



annual report 2000

Mission

Our mission is to satisfy people's daily needs for healthy food of high quality. We endeavour to offer innovative products and top-quality solutions adapted to changes in the environment. We believe that, by understanding and anticipating the needs of our clients, we can create the values that ensure prosperity for you, our employees, our shareholders and the community in we live and work.

Inventiveness, the will to win, teamwork, trust and dedication to the right values are the foundation on which we build our success.

Vision

Podravka will be a food production company that operates in the global market and satisfies client's needs beyond their expectations.

test your
senses



Can you recognise a real strawberry?
Scratch each of the strawberries shown
above and decide which the real one is.
The right answer is at the end of the report.

The Podravka Group in 2000

- An almost four-fold increase in profit
- Real increase in sales of 4% compared to the previous year
- Real increase in sales in foreign markets of 6%
- 43% of sales revenue generated in foreign markets
- Dominant share in the sales structure still held by Vegeta (27%)
- Penetration into new markets - Romania, Turkey, Greece and SR Yugoslavia
- Contract signed between Podravka-International sp.z.o.o. and the Italian company Barilla on co-operation in the Polish market
- Continued intensive activities on the rationalization of operations as a key condition for the long-term maintenance of Podravka's competitiveness
- Substantially improved liquidity
- Start of production in the new Vegeta plant in Koprivnica
- Start of production in the Soup, Vegeta and Powdered Products plant in the tax-free zone in Poland
- Further implementation of SAP R/3 through linking foreign subsidiaries with the parent company
- Continuation of the project for the integrated quality management system (ISO 9001:2000 and HACCP)
- Beginning of the redefinition of Podravka Group strategy

	2000.	1999.
Total operating revenues (HRK 000)	2.479.198	2.494.627
<i>% change</i>	-0,62	
Total sales (HRK 000)	2.435.976	2.420.942
<i>% change</i>	0,62	
Revenues from domestic sales (HRK 000)	1.382.117	1.351.561
<i>% change</i>	2,26	
Revenues from foreign sales (HRK 000)	1.053.859	1.069.381
<i>% change</i>	-1,45	
EBIT (earnings before interest and tax) (HRK 000)	136.759	182.586
<i>% change</i>	-25,10	
EBITDA (HRK 000)	289.255	310.658
<i>% change</i>	-6,89	
Net profit / loss (HRK 000)	79.960	20.953
<i>% change</i>	281,62	
EPS (earnings per ordinary share) (HRK)	10,90	1,62
<i>% change</i>	572,84	
Total assets (HRK 000)	3.186.540	3.367.130
<i>% change</i>	-5,36	
Capital and reserves (EQUITY) (HRK 000)	1.988.816	1.922.839
<i>% change</i>	3,43	
Cash flow (HRK 000)	39.984	35.776
<i>% change</i>	11,76	
Number of employees	7.073	6.827
<i>% change</i>	3,60	
Net profit / number of employees (HRK 000)	11	3
<i>% change</i>	266,67	
ROE (return on equity) %	4,02	1,09
<i>% change</i>	268,81	
Total investments (HRK 000)	106.521	350.560
<i>% change</i>	-69,61	

Darko Marinac, *President*



First, I would like to thank you for investing in Podravka. Your confidence is a strong motivating factor to Podravka employees to make maximum efforts in order to achieve the desired business results.

The year 2000, the last in the millennium, can be marked as a year of change. The new Management Board, which took over the leadership of the company in March, started to change the way of business operations, and many people were given new duties and responsibilities. In addition, the situation in the markets where Podravka is present changed significantly, and it was necessary to define new goals and ways of achieving them. This refers to Podravka's positioning and setting of realistic goals with respect to the consolidation of the food industry on the global level, integration processes, more aggressive competition in the markets and new trends in the food industry. Therefore, in 2000 we started to redefine Podravka's strategy. We saw that the changes in the global environment required not just internal growth but acquisitions and strategic partnerships with companies in our branch. Our brands Vegeta and Podravka will remain one of the cornerstones of Podravka's further growth and development.

We also started to work on the new organization that will be

implemented in the first half of 2001 and completed by the end of the year. In line with our strategy, the new organization will be shallower than the present one and will enable faster decision-making processes and a more transparent allocation of costs and responsibility.

The meat-processing subsidiary, Danica, for which an international tender for sale was invited, did not change ownership. The offers we received for the purchase of Danica were unfavourable, hence we did not accept them. We therefore changed the management of the company and drew up a new mid-term plan. We believe that this will make Danica a profitable part of the Group.

To be the biggest does not necessarily mean to be the best, and we want to be the best in the food industry in the markets of Central, East and South-East Europe. In the last year, we either kept or increased market share in these countries, increased the recognition of our brands and took steps to enter new markets. We introduced a series of new products in order to strengthen our market position and satisfy the needs and expectations of our consumers. Key activities that marked the year 2000 are the following:

- The completion of two new Vegeta plants, representing an investment of DM88 million.

This created production capacities for faster sales growth of the most important brands - Vegeta and Podravka Dishes. We were greatly honoured that the President of the Republic of Croatia, Stjepan Mesic, and the President of the Republic of Poland, Aleksander Kwasniewski, opened our new Vegeta plant in Kostrzyn in Poland, our most important market after Croatia. We were also greatly honoured that the President of the Republic of Croatia, Stjepan Mesic, opened the new Vegeta plant in Koprivnica.

- Completion of the implementation of the SAP R/3 integral information system, representing an investment of DEM18.7 million, which created the conditions for efficient materials, costs and goods management.
- A fourth generation of employees (19 of them) completed the General Management Programme, specially tailored to meet Podravka's needs, at the Center-Bled Business School (IEDC).
- Improved cost management and more efficient cash flow management through the implementation of a comprehensive plan of cost reduction.

We made important steps toward increasing the transparency of our operations in order to enable you to have a true insight at all times into our business operations, trends, future expectations from opera-

Members of the Management Board (from left to right)

Davor Cimaš, *Member*

Nevenka Cerovsky, *Member*

Darko Marinac, *President*

Damir Polančec, *Member*

Željko Đurđina, *Deputy President*



tions, and movements in share value.

I believe that the beginning of the new millennium will be the beginning of a new, double-digit, growth for Podravka.

My belief is based not only on our new vision and strategy and the quality of our human resources and product brands, but also on the fact that we know our consumer needs and expectations and have a developed marketing strategy for forming a partnership with our consumers.

The key orientations that guarantee the growth of Podravka and an increase in its share value are:

- the development of new products - broadening the product range and developing new groups of products that satisfy new consumer trends
 - building and strengthening our position in the market
 - expanding our market or increasing our share in our existing markets through acquisitions and strategic partnerships
 - increasing operative efficiency and decreasing costs
 - activities in the global market and the development of our partnership with consumers and business partners
- Finally, our employees will be a key factor in the growth and

development of our company. Through our training and education system, we will improve the knowledge and skills of our workforce in order to obtain highly competent and responsible employees on all levels and in all activities performed by our company.

Darko Marinac



President of the Management Board of Podravka d.d.

Annual Report of the Management Board on the operations of the Podravka Group and the position of the Company in the year 2000

TOTAL REVENUES

Total revenues of HRK 2,542.1m were generated in 2000, consisting of HRK 2,479.2m in operating revenues (97.5%) and HRK 62.9m (2.5%) in financial revenues.

The sale of products and services generated HRK 2,436.0m or 95.8% of total revenues.

SALES IN THE CROATIAN MARKET

Sales in the Croatian market amounted to HRK1,382.1m in 2000, 2% up compared to 1999. Domestic sales accounted for 56.7% of total sales, which points to the importance of this market in the operations of the Podravka Group.

The increase of 2% compared to the previous year is not negligible considering the general economic situation in the country, which did not significantly change compared to 1999. The

constant lack of liquidity in the economy, increased unemployment, decreased purchasing power, market segmentation and the arrival of large multinational chains all influenced the sales of Podravka products. Podravka discontinued business with buyers who did not settle their liabilities, or provided limited deliveries once due debts were paid. It also worked out a stimulation model for collecting receivables that brought about two positive effects: firstly, cash inflow strengthened and barter deals decreased, and secondly, total receivables decreased and the risk of non-payment was reduced to acceptable levels.

Due to the mentioned circumstances in the Croatian market, Podravka put additional efforts into marketing and sales; increased efforts at points of sale together with the simultaneous implementation of marketing activities resulted in increased sales in the domestic market. The following groups of produ-

- cts recorded an increase in sales:
- Pharmaceutical products 7.7%
- Meat and meat products 3.0%
- Podravka Dishes 5.8%
- Lino products 4.7%
- Mineral water 18.5%
- Flour and pastry products 21.2%
- Processed fruit 3.3%

SALES IN FOREIGN MARKETS

The sales of Podravka products in foreign markets in 2000 amounted to HRK1,053.9m, or 43.3% of total sales. This represents a real growth of 6% compared to 1999, after adjusting for sales through a commercial partner in Poland.

Today Podravka sells its products in more than 30 countries. The most important foreign market is Poland, with a 9.6% share in total sales and a 22% share in foreign sales. Poland, along with the Czech Republic, Slovakia and Hungary, is a strategic market; it is characterized as an exceptionally big market potential, but also as a strong compe-

tion from foreign and domestic producers. Podravka penetrated these countries through setting up its own companies and through market control. In order to survive in these markets, the company must have local production in order to keep up with the competition.

The plant in Hungary was joined by a new plant in Poland, which came on stream at the beginning of 2000. The plant is in a tax-free zone in Poland and employs 166 people. Podravka's other activities in the strategic markets were aimed at strengthening its market position through substantial market investments and the introduction of new products (Vegeta Twist and the Gastro Programme). The negative factor in the effort to increase market share is the fall in consumption of universal food supplements that has been recorded in central Europe over recent years.

In November 2000, a contract

was signed between Podravka International Sp.z.o.o., Warsaw, Poland and the Italian company Barilla, by which Podravka International Sp.z.o.o., Warsaw, Poland became the exclusive distributor of Barilla products in the Polish market. Barilla, headquartered in Parma, is the world's largest producer of the pasta. This co-operation between Podravka and Barilla represents the co-operation of the two complementary companies whose basic activity is to produce branded food products. The second biggest market in size is Slovenia, with an 18.5% share of sales in international markets. Podravka has been known as a producer of quality food products to Slovenian consumers since 1974, when it distributed its products through its branch in Ljubljana, and later through its own company. In Slovenia, as in most transition countries, there is a trend of market globalization, with several large retail chains dictating

prices and conditions for supplying goods in the market. The sales generated in 2000 were 4% down on 1999 due to a decreased sale of merchandise (Ferrerro products). Podravka's strategy in this market in the next period is to further invest in the leading brands with the aim of increasing sales and market share.

Next is Bosnia-Herzegovina, with 12.5% of total sales in foreign markets. Podravka's organization in this market takes into account all the specifics of Bosnia-Herzegovina, including its political and geographical divisions. Sales operatives cover the whole market, while customers are classified according to role, function and sales in their particular region. As a basic principle, sales are made to medium-sized buyers who dominate the specified regions and settle payments promptly. Podravka is best known in this market for Vegeta, soups, children's food and canned meat

products, which hold the largest market share.

Other important markets include Hungary, with 6.0% of foreign sales, Macedonia with 5.2%, the Czech Republic with 5.2%, Slovakia with 4.0% and Germany with 3.5%. Russia, although a large market in terms of the number of inhabitants, generated only 3.6% of foreign sales due to its political and economic situation; however, it shows a growth trend. Vegeta accounted for 26.5% of total sales and maintained the same level of sales as the previous year. Pharmaceutical products, the second most important product range in terms of sales and profit, accounted for 21.4% of total sales, recording a growth of 9% compared to the previous year to HRK522m.

Next come meat and meat products with 11.6% of total sales, soups with 7.6% (26% up compared to 1999), processed vegetables with 4.1%, children's food also with 4.1%, desserts

with 3.0%, mineral water with 2.4% (16% up on the previous year), processed fruit with 1.7% and other products with 12.4%.

EXPORT

Export of products and services, including production companies abroad, generated USD93.5m, 2.1% less than the USD95.7m recorded in 1999. Export was targeted to Central and Eastern Europe, but export to the West (Germany, USA, Australia and France) was significant as well.

IMPORT

The subsidiaries within the Podravka Group import numerous raw materials such as glutamate, dried vegetables, vitamins, aromas, spices, concentrates and active substances for drug production. There is also a significant import of packaging materials, equipment and spare parts for the maintenance of production facilities, and IT and other

equipment.

In 2000, a total of USD61m was spent on the import of materials, equipment and other items, which is 16% less than in 1999. Import was completely covered by export and the coverage ratio was 1.52.

STRUCTURE OF IMPORT

The structure of import in 2000 somewhat changed compared to 1999 in favour of the import of raw materials, other production materials and packaging, and at the expense of equipment and merchandise. The import of raw materials, other production materials and packaging amounted to USD49.1m, which is 3% more than in 1999.

At the same time, the import of equipment was 87.7% less than the previous year. The decrease in imports was the result of the completion of the construction and equipping of the new plants. A new pharmaceutical plant came on stream in 1999,

while the Vegeta plants in Koprivnica and Poland came on stream at the beginning of 2000.

COSTS

Total expenses in 2000 amounted to HRK2,450.6m, 3% less than in 1999.

The largest costs were materials costs (57.0%), which were 2% less than in 1999.

Personnel costs, whose share in total costs is growing, amounted to HRK508.2m, an increase of 10% compared to 1999.

This increase is the result of an increased number of employees in Podravka's companies abroad and in the new Kostrzyn plant in Poland, an improvement in the level of staff qualifications, a fixed increase of HRK400 to the basic salary, and certain payments to employees above the amount stipulated by the collective agreement.

Depreciation costs on fixed assets amounted to HRK152.5m, 19% more than

the previous year due to the activation of the new capital investments (Vegeta and Powdered Products plant in Poland, Vegeta plant in Koprivnica).

Other costs amounted to HRK286.0m, 4% less than in 1999. Financing costs decreased by 21% compared to the previous year, due to lower interest costs and smaller exchange rate differences. Extraordinary costs also fell significantly compared to 1999. In 1999, the largest portion of extraordinary costs was attributable to the restructuring reserve (HRK64.0m) and asset revaluation (HRK11.8 m).

STRUCTURE OF MATERIAL COSTS

Almost all types of material costs (apart from the purchase value of goods sold) rose compared to the previous year.

The reasons for this increase are: increase in production and sales in 2000, increase in busi-

ness activities (new plants came on stream; foreign subsidiaries were opened); maintenance of the SAP system; implementation of the SAP system in subsidiaries abroad and their linking with the parent company; increase in energy prices (diesel, petrol and water) and increase in transport services prices.

PROFITABILITY

In 2000, the Podravka Group recorded an operating profit of HRK136.8m, a pre-tax profit of HRK95.0m and a net profit of HRK80.0m which is almost four times the net profit for 1999. Profit was recorded by all the companies in Croatia, except for Hotel Podravina d.o.o. and by almost all the companies abroad (except for Podravka d.o.o. Sarajevo, which recorded a loss).

SALES BY MARKETS

COUNTRY	Revenues from sales		Revenues from sales		Index
	1. - 12. 2000.	%	1. - 12. 1999.	%	
					2:4
Croatia	1.382,1	56,7	1.351,6	55,8	102
Poland	234,4	9,6	311,3	12,9	75
Poland - real	234,4		237,0		99
Slovenia	194,7	8,0	202,2	8,4	96
Bosnia-Herzegovina	132,0	5,4	132,4	5,5	100
Hungary	63,3	2,6	60,9	2,5	104
Macedonia	55,1	2,3	49,9	2,1	110
The Czech Republic	54,7	2,2	44,9	1,9	122
Slovakia	42,0	1,7	41,6	1,7	101
Russia	38,4	1,6	17,3	0,7	222
Germany	37,1	1,5	37,3	1,5	99
Other countries	202,2	8,3	171,6	7,1	118
Sales in foreign markets	1.053,9	43,3	1.069,4	44,2	99
Sales in foreign markets - real	1.053,9		995,1		106
Total sales - real	2.436,0		2.346,7		104
<i>Total revenues from sales</i>	2.436,0	100,0	2.421,0	100,0	101

SALES BY PRODUCT GROUPS

PRODUCT GROUP	Revenues from sales		Revenues from sales		Index
	1. - 12. 2000.	%	1. - 12. 1999.	%	
					2:4
Vegeta	644,9	26,5	720,0	29,7	90
Vegeta - real	644,9		645,8		100
Pharmaceutical products	522,3	21,4	477,9	19,7	109
Meat and meat products	282,3	11,6	277,6	11,5	102
Soups	184,9	7,6	146,9	6,1	126
Merchandise	128,1	5,3	151,1	6,2	85
Processed vegetables	99,5	4,1	100,3	4,1	99
Children's food	99,5	4,1	99,6	4,1	100
Confectionery products	72,1	3,0	76,9	3,2	94
Mineral water	58,5	2,4	50,6	2,1	116
Processed fruit	41,0	1,7	39,1	1,6	105
Other	302,9	12,4	281,0	11,6	108
Total sales - real	2.436,0		2.346,7		104
<i>Total revenues from sales</i>	2.436,0	100,0	2.421,0	100,0	101

STRUCTURE OF COSTS IN 2000/1999

COST			in 000 kn		
	1. - 12. 2000.	%	1. - 12. 1999.	%	Index
Material costs	1.395.727	56,96	1.423.402	56,31	98
Personnel costs	508.237	20,74	461.851	18,27	110
Depreciation	152.496	6,22	128.072	5,07	119
Other costs	285.979	11,67	298.716	11,82	96
Financing costs	104.657	4,27	132.699	5,25	79
Extraordinary costs	3.455	0,14	83.030	3,28	
Total	2.450.551	100,00	2.527.770	100,00	97

STRUCTURE OF MATERIALS COSTS

TYPE OF COST			in 000 kn		
	1. - 12. 2000.	%	1. - 12. 1999.	%	Index
Raw materials	812.224	58,19	735.895	51,70	110
Purchase value of goods sold + dependent costs of purchasing abroad	176.329	12,63	332.743	23,38	53
Energy costs	59.760	4,28	51.263	3,60	117
Transport	68.436	4,90	55.299	3,88	124
Sales promotions	184.573	13,22	139.160	9,78	133
Servicing and spare parts	29.126	2,09	20.871	1,47	140
Services (municipal, consulting, design)	59.465	4,26	55.429	3,89	107
Other	5.814	0,42	32.742	2,30	18
Total	1.395.727	100,00	1.423.402	100,00	98

SHAREHOLDER STRUCTURE

The shareholder structure of Podravka d.d. on 31 December 2000 was the following:

ORDINARY SHARES	value	%
EBRD	190.800.000,0	10,53
Croatian Privatization Fund	174.812.400,0	9,64
Croatian Pension Fund	55.323.600,0	3,05
Other legal entities	736.396.500,0	40,62
Individuals	635.649.600,0	35,06
Treasury shares	19.826.700,0	1,09
Total	1.812.808.800,0	100,00

test your
senses



The First



The Second

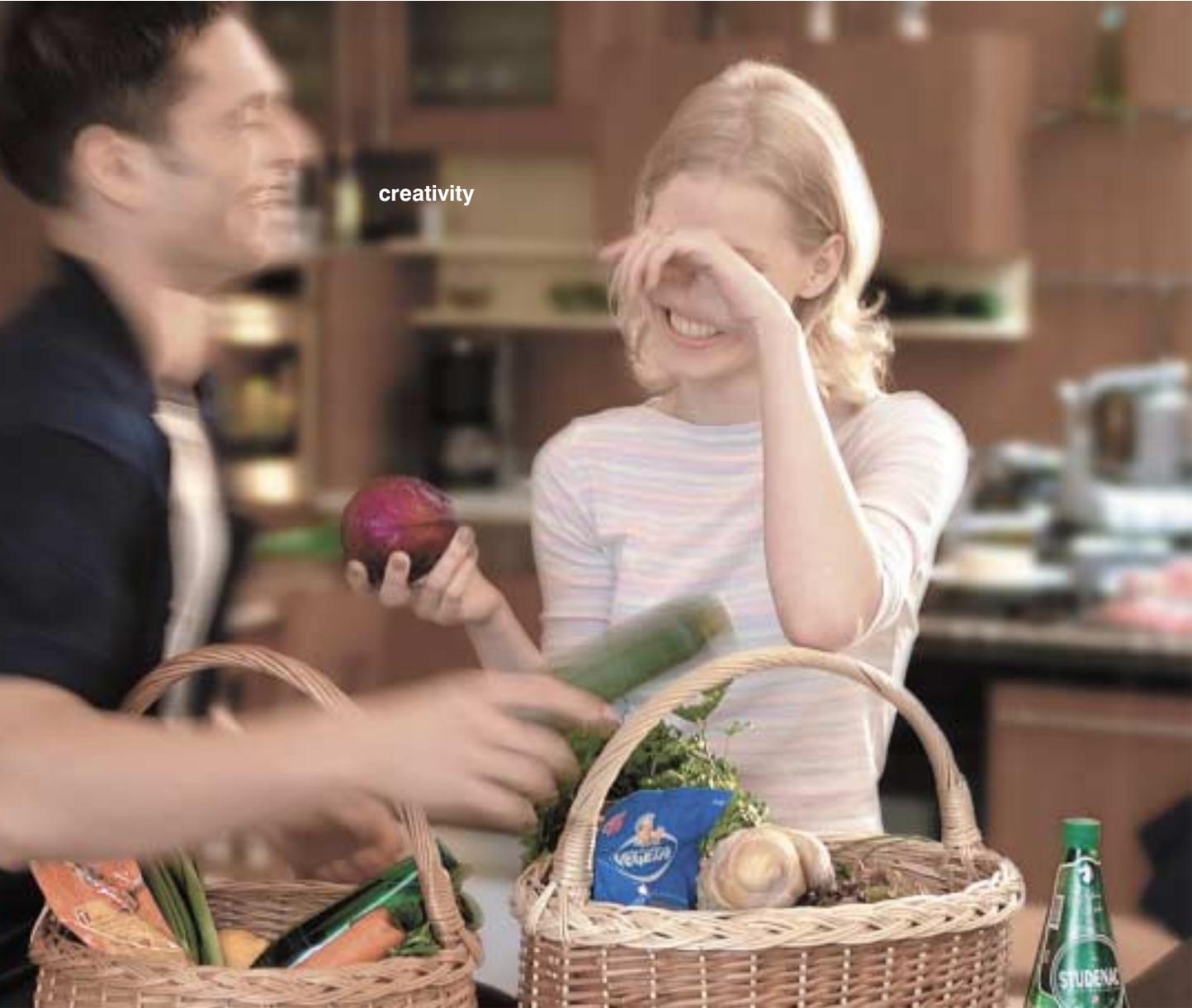


The Third



The Fourth

Can you recognise a real orange?
Touch each of the oranges shown above
and decide which the real one is.
The right answer is at the end of the book.



creativity

VEGETA

Vegeta is an original, natural and universal food supplement made of seven kinds of dried vegetables and a unique composition of natural spices. Vegeta was created by a team of Podravka experts led by professor Zlata Bartl in 1958, and its recipe has been kept a secret for the more than forty years that Vegeta can be found in markets world-wide.

Vegeta first appeared in the market in 1959 under the name Vegeta 40, and its packaging was characterized by its blue colour and the well-known picture of a chef, which became a symbol of quality.

The Yugoslav market of the time received Vegeta with enthusiasm and it soon became indispensable in almost every kitchen in the country and a must for every housewife. The growing demand for Vegeta in the domestic market initiated the planning of exports. The export of Vegeta began in 1967, first to the Hungarian and Russian markets, and soon Vegeta was exported to Austria, Sweden, Western Germany and Czechoslovakia, finally arriving in the most distant continent, Australia, in 1972. Today Vegeta is Podravka's most important single product, with a 26.4% share in Podravka's total sales, and is sold in more than thirty countries.

No product offers more imagination and creativity in the preparation of food than Vegeta. This can be seen in the dozens of Vegeta cookery books and thousands of recipes that have been gathered and perfected at the Podravka Culinary Centre and in the popular gastronomic TV series "Great chefs' little secrets", which has been helping Vegeta consumers to show their own culinary creativity. Since its foundation, a little more than 50 years ago, Podravka has become more than a mere food producer; it has become a food industry which operates in the global market and develops gastronomy with the aim of not just satisfying its customers but delighting them.

The forty-two-year history of Vegeta is a history of the success of one of the rare authentic Croatian products. In spite of continuing strong foreign competition and constant attempts at counterfeit, and in spite of marketing theories on the life-cycle of a product, this world-popular universal food supplement has been winning new markets and thrilling new consumers. In 2000, Vegeta presented Vegeta Twist special food supplements in order to attract younger consumers.

The new Vegeta plant in Koprivnica is based on the closed, dry production process which does not have a negative

effect on the environment. The production process is completely computerized, which ensures reliable process control, high functionality and complete assurance that the finished products will conform to the required organoleptic and hygiene standards. The plant was designed to allow the expansion of the production of Podravka soups.

Podravka's policy when entering new markets, especially those of the CEFTA countries, is to organize production in these countries in order to avoid high import duties and be competitive and then to expand from these countries, which have special contractual forms of co-operation with the EU, towards Western Europe.

The first investment to this end was the construction of the Vegeta plant in the Hungarian town of Mohac, which commenced production in 1996.

The new Vegeta plant in Poland

The new Vegeta, Soup and Powdered Products plant in the tax-free zone at Kostrzyn in Poland commenced production in March 2000.

This investment ensures greater profitability primarily in the Polish market, today the most important foreign market for the sale of Vegeta. Moreover,



analysis

other strategic effects will be achieved: increased competitiveness in the Polish market and other markets nearby, easier distribution in the Polish market and its neighbouring markets, and overall stability of operations in the region.

PODRAVKA DISHES

Local and regional tastes are taken into account when creating Podravka Dishes - a wide range of high-quality practical products that leave room for creativity and imagination in the kitchen.

The Podravka Dishes brand comprises packet soups, soup cubes, Fini-Mini instant soups, Fant/Fix special seasonings, Talianetta semi-ready pasta or rice dishes, and soup supplements of semolina or liver dumpling.

Podravka Dishes is the second most important group of products in the Podravka portfolio, with 14% of total sales in 2000. The business programme of the Podravka Dishes group was strongly innovated with new subgroups and new kinds of products - a total of 22 kinds of products and about fifty packagings.

The new products are the result of thorough market research and of following the trend toward practical products. The most important group of

products in this business programme is Podravka packet soups with a 60% share in sales. In 2000, the sales of packet soups grew to 32%, mostly from sales in Croatia (30%), Macedonia (16%), Bosnia-Herzegovina (14%) and Hungary (9%). Podravka soup cubes, accounting for 16% of the Podravka Dishes group sales, can be used in the preparation of delicious soups of homemade taste and other salted dishes. Sales grew to 17%, the most important markets being Croatia, Slovenia and Africa.

Fant/Fix products are made of selected vegetables with a specific combination of spices intended for the preparation of meat dishes, stewed beans, fish soups and sauces.

Fant/Fix products had a 16% share in the sales of the Podravka Dishes group and achieved a 7% sales growth. The Talianetta group of semi-ready pasta-based dishes was expanded with risottos in five flavours. They achieved a sales growth of 64%, and the most important markets were Croatia with a 51% share, the Czech Republic with 14% and Hungary with 10%.

The instant soup group (Fini Mini) was successfully introduced to all the key markets and expanded with new kinds adjusted to individual markets. In 2000, sales increased by 80%.

30% of sales were generated in the Czech Republic, 27% in Croatia, 16% in Hungary and 15% in Slovakia.

Podravka Dishes are sold in 33 countries. In 2000, sales grew by 25%.

CHILDREN FOOD

Podravka's broad range of branded children food products was named after its symbol, the popular teddy bear Lino. Lino children's food is dehydrated food in the form of cereal flakes.

Each Lino product is highly nutritious and is therefore recommended as a milk meal substitute for babies. The biggest consumers of Lino children's foods are children aged one to twelve, teenagers, and also adults in need of a light meal. Lino children's food is sold in Croatia, Slovenia, Bosnia-Herzegovina, Russia, Yugoslavia and Macedonia, and in quantities smaller than 20 tonnes in Australia, America, Russia, Hungary, the Baltic States and Slovakia.

LINO LADA

Lino lada is a milk cream product based on milk, hazelnuts and chocolate.

Thanks to the energy contents of its ingredients, and especially the increased content of milk (protein and calcium for the



education

development of children's bodies), Lino lada is an ideal food supplement for children and sportspeople.

Besides Croatia, Lino lada is sold in Slovenia and Bosnia-Herzegovina and occasionally in the USA.

Lino Munchy Meals are breakfast cereals containing natural ingredients; they give energy and make the body healthy and strong.

They are intended for children aged between 4 and 12, teenagers and all others in need of a light meal.

Lino Munchy Meals are sold in Croatia, Slovenia and Bosnia-Herzegovina.

The most important group of Lino products is children's foods, accounting for 74% of total production, while Lino lada accounts for 16%, Munchy Meals for 6%, and other products within the Lino group for 4%.

Lino children's foods recorded a 7% sales growth compared to 1999. In the same period, Lino lada recorded a 24% growth, while sales of other products increased by 3%.

In 2000, Lino brand sales grew by 5% compared to 1999.

DOLCELA

The Dolcela brand, the range of sweet and powdered products, includes dessert products, products for the preparation of cakes,

confectioneries and puddings, wafers and Dolcafe Cappuccino. Confectioneries are more than mere food; they are pleasure, magical and imaginative.

Dolcela follows that idea with its design, lightness and quality. These products, which enable the preparation of delicious and light desserts, are aimed at young, ambitious and modern women.

Dolcela products follow the trend of low-calorie products; they are light desserts which can be prepared according to the recipe printed on the packaging or as a regional speciality, depending on one's imagination and preference. From desserts to confectioneries, Dolcela gives you all you need to put some imagination in your sweet creations.

This group of products is characterized by the quick and easy preparation of desserts and cakes. The Dolcela brand products are sold in dozens of markets throughout the world, from Croatia, Slovenia, Bosnia-Herzegovina and Macedonia, to Sweden, America and Australia. In 2000, Dolcela accounted for 5.5% of Podravka's total sales.

The redesign of all products in the Dolcela brand range for 2000 was completed, and work was carried out on the development of new products that will be introduced to the market in 2001. The most important group of

products in the Dolcela range is confectionery products, with 33% of total sales of the Dolcela brand, then toppings with 28%, products for the preparation of desserts with 24% and wafers with 14%.

FRUIT, SNACKS AND TEA

The fruit, snacks and tea product range comprises several groups of products: processed fruit, Kviki salted snack products, tea, sugar for catering, Diekal sweetener, flour, breadcrumbs, ready-cooked pastry cases, half-baked pastry and "mlinci" baked pastry sheets.

The main market for this group of products is the Croatian market, accounting for 76% of total sales in 2000.

The market position of the mentioned groups in Croatia is dominant or strong and the intention is to enhance it both by continuous innovations in the product range, as the result of following trends in consumers' habits and spending, and by continuous marketing activities.

Long experience and tradition in the production of marmalade and jam resulted in new tastes and new marmalade packaging. All Podravka processed fruit is made of selected fruit with natural apple and citric pectin, and the new strawberry, raspberry and blackberry marmalade range does not contain preservatives.



research

Kviki salted snacks are nibbles which you can enjoy everywhere and at all times, with friends, family or alone.

In 2000 the tea group was enriched by a new range of teas which is increasingly penetrating Croatian and foreign markets.

The mills of the Podravina region produced a wide range of new kinds of flour (rye, maize and various mixtures), while the bakery produced pastry cases for the fast preparation of cakes at home. The demand for these products is large and difficult to meet.

Following the trends of half-baked products, half-baked pizza dough was placed in the market, and activities relating to the completion of the half-baked product range will be continued this year.

VEGETABLES AND CONDIMENTS

Podravka vegetables include sterilized vegetables products (peas, green beans and carrot), pasteurised vegetables (cucumbers, peppers, beetroot, hot chillies and mixed salad) and delicacy vegetables (button mushrooms and olives). This group of products also includes tomato-based products (double concentrate, tomato puree, chopped tomatoes, tomato juice and skinned tomatoes). "Ajvar" (pepper relish), mustard,

horseradish and ketchup make a special group of condiments or food supplements.

Sterilized, tinned and delicacy vegetable products are healthy and quality products, without preservatives, and of mild taste acceptable to all consumer groups. They are made of the best raw materials, controlled while still in the soil, picked at the most favourable moment and processed with the most up-to-date technology, preserving the valuable ingredients and fresh colours. They make a delicious salad or side dish and can be served any time, any place and with anything. The vegetables are processed in the Kalnik Factory in Varaždin, where Podravka "ajvar", mustard and horseradish are also produced. With its tomato-based products which bring "the Mediterranean sun to your table", Podravka joined the "tomato evolution" in modern and traditional cuisine. Podravka's tomato-based products are low-calorie, nutritious and without preservatives. Their quality gives you the pleasurable taste of fresh tomatoes grown on Istrian fields. They are produced in the Povrce Factory in Umag, where Podravka ketchup is also produced.

The products in the Podravka vegetables and condiments group are sold in Croatia, Slovenia, Bosnia-Herzegovina, Australia, Germany, the USA

and Canada, while "ajvar" is also sold in Poland, Slovakia, Austria, Sweden, Norway and Switzerland.

This group of products accounted for 4.08% of total sales of the Podravka Group. Pasteurised, sterilized and delicacy vegetable products accounted for 45% of this product group's sales, followed by tomato-based products with 21%, "ajvar" with 18%, mustard with 11%, horseradish with 4% and ketchup with 1%.

In 2000, sales of Podravka vegetables and condiments products were 3% up on 1999.

PODRAVKA BEVERAGES BUSINESS PROGRAMME

Mineral water has been bottled in Lipik, where the Studenac plant is located, since 1875, when it was used for medicinal purposes by those who could not afford to stay at this trendy health resort. In time, while retaining its medicinal use, it has become a quality and refreshing beverage.

Three groups of products are produced in the Studenac Plant in Lipik: Studenac mineral water, Studena natural spring water and Deit low-carbonated non-alcoholic drinks in five different flavours.

Studena is a natural spring water. With a small percentage of minerals, especially nitrate, and biologically clean, Studena



team-work

spring water is a real gift of nature in the glass.

The amount of nitrate in Studena amounts to 9.5 mg/l, which is ten times less than the quantity of nitrate in some non-carbonated mineral waters.

Besides nitrate, Studena contains other minerals useful for daily bodily needs - magnesium, which strengthens the body's immunity, calcium, which helps in the growth of bones and teeth, bicarbonates and chlorides, which regulate acids in the stomach and digestive tract. Studena natural spring water refreshes the body and, thanks to its characteristics, is suitable for children.

Studenac is a natural mineral water containing a perfect balance of minerals. It is preserved from all pollution at a depth of over 400 metres. This sparkling drink has a full taste and is excellent for mixing with wine and juice. We were the first in the market to introduce premium packaging of Studenac in glass bottles of 0.75 and 0.25 litres. These are products of modern design that give water the importance it has and that it will have in the future.

The products are intended for catering, and, thanks to their design and the flawless clarity of the bottles, they can be found on the best-set restaurant tables. Besides water, Podravka's plant in Lipik also produces Deit low-

calorie drinks in five different flavours. Deit is an ideal product for people of all ages who try to combine good refreshment with a low calorie intake, because it has 40 times fewer calories than other juices and drinks with sugar.

GASTRO PROGRAMME

The development of the gastro programme is a continuous business process aimed at bringing profit to both Podravka and its customers. The aim is to show customers how the high quality and reasonable prices of the products in the gastro range will improve their business results while delighting their customers. The gastro team has been working on this project since 1998 and is at the disposal of all the other Podravka marketing and sales teams in Croatia and abroad.

In 2000, the gastro team was in charge of about 200 products and generated about HRK120m net, which from the point of view of quantity represents more than 13,000 tonnes of various products. The gastro team organized more than 120 mini-presentations at points of sale for small customers, around 30 presentations for large customers (hotel chains, halls of residence, hospitals and so on) and around 40 professional seminars and forums. They also par-

ticipated in two specialized food fairs and organized a competition for gastro customers called "Colour your meals with new tastes".

Members of the gastro team, and especially gastro promoters, participated in the "Croatia in the heart" exhibition in Lugano, Switzerland, a presentation of Podravka and Croatian cuisine in Istanbul, Turkey, the French encyclopaedia "The World of Delicacies", which was printed in one million copies in five languages and a presentation for 310 top chefs in Istanbul.

The gastro team was strongly involved in the development of gastro projects on the Croatian model but respecting local market specifics in the countries of Podravka International - especially the Czech Republic, Poland and Hungary.



precision

Belupo d.o.o. is a generic pharmaceutical company with the strategic aim of expanding its business activities to new markets in Central and Eastern Europe. Our experts are dedicated to finding the best solutions for improving the quality of life of the sick and preserving the health of the general population. All our products comply to the rigorous quality standards and great attention is paid to compliance to international standards of uniform quality during the whole process of production, from the source of raw materials to the end product aimed at curing or preventing disease.

THE CROATIAN MARKET

The drug market in the Republic of Croatia in 2000 was marked by changes that had a strong impact on sales, particularly a decrease in the prices of drugs that are on the official list of the Croatian Health Insurance Institute and the expansion of the list. In addition, the average collection period from the Croatian Health Insurance was 120 days, which had a negative effect on liquidity. In spite of that, the revenues of the pharmaceuticals range recorded growth and were the second largest within the Podravka Group.

The appearance of a large number of competitors' drugs in the market, the expansion of the official list and the reduced prices of some drugs, which averaged 4% for Belupo, necessitated increased marketing activities and fast adjustment to the new circumstances in the market.

The sales of Belupo ethical drugs in the Croatian market accounted for 80% of total sales in all markets, which was an increase of 5.6% compared to 1999, while total sales of Belupo products rose by 7%.

The groups of focused drugs generated 78% of total drugs sales, with cardiovascular drugs recording the greatest growth.

The sales of cardiovascular drugs rose by 11% compared to 1999, which is more than 48% compared to the other focused groups.

Drugs from the four focused anatomical-therapeutic-chemical groups achieved the biggest share in total sales, with cardiovascular drugs accounting for 50%, dermatological preparations for 6%, drugs that affect the osteomuscular system for 11%, and drugs that affect the nervous system for 11%. Anti-infective drugs accounted for 13% of total sales. In 2000, Belupo launched two new drugs under a licence agreement with Hoffmann-La Roche and SmithKlein Beecham: Carvedilol (carvedilolum) and Seroxat

(paroxetine), both new chemical identities, the first from the cardiovascular drugs group and the second from the nervous system drugs group. The new medicines belong to focused therapeutic groups, and their choice is in line with the mission of Belupo which emphasizes dedication to the constant improvement in the quality of life of patients.

It is important to emphasize that there is a growing trend in Croatia of self-healing as health insurance expenses increase. While Belupo has been producing natural medicines and dietetic products for years, it responded to the increased market awareness of the necessity of health care and preventive therapy by changing the issue status of some of its drugs (without prescription, or OTC drugs) and expanding its points of sale (besides pharmacies and drug stores). Belupo herbal preparations are almost the only ones in the Croatian market registered as natural drugs (there are only four other herbal preparations registered as natural drugs). At the same time, Belupo dedicated its marketing activities to raising awareness of active health care through the project "Through Education to Health". This should position Belupo as an important factor in the health education of employees in health care institutions, patients

planning



and consumers and help affirm self-healing in line with world health trends.

Total sales of non-prescription products (OTC drugs, natural drugs and dietetic products) increased by 27% compared to 1999.

There are two more programmes within Belupo non-prescription products: disinfectants, whose sales rose by 21% compared to 1999, and dental preparations, whose sales rose by 4%. In 2000, the cosmetics products range was expanded with a new shampoo line. Cosmetics grew by 6% compared to 1999 and accounted for 5% of total sales.

FOREIGN MARKETS

The main foreign markets of Belupo are Central and Eastern Europe and the countries of former Yugoslavia. Foreign sales accounted for 11% of Belupo's total sales in 2000. Growth was achieved in Slovenia (7%), Bosnia-Herzegovina (28%), Macedonia (1%), Slovakia (18%), the Russian Federation (116%) and Kazakhstan (80%). Sales in the Czech market were slightly down on 1999, while total exports to all the markets were up 16%.

The pricing and discount policy was changed in most markets,

and only those drugs that could be competitive and achieve increased market share were focused. Of the four focused groups of Belupo drugs (cardiovascular drugs, osteomuscular drugs, nervous system drugs and dermatological drugs), the strategic group in export is the dermatological drugs group, with a 46% share in total exports.

In the market of Bosnia-Herzegovina, two new licence drugs, Carvelol and Seroxat, were registered; the latter was also registered in Slovenia. In the Czech market, co-operation was set up with the Czech generic company Leciva, which produces Belosalic lotion for the Czech market under contract for Belupo. Representative offices were registered in 2000 in Russia, Slovakia and Yugoslavia, newly opened markets with considerable potential.

PRODUCTION, RESEARCH AND DEVELOPMENT

One of the most important processes in 2000 was the transfer of technologies for solid form drugs of non-antibiotic origin from other Belupo plants to the new production complex in the Danica industrial zone which meets the standards of Good

Manufacturing Practice (GMP). All three production plants (Production of Drugs - Ludbreg, Production of Semi-solid Form Drugs and Production of Solid Form Drugs) were given production licences by the Ministry of Health. In addition, Belupo was given a production licence for its pilot plant, confirming that the production of clinical samples takes place in a GMP-compliant environment. The licence also enables series production for those markets that require production on small capacity machines.

During 2000, 23 production processes for tablets or capsules were transferred to the new plant, while eight the other were prepared for transfer in the first quarter of 2001. Licence preparations of the Irumed and Iruzid groups were also transferred after passing the technical inspection with the highest rating that Merck Sharp & Dohme awards to its licence partners. Twelve validation examinations were run on these drugs according to the strict and very extensive criteria of the licence partner, and the results were approved by MSD experts. Inspections were also carried out by other licence partners, such as Hoffmann-La Roche and



implementation

SmithKlein Beecham. Five new drugs from our own development and five from licence cooperation were put into production in 2000. Five new packagings of already registered drugs were also introduced to the market. Total production increased by 33% over 1999.

Two new drugs and five existing drugs in new forms of packaging were registered in Croatia. Furthermore, 76 registration renewals were completed in Croatia and 39 applications for adjustments were approved, mostly arising from the transfer of production procedures to the

new plant but also from changes in the manner and place of issue (transfer to OTC status), clinical data and the way of marking drugs. 85 first registrations, 40 registration renewals and 11 registrations of changes were completed abroad.



distribution

DANICA meat industry d.o.o. Danica d.o.o. is a limited liability company wholly-owned by Podravka. Danica has a long tradition of producing quality products that are well accepted by consumers in Croatia and in the countries of the region. Production is carried out in three plants: an abattoir, a tinned meat plant for beef goulash, pâtés, pressed meat products and ready and semi-ready meals, and a plant for cured meat and sausage products. Danica pays special attention to quality control and consumer health protection. During 2000, all parts of the company were inspected by the

inspectors of the European Commission's Office for Foodstuffs and Veterinary Medicine and of the US Ministry of Agriculture. The results of the inspections were satisfactory and the licence was granted to export products to EU countries, the USA, Australia, Canada and other countries that accept EU and USA inspection licences. The licence for further usage of export number HR 139 was also issued. Sales of meat and meat products accounted for 12% of total sales of the Podravka Group, of which 88% was generated on the domestic market and 12% on foreign markets. Danica products are exported to Slovenia,

Italy, Austria, Switzerland, Germany, Yugoslavia and other countries. It was intended to divest Danica d.o.o. in the course of 2000. Privredna banka Zagreb was chosen as financial adviser in the process of finding a strategic partner. However, none of the five offers received after the international tender was satisfactory and none of them was accepted. The Management Board of Danica d.o.o. was changed at the beginning of 2001 and a three-year business plan was drawn up with the aim of running the company at a profit.



positioning

The long-term goals of the Research and Development Division are to develop a strong personnel and technological base and to develop its technical staff to be able to also work in production, purchasing, marketing or sales, according to company needs or their own preferences. Emphasis is placed on the development of individual knowledge and skills, and on joint efforts of staff members to enable the individual to achieve his maximum personal potential to the benefit of himself and the company.

In line with Podravka's business policy of growth and development, the main activities in 2000 were aimed at product range innovation, the application of the SAP R/3 integral information system, further improvement in health and process quality control, and continued implementation of the environmental protection programme.

INNOVATIONS

One of the key strategic orientations of the Podravka Group is permanent product innovation, through qualitative improvements in line with the development of new technologies and knowledge, and the development of new products.

1. The development teams are divided according to product groups, and the six teams developed 136 new products and 209 innovated products, a total of 345. The development of soups and

supplements: 18 new and 68 innovated products within the Vegeta brand and 58 new and 28 innovated products within the Podravka Dishes brand

2. The development of confectioneries: 56 innovated products

3. The development of children's food: 3 new and 12 innovated products

4. The development of beverages: 4 innovated products

5. The development of flour-based confectioneries: 12 new products

6. The development of fruit, vegetable and tea products: 45 new and 41 innovated products.

This development of new and innovated products in 2000 provides the foundation for further growth and justifies the overall business policy of growth based on Podravka's own knowledge, work and investment.

Investment in development is considered to be the most profitable and best quality investment for the future.

In addition to innovation and development, Podravka is also oriented toward the expeditious use of new, sophisticated technologies that enable improved quality, improved cost control and improved business overall.

QUALITY CONTROL AND IMPROVEMENT

The overall philosophy of quality control is based on preventive

measures. Quality control is carried out in two central laboratories and nine control laboratories in the production plants. Control according to strict quality and health parameters is carried out on raw materials, work-in-progress and finished products as well as packaging and the technological processes. The laboratory services are operated according to the standards of Good Laboratory Practice (GLP) and Good Manufacturing Practice (GMP). Implementation of the highest standards is ensured by adherence to the principles of Hazard Analysis of Critical Control Point. In order to ensure the absolute health safety of our products, 40,000 microbiological analyses were carried out in the central microbiological laboratory in 2000, and 20,000 analyses were performed in the central physics and chemical laboratory. Special attention was paid to monitoring the production and storage facilities and contact with suppliers with whom we have been developing partnership relations. In addition, there is continuous work on the project of improving laboratory practice according to the international HRN EN 45001 standards. The implementation of these standards, which provide general criteria for the work of all laboratories, enables the application of high international standards and greater overall efficiency. Activities relating to the validation of methods were intensified in 2000.



promotion

Podravka has been systematically working on environmental protection since 1976, when the mechanical and biological cleansing plant for meat industry waste water was constructed. This was the first plant of its kind in this part of Europe. Since then, Podravka has invested considerable funds in environmental protection, knowing that healthy food and drugs can be produced only in a clean and healthy environment. Today Podravka has three waste water cleansing plants for the "Danica" industrial plants in Koprivnica, and the other plants are connected to the municipal plant whose biological part will be partly financed by Podravka. The waste water from Podravka's industrial plants meets the legal requirements, but our company is striving for better results. With this in mind, activities have been carried out in order to decrease water consumption through its multiple use, which enables savings in water of 50% provided that the plumbing is fully functional. Air protection is implemented through the use of gas as the cleanest source of heat energy, while CFCs in cooling plants were replaced by allowed substances several years ago. In this way, Podravka respects the Montreal Agreement on the pro-

tection of the ozone layer.

Technological waste is sorted at the place of its origin and placed in containers which are driven away by specialized companies. Special attention is paid to the collection of waste paper, which is systematically collected in all production plants and offices and driven away to be recycled.

With regard to waste packaging disposal, Podravka was one of the founders of the OHO (Recycling of Croatian Waste) system for collecting and recycling waste packaging.

Hazardous waste is incinerated at the PUTO incinerator in Zagreb, and other non-hazardous waste is driven away to the municipal waste dump.

Further efforts will be directed toward the implementation of ISO 9000 standards in overall operations and ISO 14000 in environmental protection.

Moreover, in 1998 Podravka drew up a five-year action plan of environmental protection in co-operation with the EBRD. According to this plan, Podravka is obliged to invest DEM1,600,000 in the improvement of environmental protection.

Numerous improvements have been made relating to environmental protection such as the construction of mineral oil ware-

houses and dumps in all plants, the equipping of warehouses for hazardous substances, the introduction of gas emission monitoring, the replacement of part of the asbestos cover panels, the protection of fuel tanks against possible accidents and the reconstruction of the waste water cleansing equipment at the yeast plant and abattoir.

Podravka is one of the founders of the Croatian Business Council for Sustainable Development (HR-PSOR) and has assumed its part of the responsibility for global development and environmental protection - to produce more with less energy and less influence on the environment through the development of technology. With that purpose, energy saving measures - through the HAVAC system - have been implemented, alongside a whole series of measures aimed at cleaner production. Our basic goals are: environmental protection, so we can produce food and drugs in a clean and healthy environment, the health protection of employees and their families, protection of the population and decreased costs of operations, leading to an increase in the general standard.



investment

Podravka has always paid special attention to fostering good relations with the communities where it has built its plants in its fifty-year history. Indeed, Podravka has become a paradigm in Croatia for social responsibility and social sensitivity.

This particularly refers to Koprivnica, where Podravka has its headquarters. When people say that the town has grown with Podravka, these are not empty words. For many people, the name 'Podravka' is better known than the name of the town in which it has developed. Every step in the company's development has had an impact on the town, from further employment to improved infrastructure. Perhaps this is most widely seen in Podravka's sponsorship of culture and sport, which has spread the names of Koprivnica and Podravina throughout Europe and the world. Podravka helped local artists in the Podravina region to establish themselves, and their work became known as the Naïve movement and became a world phenomenon. And Podravka helped the women's handball team of Koprivnica, wearing the well-known logo of the red-and-white heart and a colourful rooster, to become European champions. However, there has been a change in recent years. The new

ownership structure, the necessity to restructure the company and the need for strong penetration into demanding foreign markets has brought a change in Podravka's perception of its relations with the local community. Podravka cannot be a financial 'service' for projects that are not in its clear interest. Nor can it be a social 'valve' for the many in Croatia who are looking for employment. A successful company like Podravka has its business vision and very demanding aims, which must be respected by its environment.

This does not mean that Podravka is building a wall between itself and Koprivnica, Kostrzyn, Mohac, Hoce and the other places in which it has developed, nor does it mean that Podravka has become indifferent to local problems. When the company recently decided to sell its holiday facilities in Pirovac, it did not go for the extra kuna but first offered it to the Koprivnica town authorities, who had agreed to develop the premises with a humanitarian function.

Moreover, the company will continue to sponsor various socially-useful organisations and gifted individuals. It wishes to be actively involved in the construction of a new secondary school building in Koprivnica, since it is in its interest that its future

employees have a better education. It also wishes to develop co-operation with small and medium businesses in the surroundings. In short, Podravka wishes to develop its relations with the local community so as to improve the quality of life there and to satisfy the needs of its employees, their families and the local inhabitants.

Podravka applies this model of social responsibility to its subsidiaries abroad. It had a long tradition in this in Hoce in Slovenia, with too many examples to mention here. Mohac is an example of how to act to mutual benefit, taking special account of employee motivation. In Kostrzyn in Poland, Podravka invested into the creation of the tax-free zone, insisting on high professional and technical standards. Podravka has proved itself to be a good partner in all the local communities in which it operates.



SUCCESS

Our aim in Podravka is to make an optimum use of the knowledge and skills of our employees in order to achieve good business results and to enable our employees to feel satisfaction with their work and the company.

Permanent personal and professional development enables employees to be inventive and creative and to take personal responsibility for their work. The constant goal is to satisfy our business partners and consumers by improving the quantity and quality of our services. The open communication between management and staff creates an atmosphere of mutual trust and co-operation.

EMPLOYMENT

In 2000, as in previous years, the employment policy was directed at highly-educated young and able candidates. Information about potential candidates comes not only from the numerous job applications but also from students' associations and various faculties at the University of Zagreb. The Podravka Group took on about 70 new highly-educated employees in 2000, including 35 trainees mostly with degrees in economics and food technology.

TRAINING

Podravka has a system for the permanent personal and professional development of employees of all levels of qualification in order to enable them to better perform their tasks at the company. Managers select candidates for training according to the candidate's work performance, potential and development plans.

The training budget for the Podravka Group is set at 2% of the annual gross salary costs. Special attention is paid to training in specific fields of expertise and to management training. Training is also provided for the general skills that are needed for successful job performance, such as foreign languages and computer skills. In 2000, the following started education programmes at educational institutions, in accordance with the needs expressed by the organisational units within the Group:

- 235 in secondary school programmes
 - 16 in college programmes
 - 12 in graduate programmes
 - 17 in postgraduate programmes.
- There were also 37 in postgraduate programmes who had started their studies earlier.

In 2000, a fourth generation of Podravka employees (19 employees) completed the General Management programme at the Center-Bled

Business School. The programme, developed in co-operation with Podravka over the last few years, is specially tailored to Podravka's needs. In addition, there is a continuous programme for the development of the ten competencies that are key to the successful performance of management tasks. Foreign language training was organized through specialized schools, and IT training was carried out by Podravka's own experts.

GROWTH AND DEVELOPMENT - PROMOTION AND CAREER

Podravka pays close attention to employees and their career development and promotes according to performance, expertise and skills. Special attention is paid to young experts. A succession map has been devised for key positions in each functional area within Podravka.

MOTIVATION

Staff and management motivation is enhanced by a performance evaluation system, which is the basis for improving the reward system and the system for stimulating management to achieve better business results.

test your
senses



Can you see a real carrot?
The right answer is at the end of the report.

**The Shareholders
Podravka d.d. and Subsidiaries**

We have audited the consolidated financial statements of Podravka d.d. and its subsidiaries at 31 December 2000 and at 31 December 1999, set out on pages 49 to 81. We have likewise audited the half-year consolidated financial statements at 30 June 2000 and 30 June 1999. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of all foreign subsidiaries have been audited, those of the more significant entities by local Ernst & Young auditing firms. All audits were performed on the basis of instructions issued by us.

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

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2000 and at 31 December 1999, the results of its operations and changes in its cash flows for the periods then ended in accordance with International Accounting Standards. The asset valuation as of 31.12.1999 has been adjusted to conform with the principle of the true and fair view.

ERNST & YOUNG
Wirtschaftsprüfungs-und
SteuerberatungsgmbH

HODICON D.O.O.
Revizorska tvrtka
Koprivnica, Hrvatska

Vienna, March 16, 2001

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2000

(expressed in 000 HRK)

ASSETS	Notes	31.12.2000.	31.12.2000.	31.12.1999.
Long-term assets				
Property, plant and equipment	3	1.828.423		1.867.998
Intangible assets	4	77.044		80.136
Other long-term assets	5	<u>102.551</u>		<u>114.704</u>
			2.008.018	2.062.838
Current assets				
Inventories	6	498.116		434.406
Trade accounts receivable	7	529.492		706.680
Other receivables and prepaid expense	8	110.930		127.430
Cash	9	<u>39.984</u>		<u>35.776</u>
			1.178.522	1.304.292
			<u>3.186.540</u>	<u>3.367.130</u>
Total assets				

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2000

(expressed in 000 HRK)

EQUITY AND LIABILITIES	Notes	31.12.2000.	31.12.2000.	31.12.1999.
Equity				
Share capital	10	1.812.809		1.812.809
Share premium account	10	12.001		12.001
Revaluation reserve	11	4.076		2.108
Legal and other reserves	11	13.048		119.034
Reserve for own shares	11	22.479		0
Retained profit (loss) - brought forward	12	44.010		-44.413
Profit for the period		79.960		20.953
Total shareholders' equity		<u>1.998.383</u>		<u>1.922.492</u>
Minority interests	13	<u>433</u>		<u>347</u>
Total shareholders' equity and minority interests			1.988.816	1.922.839
Long-term debt	14		389.212	479.886
Restructuring provision	15		62.504	64.000
Non-current liabilities			2.920	5.622
Current liabilities				
Trade accounts payable	16	299.879		359.733
Other payables and accrued liabilities	17	105.902		148.850
	17	212.106		216.185
Current portion of long-term debt	18	<u>125.201</u>		<u>170.015</u>
Short-term debt	19		743.088	894.783
			3.186.540	3.367.130
Total passiva				
Off-balance sheet liabilities	20		342.672	193.113

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000**

(expressed in 000 HRK)

	Notes	31.12.2000.	31.12.1999.
Sales	21.1./21.2.	2.435.976	2.420.942
Changes in stocks of finished and semi-finished products		5.790	16.637
Other operating income	22	37.432	57.048
		<u>2.479.198</u>	<u>2.494.627</u>
Cost of materials and bought-in services		-1.395.727	-1.423.402
Personnel expenses			
a) wages and salaries		-312.380	-281.090
b) expenses for statutory social payments and associated levies and mandatory contributions		-195.857	-180.761
		<u>-508.237</u>	<u>-461.851</u>
Depreciation of tangible and intangible assets	23	-152.496	-128.072
Other operating expenses	24	-285.979	-298.716
Operating profit		<u>136.759</u>	<u>182.586</u>
Interest income, earnings from securities and similar income		62.916	63.203
Interest and similar expenses	26	-104.657	-132.699
		<u>-41.741</u>	<u>-69.496</u>
Profit from ordinary activities before taxes		95.018	113.090
Taxes on income		-11.517	-9.078
		<u>-11.517</u>	<u>-9.078</u>
Net profit for the period from ordinary activities		83.501	104.012
Extraordinary items (net of tax)	27	-3.455	-83.030
Net profit for the period before minority interests		80.046	20.982
Minority interest		-86	-29
Net profit after minority interests		<u>79.960</u>	<u>20.953</u>

**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIODS FROM 1 JANUARY TO 31 DECEMBER 2000,
AND FROM 1 JANUARY TO 31 DECEMBER 1999**

(expressed in 000 of HRK)

	1-12/2000.	1-12/1999.
Cash flows from operating activities	Total	Total
Net profit before minority interests	80.046	20.982
Depreciation	152.496	128.072
Income applicable to minority interests	-86	-29
Foreign exchange differences - long-term assets		
Increase (decrease) in current assets:		
Inventories	-63.710	-21.063
Trade accounts receivable	177.188	-112.376
Other receivables and prepaid expenses	16.500	-27.591
	<u>129.978</u>	<u>-161.030</u>
Decrease (increase) in current liabilities:		
Trade accounts payable	-59.854	-25.727
Other payables and accrued liabilities	-42.948	52.281
Restructuring provision	-1.496	64.000
	<u>-104.298</u>	<u>90.554</u>
Decrease (increase) in non-current liabilities	<u>-2.702</u>	<u>2.244</u>
Cash provided by (used in) operating activities	<u>255.434</u>	<u>80.793</u>
Cash flows from financing activities		
Decrease in long-term debt	-90.674	-3.825
Decrease / Increase in short-term debt, net	-48.893	160.576
Cash provided by (used in) financing activities	<u>-139.567</u>	<u>156.751</u>
Cash flows from investing activities		
Purchase/Disposal of property, plant and equipment and intangible assets	-109.829	-394.427
Investm. in associates, other investm. and other long term loans	12.153	22.782
Minority interest in subsidiary companies (reserve movements)	86	29
Movement in other reserves	-7.168	-237
Increase of equity	0	78.900
Retained deficit - foreign exchange differences and other movements	5.245	0
Cash (used in) provided by investing activities	<u>-99.513</u>	<u>-292.953</u>
Dividends paid	-12.146	-17.226
Increase/Decrease in cash	4.208	-72.635
Cash at beginning of year	<u>35.776</u>	<u>108.411</u>
Cash at year-end	<u>39.984</u>	<u>35.776</u>

1. General information on the group

The parent company Podravka prehrambena industrija d.d., with its registered office in Koprivnica, Ulica Ante Starcevic 32, was originally registered in 1947. Following privatisation, the company was entered in the Commercial Court Register at Bjelovar on 1 October 1993. The company prepares annual financial statements as at 31 December and half year financial statements as at 30 June.

The companies within the Podravka group are engaged in the following activities:

- The manufacture of food products and non-alcoholic beverages.
- The marketing of wholesale and retail products.
- The export and import of food and non-food products.
- The operation of restaurants and hotels.
- The manufacture and distribution of medicines, pharmaceutical products, cleansing agents, cosmetic preparations, auxiliary medical devices and other chemical products.

An overview of the factories which are engaged in the production and distributing processes is shown in the following table:

<i>Factories</i>	<i>Products</i>	<i>Employees number</i>
A. PRODUCTION OPERATIONS:		
I. Factories in Croatia		
Podravka d.d., Koprivnica:		
Vegeta factory	Vegeta	125
Soups factory	Soups and food supplements	641
Baby food factory	Baby food	129
Linolada factory	Chocolate and hazelnutscream	68
Snacks factory	Different sorts of snacks products	129
Studenac factory, Lipik	Mineral water and beverage drinks	165
Umag factory (vegetables)	Tea, olives, tomato concentrate	96
Kalnik factory	Preserved vegetables	229
Fruit factory	Jam	122
Bakery	Bread, bakery products	83
Mill	Flour	100
Yeast factory	Yeast	110
Total Podravka d.d.		1.997
Belupo d.o.o., Koprivnica		
Factory "Belupo", Koprivnica	Kardio, Psiho, Rheumatism, Favora, Disinfectant	141
Drug factory, Ludbreg	Kardio, Psiho, Rheumatism, Favora	161
Cosmetic, Koprivnica	Cosmetics	29
Total Belupo d.o.o.		331

<i>Factories</i>	<i>Products</i>	<i>Employees number</i>		<i>Employees number</i>
Danica d.o.o., Koprivnica			C. DISTRIBUTION OPERATIONS:	
Slaughtery	Fresh meat	188	Podravka d.d., Koprivnica	962
Canned meat	Beef goulash, pate, finished and semi-finished food	263	Belupo d.o.o., Ljubljana, Slovenia	7
Sausage & smoked meat	Smoked meat and sausage products	81	Poni - trgovina d.o.o., Koprivnica	32
Total Danica d.o.o.		532	Podravka d.o.o., Sarajevo, BiH	36
All factories in Croatia		2.860	Podravka d.o.o., Skopje, Macedonia	14
II. Foreign factories			Konar GmbH, Geretsried, Germany	4
Sana d.o.o. Hoce, Slovenia	Powder products and biscuits	109	Podravka-International kft, Budapest, Hungary	51
Podravka- International kft. Mohacs, Hungary	Vegeta	86	Podravka d.o.o., Ljubljana, Slovenia	39
Podravka - Polska Sp.z.o.o., Kostrzyn, Poland	Vegeta	175	Podravka-International Pty Ltd, Sydney, Australia	7
All foreign factories		370	Podravka-International s.r.o., Bratislava, Slovakia	27
All production operations I+II		3.230	Podravka-International spol s.r.o., Prague, Czech Rep.	41
B. SERVICE OPERATIONS			Podravka-International Sp. z o.o., Warsaw, Poland	120
Koprivnicka Tiskarnica d.o.o., Koprivnica	Printed products (packaging, forms)	129	All distributing companies:	1.340
Podravka - Inzenjering d.o.o., Koprivnica	Projects	29	Total / production, service and distribution (A+B+C)	<u>4.772</u>
Hotel Podravina d.o.o., Koprivnica	Hotel business	44		
All service factories		202		

As of 31 December 2000 the Podravka group employs an average production workforce of 4.772 employees.

The company's financial statements are expressed in thousands of Croatian Kuna.

2. Summary of significant accounting policies

a) General

The financial statements of the group have been prepared in accordance with the accounting and reporting requirements of the Standards issued by the International Accounting Standards Committee and the Croatian accounting regulations.

The financial statements for the period ended 31 December 2000 have been prepared using the historical cost convention method except for certain assets (e.g. property, plant and equipment) which have been included in the financial statements at revalued amounts. The financial statements have been prepared in accordance with both Croatian accounting Regulations and International Accounting Standards.

b) Associates

At 31 December 2000, Podravka prehrambena industrija d.d. held an investment in the following associated companies:

<i>Company</i>	<i>% held</i>
Panonska pivovara d.o.o., Koprivnica	40
Elite Hrvatska d.o.o., Koprivnica	20

These investments are stated in the financial statements at cost.

c) Borrowing costs

Borrowing costs are expensed to the profit and loss account as incurred. Borrowing costs that are directly related to the acquisition or production of fixed assets are capitalised.

d) Basis of consolidation

The consolidated financial statements at 31 December 2000 comprise the financial statements of the parent company, Podravka prehrambena industrija d.d., and its subsidiary companies as follows:

Croatian companies	% held	Date founded
Belupo d.o.o., Koprivnica	100	24.12.1991.
Koprivnička tiskarnica d.o.o., Koprivnica	100	30.12.1994.
Danica d.o.o., Koprivnica	100	30.12.1994.
Poni - trgovina d.o.o., Koprivnica	100	18.09.1995.
Podravka - Inženjering d.o.o., Koprivnica	100	06.05.1996.
Hotel Podravina d.o.o., Koprivnica	100	13.09.1994.
Slovene companies		
Belupo d.o.o., Ljubljana	100 (neiz.)	20.10.1994.
Sana d.o.o., Hoče	100	31.10.1991.
Podravka d.o.o., Ljubljana	100	31.10.1991.
Other foreign entities		
Podravka d.o.o., Sarajevo, BiH	100	28.12.1992.
Podravka d.o.o., Skopje, Makedonija	100	25.11.1992.
Konar GmbH, Geretsried, Germany	100	23.12.1991.
Podravka-International kft, Budapest, Hungary	100	12.07.1993.
Podravka-International kft, Mohacs, Hungary	100	12.11.1995.
Podravka-International e.o.o.d., Sofia, Bulgaria	100	12.07.1993.
Podravka-International Pty Ltd, Sydney, Australia	100	12.07.1993.
Podravka-International s.r.o., Bratislava, Slovakia	50	20.09.1993.
Podravka-International spol s.r.o, Prague, Czech Rep.	50 (neiz.)	09.05.1995.
Podravka-International Sp.z. o.o., Warsaw, Poland	100	15.11.1993.
Podravka Polska Sp.z o.o., Kostrzyn, Poland	100	10.07.1998.

On 10 July 1998 the company - "Podravka Polska Sp.z.o.o."- was founded which is engaged in the production of Vegeta for the Polish market. The construction of the manufacturing plant in Kostrzyn was started in the first week of June in 1999. Test production of Vegeta commenced on 21 February 2000. Originally, the plan had been to complete test production at the end of April 2000. For technical reasons, particularly to achieve high quality standards and to minimise spoilage, it was, however, necessary to extend the start-up phase. The entire plant was finally taken into operation officially on 1 July 2000. From March 2000, part of the Polish market had already been supplied with products made by Podravka Kostrzyn. Since July 2000, the production of Podravka Kostrzyn has been meeting practically the entire demand for Vegeta in the Polish market.

Under a court order dated 12 December 2000, Poljoservis d.o.o. was liquidated.

Under a contract dated 23 February 2000, the 4,31 % interest in Podravka d.o.o., Sarajevo held by Danica d.o.o., Koprivnica was sold to Podravka d.d. at book value.

e) Cash and cash equivalent

Cash comprises cash on hand and deposits, as well as current balances with banks and similar institutions.

f) Foreign currency translation

Assets and liabilities of group companies included in the consolidation, which report in currencies other than the Croatian Kuna, are translated to Croatian Kuna using year-end rates of exchange. The profit and loss accounts of such companies are translated to Croatian Kuna using year-end rates of exchange. The effect of a retranslation using the mean rates of exchange for the year end of 2000 would not result in any significant adjustment.

g) Property, plant and equipment

Property, plant and equipment are included in the balance sheet at revalued amounts. The valuation was performed (in accordance with Croatian Privatisation Regulations) internally by expert company staff in 1991

and subsequently amended (in accordance with a directive issued by the Croatian Privatisation Fund before final approval was granted) and recorded in 1993, when the share capital of Podravka d.d. was determined.

The revaluation adjusted to current market conditions was booked as of 31 December 1999. See also Note 3.

Depreciation is taken on a straight-line basis at prescribed rates designed to write off the value of property, plant and equipment over their estimated useful lives. The annual depreciation rates used fall within the following ranges:

<i>Depreciation rates</i>	<i>%</i>
Buildings	2,00 - 15,00
Plant and equipment	3,03 - 33,30
Other	2,00 - 50,00

Land is carried at revalued amounts and is not depreciated. Assets are not depreciated until they are brought into use.

h) Investments

Investments disclosed in the financial statements under other long-term assets are valued at cost. In the event of significant and other than temporary declines in value, the carrying value of the investments is written down to the lower equity value.

i) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, other direct costs and related production overheads.

With the start up of SAP R/3 (new IT system integrating business processes and Financial Accounting) in the second half of 1999 the following changes to the accounting policy were introduced:

- more structured and defined costs are included in the inventory value to account for product - specific costs,
- more detailed analysis of production cost types by cost centres and profit centres at factory level (eg soups and Vegeta, baby food, Kalnik),
- more detailed tracking of production cost through the introduction of work orders.

Effective 1 January 2001 the SAP R/3 system was also introduced in Poland.

Regarding the analysis of profitability at product level the situation is as follows:

- work on the project, which was started in June 2000, was completed at the end of the year 2000
 - adjustment and correction of deficiencies is in progress and is expected to be completed by 1 May 2001
- An adjustment was made on consolidation to eliminate the unrealised profit element in stocks purchased from group companies and held at 31 December 2000. Owing to the absence of comprehensive cost accounting systems at the group's foreign subsidiaries the unrealised profit element present in such stocks was calculated at 31 December 2000, as in the prior years, on an estimated basis.

Furthermore, intercompany transactions were eliminated from the consolidated profit and loss account, based on the balances reported by each selling company.

j) Deferred tax

Based on Croatian rules governing the carry forward of tax losses and other eligible amounts on the company's books, a deferred tax asset was calculated in 1998 to be used to reduce corporate income tax on future periods' profits.

k) Research and development costs

Research and development costs are charged to the profit and loss account as incurred.

l) Revenue recognition

Sales are stated net of value added tax and represent amounts invoiced to third parties.

m) Financial instruments

- Recognised financial instruments
Podravka d.d. and subsidiaries have recognised certain financial instruments in the accounts. They have been disclosed in notes 9, 14 and 18 to the accounts.
- Unrecognised financial instruments
Podravka d.d. and subsidiaries have no unrecognised financial instruments of any significance which require note disclosure.

3. Property, plant and equipment

	<i>Land and Buildings 000 HRK</i>	<i>Plant and equipment 000 HRK</i>	<i>Other assets 000 HRK</i>	<i>Assets under construction 000 HRK</i>	<i>Total 000 HRK</i>
Gross valuation					
At 1 January 2000	1.580.939	1.028.434	7.102	309.015	2.925.490
Exchange rate adjustment	(236)	(2.264)	(110)	4.461	1.851
Additions	744	3.315	1.749	103.405	109.213
Transfers from assets under construction	168.272	230.705	3.737	(402.714)	0
Transfer from group companies	0	443	0	0	443
Transfer to group companies	0	(307)	0	0	(307)
Disposals	(1.248)	(11.743)	(508)	(3.328)	(16.827)
At 31 December 2000	<u>1.748.471</u>	<u>1.248.583</u>	<u>11.970</u>	<u>10.839</u>	<u>3.019.863</u>
Accumulated depreciation					
At 1 January 2000	442.797	617.355	2.098	0	1.062.250
Exchange rate adjustment	169	(473)	(46)	0	(350)
Charge for the period	56.309	86.939	1.443	0	144.691
Transfer from group companies	0	353	0	0	353
Transfer to group companies	0	(217)	0	0	(217)
Eliminated on disposals	(170)	(10.581)	(471)	0	(11.222)
At 31 December 2000	<u>499.105</u>	<u>693.376</u>	<u>3.024</u>	<u>0</u>	<u>1.195.505</u>
Net book value					
At 31 December 2000	<u>1.249.366</u>	<u>555.207</u>	<u>8.946</u>	<u>10.839</u>	<u>1.824.358</u>
Advance payments made					
At 1. January 2000	0	711	0	4.047	4.758
Movements	1.142	2.212	0	(4.047)	(693)
At 31 December 2000	<u>1.142</u>	<u>2.923</u>	<u>0</u>	<u>0</u>	<u>4.065</u>
At 31 December 2000	<u>1.250.508</u>	<u>558.130</u>	<u>8.946</u>	<u>10.839</u>	<u>1.828.423</u>
At 31 December 1999	<u>1.138.142</u>	<u>411.790</u>	<u>5.004</u>	<u>313.062</u>	<u>1.867.998</u>

Assets pledged

Of the items reported under the group's property, plant and equipment balance, assets valued at THRK 458.422 have been pledged as security for liabilities.

Valuation

Our auditor's reports on the 1995, 1996, 1997, 30 June 1998, 1998 and 30 June 1999 consolidated financial statements had been qualified because of a significant overstatement of property, plant and equipment. A new valuation of land and

buildings performed as of 31 December 1998 indicated that, overall, the 1998 book value of property as a whole was appropriate even though a shift in value had meanwhile occurred from buildings to land. The revaluation of assets was recognised in the books as of 31 December 1999.

Additions

In the financial year 2000, all major capital investment projects, including specifically the Vegeta factory at an aggregate value of THRK 220.151 have been completed. In addition, the Podravka- Polska factory at Kostrzyn was completed and taken into operation in mid-2000. Overall, additions in the financial year 2000 totalled THRK 50.675 in Podravka-Polska Sp.z.z.o. at Kostrzyn.

Capital commitments

At 31 December 2000 the group companies had commitments relating to the acquisition of property, plant and equipment in the amount of THRK 28.903. These are composed of as follows:

	<i>000 HRK</i>
Authorised but not contracted for	11.056
Contracted for	<u>17.847</u>
	28.903

The group's capital commitments relate mainly to the following projects:

Podravka d.d.

Soup factory

THRK 5.000 have been authorised but not yet contracted for a packing machine.

Vegeta factory

THRK 2.004 have been contracted for the realisation of additional projects in the Vegeta factory carried out by Podravka Inzenjering d.o.o.

EDP department

THRK 2.102 have been contracted for IT, including especially additional software licenses.

Logistics department

THRK 1.949 have been contracted for the purchase of several forklifts..

Other projects

The remaining balance representing items already contracted for relates to several small projects (e.g. purchase of equipment items).

Belupo d.o.o.

Additions to equipment have been authorised in the total amount of THRK 13.115. Contracts in the amount of THRK 8.125 have already been awarded, leaving an uncontracted balance of THRK 4.990.

At 31 December 2000 the group was carrying property, plant and equipment with a gross value of THRK 575.570 which was fully depreciated but still in operational use.

At 31 December 2000 the group had temporarily idle property, plant and equipment with a net book value of THRK 0.

4. Intangible assets

Intangible assets represent mainly software licences; these are amortised over a five-year period.

5. Other long-term assets

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HKR</i>	<i>000 HRK</i>
Investments in associates	85.133	85.133
Other investments	6.487	11.683
Other long-term loans	<u>10.931</u>	<u>17.888</u>
	<u>102.551</u>	<u>114.704</u>

Ad Investments in associates

Investments in associates represent the group's 40 % holding in Panonska Pivovara d.o.o., Koprivnica and 20 % holding in Elite Hrvatska d.o.o., Koprivnica.

Ad Other investments

Other investments comprise primarily investments held in banks (THRK 5.286). These investments are summarised as follows:

<i>Bank</i>	<i>Book</i>	<i>Book</i>
	<i>value of</i>	<i>value of</i>
	<i>investment</i>	<i>investment</i>
	<i>31.12.2000</i>	<i>31.12.1999</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Gospodarsko kreditna banka d.d.	2.063	1.986
Podravska banka d.d.	1.325	1.325
Privredna banka d.d.	1.016	1.002
Varaždinska banka d.d.	<u>0</u>	<u>5.074</u>
Other banks	<u>882</u>	<u>882</u>
	<u>5.286</u>	<u>10.269</u>

Shares of Varaždinska banka d.d. were sold in March 2000. The profit from these transactions amounted to THRK 5.090.

In respect of the majority of the investments held a comparison was performed with market values. In addition, we received copies of the latest financial information (1999 financial statements) available on those banks in which the most significant investments were held, and were able to confirm that the carrying value of the group's investment was covered in each case by the group's share of the net assets of the respective bank.

Ad Other long-term loans

The other long term loans shown above represent amounts receivable from former employees of the company in connection with the disposal of two loss making subsidiaries during 1996, which were sold to employee groups. The sales contracts allowed for a part of the sales price to be paid by these employee groups over an extended period.

Receivables due from Daruvarcanka d.o.o. were cancelled under a contract closed in the year 2000 for a compensation deal. This cancellation resulted in a loss in the amount of TRHK 1.294.

6. Inventories

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Raw materials	206.777	179.236
Work in progress	72.331	65.092
Finished goods	140.768	120.577
Merchandise	<u>86.735</u>	<u>76.393</u>
Total cost	506.611	441.298
Write- Off	<u>(8.495)</u>	<u>(6.892)</u>
Net book value	<u>498.116</u>	<u>434.406</u>

At 31 December 2000, inventories amounted to about a fifth of the sales made in the financial year 2000. Inventories have risen slightly over the level of the previous year.

At Belupo d.o.o. the increase in inventory value in the amount of THRK 32.974 was caused by the addition of new preparations in the year 2000 (Seroxat and Carvelol). The production increased by 23 % in comparison to the same period of the previous year. Further effects came from higher levels of finished goods held to meet demand generated by promotional activities, efforts to avoid preparation shortages in markets and an increase in the price of packaging materials.

Of the balance at 31 December 2000, THRK 5.349 was pledged as security for liabilities.

A further reason for the increase in inventories is the new factory in Kostrzyn, Poland.

7. Trade accounts receivable

The balance at 31 December 2000 comprises the following:

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 kn</i>	<i>000 kn</i>
Trade accounts receivable	710.726	847.706
Provision for bad debts	<u>(181.323)</u>	<u>(161.713)</u>
Subtotal	529.403	685.993
Bills receivable	89	20.687
	<u>529.492</u>	<u>706.680</u>

The trade accounts receivable with the largest balances as at the 31 December 2000 are listed separately below:

	<i>in 000 HRK</i>
Medika d.d., Zagreb	45.014
Farmacija d.d., Zagreb	15.369
Oktal Pharma d.o.o., Zagreb	13.575
Medical Intertrade, Sveta Nedjelja	10.663
Jadran-Pharma, Rijeka	8.033
Konzum trgovina na veliko i malo, Zagreb	7.862
Eko-urta d.o.o., Benkovac	7.633
Medifarm-Velebit d.o.o., Varaždin	6.314
Laguna-Commerce d.d., Poreč	<u>5.383</u>
	<u>119.846</u>

Statements of balance as of 30 November 2000 have been obtained for key accounts. Any differences identified in the course of account reconciliation have been explained satisfactorily.

The decrease reflects the effect of the improvement in the collection of receivables through compensation arrangements.

The company makes provisions based on an assessment of the status of each receivable as well as a lump-sum provision in accordance with the company's accounting policy.

In 2000, Podravka d.d. changed its policy for the establishment of provisions. Of Podravka d.d.'s domestic trade accounts receivable, only receivables due for more than 360 days are written off 100 %. Apart from those named above, no further lump-sum value adjustment is made with regard to these receivables. This policy is based on a management decision and is valid for the year 2000.

8. Other receivables and prepaid expenses

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Deferred taxes	30.374	30.374
Taxes receivable (other, especially VAT)	22.851	15.735
Prepaid expenses	8.058	9.114
Loans granted and deposits made	5.769	893
Other receivables	5.474	7.458
Advances to suppliers	4.068	1.110
Taxes receivable (taxes on profit)	2.830	9.276
Amounts receivable from employees	2.461	2.207
Amounts receivable from governmental institutions	105	20.969
Other	<u>28.940</u>	<u>30.294</u>
Total	<u>110.930</u>	<u>127.430</u>

Other receivables include primarily own shares amounting to THRK 17.234, a long term loan for Dispomed d.o.o. amounting to THRK 3.290 and loans granted to disabled persons amounting to THRK 4.645.

9. Cash

This item comprises the following elements:

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Bank balances	35.383	35.278
Cash in hand and in transit	<u>4.601</u>	<u>498</u>
	<u>39.984</u>	<u>35.776</u>

10. Share capital; share premium

	<i>Nominal value per share HRK</i>	<i>No. of shares issued</i>	<i>Share capital 000 HRK</i>	<i>Share premium 000 HRL</i>
At 31 December 1999	300	<u>6.042.696</u>	<u>1.812.809</u>	<u>12.001</u>
At 31 December 2000	300	<u>6.042.696</u>	<u>1.812.809</u>	<u>12.001</u>

In 1993, Podravka d.d.'s share capital was set at THRK 1.990.342 by the Croatian Privatisation Fund; this represented the Kuna equivalent at 31 December 1993 of the valuation of the company, as authorised by the Croatian Privatisation Fund in 1993, at DEM 523.524.700. The registered share capital represented 5.235.247 shares with a nominal value of DEM 100 (i.e. HRK 380,18 at the exchange rate ruling at the date of the original registration).

On 27 September 1996, a shareholders' resolution was passed requiring the nominal value of each share to be reduced to HRK 300. After this reduction by THRK 419.768, the companies' share capital at 31 December 1996 amounted to THRK 1.570.574.

An application was made to the Commercial Court in 1996 to increase the company's authorised share capital from THRK 1.570.574 to THRK 1.622.009.

While this increase in the company's authorised share capital was entered into the Revised Version of the company's Articles of Association dated 30 September 1996, the increase was not ratified by the Commercial Court until 1997. The shares were issued in 1997 at a price including a premium of HRK 70 per share, resulting in a total share premium balance at 31 December 1997 amounting to THRK 12.001.

The Supervisory Board has authorised the Board of Directors to increase the share capital of Podravka d.d. by the value of THRK 360.000 (capital authorised for issue up to the amount of THRK 360.000). This authorisation was granted on 11 June 1999 for a period of five years.

On 11 November 1998 the share capital was increased by THRK 111.900 (373.000 preferential shares of 300 HRK

each). These shares are held by EBRD.

On 11 June 1999 another capital increase was carried out in the total amount of THRK 78.900 (263.000 preferential shares of HRK 300 each). These shares are also held by EBRD.

Allocation of the company's shares amongst its shareholders:

	<i>31.12.2000 (number of shares)</i>		<i>31.12.1999 % (number of shares) %</i>	
Common shares				
Privatisation fund	582.708	9,6	660.908	10,9
Pension fund	184.412	3,1	183.151	3,1
Individual shareholders	2.118.832	35,1	2.003.635	33,2
Shareholders - legal entities	2.454.655	40,6	2.496.261	41,3
Treasury shares	66.089	1,1	62.741	1,0
Subtotal	5.406.696	89,5	5.406.696	89,5
Preferential shares				
EBRD	636.000	10,5	636.000	10,5
Total	6.042.696	100,0	6.042.696	100,0

11. Legal and other reserves

	<i>31.12.2000.</i> <i>000 HRK</i>	<i>31.12.1999.</i> <i>000 HRK</i>
Revaluation reserve	4.076	2.108
Reserve for own shares	22.479	0
Legal and other reserves	<u>13.048</u>	<u>119.034</u>
	<u>39.603</u>	<u>121.142</u>

Movements during the period:

	<i>Revaluation reserve 000 HRK</i>	<i>Legal and other reserves 000 HRK</i>
At 31 December 1999	2.108	119.034
Foreign exchange adjustment	2.591	38
Transfer to retained earnings	0	(83.552)
Other movements	<u>(623)</u>	<u>7</u>
At 31 December 2000	<u>4.076</u>	<u>35.527</u>

The reserve for own shares in the amount of TRHK 22.479, which under Croatian law has to be set up in the amount of the nominal value of own shares, is shown separately under Legal and other reserves at 31 December 2000 for better compliance with the principle of the true and fair view. Previously, this reserve was shown under Other reserves.

12. Retained profit/loss - brought forward

	<i>31.12.2000.</i> <i>000 HRK</i>
Balance at 31 December 1999	(44.413)
Profit from 1999	20.953
Foreign exchange adjustment	(2.089)
Transfer from reserves	83.552
Dividends	(12.146)
Other movements	<u>(1.847)</u>
Balance at 31 December 2000	<u>44.010</u>

13. Minority interests

Minority interests represent outside shareholders' interests in Podravka-International s.r.o., Bratislava and Podravka-International spol s.r.o., Prague.

Movements in minority interests during the period ended 31 December 2000:

	<i>31.12.2000.</i> <i>000 HRK</i>
Balance at 31 December 1999	347
Minority share of the companies' profits for the period	<u>86</u>
Balance at 31 December 2000	<u>433</u>

14. Long-term debt

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Secured loans	328.335	361.191
Unsecured loans	<u>60.877</u>	<u>118.695</u>
	<u>389.212</u>	<u>479.886</u>

Repayment terms and interest rates on long-term debt at 31 December 2000:

<i>Amount</i>	<i>Repayment</i>	<i>Interest</i>	
<i>000 HRK</i>	<i>period</i>	<i>rate range</i>	
Secured loans			
164.838	2002.	4,11 - 12,00 %	
83.518	2003.	4,11 - 9,00 %	
56.651	2004.	4,11 - 8,28 %	
22.548	2005.	6,14 - 7,90 %	
780	thereafter	6,14 - 7,90 %	
<u>328.335</u>			

<i>Amount</i>	<i>Repayment</i>	<i>Interest</i>	
<i>000 HRK</i>	<i>period</i>	<i>rate range</i>	
Unsecured loans			
59.553	2002.	6,66 - 7,50 %	
690	2003.	6,66 - 7,50 %	
98	2004.	6,66 - 7,35 %	
104	2005.	6,66 - 7,35 %	
432	thereafter	6,66 - 7,35 %	
<u>60.877</u>			

Long-term liabilities are secured by the company's fixed assets and a guarantee of the government of Croatia, issued by the Ministry of Finance (THRK 43.625).

For an overview of the long-term borrowings of Podravka d.d. and subsidiaries see Appendix.

15. Restructuring provision

The restructuring provision relates to a reorganisation program based on formal plan that the group companies started to implement in 1999.

Overall, 85 employees were terminated in the financial year 2000, in respect of which the Podravka group incurred expenses in the amount of THRK 7.263. Plans foresee the termination of another 403 employees in the financial year 2001, at a total cost of THRK 62.504 to the Podravka group.

16. Trade accounts payable

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Trade creditors	299.879	359.133
Bills payable	<u>0</u>	<u>600</u>
	<u>299.879</u>	<u>359.733</u>

Statements of balance as of 30 November 2000 have been obtained for key accounts. Any differences identified in the course of account reconciliation have been explained satisfactorily.

17. Other payables and accrued liabilities

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 kn</i>	<i>000 kn</i>
Taxes payable (other)	38.721	42.671
Amounts payable to employees	26.394	26.523
Other short-term liabilities	18.689	38.569
Accrued expenses	8.525	13.792
Deferred taxes	5.226	5.238
Taxes payable (on income)	4.163	1.859
Deferred income	2.717	17.161
Advances from customers	854	1.107
Dividends	131	1.930
Other	<u>482</u>	<u>0</u>
	<u>105.902</u>	<u>148.850</u>

18. Current portion of long-term debt

As of December 2000, the item Current portion of long-term debt shows an amount of THRK 212.106. This amount is essentially owed to the following banks:

	<i>Current portion</i> <i>000 HRK</i>
Podravka d.d., Koprivnica	
Bayerische Hypo- und Vereinsbank Aktiengesellschaft, München	58.274
Privredna banka d.d., Zagreb	21.756
Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna	19.020
Bank Austria Aktiengesellschaft, Vienna	<u>17.267</u>
	<u>116.317</u>
Belupo d.o.o., Koprivnica	
Bayerische Hypo- und Vereinsbank AG	25.899
Privredna banka d.d., Zagreb	15.540
Mercur Mainz	9.795
Varaždinska banka d.d., Varaždin	<u>6.088</u>
	<u>57.322</u>
Podravka kft, Mohacs	
Raiffeisen Unickbank, Pecs	<u>5.555</u>
Podravka-Polska Sp.z o.o., Kostrzyn	
Bank Austria Creditanstalt Poland S.A.	9.323
Bank Przemyslowo Handlowy S.A.	4.661
Bayerische Hypo-und Vereinsbank AG	<u>4.661</u>
	<u>18.645</u>
	<u>197.839</u>

19. Short-term debt

The balance comprises the following elements:

	<i>31.12.2000.</i> <i>000 HRK</i>	<i>31.12.1999.</i> <i>000 HRK</i>
Bank borrowings	114.487	158.738
Other short-term borrowings	<u>10.714</u>	<u>11.277</u>
	<u>125.201</u>	<u>170.015</u>

As of December 2000, the bank borrowings show an amount of THRK 114.487. This amount is essentially owed to the following banks:

	<i>Current portion</i> <i>000 HRK</i>
Privredna banka d.d. Zagreb, Croatia	20.590
Zagrebačka banka d.d., Croatia	17.460
Raiffeisen Centrobank, Poland	11.828
Raiffeisen Zentralbank Österreich Aktiengesellschaft, Austria	11.568
Bank Austria Creditanstalt Croatia d.d. Zagreb, Croatia	10.000
Hypo Alpe-Adria-Bank d.d., Slovenia	<u>7.132</u>
	<u>78.578</u>

20. Off-balance sheet liabilities

Guarantees provided

As of 31 December 2000, group companies had provided guarantees for loans in the amount of THRK 342.672.

Notes to the financial statements

21.1 Segmental analysis of sales

in 000 HRK

Products	Export								
	Domestic Croatia	Poland	Slovenia	Bosnia Herzegovina	Hungary	Czech Republic	Macedonia	Slovakia	Germany
Vegeta	106.145	218.456	31.490	23.255	48.555	34.359	6.557	31.133	27.770
Pharmaceutical products	457.952		24.117	12.544		5.404	5.246	4.822	
Drugs	434.829		24.083	12.478		5.404	5.239	4.822	
Cosmetics	23.123		34	66			7		
Meat and meat products	205.697		5.161	24.156			5.928		3.130
Podravka dishes	84.346	4.467	23.753	25.400	11.778	14.136	27.094	4.586	1.087
Soups	61.403	3.844	12.750	20.120	10.020	11.723	24.098	3.980	516
Fant seasonings mix	15.842		10.203	3.699	706	558	2.140	227	571
Ready made meals	6.748	623	610	610	1.052	1.855	856	379	
Ingredients	353		190	971					
Lino products	79.999		22.802	12.746	443		1.686	154	116
Babyfood	57.768		20.847	11.736	443		1.686	154	116
Lino lada cream	19.157		1.602	882					
Ponita	1.717		250						
Sweets	761		85						
Semolina	596		18	128					
Dolcela	38.900		10.936	16.367	339		2.880		
Powdered products	38.728		10.936	16.367	339		2.880		
Dolcaffè	172								
Wafers	3.645		8.441						
Yeast	14.499		342	7.774	1.100		117		
Preserves-vegetable	85.860		4.515	1.333				139	2.071
Mineral water & soft drinks	76.075			943					
Mineral water	57.461			926					
Deit - soft drink	18.614			17					
Preserves- fruit	33.094		2.049	2.191					74
Mill & bakery products	38.941								
Flour & Semolina	24.293								
Bakery products	14.648								
Biscuits & others	13.093		1.333	2.809			5.549		
Tea	9.107		1.451	583					
Beer	5.765		787						
Trade goods	66.739		55.717	1.900		755			2.767

in 000 HRK

Russia	Austria	Austra- lia	SAD	Jugo- slavija	Export Letonia	France	Romania	Other coun- tries	Total exports	Grand Total 12/2000.	Grand Total 12/1999.
19.113	24.030	11.500	15.028	4.627	17.201	1.432	5.873	18.410	538.789	644.934	720.018
9.937				1.391				851	64.312	522.264	477.872
9.937				1.391				851	64.205	499.034	456.199
									107	23.230	21.673
	2.392	5.845	5.924	9.373		86		14.577	76.572	282.269	277.619
7.136	435	2.159	3.034	6.577	3.460	76	633	16.816	152.627	236.973	184.485
7.136	325	1.358	2.198	5.796	3.460	28	633	15.487	123.472	184.875	146.856
	110	706	823	472		48		1.315	21.578	37.420	30.879
		95	13	287				11	6.391	13.139	6.240
				22				3	1.186	1.539	510
2.181	11	131	674	2.946	287			827	45.004	125.003	120.795
2.181	11	131	369	2.926	287			825	41.712	99.480	99.577
			305	18					2.807	21.964	18.036
				2					252	1.969	1.885
									85	846	557
								2	148	744	740
		281	383	1.862				146	33.194	72.094	76.902
		281	383	1.862				146	33.194	71.922	75.159
										172	1.743
		611						589	9.641	13.286	13.621
			22	488		7.751		551	18.145	32.644	34.246
	489	2.485	1.518	199		10		878	13.637	99.497	100.292
				14				72	1.029	77.104	67.144
				9				72	1.007	58.468	50.563
				5					22	18.636	16.581
		2.082	642	306		44		515	7.903	40.997	39.081
										38.941	32.240
										24.293	18.402
										14.648	13.838
		36		767				77	10.571	23.664	27.533
		905	182	44				152	3.317	12.424	13.923
				451					1.238	7.003	6.722
				167		2		37	61.345	128.084	151.123

21.1 Segmental analysis of sales

in 000 HRK

Products	Export								
	Domestic Croatia	Poland	Slovenia	Bosnia Herze- govina	Hungary	Czech Republic	Mace- donia	Slovakia	Germ- any
Marketing products	29.403								8
Services	13.092								
Other	19.765	11.478	1.820	9	1.068			1.134	43
Total 31.12.2000	1.382.117	234.401	194.714	132.010	63.283	54.654	55.057	41.968	37.066
<i>Total 31.12.1999.</i>	1.351.561	311.253	202.216	132.354	60.890	44.863	49.938	41.577	37.286

21.1 Segmental analysis of sales

in 000 HRK

Russia	Austria	Australia	SAD	Jugoslavija	Export Letonia	France	Romania	Other countries	Total exports	Grand Total 12/2000	Grand Total 12/1999
									8	29.411	34.574
6			278	181		65		445	16.527	13.092	19.053
38.373	27.357	26.035	27.685	29.393	20.950	9.464	6.506	54.943	1.053.859	2.435.976	2.420.942
17.357	22.835	23.985	19.802	11.432	24.418	8.121	7.374	53.680	1.069.381	2.420.942	

In the financial year 1999, sales to the Polish market were reported twice as sales to third parties. This changed in the financial year 2000, as production and distribution are now routed through Podravka group companies, without any dealer's intermediary services.

For a valid comparison of the turnover of the years 1999 and 2000, 1999 turnover has to be adjusted for the sales made through Mezyk. After adjustment, sales made in the financial year 2000 are about THRK 89.000 above the corresponding figure for the previous year.

The increase is due mainly to higher sales to the Croatian market, to Russia, the Czech Republic, the US and Yugoslavia.

Notes to the financial statements

21.2. Information per Segment on sales, property and depreciation

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Sales		
Vegeta	644.934	720.018
Soups	184.875	146.856
Drugs	499.034	456.199
Meat and meatproducts	282.269	277.619
Preserves-vegetables	99.497	100.292
Ferrero products merchandise	128.084	151.123
Lino lada creams	21.964	18.036
Mineral water and soft drinks	77.104	67.144
Yeast	32.644	34.246
Other Products	<u>465.571</u>	<u>449.409</u>
Sum	2.435.976	2.420.942

Property

Vegeta	390.312	163.580
Soups	72.365	38.612
Drugs	245.351	239.376
Meat and meatproducts	164.007	175.135
Preserves-vegetables	142.611	159.535
Ferrero products merchandise	7.608	7.090
Lino lada creams	45.611	47.325
Mineral water and soft drinks	78.714	75.815
Yeast	36.625	31.495
Other Products	187.723	192.625
Non production assets	<u>830.363</u>	<u>1.075.898</u>
Sum	2.201.290	2.206.486

Depreciation

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 kn</i>	<i>000 kn</i>
Vegeta	22.244	8.680
Soups	6.302	4.927
Drugs	18.222	12.221
Meat and meatproducts	5.934	6.471
Preserves-vegetables	7.037	8.228
Ferrero products merchandise	249	226
Lino lada creams	2.166	2.955
Mineral water and soft drinks	6.532	7.204
Yeast	2.540	2.786
Other Products	12.343	14.566
Non production assets	<u>70.927</u>	<u>59.808</u>
Sum	154.496	128.072

22. Other operating income

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Income from prior periods	11.280	5.857
Physical inventory surplus	6.830	6.801
Bad debts collected	8.755	9.964
Grants and insurance claims	3.862	6.919
Income from product and service sales	1.242	3.806
Gain on the disposal of property, plant and equipment	353	0
Income from the sale of raw material (net)	76	10.270
Other operating income	<u>5.034</u>	<u>13.431</u>
	<u>37.432</u>	<u>57.048</u>

23. Depreciation of tangible, intangible and financial assets

Analysis of charges:

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Property, plant and equipment	144.691	125.532
Intangible assets	<u>7.805</u>	<u>2.540</u>
	152.496	128.072

24. Other operating expenses

	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 kn</i>	<i>000 kn</i>
Provisions for bad debts, stocks, investments and short term financial assets	55.835	83.988
Reimbursement to employees and third parties	44.250	35.717
Non-productive services	22.079	25.967
Expenses from prior periods	11.010	20.522
Contributions	25.035	16.725
Entertainment	19.974	15.168
Insurance premiums	15.801	16.470
Other employee-related costs	18.692	14.452
Bank services and membership fees	13.117	11.878
Physical inventory deficit (Danica, Podravka)	14.148	14.067
Consultancy costs (restructuring)	4.465	7.108
Additional rebates and cash discounts allowed	6.569	10.053
Fines, penalties and damages	3.290	559
Loss on disposal of property, plant and equipment	639	4.158
Termination payments to employees (restructuring)	70	7.483
Other operating expenses	<u>31.005</u>	<u>14.401</u>
	<u>285.979</u>	<u>298.716</u>

25. Research and development

Research and development costs amounting to THRK 22.204 have been charged to the consolidated income statement for the period ended 31 December 2000 (31 December 1999 THRK 21.413).

26. Interest and similar expenses

This item comprises external interest charges, foreign currency translation differences and other financial expenses. The consolidated results for the year ended 31 December 2000 include net foreign currency translation gains amounting to THRK 1.573 (31 December 1999 foreign currency translation losses of THRK 21.668).

27. Extraordinary items	<i>31.12.2000.</i>	<i>31.12.1999.</i>
	<i>000 HRK</i>	<i>000 HRK</i>
Restructuring costs	3.455	64.000
Corrections of evaluation of funds	0	11.830
Write-down of investment in "Dinamo"	0	7.200
<i>Total</i>	<u>3.455</u>	<u>83.030</u>

The amount of THRK 3.455 represents expenses for a restructuring program started in 1999.

The item reflects the following movements:

		<i>000 HRK</i>
Reversal of provision for restructuring	Podravka d.d.	-19.868
Allocation to provision for restructuring	Danica d.o.o.	11.365
	Belupo d.o.o.	6.919
	Koprivnička tiskarnica d.o.o.	3.370
	Podravka-Inženjering d.o.o.	1.497
	Hotel Podravina d.o.o.	172
		<u>3.455</u>

28. Analysis of Sales and Net Result by group entity

Company	Total Sales Dec.00 000 HRK	Inter-com- pany Sales Dec.00 000 HRK	External Sales Dec.00 000 HRK	Net profit Dec.00 000 HRK
Ongoing operations:				
Podravka d.d.	1.240.142	333.785	906.357	29.188
Belupo d.o.o.	520.623	27.485	493.138	12.583
Danica d.o.o.	297.254	149.457	147.797	18.311
Koprivnicka tiskarnica d.o.o.	27.334	24.412	2.922	435
Poni d.o.o.	78.775	1.827	76.948	1.274
Podravka Inzenjering d.o.o.	5.897	5.875	22	81
Hotel Podravina d.o.o.	5.248	873	4.375	-1.329
Belupo d.o.o. Ljubljana	29.354	294	29.060	87
Sana d.o.o. Hoce	52.456	47.014	5.442	2.518
Podravka d.o.o. Ljubljana	181.505	22.646	158.859	14.641
Podravka d.o.o., Skopje	49.507	1.898	47.609	100
Podravka d.o.o., Sarajevo	119.199	249	118.950	-7.358
Konar GmbH, Geretsried	54.894	21.169	33.725	435
Podravka-International KFT Budapest	66.058	4.046	62.012	1.928
Podravka-International KFT Mohacs	45.600	39.726	5.874	3.278
Podravka-International Pty Ltd Sydney	0	0	0	0
Podravka-International s.r.o. Bratislava	26.393	358	26.035	521
Podravka-International spol s.r.o. Prague	41.982	4.836	37.146	100
Podravka-International Sp.z.o.o. , Warsaw	53.353	4.103	49.250	10
Podravka-Polska Sp.z.o.o.; Kostrzyn	253.601	24.244	229.357	883
Total ongoing operations	127.946	126.848	1.098	22.972
Company scheduled for liquidation:	3.277.121	841.145	2.435.976	100.658
Poljoservis d.o.o.				
Total discontinued operations	0	0	0	0
Total Group	0	0	0	0
	3.277.121	841.145	2.435.976	100.658
Consolidation eliminations				
	-841.145			-20.612
Consolidated				
Consolidated net profit before minority interests	2.435.976		2.435.976	80.046
Minority interests				80.046
Consolidated net profit after minority interests				-86
				79.960

Company	Total Sales Dec.99 000 HRK	Inter-com- pany Sales Dec.99 000 HRK	External Sales Dec.99 000 HRK	Net profit Dec.99 000 HRK
Ongoing operations:				
Podravka d.d.	1.246.212	299.269	946.943	-86.208
Belupo d.o.o.	477.688	25.608	452.080	19.306
Danica d.o.o.	279.183	124.344	154.839	-64.014
Koprivnicka tiskarnica d.o.o.	28.734	26.079	2.655	373
Poni d.o.o.	75.602	1.620	73.982	-6.624
Podravka Inzenjering d.o.o.	4.424	4.424	0	98
Hotel Podravina d.o.o.	6.356	1.983	4.373	202
Belupo d.o.o. Ljubljana	27.558	1.705	25.853	74
Sana d.o.o. Hoce	53.412	47.310	6.102	4.295
Podravka d.o.o. Ljubljana	198.088	27.947	170.141	-13.023
Podravka d.o.o., Skopje	49.662	5.023	44.639	52
Podravka d.o.o., Sarajevo	109.573	263	109.310	-6.435
Konar GmbH, Geretsried	60.413	25.956	34.457	542
Podravka-International KFT Budapest	66.904	6.331	60.573	924
Podravka-International KFT Mohacs	54.358	45.231	9.127	7.143
Podravka-International Pty Ltd Sydney	0	0	0	0
Podravka-International s.r.o. Bratislava	23.985	0	23.985	314
Podravka-International spol s.r.o. Prague	39.881	2.585	37.296	21
Podravka-International Sp.z.o.o. , Warsaw	43.897	4.550	39.347	3
Podravka-Polska Sp.z.o.o.; Kostrzyn	228.779	3.539	225.240	-23.215
Total ongoing operations	0	0	0	-3.864
Company scheduled for liquidation: Poljoservis d.o.o.	3.074.709	653.767	2.420.942	-170.036
Total discontinued operations	0	0	0	-16
Total Group	0	0	0	-16
	3.074.709	653.767	2.420.942	-170.052
Consolidation eliminations				
	-653.767			191.034
Consolidated				
Consolidated net profit before minority interests	2.420.942		2.420.942	20.982
Minority interests				20.982
Consolidated net profit after minority interests				-29
				20.953

Major activities pursued by the management in the financial year 2000 were the development of a new organisational structure for the Podravka Group and the implementation of profit centres, the introduction of which started in March 2001. In the financial year 2000/2001, the following key activities have been undertaken to date in the context of restructuring the Podravka Group and defining its strategic orientation:

1. Restructuring of the company's operations

The following activities have been undertaken with the aim of restructuring parts of Podravka d.d.:

Privredna Banka Zagreb was engaged to search for strategic partners and to negotiate the sale of Danica d.o.o.

- Three companies from Croatia and one company from abroad showed interest in its acquisition. The employees of Danica d.o.o. indicated their interest as well. However, to date, none of the potential strategic partners has been willing to meet the agreed time schedule. It was therefore decided to establish a "new management", which has drawn up a positive business plan for Danica d.o.o. for the coming three years (2001 - 2003). After this period, the owners may take decisions as appropriate. The business

plan provides for innovations to the product range, including major cost reductions and a downsizing of business operations.

- Podravski mlinovi (mills, silos, bakery) operated according to the 2000 business plan and achieved positive results.
- Koprivnicka tiskarnica d.o.o. operates according to the approved business plan and does not incur any losses on its business operations. An external expert institution (I.C.F. Zagreb) was engaged to perform a valuation of this company. It selected potential buyers and prepared a basis for a decision. After a discussion of the offers received it was decided that none of these was satisfactory, primarily because of the sums offered. Negotiations continued with potential buyers in order to obtain a higher price. The sales transaction should be carried out in the course of the next year (2001).
- The yeast plant has been sold to a foreign partner. Production continues, but not under the ownership of Podravka d.d.
- The Podravina Hotel operated according to plan, but with a minor loss. To date, no strategic partner / buyer has been found.
- The Pirovac and Ciovo summer resorts were offered but

not actually sold to unions. At the beginning of 2001, the Pirovac summer resort was sold to the city of Koprivnica. Ciovo will be sold to a private investor by the end of March 2001.

2. Events occurring after the balance sheet date

On 6 February 2001 an agreement was entered into by Podravka d.d. (seller) and Kvasac d.o.o., Prigorje Brdovecko, Prudnice (buyer) on the sale of the yeast factory. The sales price agreed for the assets was THRK 40.985, resulting profit for Podravka d.d. in the amount of THRK 5.345.

Following a decision by the Management Board, the holiday homes in Pirovac were sold to the City of Koprivnica at a price of 1.500.000 HRK effective 8 March 2001. On this sale, Podravka d.d. incurred a loss of THRK 5.397.

3. Consequences of Croatian entry in WTO

Expenses

Since the majority of the raw material is imported, the decrease in the customs tariff rate will have a direct impact on the result. According to the 2000 import plan for raw material and supplies, savings for Podravka d.d. (includ-

ing the purchase of raw material for the printing plant) should amount to 1,5 million kunas over a six months period from July to December 2000.

Sales

Croatian market: in the domestic market, WTO membership means more price based competition. As the purchasing power of Croatian customers has generally not improved, buyers react to prices rather than to marketing activities or product quality. Podravka's leading brands such as Vegeta or soups should not be affected to any major extent. Items such as canned fruit and vegetables, or powdery products, however, will be exposed to even lower-priced competitive products. No major change is expected in other costs (services, financial expenses, etc...).

Export: In this area, no major change is expected, as Podravka d.d. has already enjoyed the same treatment as other WTO members. This means that in the most cases customs tariffs on Croatian exports are the same or lower, than those for WTO countries.

Long-term debt and Current portion of long-term debt

Appendix

Bank	Term	Repayment	interest rate
Podravka d.d.			
Raiffeisenbank d.d. Zagreb	1997.-2002.	quarterly	8,50 %
Raiffeisenbank Austria AG	1997.-2002.	semi-annual	6.mj. EURIBOR+2,90 %
Zagrebačka banka d.d.	1997.-2001.	semi-annual	9,00 %
	1995.-2009.	semi-annual	7,90 %
	1995.-2010.	semi-annual	6,68 %
	1995.-2009.	semi-annual	7,35 %
Hypobank Klagenfurt AG	1996.-2003.	quarterly	7,00 %
	1996.-2003.	quarterly	7,00 %
Bank Austria AG, Vienna	1997.-2002.	semi-annual	6.mj.LIBOR+0,95%
EBRD-kredit kod Dalmatinske banke d.d.	1995.-2002.	semi-annual	8,50 %
	1996.-2003.	semi-annual	8,50 %
	1996.-2003.	semi-annual	8,50 %
Varaždinska banka d.d. Varaždin	1996.-2001.	semi-annual	5,20 %
Sasib - Parma Italy	2000.-2003.	semi-annual	7,50 %
Privredna banka Zagreb	1998.-2005.	semi-annual	6.mj.LIBOR+2,25%6
	1998.-2005.	semi-annual	mj.LIBOR+2,25%
Bayerische Hypo und Vereinsbank, Munich	1997.-2002.	semi-annual	6.mj.LIBOR+2,50%
Belupo d.o.o.			
Varaždinska banka d.d.	1998.-2003.	quarterly	9,00 %
Varaždinska banka d.d.	1997.-2002.	2002.	9,00 %
Privredna banka d.d., Zagreb	1998.-2004.	semi-annual	6 mj. LIBOR+3,5%
Mercur-Mainz GmbH	1998.-2004.	10 semi-annual instalments	6 mj. LIBOR+0,5%
Bayerische Hypo- und Vereinsbank AG, Munich	1992.-2002.	quarterly	6 mj. Eur.+2,1%

Appendix

currency	credit amount in foreign currency (000)	credit amount in 000 HRK			Diff. in %
		31.12.2000.	31.12.2000.	31.12.1999.	
DEM	6.250		24.281	24.539	-1,05
DEM	10.000		38.849	29.447	+31,93
DEM	938	3.644			
ATS	2.365	1.306			
USD	56	458			
ITL	122.231	480	5.888	20.122	-70,74
DEM	2.097	8.147			
DEM	517	2.008	10.155	54.286	-81,29
DEM	6.667		25.900	43.625	-40,63
DEM	667	2.590			
DEM	833	3.237			
DEM	833	<u>3.237</u>	9.064	13.088	-30,75
DEM	224		872	2.643	-67,01
DEM	769		2.989	0	
DEM	20.099	78.085			
DEM	5.101	<u>19.816</u>	97.901	102.951	-4,91
DEM	30.000		116.549	176.680	-34,03
			<u>332.448</u>	<u>467.381</u>	<u>-28,87</u>
DEM	5.122		20.018	25.920	-22,77
HRK			12.700	22.700	-44,05
DEM	14.000		54.390	70.672	-23,04
DEM	8.824		34.281	44.543	-23,04
DEM	10.000		38.849	39.262	-1,05
			<u>160.238</u>	<u>203.097</u>	<u>-21,10</u>

Long-term debt and Current portion of long-term debt			Appendix
Bank	Term	Repayment	interest rate
Podravka Polska Sp.z.o.o.			
Bank Austria Creditanstalt, Poland	2000.-2005.	quarterly	3 mj. Euribor+2,1%
Bank Przemyslowo	2000.-2005.	quarterly	3 mj.Wibor+2,1%
Bayerische Hypo- und Vereinsbank AG, Munich	2000.-2005.	quarterly	3 mj. Wibor+2,1%
Sana Hoče			
Nova Ljubljanska banka d.d. Ljubljana	1997.-2005.	monthly	TOM + 7 %
Nova Ljubljanska banka d.d. Ljubljana	2000.-2005.	monthly	6 mj. Eur.+2,75%
Podravka kft, Mohac			
Raiffeisenbank Pecs	1999.-2004.	semi-annual	3 mj.Eur.+1,75%
Zavod za zapošljavanje Županije Baranya, Pec	1997.-2002.	quarterly	-
Others			
TOTAL			

currency	credit amount in foreign currency (000)	credit amount in 000 HRK			Diff. in %
		31.12.2000.	31.12.2000.	31.12.1999.	
		PLN	21.284	41.955	
PLN	11.085	21.850	0		
PLN	11.085	<u>21.850</u>	<u>0</u>		
		<u>85.655</u>	<u>0</u>		
SIT	46.800	1.668	185	+801,62	
SIT	42.978	<u>1.533</u>	<u>0</u>		
		<u>3.201</u>	<u>185</u>		
HUF	677.602	19.444			
HUF	4.150	119			
		<u>19.563</u>	<u>22.663</u>	-13,68	
		<u>213</u>	<u>2.745</u>	-92,24	
		<u>601.318</u>	<u>696.071</u>	-13,61	

Appendix

test your
senses

Taste and answer:
Which seasoning is in the sachet?
The right answer is at the end of the report



**Report by the Podravka d.d.
Supervisory Board on the supervision
of the company's business operations**

84-85

This report covers the period from 1 January 2000 to 31 December 2000.

In accordance with Croatian legislation and the Articles of PODRAVKA d.d., the PODRAVKA d.d. Supervisory Board, in addition to supervising PODRAVKA d.d. business operations, held eight sessions in the course of 2000.

During the period covered by the report, the PODRAVKA d.d. Supervisory Board (hereinafter: Supervisory Board) comprised the following member from 1 January 2000 to 8 March 2000: Božo Prka, Slavko Antolić, Franjo Cirkvenec, Željko Đurđina, Sonja Klingor, Zvonimir Majdančić, Darko Ostoja, Juliet Sjöborg and Rudolf Vouk. From 8 March 2000 to 14 March 2000, the Supervisory Board comprised the following members:

Božo Prka, Slavko Antolic,
Franjo Cirkvenec, Željko Đurđina,
Sonja Klingor, Zvonimir

Majdančić, Darko Ostoja, Juliet Sjöborg and Ivana Vujić. From 14 March 2000 to 28 August 2000, the Supervisory Board comprised the following members:

Božo Prka, Slavko Antolić,
Franjo Cirkvenec, Sonja Klingor,
Zvonimir Majdančić, Darko Ostoja, Juliet Sjöborg and Ivana Vujić.

From 28 August 2000 to 31 December 2000, the Supervisory Board comprised the following members: Božo Prka, Slavko Antolić, Franjo Cirkvenec, Marko Ećimović, Sonja Klingor, Zvonimir Majdančić, Darko Ostoja, Juliet Sjöborg and Ivana Vujić.

According to its review of PODRAVKA d.d. business operations, the Supervisory Board determined that PODRAVKA d.d. operated in accordance with Croatian legislation and PODRAVKA d.d. rules in the course of 2000.

The Supervisory Board determined that the PODRAVKA d.d. financial statements were drawn up in accordance with the company's accounting records and present a true and fair view of the financial position of PODRAVKA d.d.

On 9 April 2001, the Supervisory Board approved the decision of the PODRAVKA d.d. Management Board to accept the financial statements for 2000, and, on 4 May 2001, approved the proposal of the PODRAVKA d.d. Management Board relating to the allocation of profit for the year 2000 and submitted this proposal to the PODRAVKA d.d. Annual General Meeting for adoption.

President of the
Supervisory Board:
Božo Prka, v.r..

Surevisory Board

Božo Prka, President of the Supervisory Board. Born in 1958. He graduated from the Faculty of Foreign Trade, University of Zagreb, and received his M.Sc degree from the Faculty of Economics, University of Zagreb. He was Sales Director and then Finance Director at Diona, Zagreb, finance advisor at the consultancy firm Progres, and then tax and accountancy advisor at TEB, Zagreb. In 1992, he was appointed Assistant to the Finance Minister; and, in 1993, Deputy Finance Minister. From 1994 to 1997, he was Finance Minister in the Croatian Government. In 1998, he was appointed President of the Privredna Banka Zagreb d.d. Management Board. In 1996, he was elected Minister of the Year by the Central European magazine. He has participated in a number of conferences and seminars organised by the European Council, EFFAS, Euromoney and Wall Street Journal.

Slavko Antolić, Vice-President of the Supervisory Board. Born in 1953. He graduated from the Faculty of Medicine, University of Zagreb, and specialised in epidemiology. He completed post-graduate studies in epidemiology and public health. He attended a number of training courses and seminars on information technology, management, finance, accountancy and foreign languages. From 1978 to 1991, he worked in health care institutions as a primary-care

medical doctor and a specialist in epidemiology (he was in managerial positions for four years). In 1991, he moved to the Health Care Department of the Ministry of Defence, where he was a senior advisor for Croatian Army health-care issues; he also actively participated in the Croatian War for Independence. From 1993 to 1995, he worked in a privately-owned company where he was involved in the marketing and sale of medical equipment, materials and medicines. Since 1995, he has worked in Belupo d.o.o., first as Deputy Director of the Sales Service - Marketing Division, then as Marketing Director, and currently as Assistant Director.

Franjo Cirkvenec, Member of the Supervisory Board. Born in 1953. He graduated from the Faculty of Law, University of Zagreb. In 1978, he started working for the Koprivnica Town Council as a legal affairs officer. From 1981 to 1991, he was head of the Property and Legal Affairs Department in the Koprivnica Municipalities Assembly. After that, he moved to the Executive Council of the Koprivnica Town Council, where he was Secretary of the Executive Council and Co-ordinator of Administrative Bodies of the Koprivnica Town Council. In 1993, he became a senior advisor in the Director's Office at Central Office of the Croatian Pension and Invalidity Insurance Fund in

Zagreb, and since 1994 he has been Director of the Regional Office of the Croatian Pension and Invalidity Insurance Fund in Koprivnica. Since 1997, he has been a voluntary President of the Koprivnica-Križevci County Assembly.

Željko Đurdina, Member of the Supervisory Board. Born in 1948. He graduated from the Department for Chemistry and Technology at the Faculty of Chemical Engineering, University of Zagreb, and received his M.Sc. from the same faculty in 1981. On completing his studies, he started working at Podravka, where he has worked ever since. In Podravka, he worked on the production of soups and Vegeta. He was Head of the Meat Products Laboratory and a soups and seasonings production technologist. He was appointed Technical Director and then General Manager at the Soup Factory. He became Foods Division Manager and then a Member of the Podravka Management Board. He was Head of the Vegeta Project Team and General Manager of the Vegeta plant during its construction.

Sonja Klingor, Member of the Supervisory Board. Born in 1951. She graduated from the Medical College, Zagreb and worked in the Merkur and Jordanovac hospitals and in the Institute for Public Health of the City of Zagreb. In June 1991, she joined the Medical

Corps Headquarters of the Republic of Croatia. In 1992, she worked in the Office for Refugees and Displaced Persons of the Republic of Croatia, first as a coordinator of the EU assistance programme, and then as Head of the Department for Humanitarian Assistance and Transport. In 1996, she was appointed Head of the Regional Office for Refugees and Displaced Persons, Zagreb, and worked there until 2000. She received Croatian awards for her humanitarian work and, in 1993, was the first Croat awarded the EU medal for humanity.

Zvonimir Majdančić, Member of the Supervisory Board. Born in 1943 in Vinkovci. He graduated from the Faculty of Economics in 1965, since when he has been working for Podravka. Between 1965 and 1990, he held the posts of Podravka Business Council Vice-President, Assistant to the Podravka Managing Director, Director of Podravka's Trade Division, Director of Podravka Group marketing, Director of the Group's General Administration, Director of General Co-ordination, Director of Economics and Planning, where he was responsible for economic analysis, planning, organisation, accounting and IT, Director of the Economics Centre, Head of the Planning and Analysis Office, Head of Organisation and Allocation, Organisation and Allocation Consultant, and Planning

and Analysis Consultant. From 7 October 1990 to 25 September 1997, he was President of the Business Council, Managing Director and President of the Podravka Management Board. He was at the helm of Podravka during the Croatian War for Independence, when the role of Podravka was essential in providing humanitarian aid and in providing food for Croatian soldiers. During his term of office, Podravka became a joint stock company and started the process of restructuring. He was decorated by the Croatian President with the Order of Danica of Croatia with the portrait of Blaž Lorkovic and received the honorary commission of Colonel in the Croatian Army and a commemorative medal of the War for Independence. He received the award of the Croatian Council of the European Movement, together with numerous other awards. He was also President of the Supervisory Board of Bilokalnik d.d. Koprivnica and Podravska banka d.d. Koprivnica, and a Member of the Supervisory Board of Croatia osiguranje d.d. Zagreb and the football club N.K. Croatia d.d. Zagreb. He is currently a Member of the Supervisory Board of Podravke d.d. Koprivnica and Advisor to the President of the Management Board of Podravka d.d. Koprivnica.

Darko Ostoja, Member of the Supervisory Board. Born in 1953. He graduated from the Faculty of

Mechanical Engineering, University of Zagreb. In 1991, he completed a course in entrepreneurship at Babson College, USA, and in 1994 received the broker's license in Zagreb. Since the beginning of his professional career, he has been active in private enterprise. From 1980 to 1990, he was owner and director of Meting of Cakovec, a company with 120 employees involved in the production of spare parts and the overhaul and reconstruction of industrial production plants. From 1990 to 1995, he was co-owner and director of Consult Invest d.o.o. of Varaždin, and since 1995 he has been co-owner and director of I.C.F. d.o.o. of Zagreb, a company involved in securities trading. He has led a number of important business projects, including numerous acquisitions, many of which resulted in the entry of foreign investment and know-how into the country. He has engineered and led the largest foreign acquisition executed from Croatia - the takeover of Elan of Slovenia. He is a member of the Dom Fund Management Board, Director of Epic - Invest d.o.o. and Director of I.C.F. d.o.o.

Juliet Sjöborg, Member of the Supervisory Board. Born in 1963. She graduated in electrical engineering at the School of Engineering, University of Pennsylvania. From 1986 to 1988, she worked as a systems engineer with

Ouestech Inc., USA. She received a Master's degree in economics from the College of Law and Economics, Université de Nice, and an MBA from Wharton School, University of Pennsylvania. In 1991, she was advisor to the Ministry of Privatisation of the Polish Government and participated in the pre-privatisation evaluations of the Polish pharmaceutical industry. In 1992, she was employed by the European Bank for Reconstruction and Development (EBRD) in London. She was engaged in transactions in both the public and private sector in Romania and Moldavia, and in the electrical energy sector in Croatia, Macedonia and Georgia. From 1996 to December 1998, she headed the EBRD Office in Zagreb, where she led the EBRD projects in Pliva, HEP and Podravka and was involved in EBRD projects in both the private and public sector with a total portfolio value exceeding 500m US dollars. At the end of 1998, she transferred to the EBRD London Office, where she is Senior Banker in the Agribusiness Team.

Rudolf Vouk, Member of the Supervisory Board. He was born in 1946 in Križevci, where he completed primary and secondary school. He graduated from the Foreign Trade College in Zagreb and received Master's and Doctoral degree from the Faculty of Economics, University of

Zagreb. He also completed a General Management Programme at The William Davidson Institute, University of Michigan Business School. He speaks English and German. He worked for several years in managerial positions in manufacturing companies. He was then employed at the Foreign Trade Faculty and Economics Faculty, University of Zagreb. Since 1994 he has worked part-time at the Faculty of Electrical Engineering and Computer Science, University of Zagreb. He has published a number of works in Croatia and abroad. From 1991 to 1993, he was Vice-Dean of the Faculty of Economics, University of Zagreb. From 1994 to 1998, he was Assistant Minister of Education and Sport and then Deputy Minister. He was decorated by the Croatian President with the Order of Danica of Croatia with the portrait of Antun Radic, a commemorative medal of the War for Independence and an award for his contribution to creating the Croatian state.

Ivana Vujić. Born in 1938. She graduated from the Faculty of Law in 1962 and spent the next ten years dealing with legal affairs for the Banja Luka Municipalities Assembly, during which time she passed her state exam and judicial exam, in 1965 and 1973 respectively. She worked in the judicial system from 1972 to 1992 and as a

notary public from February 1993 to July 1995 when she was appointed expert adviser at the Croatian Privatisation Fund. In 1996, she was appointed Head of the Department of Administrative Procedure and Disputes and, since June 1999, has been Legal Affairs Assistant to the Vice-President of the Croatian Privatisation Fund.

Marko Ećimović M.Sc. Born in 1947. He graduated from the Faculty of Economics in Osijek in 1969 and received his M.Sc degree from the same Faculty in 1999. In 1979, he was employed by Podravka as an analyst and was Director of the Organisation and Distribution Division from 1975 to 1979. From 1979 to 1983, he was Director of the Investment Planning Division and, from 1983 to 1986, Director of RO Podravka-Belupo. From 1989 to 1991, he was a member of Podravka's Business Council, responsible for finance, accounting and IT. From 1991 to 1996, he was adviser to the President of the Board. In the period from 1990 to 1994, he was especially involved in the process of evaluating and restructuring the company. Since 1998, he has been adviser in the Finance Division. He has received a number of awards for his work in industry and for society. He has a good command of German.

Darko Marinac, President of the Management Board. He was born in Zagreb in 1950. In 1973, he graduated from the Faculty of Chemical Engineering, University of Zagreb, and two years later completed his interdisciplinary postgraduate studies at the same faculty. In 1986, he completed managerial studies at the Croatian Chamber of Commerce and a program for foreign trade at the Faculty of Economics in Zagreb. In 1987, he completed a business programme in the "CDG" business school of Cologne and attended a number of European seminars in the areas of management, marketing, sales, research and development, finance and pharmaceuticals. In 1975, he started working in Pliva as a production technologist. He was appointed Project Manager and then General Manager of the Penicillin Factory. He became Director of Pliva's Animal Health and Agrochemicals Division and, from 1990 to 1991, Research and Development Manager at the Foods and Cosmetics divisions. He established and managed Pliva's companies in Poland, the Czech Republic and Slovakia. From 1996 to 1999 he was the first Vice-President of the Pliva Market Development Board. After that, he was Integration Manager of "Pliva-Krakow" and senior advisor to the Pliva Management Board. He speaks seven languages, has received sev-

eral awards for his achievements in management and entrepreneurship, and was decorated by the President of the Republic of Croatia for his contribution to the development of the Croatian economy.

Željko Đurdina, Deputy President of the Management Board, responsible for restructuring. He was born in 1948. He graduated from the Department for Chemistry and Technology at the Faculty of Chemical Engineering, University of Zagreb, and received his M.Sc. from the same faculty in 1981. On completing his studies, he started working at Podravka, where he has worked ever since. In Podravka, he worked on the production of soups and Vegeta. He was Head of the Meat Products Laboratory and a soups and spices production technologist. He was appointed Technical Manager and then General Manager at the Soup Factory. He became Foods Division Manager and then a member of the Podravka Business Council. He was President of the Management Board of the Association of Podravka Shareholders until 4 May 2000. From 1997 until he was appointed Deputy President of the Management Board, he was a member of the Podravka Supervisory Board. He carried out the construction of the new Vegeta Factory in Koprivnica. He speaks German and English.

Nevenka Cerovsky, Member of the Management Board, responsible for finance development. She was born in Zagreb, in 1958. In 1982, she graduated from the Department for Foreign Trade at the Faculty of Economics, University of Zagreb. In the same year she started working at Zagrebacka Pekara (Zagreb Bakery) Accountancy Department. In 1984, she moved to Pliva, where she was Foreign Currency Officer in the Finance Division for four years, and then, for three years, she worked on special Pliva projects. She established and managed the Pliva Shareholders Office, and participated in the company's privatisation. From 1992 to 1993, she was Finance Development Manager at Pliva, and then Finance Manager until 1996, when she moved to the post of Cosmetics and Hygiene Program Manager and was responsible for the restructuring of this Division and the establishment of a separate company Neva d.o.o. She speaks fluent English and German and some French and Russian. In 1996, she was awarded for her achievements in the field of economics.

Davor Cimaš, Member of the Management Board, responsible for Foreign Markets Development. He was born in Zagreb in 1959. In 1977, after completing grammar school in Koprivnica, he continued his edu-

cation at the Faculty of Economics, University of Zagreb, and graduated from the Marketing Department in 1982. In 1982, he started working at Podravka as a sales officer. Two years later he moved to the Marketing Division, where he was employed as Head of Products until 1991, and then as Export Manager for Slovenia. He was a member of the Podravka Restructuring Team, responsible for sales and marketing. From 1997 to 1999 he was Assistant Sales Manager and then Marketing Director. In 1998, he completed the managerial program at the Center business school in Slovenia. He speaks fluent English. He was in the Croatian

Homeland War from September 1991 to 1992. He was a member of the Koprivnica-Križevci County Assembly (1993-1994), the County Council (1994-1997), and the Koprivnica City Council (1997-1999).

Damir Polančec, Member of the Management Board, responsible for the development of the Croatian market and the markets of south-eastern Europe. He was born in 1967 in Đelekovac near Koprivnica. After completing grammar school in Koprivnica in 1987, he attended the Faculty of Agriculture, University of Zagreb, graduating from the Agroeconomics Department in 1992. In the same year, after a short peri-

od with Dukat in Zagreb, he started working in Podravka as a purchase officer. Two years later, he became a sales officer and, after three years in that post, a senior purchase officer. In 1997, he became a member of the Podravka Restructuring Team. In the same year he was appointed Purchase Manager and carried out the restructuring process in the area of purchase. He completed several training programmes for managers, including that in the Center business school in Slovenia. He speaks fluent English.

SHAREHOLDER STRUCTURE

In 2000, certain changes took place in the shareholder structure of Podravka d.d. compared to 1999. On 31 December 2000, Podravka d.d. held a total of 66,089 treasury shares.
The shareholder structure of Podravka d.d. on 31 December 2000 was as follows:

Annual General Meeting of Podravka d.d. in 2000

The Annual General Meeting of Podravka d.d., held on 14 July 2000, made the following Decisions: the Decision to adopt the financial reports, the Decision on the 1999 profit allocation, the Decision on the note of release to members of the Podravka d.d. Management Board, and the Decision on the note of release to members of the Podravka d.d. Supervisory Board. The Meeting also elected a new member to the Supervisory Board.

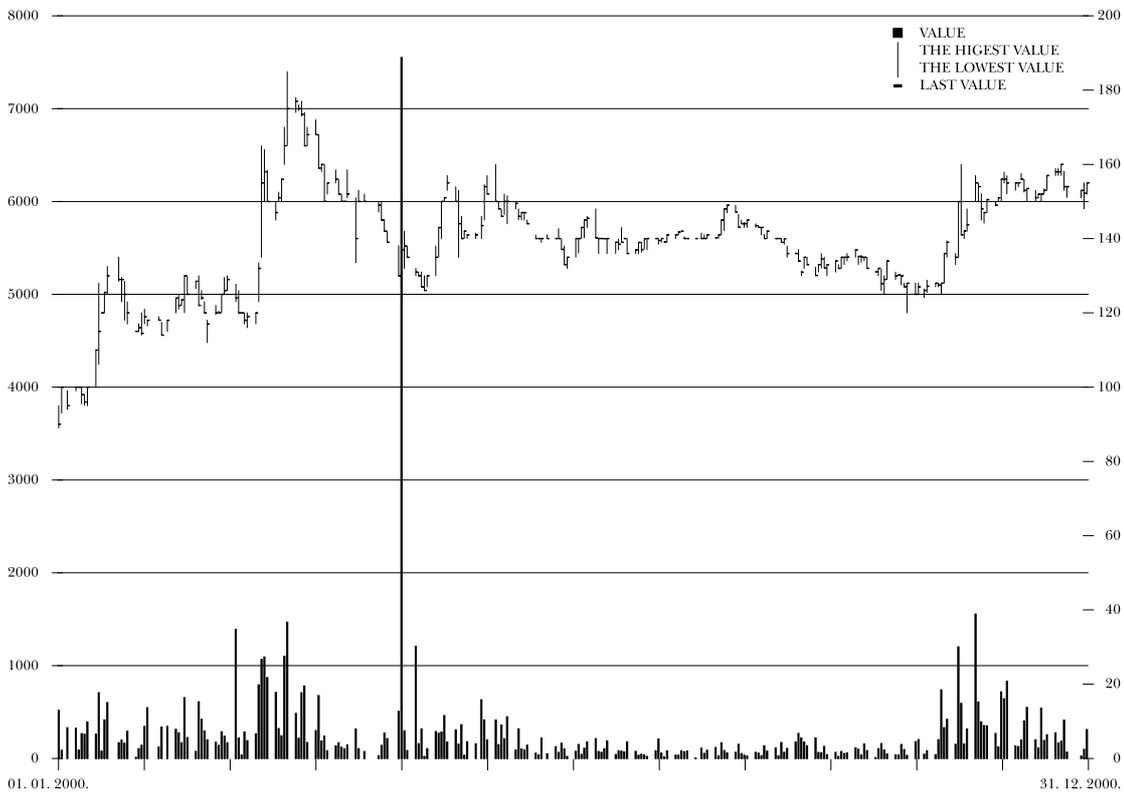
SHARES IN PODRAVKA D.D. HELD BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF PODRAVKA D.D.

Darko Marinac	0
Željko Đurđina	428
Nevenka Cerovsky	0
Davor Cimaš	137
Damir Polančec	0
Božo Prka	0
Slavko Antolić	100
Franjo Cirkvenec	0
Marko Ećimović	106
Sonja Klingor	0
Zvonimir Majdančić	211
Darko Ostoja	0
Juliet Sjöborg	0
Rudolf Vouk	0
Ivana Vujić	0

SHAREHOLDER STRUCTURE

ORDINARY SHARES	31.12.2000.		31.12.1999.	
	Number	%	Number	%
Individuals				
Croatian Privatisation Fund	2.118.832	35,1	2.003.635	33,2
Croatian Pension and Invalidity Insurance Fund	582.708	9,6	660.908	10,9
Other legal entities	184.412	3,1	183.151	3,0
Treasury shares	2.454.655	40,6	2.496.261	41,3
	66.089	1,1	62.741	1,0
Total:	5.406.696	89,5	5.406.696	89,5
PREFERENCE SHARES				
EBRD	636.000	10,5	636.000	10,5
Total:	6.042.696	100,0	6.042.696	100,0

The relationship between the price of Podravka d.d. shares and trading volume



Podravka d.d. shares are listed in Quotation 1 of the Zagreb Stock Exchange under the symbol PODR-R-A. The total trade in Podravka d.d. shares in 2000 amounted to HRK93,108,388.73, or 669,169 shares. The highest price on the Zagreb Stock Exchange was HRK185.00, the lowest price

HRK89.00 and the latest price HRK155.00. The average weighted price was HRK139.14 and the average price was HRK141.48. Podravka d.d. shares were traded on 245 days in 2000, or 99% of total trading days, making these shares the most liquid by this criterion on the Zagreb

Stock Exchange. Average daily trade was HRK380,034, representing 4.68% of total daily trade. The average daily number of shares traded as a percentage of the number of shares issued was 0.05%.

The relationship between the highest daily price of Podravka d.d. shares and the CROBEX index



Index: CROBEX - the official
index of the Zagreb Stock
Exchange
Reuters code - PODR.ZA
Bloomberg code - PODRA CZ

Contacts for investors:
Podravka d.d.
Služba za odnose s investitorima
Starceviceva 32
48 000 KOPRIVNICA
tel: 048-651-220
fax: 048-622-008
e-mail: ir@podravka.hr
www.podravka.hr

Subsidiaries

COMPANIES IN THE REPUBLIC OF SCROATIA

1. Podravka d.d.
48000 Koprivnica
A. Starčevića 32
tel. ++385 48 65 10
fax. ++385 48 622 518
or Podravka d.d.
48001 Koprivnica, p.p. 36

2. Belupo d.o.o.
48000 Koprivnica
Opatička 5
tel. ++385 48 659 000
fax. ++385 48 624 271

3. Danica d.o.o.
48000 Koprivnica
Đelekovečka cesta 21
tel. ++385 48 65 10
fax. ++385 48 647 067

4. Koprivnička tiskarnica d.o.o.
48000 Koprivnica
Đure Estera 1
tel. ++385 48 622 267
fax. ++385 48 622 267

5. Podravka - Inženjering d.o.o.
48000 Koprivnica
Trg kralja Tomislava 13
tel. ++385 48 65 10
fax. ++385 48 621 225

6. Poni - trgovina d.o.o.
48000 Koprivnica
A. Starčevića 41
tel. ++385 48 65 10
fax. ++385 48 622 541

7. Hotel Podravina d.o.o.
48000 Koprivnica
Hrvatske državnosti 9
tel. ++385 48 621 025
fax. ++385 48 621 178

COMPANIES AND REPRESENTATIVE OFFICES ABROAD

1. Podravka d.o.o.
Ljubljana, Tivolska 50
Slovenia
tel. ++ 386 1 23 44 550
fax. ++ 386 1 23 44 570

2. Belupo d.o.o.
Ljubljana, Dvoržakova 6
Slovenia
tel. ++ 386 1 300 95 10
fax. ++ 386 1 432 63 11

3. Sana d.o.o.
Hoče, Stara cesta 20
Slovenia
tel. ++386 62 611 021
faks. ++386 62 611 117

4. Podravka - International
spol.s.r.o
Prague, Ul. Fr.Kadlece 572/XVI
the Czech Repuclic
tel. ++ 420 2 660 19 200
fax. ++ 420 2 660 19 205

5. Podravka - International
spol.s.r.o
Belupo representatives
Prague, Ul. Fr.Kadlece 572/XVI
the Czech Republic
tel. ++ 420 2 660 19 251
fax. ++ 420 2 660 19 257

6. Podravka International Kft.
Budapest, Szep u. 5/II
Hungary
tel. ++ 36 1 26 62 686
fax. ++ 36 1 33 84 329

7. Podravka Kft.
Mohacs, Budapesti orszagut 45
Hungary
tel. ++36 69 311 822
faks. ++36 69 311 646

8. Podravka International s.r.o.
Bratislava, Zahradnicka 68
Slovakia
tel. ++421 7 5020 2811
fax. ++421 7 5020 2825

9. Belupo s.r.o.
Bratislava, Cukrova 14/210
Slovakia
tel. ++ 42 1 752 964 393
fax. ++ 42 1 752 964 093

10. Konar GmbH
Geretsried, Woehlerweg 8
Germany
tel. ++49 8171 52025
fax. ++49 8171 80138

11. Podravka - International
Sp.z.o.o.
Warsaw, Ul. Rejtana 15/24
Poland
tel. ++48 22 646 1870
fax. ++48 22 849 7050

12. Podravka Polska Sp.z.o.o.
Kostrzyn n/Odra, ul. Asfaltowa 28
Poland
tel. ++48 95 728 4410
fax. ++48 95 728 4412

13. Podravka - International
Moscou, Kutuzovski prospect 13,
ap.12-13
Russia
tel. ++7 095 243 6927
fax. ++7 095 243 7483

14. Belupo, lijekovi i kozmetika
Ltd.
Moscou, Kutuzovski prospect 13,
ap.12-13
Russia
tel. ++7 095 243 6927
fax. ++7 095 243 7483

15. Podravka d.o.o.
Skopje, Ulica kolektorska bb
Macedinia
tel. ++ 389 02 171 252
fax. ++ 389 02 171 080

16. Belupo d.o.o.
Skopje, Vasila Glavinov 3
Macedinia
tel. ++ 389 91 111 321
fax. ++ 389 91 111 321

17. Podravka - International Pty.
Ltd.
4/59-63 Cawarra Rd.
Sydney -NSW , 2229 Caringbah
Australia
tel. ++ 61 295 31 00 44
fax. ++ 61 418 65 08 25

18. Podravka d.o.o.
Sarajevo, Zelenih beretki 6/1
Bosnia Hercegovina
tel. ++ 387 3 320 61 36
fax. ++ 387 3 347 14 96

19. Belupo d.o.o
Sarajevo, Ul. braće Begića 54
Bosnia & Hercegovina
tel. ++ 387 33 657 216
fax. ++ 387 33 657 061

20. Belupo
Belgrade, Ul. Simina 18
Jugoslavia
tel. ++ 381 11 638 783
fax. ++ 381 11 328 37 53

test your
senses

What do you hear?
The right answer is at the end of the report.

publisher: Podravka d.d. Koprivnica / for the publisher: Drenislav Žekić / editor: Zvonimir Mršić / copywrites: Janko Križanić, Vlasta Česi, Željko Krušelj, Igor Kovač, Zrinka Kos, Marija Kušer, Davor Perkov, Zvonimir Mršić and marketing teams/ translated by: Lancon d.o.o. Zagreb / proof reader: Željko Pazić, Hrvoje Šlabek / photography: Marín Topić / assistant of photography: Davor Javorović / graphic design: Bruketa & Žinić / layout: Igor Balen / prepress: MIT d.o.o. Osijek / printed by: IBL d.o.o. Osijek / number of copies: 1000 / year: 2001 / all photographs were taken at ELECTROLUX store // Test your senses (correct answers): The Scent - fourth strawberry / The Touch - second orange / The Sight - first carrot / The Taste - Vegeta / The Hearing - Studenac, natural mineral water // this publication was printed on environment friendly paper