum shall pass two basic modules – FBA

(Fundamentals of Business Administration, in cooperation with the Faculty of Economics of the University of Zagreb) and LEADER. The employees of Podravka, among which last year there were 8 doctorate holders, 56 masters of science, 766 employees with university qualifications, 294 employees with two-year post secondary school qualifications, 816 highly skilled employees, 2772 skilled workers and with secondary school qualifications, 95 semi-skilled employees and 1328 unqualified workers or workers with lower qualifications – are accustomed to permanent learning. In accordance with the stated necessities and within the regular educational system there are at present 22 Podravka employees attending secondary school curricula, 54 attending programs at two-year post secondary schools, 22 at university and 68 at postgraduate studies while 2 Podravka employees are attending doctorate studies. In all, 96 Podravka employees are currently taking foreign language courses. Podravka highly rates the knowledge of young people which is evident from the fact that last year 106 employees with university

qualifications were employed of which 37 young experts for whom this is their first employment. They are supported by the project "Trainee" which helps the newly first-time employees, and the project "Podravka employee at heart" is engaged in the development of young people of high potential working on specific projects within the company. «Climate adjusting» is another distinction of Podravka. The working climate and job satisfaction of employees is regularly being tested within research at Croatian level under the title HrOK – Croatian Organisational Climate. Besides this, Podravka has participated in the projects of research and comparison of salaries and the remuneration systems in Croatia in order to adjust the remuneration system to market demands and trends.

The Efficiency project

In order to achieve proper positioning on the market, Podravka pays great attention to improve business



process management so that business performance indicators can constantly be improved.

Podravka measures indicators of business performance, and thereby management quality, by methods of comparison with the leading food companies. Comparison is made with carefully selected European competition that produce similar business results, standards are measured and all in order to always be above the food industry average.

However, a number of indicators have shown that Podravka's operations do not meet the industry average and a comprehensive program was initiated to improve the operative business efficiency as one of the key goals for the five year development of the Podravka Group. This program was adopted at the workshop dedicated to strategy elaboration in spring 2002, and it remains part of the corporate strategy of the Podravka Group. The program was named Efficiency, and is carried out as a strategic project at Group level. It is a constant process performed by all management

levels, from top management downwards, including all employees. The Efficiency Project is not and cannot be company strategy, yet it supports strategy creating resources necessary for company development and growth and it is important for providing return for our owners and realising other strategic projects. It contains clearly defined goals per segments of growth, costs, margins and other indicators.

Precisely: Efficiency covers five-year goals concerning sales growth (a total of at least 10 percent per year), net profit (15 percent per year), earnings per share (15 percent per year), return on capital (at least 11 percent in 2007), trends of gross, EBITDA and EBIT margins, reduction of exactly specified cost groups (e.g. general and operating expenses, sales and distribution costs – relatively compared to sales), manufacturing material trends, total asset turnover, inventory and receivables turnover rate as well as other non-financial indicators of company performance – primarily raising the level of innovativeness as one of the key performance indicators in the food industry. From

other non-financial parameters, particular business processes are being adjusted so that the volume and diversification of Podravka business groups is utilised as strength and not as inertness (purchase chain, car fleet, centralisation of services, centralisation of services within the company, outsourcing of particular units/activities, etc.). After defining and adopting the long-term goals measures were elaborated for – "how to reach the set goals". Efficiency was not anticipated as a single "cost-cutting" program, yet a long-term project of improving operative business efficiency.

Quality management

The previous year was extremely dynamic in the field covered by the corporate function for Quality Management. The primary tasks were performed in the area of developing and maintaining the Quality Management System and the Food Safety Management System (HACCP), system evaluation, on-line management system, Business Excellence and training in these fields.

Podravka already holds a certified Quality Management System based on the international standard HRN EN ISO 9001:2000 requirements. The system covers development, production, sales and distribution of food seasoning products, semi-cooked dishes and soups; baby food, pudding powder and baking ingredients and snack products; packed tea and processed fruits and vegetables; in Croatia. The Quality Systems at Podravka International Kft in Hungary at both locations of Budapest and Mohacs, and Podravka Polska Sp. z.o.o. at Kostrzyn in Poland have also been certified. The Quality System in Podravka International Export-Import Sp.z.o.o. at Warsaw has recently been implemented and certified. Auditors from the worldwide known certification company Det Norska Veritas have conducted certification audits. The same company performed all obligatory and planned periodical audits as external supervision of the systems operability at the locations in Croatia, Hungary and Poland and prolonged the certificate validity. The development of this system continues and is expanding to the



remaining parts of Podravka in accordance with its strategic plan. Accordingly, at the end of the year the project for the development and implementation of the Quality Management System was initiated at Podravka's meat industry, Danica d.o.o.

The other segment of activities is the development and implementation of the Food Safety Management System based on the Codex Alimentarius HACCP principles. This system has been established in the parts already covered by the Quality Management System. Integration has now been performed of the Quality System at corporate level with the HACCP system at Danica d.d., which has been in function there for some years.

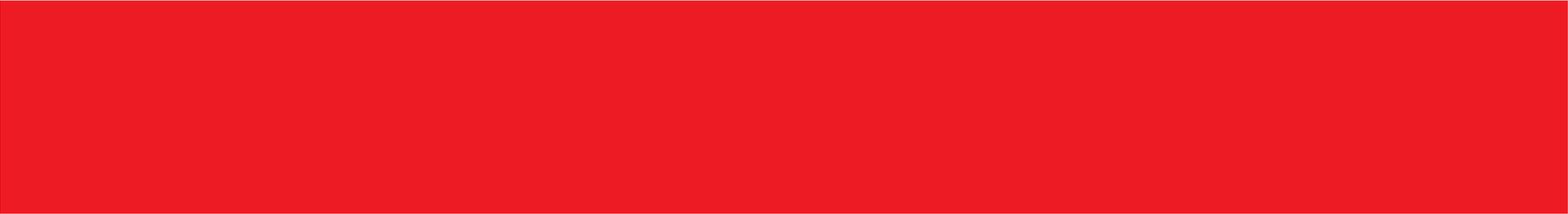
The system at Studenac in Lipik has separately been developed, implemented, validated and verified. The HACCP system at Mohacs has also been revised and integrated into the HACCP system of Podravka as well as the HACCP system that has been developed and integrated at Kostrzyn in Poland.

Supervision over the functioning of the Food Safety Management

System, as a regulatory obligation of each legal subject engaged in the production and trade of food, is performed by HACCP teams and auditors coordinated by professionals from the Quality Management Department.

Within this demanding work the special role of experts from the Technology Development and Quality Control Department has to be pointed out. In the field of Food Safety we have established cooperation with the Royal Institute of Public Health from United Kingdom. We have a registered Training Centre for Food Safety Systems according to HACCP principles with an authorised and registered trainer. This practically means that we can conduct training in this field according to certified programs and the attenders gain internationally recognised RIPH certificates after completing the course and examination.

The following segment of Quality Management activities is system evaluation and system and process improvements. During the year, 30 internal and 3 complex external audits were held.



Our internal auditors conducted internal audits and external audits have been conducted by auditors of Det Norske Veritas.

The audit results have been used also for analysing the weaknesses in the system and business processes and were the basis for providing improvement actions.

The major purpose of the system is permanent improvement of business processes covered by the systems. System evaluation assumes activities for implementing corrective actions, and suggestions for process modernisation, following the best business practices in order to make these processes capable of creating new and added value. The ultimate goal of the systems is the provision of information for management levels, in order to ensure process management based on real facts.

We are proud to announce that we have introduced an on-line management system, the popular Q-Pulse which today includes 500 users and the number is increasing. This network software significantly facilitates access to system documents and their

distribution, supports audits and corrective actions, training (planning and executing) for quality, etc.

Podravka is a member of the Croatian Society for Quality and a member of the European Organisation for Quality – EOQ. Podravka International Kft. Budapest is a member of the Hungarian Society for Quality. We are directly involved in all activities of these organisations (professional meetings, workshops, conferences, congresses and similar).

Podravka is also a member of the European Foundation for Quality Management – EFQM. This organisation is the main promoter of Business Excellence and owner of the European Model of Business Excellence and the European Quality Award. This year we have trained three of our professionals for of the first level of Business Excellence that will be realised in the forthcoming year.

All strategic and operative goals are achieved, therefore we are ready to implement new systems, primarily the Environment Management System in accordance with the international standard

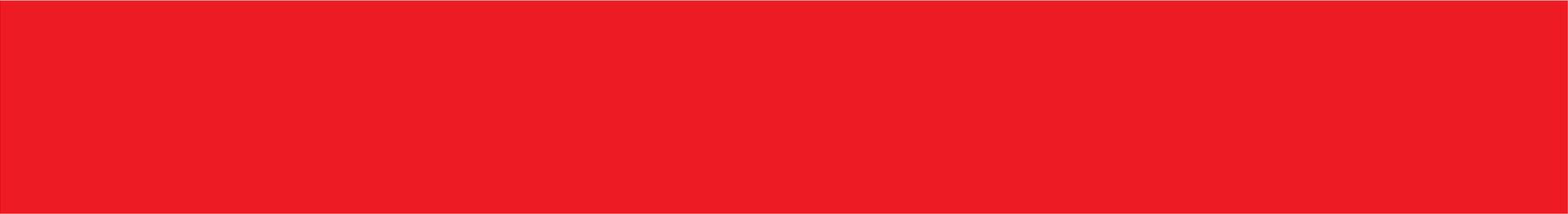


HRN EN ISO 14 001 requirements, then IFS (International Food Standard) and BRC (British Retail Consortium) – Global Food Standard and others with the aim of drawing near to the European Framework of Business Sustainability which is the key for the future success of European companies.

Environment protection

 Podravka is a member of the WBCSD, the World Council for Sustainable Development (together with Pliva, the only company from Croatia) and is active in HRPSOR (Croatian Council for Sustainable Development) where as a member of the Management Council participates in organising and implementing sustainable development actions. Podravka is also a member of the Council of Communities for Environment Protection at the Croatian Chamber of Commerce with influence on environment protection legislation. The development of ecology and the environment protection plan have been established at Podravka with comprehensive and

systematic solutions in the sector of waste water treatment, waste management, air pollution and environment-friendly production processes from raw material up to the final product. In the year 2003, we introduced a new system of collecting community waste which has significantly reduced the number of waste disposals at the city dump. The signing of a long-term agreement also solved the manner of disposing packaging waste, primarily paper and PET packaging, in compliance with new legal regulations. Alignment to the European Union legislation concerning the disposal of packaging waste, fumigation of hazardous waste and organic waste at our factories at Danica, Kalnik in Varaždin and Umag is currently in progress. We are implementing regulations and environment protection practices adopted at Podravka into our new units (Ital Ice) and are controlling and coordinating the practice and legislation of the domicile countries for departments outside Croatia. As a company that is a desirable social partner, Podravka's experts participate in numerous environment protection projects outside



Podravka. We are involved in projects such as the designing and implementation of Environment Intervention Plans in case of incidents at the level of the town of Koprivnica, the restoration of the city dump and problems related to the municipal waste water treatment unit for Koprivnica. As member of the Council of Communities for Environment Protection at the Croatian Chamber of Commerce, Podravka has accepted the patronage over the First International Eco-School held in Koprivnica.

Podravka on the internet

As the Internet is a media that enables communication with users and consumers at various interaction levels our goal is not only to utilise all the options of interactive marketing yet to link all the users into interactive communication, taken that Podravka's web site is the starting point, a safe point from where their communication takes off. These are the very reasons that Coolinarika.com(www.coolinarika.com) was created at the end of

the year 2003. Coolinarika.com is Podravka's culinary portal created by users for users and Podravka is only here to support Internet users in achieving their clearly expressed wishes to speak about the culture of food and culinary art. It is primarily intended for the younger audience and to those who enjoy cooking, eating and thinking of good food. The Web site is entirely dedicated to involving users and stimulating full interaction.

The main idea of Coolinarika.com is to understand each of its users as individuals with particular characteristics and life style. The other important principle is encouraging active user participation and their active communication with Podravka.

The contents of this dynamic culinary web magazine Coolinarika.com encompasses plenty of high quality, tested recipes, culinary and health advice and articles, a few calculators, a complete food dictionary and entertaining supplements connected to user relevant topics. The users can contact experts for culinary, health or food issues, and they have at their disposal a monthly



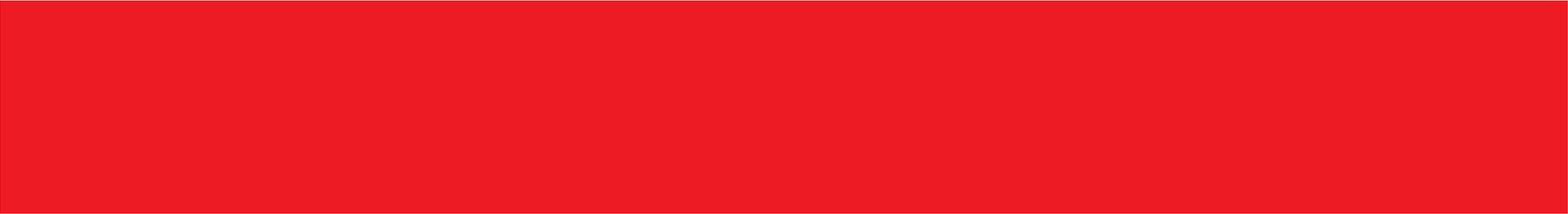
newsletter, as well as the services of "My Planner" where they can note their culinary wishes and habits. For Podravka, Coolinarika.com today represents a new service for users of the 21st Century and added value for Podravka product brands. Podravka's corporate Internet site (www.podravka.com) is intended to all that for the first time wish to familiarise themselves with the company, but also to those who already know about it but want to follow its work – to consumers, news reporters, associates and to the financial and professional public. Special chapters dedicated to the stated users bring detailed reviews of important contents ("Kiosk of publications and presentations", "Video and Advertising Centre", dynamic Stock Chart of Podravka share price balance ...) and services and encourage full dialog which is the key prerequisite to modern business operations. Internet corporate communication is additionally facilitated by e-mail services – news from the "Press Club", newsletter "Products from Podravka", and Internet product BASE + intended for dynamic communication with

reporters including also the SMS service. Students and experts that wish to compete for a position at Podravka can leave their CV under the heading "Your CV", and also edit their data and scan vacant posts.

Awards

 Podravka was the winner of a whole array of awards  and acknowledgements in the year 2003. At the eminent Moscow International Advertising Festival two gold awards were received, for the newspaper add Happy Easter and the Annual Report Bon Appetite.

Two awards were also received at the election for Golden Share – for the most liquid share and company with best media relations. The corporate Internet pages of Podravka at the International competition «Vidi Web Top 100» were included among the top 10 in the category of corporate pages, while Belupo's page was listed among the top 10 in the category of sport and health at the same



competition. The reputable computer magazine "Bug" placed our pages among the top 50 in Croatia.

Many awards were granted at the Market Communications Festival (FESTO) in Opatija. The newspaper add Happy Easter and the Annual Report Bon Appetite were awarded the Golden Bell, while the Little Bell was given to the newspaper add Happy Easter, the series of newspaper adds Good Food, the series of external adds Breakfast / Lunch / Dinner, and the Annual Report Bon Appetite.

The Annual Report for the year 2002 Bon Appetite was the winner of a silver award in the category of Graphic Design – Annual Reports at the festival YoungGuns 2003, at Surry Hills in Australia.

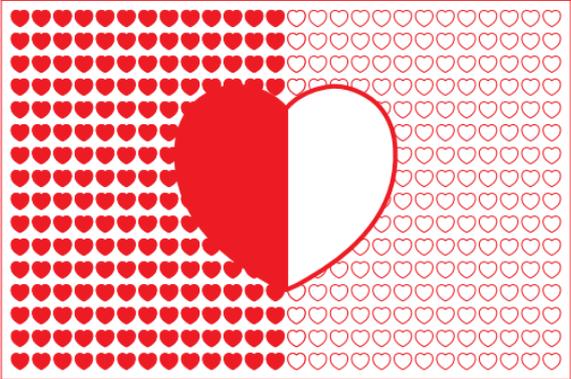
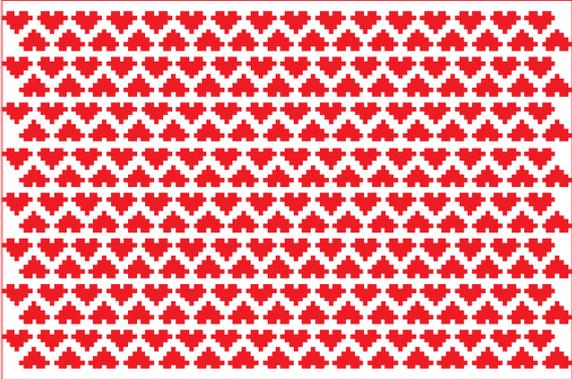
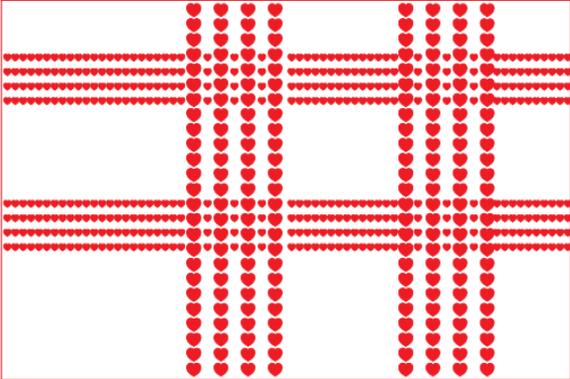
The Annual Report for 2001 also gained numerous awards last year: finalist at the New York Festival in the USA, winner in the category Print : Direct Marketing at the famous Cresta Awards, also in New York, finalist of Design Week Awards 2003 in London, award at the Red Dot Award Festival in Essen, Germany. Apart from this, the Report received the Award of Excellence at the Communication Arts

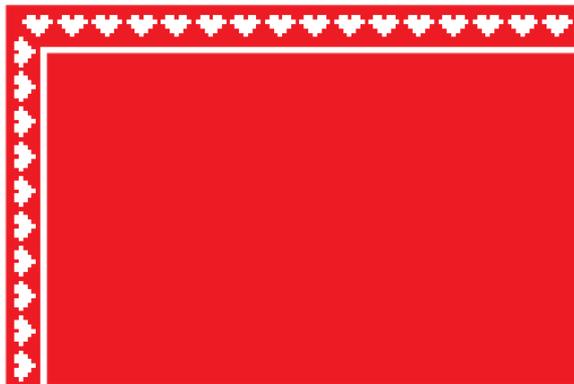
Magazine in the American town of Menlo Park and was included in the Design Annual 44 which comprises the best works related to this theme.

**Setting the table for lunch and dinner:
The tablecloth should hang evenly from
all sides, preferred length 50 cm**



Heart Patterns





Dishes are more easily dried if your cloth is embellished with red hearts

Podravka Group

Consolidated Financial Statements 31st of December 2003

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 2003, and the related income and cash flow statements for the year then ended. These financial statements set out on pages 2 to 35 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 the 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 2003, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers d.o.o.
Zagreb, 13 April 2004

Podravka Group

Income Statement for the Year ended 31st of December 2003

(in thousands of HRK)	Note	Podravka Group		Podravka d.d.	
		2003.	2002.	2003.	2002.
Sales	3	3,217,662	2,746,793	1,531,741	1,404,998
Cost of goods sold	5	(1,968,469)	(1,575,421)	(967,719)	(900,311)
Gross profit		1,249,193	1,171,372	564,022	504,687
Other revenues	4	31,332	58,495	17,237	14,767
General and administrative expenses	6	(341,614)	(302,201)	(208,220)	(199,434)
Selling and distribution costs	7	(826,929)	(767,115)	(380,607)	(322,626)
Operating profit/(loss)		111,982	160,551	(7,568)	(2,606)
Net financial (expense)/income	8	(39,782)	(4,343)	5,226	94,303
Net foreign exchange losses		(38,413)	(22,943)	(18,004)	(15,550)
Profit/(loss) before tax		33,787	133,265	(20,346)	76,147
Profit tax expense	10	(23,784)	(24,722)	-	-
Net profit/(loss)		10,003	108,543	(20,346)	76,147
Minority interest		(45)	(55)	-	-
Net profit/(loss)		9,958	108,488	(20,346)	76,147
Earnings/(loss) per share					
- Basic	11	- 0.16 kn	16.76 kn		
- Diluted	11	1.78 kn	18.23 kn		



Darko Marinac,
Chairman of the Management Board

The financial statements set out on pages 2 to 35 were approved by the Management Board on 13th of April 2004.

Podravka Group

Balance sheet as at 31 December 2003

(in thousands of HRK)	Note	Podravka Group		Podravka d.d.	
		2003	2002	2003	2002
Assets					
Non-current assets					
Investments in subsidiaries	12	-	-	428,965	451,101
Receivables	13	14,729	106,351	238,831	307,135
Intangible assets	14	156,969	195,196	96,302	120,182
Property, plant and equipment	15	1,800,330	1,744,860	1,087,990	1,021,969
Total non-current assets		1,972,028	2,046,407	1,852,088	1,900,387
Current assets					
Inventories	16	610,314	597,110	283,504	288,817
Available-for-sale investments	17	15,882	7,897	14,655	6,542
Trade receivables	18	673,190	630,150	350,227	313,905
Other receivables and prepaid expenses	19	76,633	65,653	52,743	114,662
Current portion of long-term loan receivables	13	2,739	4,078	82,412	91,855
Short-term loan receivables	20	3,643	9,651	11,642	46,634
Cash and cash equivalents	21	139,603	110,468	67,855	66,061
Total current assets		1,522,004	1,425,007	863,038	928,476
Total assets		3,494,032	3,471,414	2,715,126	2,828,863

Podravka Group

Balance Sheet as of 31st of December 2003

(in thousands of HRK)	Note	Podravka Group		Podravka d.d.	
		2003	2002	2003	2002
Liabilities					
Non-current liabilities					
Long-term debt	22	501,459	496,116	363,345	367,235
Total non-current liabilities		501,459	496,116	363,345	367,235
Current liabilities					
Trade payables	23	462,909	430,545	217,406	244,435
Other liabilities	24	113,033	136,561	65,982	73,990
Short-term borrowings	25	479,484	229,545	288,911	110,938
Current portion of long-term debt	22	157,046	159,139	104,141	89,785
Total current liabilities		1,212,472	955,790	676,440	519,148
Total liabilities		1,713,931	1,451,906	1,039,785	886,383
Shareholders' equity					
Share capital		1,623,121	1,812,809	1,623,121	1,812,809
Share premium		12,001	12,001	12,001	12,001
Treasury shares		(35,502)	(30,730)	(35,502)	(30,730)
Revaluation reserve		39,992	39,992	39,286	39,286
Legal and other reserves		72,397	35,610	40,391	32,967
Foreign currency translation reserve		(7,627)	(5,010)	-	-
Retained earnings		75,124	154,286	(3,956)	76,147
Total shareholders' equity	26	1,779,506	2,018,958	1,675,341	1,942,480
Minority interest	28	595	550	-	-
Total liabilities		3,494,032	3,471,414	2,715,126	2,828,863

Podravka Group

Statement of changes in equity for the year ended 31 December 2003

Podravka Group in thousands of HRK	Note	Share capital	Share premium	Treasury shares	Revaluation reserves	Legal and other reserve	Retained earnings	Translation reserve	Total
Balance at 1 January 2002	26 /i/	1,812,809	12,001	(30,971)	39,992	38,459	63,369	3,396	1,939,055
Transfer to legal reserves	26 /vii/	-	-	-	-	1,849	(1,849)	-	-
Purchase of treasury shares	26 /viii/	-	-	(71)	-	-	-	-	(71)
Sale of treasury shares	26 /viii/	-	-	312	-	-	-	-	312
Dividend declared	26 /v/	-	-	-	-	(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/	1,812,809	12,001	(30,730)	39,992	35,610	154,286	(5,010)	2,018,958
Balance at 1 January 2003	26 /i/	1,812,809	12,001	(30,730)	39,992	35,610	154,286	(5,010)	2,018,958
Transfer to legal reserves	26 /vii/	-	-	-	-	36,787	(36,787)	-	-
Purchase of treasury shares	26 /viii/	-	-	(196,561)	-	-	-	-	(196,561)
Sale of treasury shares	26 /viii/	-	-	989	-	-	-	-	989
New issue of shares	26 /iii/	1,112	-	-	-	-	-	-	1,112
Dividend declared	26 /v/, /vi/	-	-	-	-	-	(52,333)	-	(52,333)
Decrease in capital	26 /iv/	(190,800)	-	190,800	-	-	-	-	-
Net profit for the year		-	-	-	-	-	9,958	-	9,958
Exchange differences		-	-	-	-	-	-	(2,617)	(2,617)
Balance at 31 December 2003	26 /i/, /ii/	1,623,121	12,001	(35,502)	39,992	72,397	75,124	(7,627)	1,779,506

Podravka Group

Statement of Changes in Equity for the Year ended 31st of December 2003

Podravka Group in thousands of HRK	Note	Share capital	Share premium	Treasury shares	Revaluation reserves	Legal and other reserve	Retained earnings	Translation reserve	Total
Balance at 1 January 2002	26 /i/	1,812,809	12,001	(30,971)	39,286	35,966	17,421	1,886,512	
Transfer to legal reserves	26 /vii/	-	-	-	-	1,699	(1,699)	-	
Purchase of treasury shares	26 /viii/	-	-	(71)	-	-	-	(71)	
Sale of treasury shares	26 /viii/	-	-	312	-	-	-	312	
Dividend declared	26 /v/	-	-	-	-	(4,698)	(15,722)	(20,420)	
Net profit for the year		-	-	-	-	-	76,147	76,147	
Balance at 31 December 2002	26 /i/, /ii/	1,812,809	12,001	(30,730)	39,286	32,967	76,147	1,942,480	
Balance at 1 January 2003	26 /i/	1,812,809	12,001	(30,730)	39,286	32,967	76,147	1,942,480	
Transfer to legal reserves	26 /vii/	-	-	-	-	7,424	(7,424)	-	
Purchase of treasury shares	26 /viii/	-	-	(196,561)	-	-	-	(196,561)	
Sale of treasury shares	26 /viii/	-	-	989	-	-	-	989	
New issue of shares	26 /iii/	1,112	-	-	-	-	-	1,112	
Dividend declared	26 /v/, /vi/	-	-	-	-	-	(52,333)	(52,333)	
Decrease in capital	26 /iv/	(190,800)	-	190,800	-	-	-	-	
Net loss for the year		-	-	-	-	-	(20,346)	(20,346)	
Balance at 31 December 2003	26 /i/, /ii/	1,623,121	12,001	(35,502)	39,286	40,391	(3,956)	1,675,341	

Podravka Group

Cash Flow Statement for the Year ended 31st of December 2003 (1)

(in thousands of HRK)	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
Cash flows from operating activities				
Net profit	9,958	108,488	(20,346)	76,147
Depreciation	224,796	187,876	121,251	98,547
Value adjustment of current assets	46,677	28,060	58,806	3,624
Value adjustment of investments	-	5,637	12,486	(1,851)
Loss / (profit) from the sale of investments	573	(41,265)	3,284	(40,555)
Effect of changes in foreign exchange rates	24,635	2,893	19,743	5,817
Other non-cash items	6,672	(1,335)	(21,904)	6,055
	313,311	290,354	173,320	147,784
Changes in inventories	(22,933)	(104,760)	388	(31,700)
Changes in trade receivables	(77,171)	(35,052)	(47,655)	(47,244)
Changes in other current assets	(9,139)	(24,260)	36,470	(26,347)
Changes in trade payables	33,592	55,845	(27,029)	28,540
Changes in other liabilities	48,851	76,415	12,610	26,231
Tax paid	(31,822)	(23,792)	-	-
Interest paid	(37,296)	(41,538)	(21,709)	(21,011)
	217,393	193,212	126,395	76,253

Podravka Group

Cash Flow Statement for the Year ended 31st of December 2003 (2)

(in thousands of HRK)	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	-	(100,388)	(34)	(105,702)
Sale of shares and equity interest	6,275	87,962	6,400	87,962
Purchase of tangible and intangible assets	(272,296)	(293,706)	(170,144)	(217,347)
Disposal of tangible and intangible assets	5,129	8,125	4,077	4,824
Long-term loans given and deposits	(11)	(88,755)	(23,051)	(89,552)
Repayment of long-term loans and deposits given	87,791	3,593	118,057	69,118
Purchase of trading securities	(8,979)	(108,944)	(8,979)	(108,944)
Sale of trading securities	2,326	106,733	2,218	106,733
Short-term loans given and deposits	(2,102)	-	(11,074)	(32,221)
Repayment of short-term loans and deposits given	59	-	29,733	2,022
Dividends paid	(51,242)	(20,420)	(51,242)	(20,420)
	(233,050)	(405,800)	(104,039)	(303,527)
Cash flows from financing activities				
Purchase of treasury shares	(195,959)	(71)	(195,959)	(71)
Sale of treasury shares	989	312	989	312
Proceeds from long-term borrowings	166,969	310,132	90,953	280,351
Repayment of long-term borrowings	(166,277)	(157,939)	(94,230)	(98,340)
Proceeds from short-term loans	607,614	378,967	497,815	339,152

Podravka Group

Cash Flow Statement for the Year ended 31st of December 2003 (3)

(in thousands of HRK)	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
Repayment of short-term loans	(368,544)	(280,538)	(320,130)	(263,646)
	44,792	250,863	(20,562)	257,758
Net increase in cash and cash equivalents	29,135	38,275	1,794	30,484
Cash and cash equivalents:				
At the beginning of year	110,468	72,193	66,061	35,577
At the end of year	139,603	110,468	67,855	66,061

Podravka Group

Notes to the Financial Statements for the Year ended 31st of December 2003

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.

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

The Company's shares are listed on the Zagreb Stock Exchange.

Note 2 - Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

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 principal accounting policies have been consistently applied for all periods covered by this report, unless otherwise stated.

The consolidated financial statements of the Group and the financial statements of the Company have been prepared using the historical cost convention (acquisition cost), with the exception of certain items of tangible assets and available-for-sale investments which were measured at market value.

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

2.2 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 intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Investments in associated undertakings over which the Company exercises significant influence are accounted for by the equity method of accounting.

2.3 Foreign currencies

(1) Measurement currency

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

(2) Transactions and balances

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

(3) Group companies

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their 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 an intangible asset of the Group. Goodwill is carried at historical cost denominated in the foreign currency and reported using the exchange rate at the date of the transaction.

2.4 Property, plant and equipment

Property, plant and equipment is included in the balance sheet at cost less accumulated depreciation, except for those assets which are stated at estimated market value pursuant to a valuation performed by an external independent valuator. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use and the proportion of the related borrowing costs for property, plant and equipment for the period of their construction.

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

Depreciation is calculated so as to write off the cost, or valuation of tangible fixed assets, less their estimated residual values, on a straight-line basis over their expected useful lives. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life or the lease term.

The expected useful lives are as follows:

	2003	2002
Buildings	10 to 50 years	10 to 50 years
Plant and equipment	2.7 to 33 years	2.7 to 33 years
Fixtures and fittings	2.7 to 15 years	2.7 to 15 years

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

2.5 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 the 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.

2.6 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 liquidity needs are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date in which case they are included in current assets. 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.

2.7 Leases

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

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

2.8 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 estimated 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

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

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

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

2.14 Borrowings

Borrowings 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 measured at amortised value. Commercial papers are recognised initially at cost which represents the fair value of the proceeds received increased by transaction costs.

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 the 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, i.e. when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenues 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 are exposed to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The Group does not use derivative financial instruments to hedge financial risk exposure.

(2) Foreign exchange risk

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

(3) Credit risk

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

(4) Interest rate risk

The Group's income and operating cash flows are dependent on changes in market interest rates. The majority of the Group's borrowings are stated at variable rates. 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 Kviki, Fruit and Vegetables, Beverages, Mill and bakery products, Meat and meat products, Merchandise and other.

- The business segment Vegeta includes all types and packings 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 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 Kviki segment includes the production of baby food, Lino-lada, Dolcela, Kviki-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 at 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 competition,
- The "Other" segment refers to services, catering, canteens and a part of the selection that Podravka took over by acquiring new subsidiaries in 2002 (ice-cream, rice, leguminoze).

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

	Podravka Group							
	2003				2002			
	Sales		Gross profit		Sales		Gross profit	
(in thousands of HRK)	%	(in thousands of HRK)	%	(in thousands of HRK)	%	(in thousands of HRK)	%	
Vegeta	595,373	18.5	353,690	28.3	692,476	25.2	407,168	34.8
Drugs and Cosmetics	572,767	17.8	319,446	25.6	550,569	20.0	285,930	24.4
Podravka Dishes	273,058	8.5	107,137	8.6	268,201	9.8	113,510	9.7
Meat products	271,754	8.5	54,446	4.4	257,585	9.4	45,446	3.9
Lino, Dolcela, Kviki	280,305	8.7	105,777	8.5	263,223	9.6	114,945	9.8
Fruit and vegetables	213,735	6.7	63,589	5.1	201,415	7.3	57,658	4.9
Merchandise	525,292	16.3	98,908	7.9	228,747	8.3	51,585	4.4
Beverages	192,906	6.0	84,277	6.7	138,324	5.1	56,085	4.8
Mill and bakery products	65,913	2.0	13,959	1.1	62,902	2.3	11,237	1.0
Acquisitions and other	226,559	7.0	47,964	3.8	83,351	3.0	27,808	2.3
	3,217,662	100	1,249,193	100	2,746,793	100	1,171,372	100

Geographical analysis by destination

	2003		Grupa Podravka		2002	
	sales (in thousands of HRK)	%	sales (in thousands of HRK)	%		%
Croatia	65,182	2,0	51,258	1,9		
South-eastern Europe	1,748,190	54.3	1,520,846	55.3		
Poland and Baltic States	687,162	21.4	507,490	18.5		
Central Europe	132,129	4.1	243,809	8.9		
Eastern Europe	361,554	11.2	221,817	8.1		
USA, Canada, Western Europe and Scandinavia	82,920	2.6	74,276	2.7		
Target markets	140,525	4.4	127,297	4.6		
	65,182	2.0	51,258	1.9		
	3.217.662	100,0	2.746.793	100,0		

South-eastern European market: Slovenia, BiH, Serbia, Macedonia, Montenegro

Poland and the Baltic States: Poland, Latvia, Estonia and Lithuania

Central European market: the Czech Republic, Slovakia, Hungary

Eastern European market: Russia, the Ukraine, Belarus, Kazakhstan

Target markets: Australia, Romania, Italy, Turkey

Segment analysis of balance sheet positions

	Podravka Group							
	2003				2002			
	Tangible fixed assets		Inventories of finished products and merchandise		Tangible fixed assets		Inventories of finished products and merchandise	
(in thousands of HRK)	%	(in thousands of HRK)	%	(in thousands of HRK)	%	(in thousands of HRK)	%	
Vegeta	273,215	15.2	37,884	11.2	300,024	17.2	53,318	16.8
Drugs and Cosmetics	114,812	6.4	68,038	20.1	127,235	7.3	39,798	12.5
Podravka Dishes	152,696	8.5	29,801	8.8	48,872	2.8	35,214	11.1
Meat products	117,372	6.5	41,116	12.1	121,685	7.0	39,696	12.5
Lino, Dolcela, Kviki	70,372	3.9	27,739	8.2	69,628	4.0	25,869	8.2
Fruit and vegetables	89,099	5.0	33,043	9.7	90,365	5.2	27,720	8.7
Merchandise	-	-	87,348	25.8	-	-	82,569	26.0
Beverages	119,695	6.6	6,118	1.8	123,859	7.1	6,345	2.0
Mill and bakery products	68,812	3.8	3,546	1.0	71,819	4.1	2,722	0.9
Acquisitions and other	794,257	44.1	4,551	1.3	791,373	45.3	4,111	1.3
	1,800,330	100	339,184	100	1,744,860	100	317,362	100

Note 4 - Other revenues

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Recovered trade receivables previously written-off	3,209	31,828	1,090	3,256
Insurance proceeds for damages	7,137	5,108	5,256	3,043
Interest receivables written-off	-	778	-	1,649
Statute barred liabilities written-off	4,387	3,714	4,280	3,714
Other	16,599	17,067	6,611	3,105
	31.332	58.495	17.237	14.767

Note 5 - Cost of goods sold

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Material	1,393,558	1,064,519	636,829	615,497
Salaries	282,709	266,505	161,842	155,162
Depreciation	129,236	115,219	68,041	60,631
Other	162,966	129,178	101,007	69,021
	1.968.469	1.575.421	967.719	900.311

Note 6 - General and administrative expenses

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Salaries	158,359	130,849	106,214	90,779
Depreciation	54,083	42,886	28,531	26,479
Banking, consultancy and other services	21,897	31,275	10,861	24,520
Other	107,275	97,191	62,614	57,656
	341.614	302.201	208.220	199.434

Note 7 - Selling and distribution costs

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Advertising and promotion	197,526	203,634	92,062	84,261
Salaries	244,807	215,615	126,537	113,348
Transport	59,064	53,530	27,419	23,035
Provisions	25,151	17,291	6,151	4,059
Rental	43,122	30,947	17,770	10,191
Depreciation	41,477	29,771	24,679	11,437
Material	31,045	38,023	17,149	13,425

Other	184,737	178,304	68,840	62,870
	826.929	767.115	380.607	322.626

Note 8 - Net financial (expense)/income

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Investments				
Income				
- income from subsidiaries	-	-	59,713	52,177
- sale of interests /i/	-	42,304	-	41,592
- other	1,825	1,566	1,810	1,309
	1,825	43,870	61,523	95,078
Expenses /ii/	(1,628)	(8,560)	(50,586)	(1,616)
Net income from investments	197	35,310	10,937	93,462
Interest				
Income	9,411	10,375	25,829	29,562
Expense	(49,390)	(50,028)	(31,540)	(28,721)
Net interest (expense) / income	(39,979)	(39,653)	(5,711)	841
	(39.782)	(4.343)	5.226	94.303

/i/ In 2002, by selling the ownership interest in Panonska pivovara d.o.o., Podravka d.d. recorded income in the amount of HRK 41,592 thousand, and the Podravka Group recorded income in the amount of HRK 42,304 thousand.

/ii/ In 2003, by selling the subsidiary Hotel Podravina d.o.o., Podravka d.d. recorded a loss in the amount of HRK 3,284 thousand, and the Podravka Group recorded a loss in the amount of HRK 573 thousand (Note 12).

In 2003, in Podravka d.d. outstanding amounts due from associated companies have been provided for in the amount of HRK 47,300 thousand (Notes 13, 19, 20).

Note 9 - Staff costs

(in thousands of HRK)	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
Salaries	685,875	612,969	394,593	359,289
Other /i/	56,979	27,883	44,016	16,500
	742,854	640,852	438,609	375,789

/i/ Other staff costs include termination benefits, fees, awards, transportation costs and medical check-ups. In 2003, termination benefits in the amount of HRK 24,520 thousand were paid to 200 employees who left Podravka d.d.

As at 31 December 2003, the number of employees in the Group was 7,376 (2002: 7,488), and in Podravka d.d. there were 4,311 employees (2002: 4,486).

Note 10 - Profit tax

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
Corporate profit tax at 20 %	20,754	20,741	-	-
Overseas tax	3,030	3,981	-	-
	23,784	24,722	-	-

In accordance with the Croatian tax regulations, at the end of 2003 the Company and certain subsidiaries in Croatia realised tax losses which expire as follows:

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
2003	-	20,457	-	-
2004	14,240	16,081	-	-
2005	110,831	114,338	109,219	109,219
2006	12,248	13,463	-	-
	137,319	164,339	109,219	109,219

The Tax Authority review of the Company's income tax returns for the years 2002 and 2003 are currently in progress. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Note 11 – Earnings/(loss) and dividends per share

(Loss)/earnings per share of HRK 0.16 (2002: HRK 16.76) 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 -855 thousand (2002: HRK 87,898 thousand) and the weighted average number of ordinary shares in issue of 5,234,327 less treasury shares (2002: 5,244,913).

Diluted earnings per share of HRK 1.78 (2002: HRK 18.23) 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 (up to July 2003) and taking into consideration the impact of the assumed conversion of the employee share options of 33,929 were eligible during the year but remain unexercised.

Note 12 - Investments in subsidiaries

(in thousands of HRK)	Holding in %	Podravka d.d. 2003	2002
Belupo d.d., Koprivnica	100.00	157,830	157,830
- Belupo d.o.o. Ljubljana (Slovenia)	100.00	-	-
- Belupo s.r.o., Bratislava (Slovenia)	100.00	-	-
Koprivnička Tiskarnica d.o.o., Koprivnica	100.00	14,142	14,142
Danica d.o.o., Koprivnica	100.00	92,311	92,311
Podravka Inženjering d.o.o., Koprivnica	100.00	20	20
Poni trgovina d.o.o., Koprivnica	100.00	20	20
Hotel Podravina d.o.o., Koprivnica /i/	100.00	-	9,684
Ital-Ice d.o.o., Poreč	100.00	47,425	47,425
Sana d.o.o., Hoče, Slovenia	100.00	217	217
Podravka d.o.o., Ljubljana, Slovenia	100.00	1,925	1,925
Podravka d.o.o., Skopje, Macedonia	100.00	42	42
Podravka d.o.o., Sarajevo, Bosnia and Herzegovina	100.00	40	40
Podravka d.o.o., Podgorica, Serbia and Montenegro	100.00	1,029	1,029
Podravka-International Deutschland "Konar" GmbH, Germany	100.00	1,068	1,068
Podravka d.o.o., Belgrade, Serbia and Montenegro /ii/	100.00	34	-
Podravka-International Kft, Budapest, Hungary	100.00	5,343	5,343

Podravka-International e.o.o.d., Sofia, Bulgaria	100.00	10	10
Podravka-International Pty Ltd, Sydney, Australia	100.00	426	426
Podravka-International Sp.z o.o., Warsaw, Poland	100.00	277	277
Podravka-Polska Sp.z o.o., Kostrzyn, Poland	100.00	49,440	49,440
Podravka-International s.r.l., Bucharest, Romania	100.00	84	84
Lagris a.s., Lhota u Luhačovic, Czech Republic /iii/	100.00	56,268	68,754
Lagris s r.o., Zvolen, Slovakia	75.00	996	996
Podravka-International s.r.o., Bratislava, Slovakia	50.00	18	18
Podravka-International s.r.o. Prague (Czech Republic)	100.00	-	-
		428,965	451,101

/i/ In 2003, the holding in Hotel Podravina d.o.o. was sold for an amount of HRK 6,400 thousand. The realised loss from the sale is disclosed as investment expense (Note 8).

/ii/ In 2003, Podravka d.o.o., Belgrade became a subsidiary of the parent Company through a purchase from Konar GmbH for the amount of HRK 34 thousand.

/iii/ In June 2003, the holding in the Lagris subsidiary was reduced by a cash transfer of retained earnings in the amount of HRK 12,486 thousand, which was realised before the acquisition.

Note 13 - Long-term receivables

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Flats and sale of flats on credit	3,711	4,505	3,711	4,505
Due from associated companies /i/	-	-	311,119	299,290
Other loans and deposits	13,757	105,924	6,413	95,195
Total long-term receivables, including current portion	17,468	110,429	321,243	398,990
Current portion of long-term receivables	(2,739)	(4,078)	(82,412)	(91,855)
Total long term receivables	14,729	106,351	238,831	307,135

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

- Belupo d.d., Koprivnica in the amount of HRK 177,966 thousand (2002: HRK 159,218 thousand), interest 6%, maturity 5 years and a loan in the amount of HRK 28,000 thousand, interest 6%, maturity 15 months;
- Danica d.o.o., Koprivnica in the amount of HRK 99,737 thousand (2002: HRK 113,493 thousand), the average interest rate on borrowings for working capital of Podravka d.d., maturity 10 years;
- In 2003, a provision was made for the long-term loan receivable from Podravka International, Warsaw in the amount of HRK 18,637 thousand (Note 8);
- Poni d.o.o., Koprivnica in the amount of HRK 3,600 thousand (2002: HRK 4,800 thousand), interest 6%, maturity 5 years;
- Podravka d.o.o., Belgrade in the amount of HRK 1,805 thousand, interest monthly EURIBOR+2%, maturity 3 years.

Note 14 - Intangible assets

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
For the year ended 31 December				
Opening net book amount	195,196	69,766	120,182	47,638
Effect of changes in foreign exchange rates	(1,670)	(2,256)	-	-
Additions /i/	10,927	87,994	8,156	86,108
Goodwill /ii/	-	52,460	-	-
Acquisition of subsidiaries /iii/	-	8,300	-	-
Disposals	(2,800)	(140)	(2,709)	-
Amortisation	(44,684)	(20,928)	(29,327)	(13,564)
Closing net book amount	156,969	195,196	96,302	120,182
At 31 December				
Cost	251,163	245,952	158,729	153,288
Accumulated amortisation	(94,194)	(50,756)	(62,427)	(33,106)
Net book value	156,969	195,196	96,302	120,182

/i/ The increase in intangible assets in 2003 relates to an improvement in the Windows and Office operating system and an improvement in the SAP application software. In 2002, intangible assets were increased by the paid advance for using the right to distribute Nestlé products on specific markets in the amount of EUR 9,179,077 or HRK 67,694 thousand. This right is effective from January 2003.

/ii/ In 2002, goodwill in the amount of HRK 52,460 thousand arose due to the acquisition of the companies Ital-Ice d.o.o., Poreč, Croatia, Lagris a.s., Lhota in Luhačovic, Czech Republic and Lagris s.r.o., Zvolen, Slovakia. The stated goodwill amount is amortised on a straight-line basis over a period of 5 years.

/iii/ The acquired net assets of the subsidiaries purchased in 2002 included a net book value of intangible assets in the amount of HRK 8,300 thousand.

Note 15 - Property, plant and equipment

(in thousands of HRK)	Podravka Group			Total
	Land and buildings	Equipment	Assets in course of construction	
Year ended 31 December 2002				
Opening net book amount	1,153,365	462,256	28,477	1,644,098
Effect of changes in foreign exchange rates	(9,061)	(5,651)	14	(14,698)
Additions /i/	1,346	15,156	208,517	225,019
Acquisition of subsidiaries /ii/	49,316	15,808	250	65,374
Transfer	9,765	135,405	(145,170)	-
Disposals	(3,216)	(4,769)	-	(7,985)
Depreciation	(57,106)	(109,842)	-	(166,948)
Closing net book amount	1,144,409	508,363	92,088	1,744,860

Note 15 - Property, plant and equipment (continued)**At 31 December 2002**

Cost	1,760,837	1,357,873	92,088	3,210,798
Accumulated depreciation	(616,428)	(849,510)	-	(1,465,938)
Net book value	1,144,409	508,363	92,088	1,744,860

Year ended 31 December 2003

Opening net book amount	1,144,409	508,363	92,088	1,744,860
Effect of changes in foreign exchange rates	(8,732)	(4,615)	53	(13,294)
Additions /i/	1,664	9,068	251,105	261,837
Transfer	63,976	140,504	(204,480)	-
Sale of subsidiaries	(7,154)	(565)	(13)	(7,732)
Disposals	(3,871)	(1,350)	(8)	(5,229)
Depreciation	(56,666)	(123,446)	-	(180,112)
Closing net book amount	1,133,626	527,959	138,745	1,800,330

At 31 December 2003

Cost	1,796,100	1,460,501	138,745	3,395,346
Accumulated depreciation	(662,474)	(932,542)	-	(1,595,016)
Net book value	1,133,626	527,959	138,745	1,800,330

Note 15 - Property, plant and equipment (continued)

/i/ In 2003 and in 2002, the most significant increase in tangible fixed assets refer to investments in:

- a new factory Podravka Dishes in the amount of HRK 100.2 million (2002: HRK 22.1 million),
- a new factory under construction for the production of semisolid and liquid drugs in the amount of HRK 60.5 million (2002: HRK 32.1 million),
- the factory Studenac Lipik in the amount of HRK 15.1 million (2002: HRK 56.8 million),
- the factory Kalnik in the amount of HRK 9.0 million,
- a factory for the production of cocktail rolls a production line of extruded products in the amount of HRK 8.6 million,
- buildings and equipment for the production of meat products in the amount of HRK 11.8 million (2002: HRK 6.3 million),
- equipment for the Vegeta factory in the amount of HRK 7.1 million,
- IT and telecommunication equipment in the amount of HRK 3.3 million (2002: HRK 17.6 million),
- logistics assets and transportation vehicles in the amount of HRK 3.0 million (2002: HRK 7.1 million).

/ii/ By acquiring subsidiaries during 2002, a net value of tangible fixed assets in the amount of HRK 65,374 thousand was acquired.

/iii/ Group buildings and land worth HRK 630,642 thousand (2002: HRK 558,697 thousand) have been mortgaged against the Group's borrowings (Note 22).

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

	2003	Podravka Group	2002
(in thousands of HRK)			
Cost of capitalised finance leases	44,220		25,440
Accumulated depreciation	(12,789)		(4,699)
Net book value	31,431		20,741

Note 15 - Property, plant and equipment (continued)

(in thousands of HRK)

	Podravka Group			
	Land and buildings	Equipment	Assets in course of construction	Total
Year ended 31 December 2002				
Opening net book amount	711,231	236,015	17,142	964,388
Additions /i/	1,307	5	147,189	148,501
Transfer from assets in course of construction	8,458	85,439	(93,897)	-
Transfer to subsidiaries	(1,851)	(545)	-	(2,396)
Disposals	(2,934)	(607)	-	(3,541)
Depreciation	(33,922)	(51,061)	-	(84,983)
Closing net book amount	682,289	269,246	70,434	1,021,969
At 31 December 2002				
Cost	1,051,317	704,933	70,434	1,826,684
Accumulated depreciation	(369,028)	(435,687)	-	(804,715)
Net book value	682,289	269,246	70,434	1,021,969
Year ended 31 December 2003				
Opening net book amount	682,289	269,246	70,434	1,021,969
Additions /i/	1,112	520	156,883	158,515

Note 15 - Property, plant and equipment (continued)

Transfer from assets in course of construction	59,457	118,643	(178,100)	-
Transfer from subsidiaries	-	3,613	-	3,613
Disposals	(3,833)	(350)	-	(4,183)
Depreciation	(33,375)	(58,549)	-	(91,924)
Closing net book amount	705,650	333,123	49,217	1,087,990
At 31 December 2003				
Cost	1,106,586	809,110	49,216	1,964,912
Accumulated depreciation	(400,935)	(475,987)	-	(876,922)
Net book value	705,651	333,123	49,216	1,087,990

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

/ii/ Company buildings and land worth HRK 282,498 thousand (2002: HRK 382,192 thousand) have been mortgaged against the Company's borrowings (Note 22).

Note 16 - Inventories

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
Raw materials and supplies	201,163	212,487	113,775	122,374
Work in progress	69,967	67,261	57,115	48,907
Finished goods	186,397	162,327	83,776	86,979
Merchandise	152,787	155,035	28,838	30,557
	610,314	597,110	283,504	288,817

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

Note 17 - Available-for-sale investments

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
Investments in equity instruments	6,903	7,777	5,676	6,542
Other	8,979	120	8,979	-
	15,882	7,897	14,655	6,542

Note 18 - Trade receivables

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Trade receivables	825,932	776,713	211,198	188,694
Provisions	(165,116)	(155,919)	(83,784)	(83,512)
Net trade receivables	660,816	620,794	127,414	105,182
Due from associated companies	-	-	222,686	208,183
Prepayments	12,374	9,356	127	540
	673,190	630,150	350,227	313,905

Note 19 - Other receivables and prepaid expenses

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Receivables for retained earnings from associated companies /i/	-	-	11,127	49,116
Other receivables from associated companies /ii/	-	-	15,781	38,457
Other receivables from non- associated companies /iii/	6,102	5,330	6,099	5,146
Tax receivable /iv/	33,499	22,678	4,720	2,125
Other	37,032	37,645	15,016	19,818
	76,633	65,653	52,743	114,662

/i/ According to the Management Board decisions in 2002 and 2003, the Company recorded receivables for withdrawal of retained earnings from the following subsidiaries:

- Belupo d.d. in the amount of HRK 2,409 thousand (2002: HRK 25,000 thousand),*
- Ital-Ice d.o.o. in the amount of HRK 1,553 thousand,*
- Sana d.o.o. Hoće in the amount of HRK 1,891 thousand,*
- Podravka Poland Kostrzyn in the amount of HRK 2,571 thousand (2002: HRK 24,116 thousand). In 2003, the receivables have been provided for in the amount of HRK 14,600 thousand (Note 8).*
- Podravka d.o.o., Skopje in the amount of HRK 1,255 thousand and*
- Podravka International, Budapest in the amount of HRK 1,448 thousand.*

/ii/ The most significant portion of other receivables from associated companies relates to due unpaid long-term loan receivables from subsidiaries in the amount of HRK 11,240 thousand and receivables from interest due in the amount of HRK 4,541 thousand, of which HRK 14,540 thousand relate to Belupo d.d. (2002: HRK 36,812 thousand).

/iii/ Due unpaid receivables and interest on long-term loans of non-associated companies.

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

Note 20 - Short-term loan receivables

	Average weighted interest rate	2003	Podravka Group 2002	2003	Podravka d.d. 2002
(in thousands of HRK)					
Short-term loans to subsidiary - Podravka-International Sp.z o.o., Warsaw, Poland	4.17%	-	-	-	16,435
Poni trgovina d.o.o. Koprivnica	6.00%	-	-	5,982	26,478
Podravka d.o.o. Belgrade	4.15%	-	-	3,186	3,721
Belupo d.d., Koprivnica	6.00%	-	-	2,474	-
Other	7.75%	3,643	9,651	-	-
		3,643	9,651	11,642	46,634

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

Note 21 - Cash and cash equivalents

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Cash with banks	104,029	93,408	32,789	49,461
Cheques received	87	175	14	61
Bills received	35,274	16,843	35,046	16,513
Deposits	213	42	6	26
	139,603	110,468	67,855	66,061

Note 22 - Long-term debt

(in thousands of HRK)	2003	2002
Podravka d.d.		
Repayment due in 2003	-	89,785
Repayment due in 2004	104,141	101,528
Repayment due in 2005	93,748	88,888
Repayment due in 2006	138,221	78,255
Repayment due in 2007	50,407	36,783
Repayment due in 2008 and thereafter	80,969	61,781
Total long-term debt	467,486	457,020

Note 22 - Long-term debt (continued)

Current portion of long-term debt	(104,141)	(89,785)
Total long-term debt excluding current portion	363,345	367,235
Podravka Group		
Repayment due in 2003	-	159,139
Repayment due in 2004	157,046	160,790
Repayment due in 2005	151,948	133,056
Repayment due in 2006	171,754	99,561
Repayment due in 2007	67,455	40,928
Repayment due in 2008 and thereafter	110,302	61,781
Total long-term debt	658,505	655,255
Current portion of long-term debt	(157,046)	(159,139)
Total long-term debt excluding current portion	501,459	496,116

For the Podravka Group, the increase of liabilities from long-term debt during 2003 amounted to HRK 166,969 thousand, and for Podravka d.d. it amounted to HRK 90,953 thousand (2002: Podravka Group: HRK 310,132 thousand and Podravka d.d.: HRK 280,351 thousand). The increase mainly refers to granted loans from the following banks:

- HBOR in the amount of HRK 35,063 thousand for the construction of the Podravka Dishes factory in Koprivnica. The interest rate is 5.5% p.a. The loan repayment starts at the end of 2005. The last instalment is due in 2013.
- HBOR in the amount of EUR 2,500,000, of which HRK 8,890 thousand was utilized for the financing of the investment in Dinova. The interest rate is 3% p.a. The loan repayment starts in 2006, and the last instalment is due in 2014.

- Erste&Steiermärkische Bank in the amount of HRK 47,000 thousand from HBOR funds as a part of the programme for granting credits for the development of export and import of goods. The interest rate is 4% p.a. The is due in full at the end of 2006.
- RBA in the amount of EUR 6,270,000 or HRK 47,946 thousand for Belupo d.d., EUR 2,300,000 or HRK 17,588 thousand for Danica, and EUR 700,000 or HRK 5,353 thousand for Ital-Ice. The interest rate is 6 month EURIBOR + 1.5%. The loan repayment for Belupo d.d. and Danica d.o.o. starts in 2004 and for Ital-Ice in 2008. The last instalment is due in 2009.

The decrease in long-term loan liabilities corresponded to the loan repayment plan in 2003 and amounted to HRK 166,277 for the Podravka Group and HRK 94,230 thousand for Podravka d.d. (2002: HRK 157,939 thousand for the Podravka Group and HRK 98,340 thousand for Podravka d.d.).

In 2003, the average weighted interest rate for loans from banks for Podravka d.d. was set at 4.32% (2002: 5.27%) and for the Group 4.27% (2002: 5.44%). The majority of long-term debt carry variable interest rates based on EURIBOR, WIBOR, BUBOR, PRIBOR and TOM. In 2003, the average weighted interest rate for finance lease liabilities for the Podravka Group was set at 8.74% (2002: 8.73%).

Total secured loans of Podravka d.d. and the Group amounted to HRK 408,356 thousand (2002: HRK 380,446 thousand) and HRK 568,219 thousand (2002: HRK 551,239 thousand), respectively.

Note 23 - Trade paybles

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
Trade payables	462,909	430,545	164,358	200,070
Due to associated companies	-	-	53,048	44,365
	462,909	430,545	217,406	244,435

Note 24 - Other liabilities

	Podravka Group		Podravka d.d.	
(in thousands of HRK)	2003	2002	2003	2002
Salaries and other payments to employees	63,881	55,386	39,369	32,140
Dividend payable	1,214	123	1,214	123
Interest payable on borrowings	9,873	7,687	7,923	5,919
Taxes and contributions payable	19,305	33,817	10,754	14,448
Purchase of equity interests	2,996	12,502	2,996	12,502
Other	15,764	27,046	3,726	8,858
	113.033	136.561	65.982	73.990

Note 25 - Short-term borrowings

	Interest rate/yield	2003	2002
Podravka d.d.		(in thousands of HRK)	
Commercial papers /i/	4.20%-4.75%	77,630	110,000
Banks	4.08%-6.39%	210,299	-
Other	4.50%	982	938
Total		288,911	110,938

Podravka Group

Commercial papers	4.20%-4.75%	77,630	110,000
Banks	4.00%-12.05%	367,130	114,865
Other	4.50%	34,724	4,680
Total		479,484	229,545

/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 2003, HRK 168,000 thousand of commercial papers were issued (2002: HRK 162,000 thousand), and HRK 90,000 thousand were realised in the same year (2002: HRK 52,000 thousand). The net yield on issued commercial papers is 4.20%-4.75% (2002: 2.83% - 3.80%). The maturity of issued papers varies from 180 to 364 days (2002: 91 to 182 days).

Note 26 - Shareholders' equity

/i/ As at 31 December 2003, the Company's share capital amounted to HRK 1,623,121,200, and consists of 5,410,404 shares (2002: HRK 1,812,808,800 and 6,042,696 shares). The nominal value amounted to HRK 300 per share. These shares are comprised as follows:

	2003		2002	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	5,410,404	1,623,121	5,406,696	1,622,009
Preferred shares	-	-	636,000	190,800
Total	5,410,404	1,623,121	6,042,696	1,812,809
Treasury shares	(185,597)	(35,502)	(160,253)	(30,730)

/ii/ The ownership structure is as follows:

	2003		2002	
	Number of shares	%	Number of shares	%
Ordinary shares				
Shareholders Ⓓ legal entities	2,606,743	48.18	2,536,163	41.97
Shareholders Ⓓ individuals	1,815,225	33.55	1,926,183	31.88
Croatian Privatisation Fund	802,839	14.84	784,097	12.97
Treasury shares	185,597	3.43	160,253	2.65
Total	5,410,404	100.00	5,406,696	89.47
Preferred shares				
EBRD	-	-	636,000	10.53
Total	5,410,404	100.00	6,042,696	100.00

/iii/ According to the decision of the Croatian Privatisation Fund in May 2003, the capital was increased by issuing 3,708 new shares with a nominal value of HRK 300 each. These shares relate to the valuation of land on the island of Čiovo in the amount of HRK 1,112,400, which was not included in capital during the Company's privatisation process in 1993.

/iv/ According to the decision of the General Assembly in July 2003 on the decrease in capital by withdrawing 636,000 shares of series with a nominal value of HRK 300 each, in August 2003 the decrease in capital was executed at the Commercial Court in Bjelovar in the amount of HRK 190,800 thousand.

/v/ The realised preferred dividend for 2002 amounted to EUR 4.35 per share, and the total amount of dividend was EUR 2,766,600 or HRK 20,864 thousand (2001: EUR 2,766,600 or HRK 20,420 thousand), paid to EBRD in July 2003 (2001: in July 2002).

/vi/ Following the decision of the General Assembly, the dividend from net profit for 2002 was approved in the gross amount of HRK 6.0 per ordinary share, which totals HRK 31,469 thousand (from net profit for 2001: -). The dividend was paid in full by the end of 2003 in the amount of HRK 30,375 thousand.

/vii/ 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 2003, an amount of HRK 3,807 thousand (2002: HRK 871 thousand) was transferred to legal reserves. This amount refers to realised profit in 2002 and in 2001. An amount of

HRK 3,617 was transferred to other reserves (2002: HRK 828 thousand) in accordance with the Company's Statute.

/viii/ In 2003, 667,376 treasury shares (2002: 237) were purchased at the total cost of HRK 196,561 thousand (2002: HRK 71 thousand). From total purchased treasury shares, 636,000 shares represents preferred shares of series purchased from EBRD at HRK 300 per share, which totals EUR 25,564,595 or HRK 190,800 thousand. The purchase was performed in accordance with the agreed timing on 15 July 2003.

In 2003, 6,032 treasury shares were sold (2002: 1,650) for an amount of HRK 989 thousand (2002: HRK 312 thousand).

Note 27 - Management benefits

In 2003, benefits paid to members of the Management Board and the Supervisory Board amounted to HRK 6,649 thousand (excluding termination benefits HRK 4,346 thousand) (2002: HRK 4,195 thousand) and HRK 1,589 thousand (2002: HRK 1,360 thousand), respectively.

Note 28 - Minority interest

	2003	(in thousands of HRK)	2002
At 1 January	550		495
Share of net profit for the year	45		55
	595		550

Note 29 - Commitments

In 2003, the purchase costs of tangible fixed assets contracted with suppliers were HRK 39,989 thousand for the Group and HRK 30,543 thousand for the Company (2002: HRK 129,019 thousand for the Group and HRK 89,608 thousand for the Company), which are not yet realised or recognised in the balance sheet as at 31 December 2003 and 2002.

The future payments receivable under operating leases for the usage of means of transportation are as follows:

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
Not later than 1 year	17,998	15,545	13,925	12,369
Later than 1 year and not later than 5 years	45,757	51,460	33,723	40,806
Later than 5 years	-	-	-	-
	63,755	67,005	47,648	53,175

Note 30 - Contingencies

	Podravka Group		Podravka d.d.	
	2003	2002	2003	2002
(in thousands of HRK)				
Legal disputes	36,877	47,596	10,223	20,942
Guarantees granted for received loans	28,651	62,183	430,166	358,045
	65,528	109,779	440,389	378,987

These contingencies are not disclosed in the balance sheet as at 31 December.

Note 31 - Post balance sheet events

Following approval of the financial statements by the General Assembly, based on the subscription contract for preferred shares with EBRD, the dividend for the period from January to July 2003 will amount to EUR 4.35 per preferred share, and the total amount of dividend will be EUR 1,414,040 or HRK 10,813 thousand. The dividend should be paid by 31 July 2004 at the latest.

Report of the Podravka d.d. Supervisory Board on the Supervision of Business Affairs in the Year 2003

On the grounds of Article 263, item 3, Article 280, item 3 and Article 300. c of the Company Act, the Supervisory Board of Podravka d.d. has on its 13th session held on 12 May 2004 brought the following Report of the Podravka d.d. Supervisory Board on the supervision of business affairs in the year 2003.

This Report covers the period of 1 January 2003 till 31 December 2003.

The Supervisory Board of Podravka d.d. (hereinafter referred to as: Supervisory Board) in compliance to the authority established by the Company Act, the Articles of Association of Podravka d.d. and the Rules of Procedure of the Supervisory Board has continuously supervised the business affairs of Podravka d.d. during the year 2003, making decisions and conclusions on seven sessions that had been held during the year 2003.

Among other matters, the Supervisory Board during 2003 decided upon giving its consent for the following:

- Decision for taking over preferred shares
- Decision on amendments and supplements to the Rules of Procedure of the Management of Podravka d.d.
- Decision for indebtedness with Zagrebačka banka d.d.
- Decision for indebtedness with Erste & Steiermarkische bank d.d.
- Decision for guarantee issue from Raiffeisen Zentralbank Ostereich Aktiengesellschaft
- Decision for bond issue through public bidding.

On 28 August 2003, the Supervisory Board held a session where decisions were made about recalling members of the Podravka d.d. Management and appointing new members of the Podravka d.d. Management.

In the process of supervising the business affairs of Podravka d.d. the Supervisory Board during the year 2003 observed the Management Board reports on operations for the following periods:

January - April 2003,

January - June 2003,

January - September 2003.

In the period from 1 January 2003 till 31 December 2003, the Supervisory Board acted in the following composition:

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

On the grounds of having insight into the business affairs management of Podravka d.d. the Supervisory Board established that in the year 2003 Podravka d.d. acted in compliance to all laws, Podravka d.d. acts and decisions of the General Assembly.

The Supervisory Board examined the report of the auditors PricewaterhouseCoopers d.o.o. Zagreb, Alexandera von Humboldta 4, who had reviewed the financial reports of

the Podravka Group for the year ended 31 December 2003, and has accepted the submitted auditor's report.

The Supervisory Board after examining the Annual Report on Podravka Group operations and the company position for the business year of 2003, submitted by the Management of Podravka d.d., has established that the annual financial reports of the Podravka Group for the year ended 31 December 2003 have been prepared in accordance with the business records of the Podravka Group and show accurate data of the property and state of affairs of the Podravka Group and has therefore granted its approval accordingly.

In accordance with the provisions of Article 300. d of the Company Act, the Supervisory Board has submitted the annual financial reports to the General Assembly for approval.

The integral parts of the annual financial reports of Podravka d.d. for the year ended 31 December 2003 are:

- a) Profit and Loss Account of Podravka d.d., b) Balance Sheet of Podravka d.d., c) Cash Flow Statement of Podravka d.d., d) Report on Podravka d.d. share capital changes,
- e) Notes accompanying the financial reports of Podravka d.d., f) Profit and Loss Account of the Podravka Group, g) Balance Sheet of the Podravka Group
- h) Cash Flow Statement of the Podravka Group, i) Report on Podravka Group share capital changes , j) Notes accompanying the financial reports of the Podravka Group
- k) Auditor's Report by the auditors PricewaterhouseCoopers d.o.o. Zagreb, Alexandera von Humboldta 4.

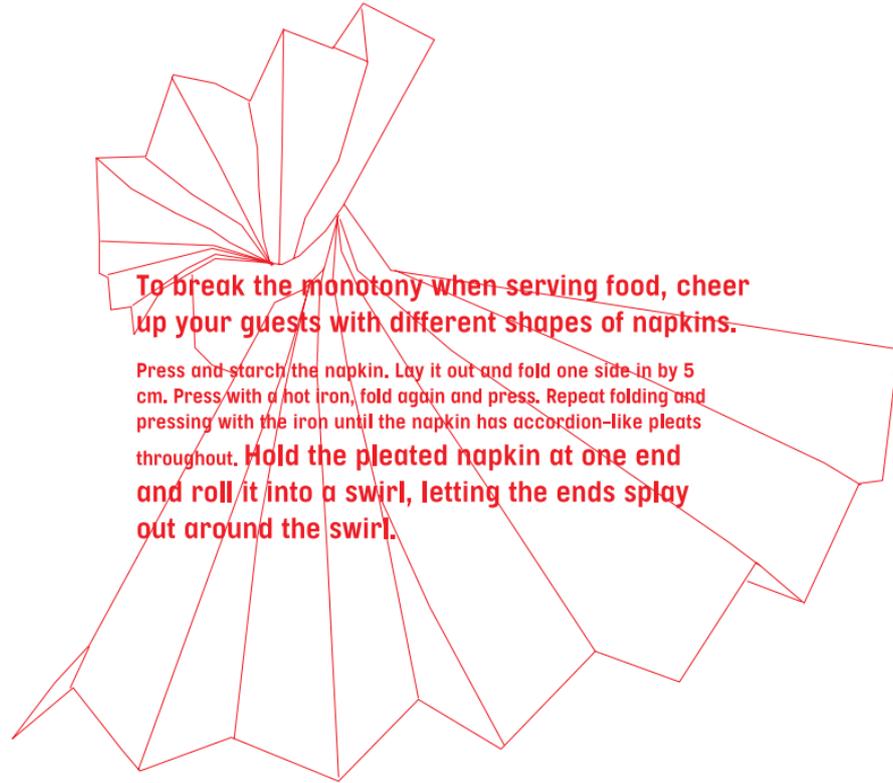
The Supervisory Board has approved the Report of the Podravka d.d. Management about the position of Podravka d.d. and the Podravka Group and has forwarded it to the General Assembly for adopting.

The Supervisory Board has approved the draft decisions of the Podravka d.d. Management on the payment of dividends on preferred shares for the business year 2003 and coverage of loss for the business year 2003 and has forwarded such proposals to the General Assembly of Podravka d.d. for adopting.



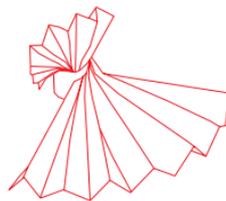
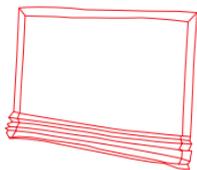
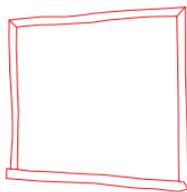
Chairman of the Supervisory Board:
mr. Božo Prka

Napkins for Favorite Guests

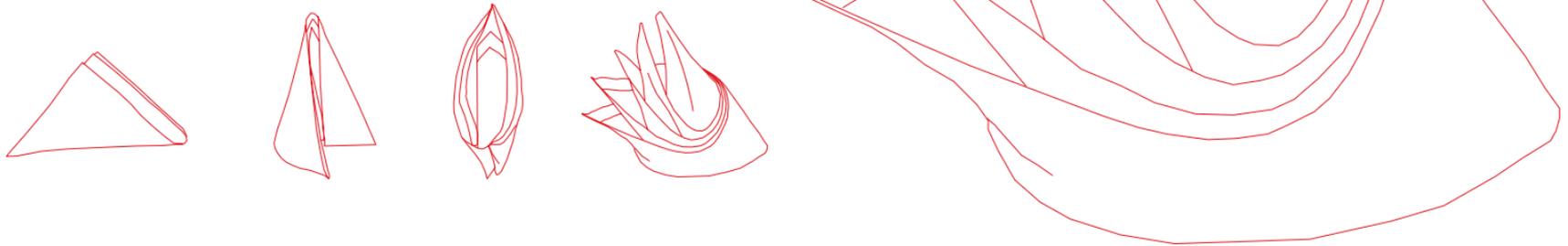


To break the monotony when serving food, cheer up your guests with different shapes of napkins.

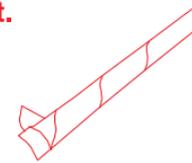
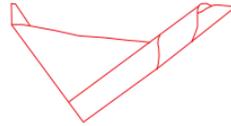
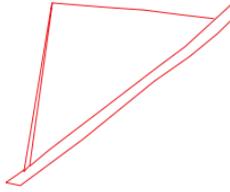
Press and starch the napkin. Lay it out and fold one side in by 5 cm. Press with a hot iron, fold again and press. Repeat folding and pressing with the iron until the napkin has accordion-like pleats throughout. **Hold the pleated napkin at one end and roll it into a swirl, letting the ends splay out around the swirl.**



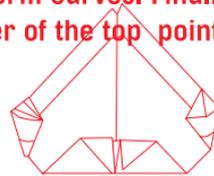
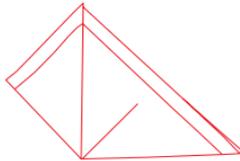
First press and starch the napkin. Fold the napkin into quarters and press flat, then pull one corner up to the other to form a triangle. Bring two sides of the triangle so they meet in the middle. The lower corners will protrude from the new triangle, so tuck these underneath and press flat. Fold the triangle in half so that the tucks meet each other inside. Finally, pull out each corner that is visible from the centre, to form the sails of the boat.



First press and starch the napkin. Fold the napkin diagonally into a triangle, then turn up the folded edge to make a cuff. Turn the napkin in from one side and roll it firmly and tightly to the other side. **Tuck the free corner, made from the cuff, into the folded edge. This will keep the roll together and help it to stand upright.**



Fold the pressed napkin in half to form a triangle. Fold each corner into the centre to form a square. Fold the bottom corner up, then back down so its tip sits on the bottom edge. Turn the right and left-hand corners inwards and, with your finger, open out to form a kite shape. **Pick this up, wrap the corners around the back and tuck into each other to give a tube. Bend down the loose points softly and tuck their tips into the turn-up at the bottom, to form curves. Finally, fold down the front layer of the top point.**



Podravka d.d. Supervisory Board Members' Biographies

Božo Prka, Chairman 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 Chairman 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 Chairman 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-analysist 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 RO 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 take over 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 "Hlađenje" 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 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 Pre-school 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 self-government, 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.

Podravka d.d. Management Board Members' Biographies

Darko Marinac, Chairman of the Management Board

Mr. Darko Marinac was born in 1950. In 1973 he graduated from the Faculty of Chemistry and Technology at the University of Zagreb. He completed his interdisciplinary postgraduate studies at the University of Zagreb in 1975. In 1987 he completed the PKH School for Managers and in 1987 the CPG Business School in Cologne, Germany. During the same year he finished specialization in foreign trade at the Faculty of Economics in Zagreb. From 1988 to 1995 he participated in the work of several European seminars (MCE and others) in the fields of management, marketing and sales, research and development, finance and IT and attended the IBM seminar for managers in pharmaceutical industries in Brussels in 1988. In 1999 he finished the MCE leadership program.

He began his professional career in Pliva in 1975, working as production technologist (vitamin C and D-glucitol). From 1978 to 1984 he worked as project manager and then managing director of the Penicillin Antibiotics Factory. In 1985 he was appointed director of Pliva's animal health division "Veterina" and remained at the same function until 1989. In the following 1990 he was appointed director of Pliva's Research and Development Department (including the Research Institute, engineering, business research, strategic planning and technology transfer) for the pharmaceutical, food and cosmetic division and he carried out these activities until 1991. Mr. Marinac was also the founder and director of Pliva Kiev in 1992. During the period from 1992 to 1996 he was the founder and director of Pliva Prague and Pliva Bratislava. From 1996 to 1999 he was the first vice-president of the Management Board responsible for market development in CEE and for R&D. He was appointed integration manager of Pliva Krakow and senior advisor to the Pliva Management Board in 1999. Since 2000 he has continued his career at Podravka d.d. as Chairman of the Management Board.

He speaks, either actively or passively, seven foreign languages. He was a member of many councils, associations and management boards, including a few supervisory boards of both Croatian and foreign companies. He was president of the Croatian Council for Sustainable Development and executive vice-president of the European Association for Generic Medicine seated at Brussels. Since 2001, he is member of the Management Board of the National Council for Competitiveness, and from 2003, the vice-president of the Management Board of the Croatian Association of Employers. Mr. Marinac is the author of one patent, several technical-technological advancements and the winner of the INOVA award (Croatian Exhibition of Innovations). He has also won several awards for achievements in management and entrepreneurship - the Annual Award of Pliva, the Annual Award of the City of Zagreb, the Golden Medal "First Croatian Kuna" for the highest business achievements as Chairman of the Management Board of Podravka d.d., in 2001 the winner of a special award "International Manager of the Year" by IMDA (International Management and Development Association), and was announced Manager of the Year for 2002 in the election of the weekly magazine "Nacional". The President of Croatia honoured him for his contribution to the promotion of Croatian economy.

**Željko Đurdina,
Vice Chairman of the Management Board**

Mr Željko Đurdina was born in 1948. He graduated from the Faculty of Chemistry and Technology at 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-chairman 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-chairman of the Management Board. From 1997 to 2000 he was director of the Vegeta and Soup Factory while it was under construction and in 2000 he was appointed director of the Vegeta factory. Since 2000 he has held the function of vice-chairman of the Management Board of Podravka d.d. During his career at Podravka d.d., he has published many articles in professional literature.

**Dragan Habdija,
Member of the Management Board**

Mr Dragan Habdija was born on 11 July 1955 in Koprivnica. He graduated at the Faculty of Economics of Zagreb in 1979. He finished the International School of Business Administration at Brdo kod Kranja and attended many professional seminars. In 2003 he completed the FBA program of Podravka's Management Academy (POMAK). Since he completed his studies until the present day he has been working at Podravka. His employment started as investment and strategic planning officer at the Institute of Podravka, and afterwards occupied the function of head of the economic – financial service of Belupo, and director of the same sector from 1983 – 1984. From 1984 until 1986 he was director of the Marketing Sector of Belupo and later director of Fermentation and Pharmaceuticals. From 1989 he was the vice-chairman of the Management Board of

Podravka in charge of the pharmaceutical industry. He became director of Belupo in 1991 and from 1992 performed the function of marketing director at Podravka. He occupied the function of director of the Planning, Controlling and Pricing Sector within the division of Branded Food from 1997 until 2000. After that he performed the duties of the executive director for restructuring for one year after which, in 2001, he became executive director of Podravka's strategic business unit Vegeta and Podravka Dishes. In the year 2003 he received the award of the City of Koprivnica for achievements in economy.

Dušan Tomašević,
Member of the Management Board

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



Miroslav Vitković

Member of the Management Board

Mr Miroslav Vitković was born 5 March 1967 in Koprivnica. He graduated from the Faculty of Chemistry and Technology at the University of Zagreb. He finished the business school at Brdo kod Kranja and attended many professional seminars. After he completed his studies he started his employment at Podravka and performed the duties of import officer, sales director of Podravka International – Prague, and sales director of Podravka International – Bratislava. Since 2001 he is executive director for the markets of Croatia and South-eastern Europe. He is fluent in German and Czech. Mr Vitković is a very active sports official and since 2002 has performed the function of President of the Football Club Slaven Belupo from Koprivnica.



Damir Polančec,

Member of the Management Board

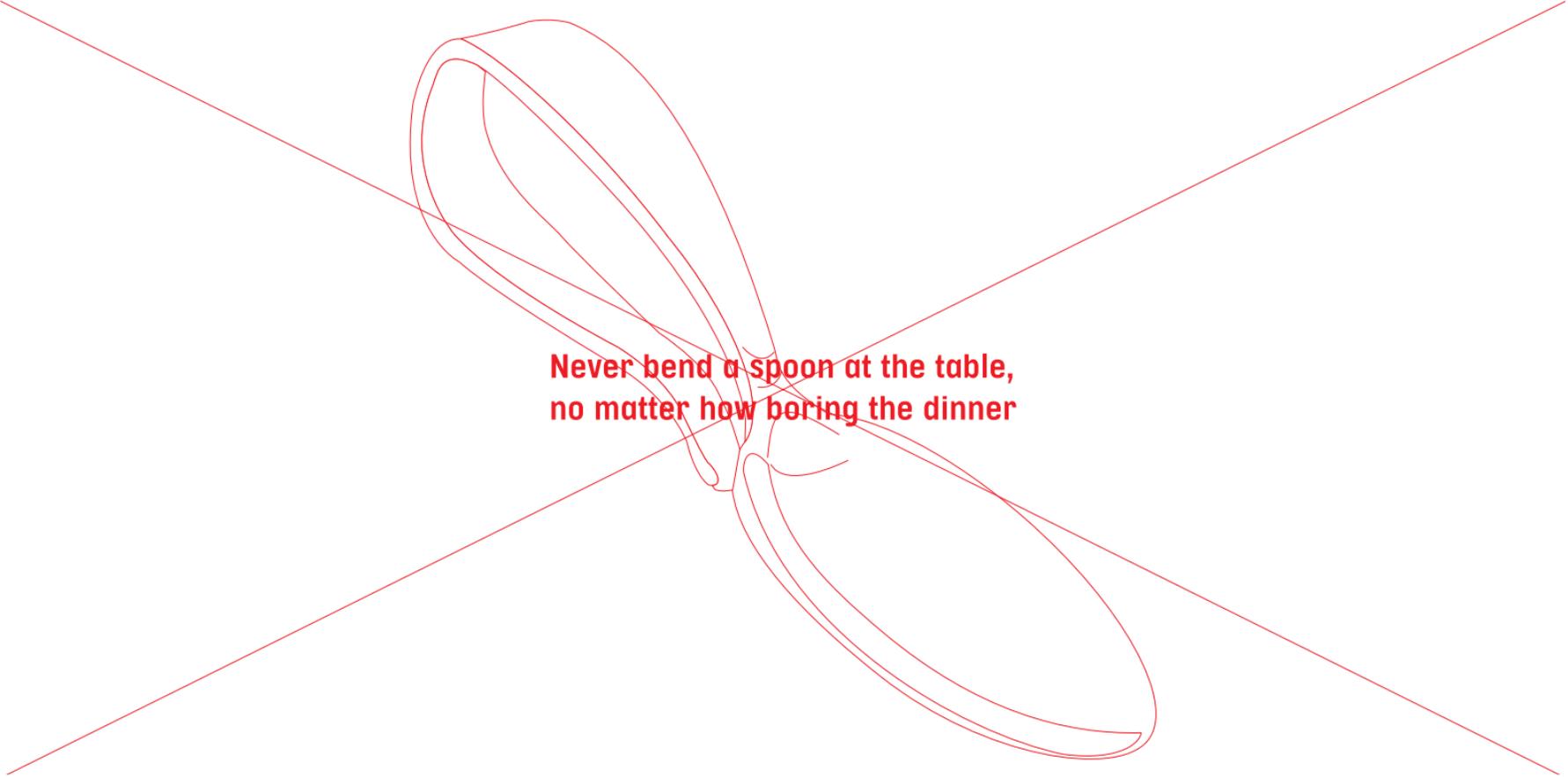
Mr Damir Polančec was born in 1967. He graduated from the Agroecomics Department of the Faculty of Agriculture at the University of Zagreb in 1992. After completing his studies, in August 1992 he started working for "Dukat", Zagreb, as a technologist in the production of melted cheese. From 1992 until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



international market development. He completed "General Management" at the business school "Center", at Brdo kod Kranja. He is member of the Management Board of the Croatian Handball Association and since June 2000 President of the Handball Club Podravka from Koprivnica. He is fluent in English and attends the postgraduate studies course "Organization and Management" at the Faculty of Economics of Zagreb.



**Don't let
kitchen work
exhaust you**



**Never bend a spoon at the table,
no matter how boring the dinner**

Podravka Stock Trade for the Year 2003

Turnover

Podravka stock listed in the first quotation of the Zagreb Stock Exchange realised a turnover of 135,759,382 kuna with a trade volume of 735,975 shares in the year 2003, which is a 68.5 million kuna (33.5%) less turnover compared to the year 2002. The most intensive stock trade was recorded in July and August. In July, 89,257 shares were traded in the value of 16,483,653 kuna while in August it was 19,495,027 kuna with a trade volume of 112,113 shares.

Table 1 shows the comparison of the quarterly turnover of Podravka stock in 2003 and 2002, respectively. During the year 2003, the highest quarterly turnover of Podravka stock was achieved in the third quarter making 30.4% of the total turnover of 2003.

Table: Trade of Podravka d.d. stock

Period	2003		2002		% 2003/2002	
	Turnover in kn	Volume	Turnover in kn	Volume	Turnover	Volume
I quarter	39,244,074	196,297	71,048,909	384,395	-44.76%	-48.93%
II quarter	25,162,432	135,827	57,682,487	259,312	-56.38%	-47.62%
III quarter	41,321,360	232,536	27,881,194	139,215	48.21%	67.03%
IV quarter	30,031,517	171,315	47,651,856	235,044	-36.98%	-27.11%
Total	135,759,382	735,975	204,264,445	1,017,966	-33.54%	-27.70%

Table: Comparison of quarter stock turnover at the Zagreb Stock Exchange

Period	Turnover in kn		2003/2002 % change	2003 share %	2002 share %
	2003	2002			
I quarter	312,037,902	500,207,402	-37.62%		
II quarter	320,374,320	251,969,646	27.15%		
III quarter	360,718,941	164,804,343	118.88%		
IV quarter	501,977,181	254,422,944	97.30%		
Total share trade	1,495,108,344	1,171,404,335	27.63%	12.1%	19.9%
Bond trade	612,600,000	899,200,000	-31.87%	5.0%	15.2%
Total trade ZSE ¹	12,331,000,000	5,879,200,000	109.74%	100.0%	100.0%

¹The total annual turnover at the Zagreb Stock Exchange also covers rights and note trade as well as institutional and registered turnover that is not shown in the table.

Price

The price of Podravka shares ranged from 163.00 kuna (September) up to 215.00 kuna (January) during the year 2003. The last price in December 2003 was 171.00 kuna representing a 17% lower value compared to the same period in 2002. Price corrections are the result of problems on the Polish market in the first half of the year 2003.

Table: Price review for the period 1997 – 2002

at 31.12.	1998	1999	2000	2001	2002	2003
Highest	201.00	106.00	185.00	175.00	246.00	215.00
Lowest	73.00	60.00	89.00	139.99	153.00	163.00
Last	100.00	89.00	154.99	153.00	206.00	171.00
CROBEX value	711.6	715.3	890.0	1,034.70	1,172.60	1,185.10

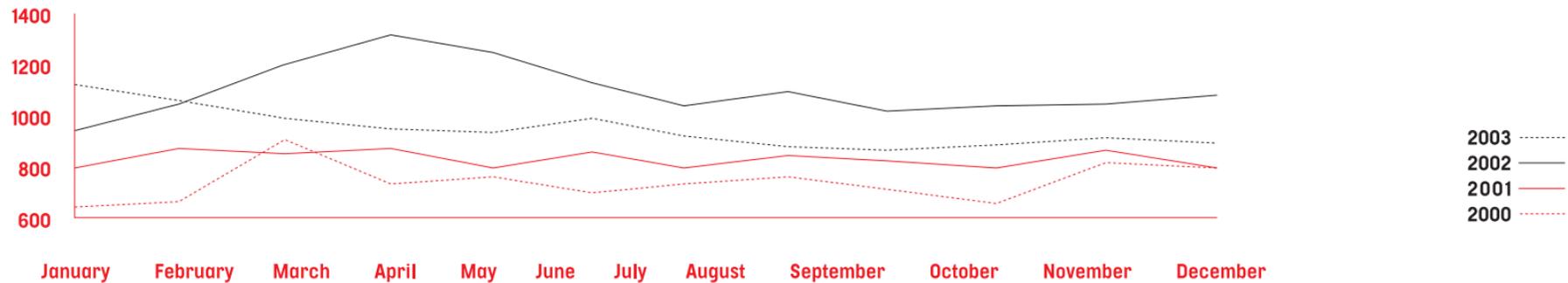
Market capitalisation

Market capitalisation decreased due to the downward trend of Podravka share price in average for 192.8 million kuna compared to the year 2002, respectively by 12.5% (annual average for 2003 was 978.2 million kuna compared to the 2002 average of 1,118 million kuna). The market capitalisation share of Podravka in the total market capitalisation of all stock listed at the Zagreb Stock Exchange was 2.5% which is within the limits of previous years' trends.

Table: Podravka's share in the total Zagreb Stock Exchange market

Market capitalisation in mil. kn	1998	1999	2000	2001	2002	2003
Market capitalisation of Podravka	540.7	481.2	838.00	827.2	1.113.7	925.2
Total shares of the ZSE	18,275.8	19,225.1	22,178.6	25,815.5	28,320.4	37,130.5
% total market capitalisation	3.0%	2.5%	3.8%	3.2%	3.9%	2.5%
Ranking among top 10	4th place	4th place	5th place	8th place	6th place	10th place

Podravka market capitalisation



Comparison of indicators with the year 2002

The basic earning per share decreased by 15.01 kuna, from 16.76 kuna in the year 2002 to 1.75 kuna in 2003. Although the trade rate of Podravka share was reduced from 18.3% in 2002 to 14.6% in 2003 the realised trade rate shows high liquidity of Podravka stock on the Croatian capital market.

Table: Podravka stock during a six year period

	1998	1999	2000	2001	2002	2003
Number of regular shares	5,406,696	5,406,696	5,406,696	5,406,696	5,406,696	5,410,404
Last price	100.00	89.00	154.99	153.00	206.00	171.00
Market capitalisation	540.7	481.2	838.0	827.2	1,113.8	925.2
EPS*	12.6	3.9	12.20	7.83	16.76	0.16
P/E	7.9	22.9	12.71	19.55	12.29	97.71
trade rate**	12.4%	3.0%	11.1%	16.2%	18.3%	14.6%
dividends	-	3.00	-	-	6.00	-
P/BV	0.3	0.3	0.42	0.43	0.55	0.52

*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

CROBEX achieved an annual value growth of 1.06% in the year 2003. CROBEX was at the level of 1,172.6 points at the end of December 2002 to reach the level of 1,185.1 points in December 2003. The lowest level during 2003 CROBEX achieved in March reaching 990.5 points while the highest level was achieved during July when the CROBEX index reached 1,227.0 points.

Table: Comparison of Podravka share prices and CROBEX

at 31.12.	1998	1999	2000	2001	2002	2003
Podravka – last price	100.00	89.00	154.99	153.00	206.00	171.00
CROBEX – value	711.60	715.30	890.00	1,034.70	1,172.60	1,185.10

Analyst advice

CAIB – recommendation BUY (Croatia and Slovenia report, 17.10.2003)

RBA – recommendation HOLD (RBA Analyses, 1 October 2003)

ERSTE – recommendation ACCUMULATE (Erste Podravka update, April, 2003)

HYPO-ALPE ADRIA BANK – recommendation ACCUMULATE (Podravka FY02, 21 May 2003)

Awards for the Podravka share

Financial Forum – May 2003, Share Liquidity Award

Technical Procedures

cleaning, washing, mincing , peeling, stirring, piercing , stuffing, spreading, beating, rolling out, grating, grinding, bending, dressing, molding, decorating, mixing,...





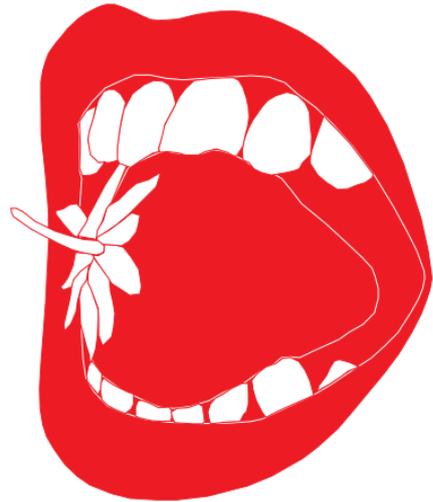
Mediterranean Pasta
Tagliatetta Makaroni napolitana
Sicilian Makaroni
Peppers stuffed with cheese
Tomato soup seasoned with dill
Mediterranean duck
Oatmeal steak in a tomato sauce

Red

French bread with tomatoes and cheese

Enjoyment

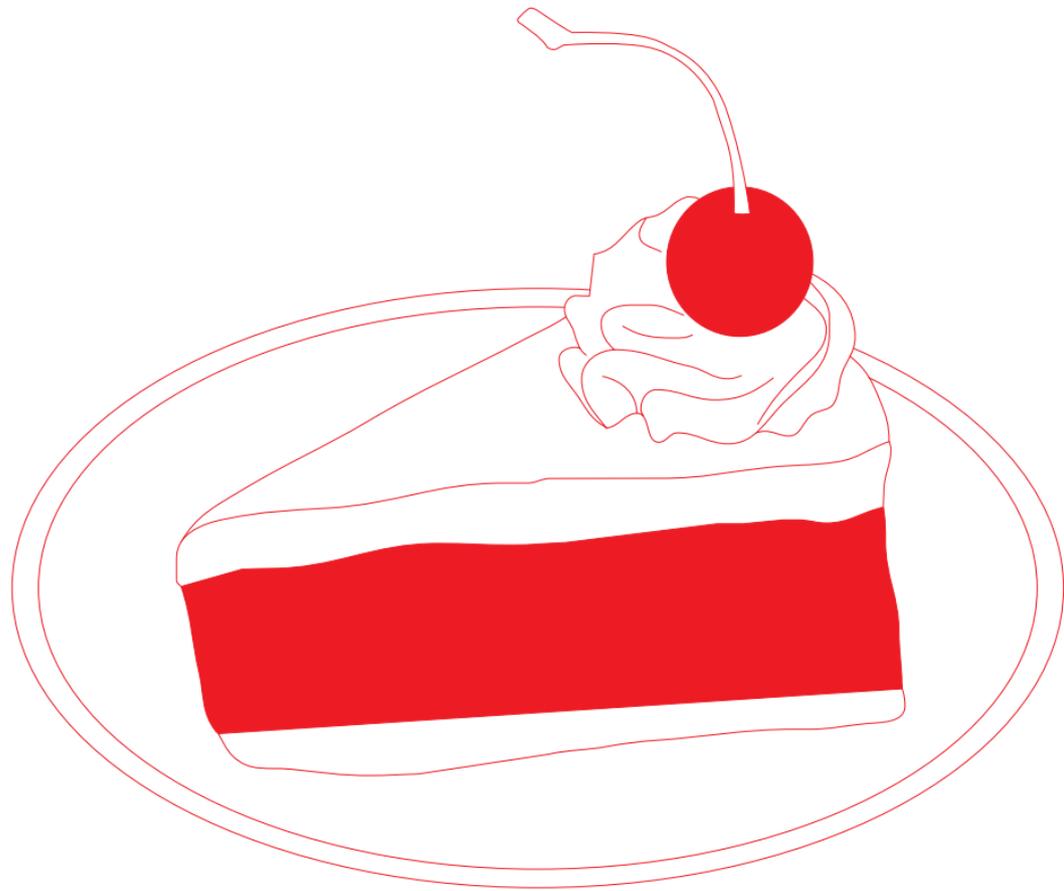
Mozzarella, avocado and tomato salad
Mexican squid salad
Salmon in seashells
Spider web's Pizza
Chicken pepper stew with mushrooms
Fiery noodles
Sauce with horse radish and tomato
Fried ribs with peppers
Meat and vegetables on sticks
Fit tomato
Rice with tomato and pepper
Aurora soup
Gazpacho



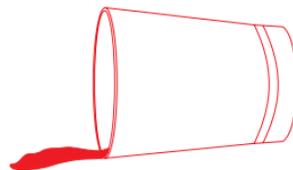
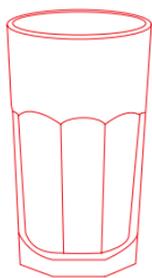
Sour cherry strudel. Strawberry sorbet. Tiramisu with strawberries. Fruitcake. Peaches

Sweets:

Sweets are all those sweet dishes that are rich in content, complicated to make, lavishly decorated and very appealing. They are usually prepared for special and festive occasions.



The Order of Washing the Dishes

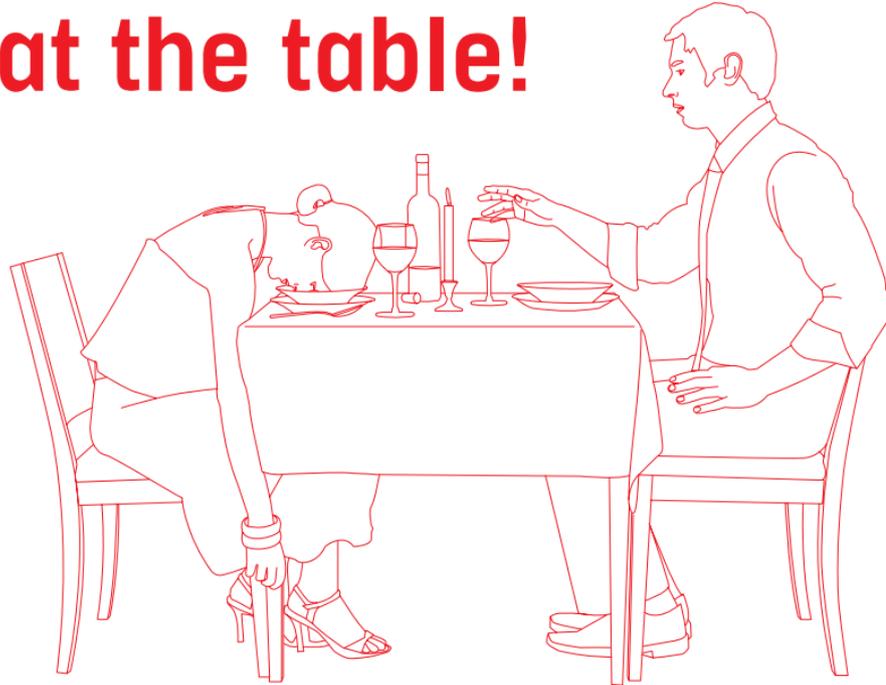


1.glasses,



2.plates, 3.cutlery, 4.pots and pans, 5.cooking spoons,...

**Break the monotony
at the table!**



**Set the table in
nature!**





Rule no. 1:
Don't seat together people who don't like each other



Rule no. 2:
Don't steal other people's food



Rule no. 3:
Using toothpicks, combing your hair and powdering your nose
is considered to be very impolite and in bad taste



Rule no. 4:
Never put too much food on your plate



Rule no. 5:
It is important to sit up straight with elbows off the table



Rule no. 6:
It is impolite to talk with your mouth full



Rule no. 7:

A well mannered person never criticizes the food, complains and spoils other people's appetite



**Rule no. 8:
Never talk on the phone while at the table**



Rule no. 9:

It is impolite to blow at your food while it is hot, to slurp and chew loudly



Rule no. 10:
Don't let your tie fall into your plate



Rule no. 11:

It is important to keep the atmosphere calm and pleasant during the meal, you should never talk loudly or get up before the end of the meal

Secrets of good cuisine: ideas and imagination matter, but most importantly do everything with heart

Subsidiaries in Croatia

Danica d.o.o.
Đelekovečka cesta 21
48 000 Koprivnica
Podravka d.d. (100%)

Belupo d.d.
Ulica Danice 5
48 000 Koprivnica
Podravka d.d. (100%)

Koprivnička tiskarnica d.o.o.
Đure Estera 1
48 000 Koprivnica
Podravka d.d. (100%)

Podravka inženjering d.o.o.
Trg kralja Tomislava 13
48 000 Koprivnica
Podravka d.d. (100%)

Poni d.o.o.
Ulica Josipa Vargovića bb
48 000 Koprivnica
Podravka d.d. (100%)

Ital-ice d.o.o.
Mate Vlašića 47
52 000 Poreč
Podravka d.d. (100%)

Foreign Subsidiaries

Sana d.o.o.
Stara cesta 20
Hoče
Slovenia
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1 000 Ljubljana
Slovenia
Podravka d.d. (100%)

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Zelenih beretki 6/1
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Bosnia and Herzegovina
Podravka d.d. (100%)

Podravka d.o.o.e.l Skopje
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Podravka d.d. (100%)

Podravka International Deutschland-"Konar" GmbH
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Germany
Podravka d.d. (100%)

Podravka International s.r.o.
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Cerrere s.r.l. (50%)

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Warszawa
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Kostrzyn n/odra
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Podravka d.o.o. Podgorica
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Serbia and Montenegro
Podravka d.d. (100%)

Lagris a.s.
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Podravka d.d. (100%)

Lagris Slovakia s.r.o.
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960 01 Zvolen
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Podravka d.d. (50%)
Lagris a.s. (25%)

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Additional advice:

Find a great view while eating

Make interesting labels for your salt shaker

If you spill something over your clean table cloth, don't get nervous, just draw a heart shaped spot out of it

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