PODRAVKA d.d.

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2005

PRICEWATERHOUSECOOPERS

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REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF PODRAVKA d.d., Koprivnica

We have audited the accompanying consolidated balance sheet of Podravka d.d. and its subsidiaries (the "Group") as at 31 December 2005, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 2 to 45 are the responsibility of the Management of Podravka d.d. (the "Company"). Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Zagreb, 15 March 2006

PODRAVKA d.d.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

(in thousands of HRK)	Note	2005	2004
Sales	5	3,441,378	3,294,949
Cost of goods sold		(2,104,473)	(2,003,009)
Gross profit		**1,336,905**	**1,291,940**
Other losses net	6	(621)	(4,667)
General and administrative expenses		(359,215)	(339,624)
Selling and distribution costs		(899,371)	(812,327)
Other revenues	7	9,674	16,482
Other expenses	8	(1,882)	(11,358)
Operating profit		**85,490**	**140,446**
Net financial expense	11	(15,649)	(48.061)
Profit before tax		**69,841**	**92,385**
Income tax expense	12	(7,215)	(18,365)
Net profit		**62,626**	**74,020**
Earnings per share			
- Basic	14	HRK 11.74	HRK 14.04
- Diluted	14	HRK 11.40	HRK 13.49

The consolidated financial statements set out on pages 2 to 45 were approved by the Management Board on 15 March 2006.

President of the Management Board

Darko Marinac

The notes on pages 6 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

(in thousands of HRK)	Note	As at 31 December 2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,655,399	1,740,374
Intangible assets	17	91,237	122,450
Deferred tax assets	27	11,098	1,234
Financial assets at fair value through profit or loss	19	22,477	19,735
Trade and other receivables	21	13,195	10,634
Total non-current assets		**1,793,406**	**1,894,427**
Current assets			
Inventories	20	569,092	568,924
Trade and other receivables	21	908,835	884,983
Held for sale assets	18	15,260	-
Cash and cash equivalents	22	126,234	65,206
Total current assets		**1,619,421**	**1,519,113**
Total assets		**3,412,827**	**3,413,540**
LIABILITIES			
Non-current liabilities			
Long-term debt	26	515,358	684,496
Provisions	28	14,134	11,985
Total non-current liabilities		**529,492**	**696,481**
Current liabilities			
Trade and other payables	25	590,709	565,823
Short-term borrowings	26	317,640	271,808
Provisions	28	53,827	-
Total current liabilities		**962,176**	**837,631**
Total liabilities		**1,491,668**	**1,534,112**
Shareholders' equity			
Share capital	23	1,635,796	1,627,060
Reserves	24	125,514	109,182
Retained earnings		159,849	143,186
Total shareholders' equity		**1,921,159**	**1,879,428**
Total liabilities		**3,412,827**	**3,413,540**

The notes on pages 6 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

(in thousands of HRK)	Note	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2004		1,599,620	104,762	75,124	1,779,506
Foreign exchange differences (net income recognised directly in equity)		-	11,121	-	11,121
Net profit for the year		-	-	74,020	74,020
Total recognised income for 2004		-	11,121	74,020	85,141
New issue of shares		2,880	-	-	2,880
Coverage of loss		-	(3,956)	3,956	-
Dividend approved		-	(10,390)	-	(10,390)
Purchase of treasury shares		(5,231)			(5,231)
Sale of treasury shares		1,447			1,447
Options exercised		18,127	-	(2,269)	15,858
Transfer to reserves		-	7,645	(7,645)	-
Fair value of share options		10,217	-		10,217
Balance at 31 December 2004	23, 24	**1,627,060**	**109,182**	**143,186**	**1,879,428**
Foreign exchange differences (net income recognised directly in equity)		-	2,378	-	2,378
Net profit for the year		-	-	62,626	62,626
Total recognised income for 2005		-	2,378	62,626	65,004
Purchase of treasury shares		(18,858)	-	-	(18,858)
Options exercised		15,872	-	(5,320)	10,552
Fair value adjustment of options		11,722	-	-	11,722
Dividend approved		-	-	(26,689)	(26,689)
Transfer to reserves		-	13,954	(13,954)	-
Balance at 31 December 2005	23, 24	**1,635,796**	**125,514**	**159,849**	**1,921,159**

The notes on pages 6 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

(in thousands of HRK)	Note	Year ended 31 December 2005	2004
Cash flows from operating activities			
Cash generated from operations	31	363,545	356,929
Tax paid		(14,180)	(26,777)
Interest paid		(40,747)	(43,654)
		308,618	**286,498**
Cash flows from investing activities			
Acquisition of equity interest, net of cash acquired		-	(2,257)
Purchase of tangible and intangible assets	16, 17	(134,597)	(131,400)
Disposal of tangible and intangible assets		9,708	4,857
Long-term loans given and deposits		(554)	(8)
Repayment of long-term loans given and deposits		370	5,882
Purchase of trading securities	19	(6,679)	(24,479)
Sale of trading securities		5,891	20,900
Short-term loans given and deposits		-	(6,150)
Repayment of short-term loans given and deposits		-	3,150
Interest received		-	39
Dividends received		355	343
Payment of bonus from retained earnings		-	(2,269)
		(125,506)	**(131,392)**
Cash flows from financing activities			
Purchase of treasury shares	23	(18,858)	(3,405)
Sale of treasury shares	23	20,444	17,748
Proceeds from long-term borrowings		58,725	143,432
Repayment of long-term borrowings		(165,584)	(183,596)
Proceeds from short-term borrowings		241,565	247,564
Repayment of short-term borrowings		(232,908)	(421,093)
Proceeds from bonds issued	26	-	15,829
Dividends paid		(25,468)	(10,708)
		(122,084)	**(194,229)**
Net increase/(decrease) in cash and cash equivalents		**61,028**	**(39,123)**
Cash and cash equivalents at beginning of year	22	65,206	104,329
Cash and cash equivalents at the end of year	22	126,234	65,206

The notes on pages 6 to 45 are an integral part of these consolidated financial statements.

NOTE 1 – GENERAL INFORMATION

Podravka prehrambena industrija d.d., Koprivnica (the Company) is incorporated in the Republic of Croatia. The Company and its subsidiaries (the Group) are manufacturers of a wide range of foodstuffs, non-alcoholic beverages, pharmaceutical and cosmetic products. In addition to Croatia, the Group has production facilities in Poland, the Czech Republic, the Slovak Republic and Slovenia. More than half of overall sales is realised in Croatia, and more than one third of sales is realised in Central and Eastern European countries.

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

As at 31 December 2005, the Company's shares were listed on the public joint stock company listing on the Zagreb Stock Exchange.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Group have been prepared under the historical cost convention (acquisition cost), as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2005. Listed below are those new or amended standards or interpretations, which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

All changes in accounting policies were applied retrospectively with adjustments made to retained earnings at 1 January 2004, unless otherwise described below.

IAS 1 (revised 2003) Presentation of Financial Statements
IAS 2 (revised 2003) Inventories
IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003) Events after the Balance Sheet Date
IAS 16 (revised 2003) Property, Plant and Equipment
IAS 17 (revised 2003) Leases
IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003) Related Party Disclosures
IAS 27 (revised 2003) Consolidated and Separate Financial Statements
IAS 28 (revised 2003) Investments in Associates

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003) Earnings per Share
IAS 36 (revised 2004) Impairment of Assets
IAS 38 (revised 2004) Intangible Assets
IAS 39 (revised 2004) Financial Instruments: Recognition and Measurement
IAS 39 Amendment (revised 2004) Transition and Initial Recognition of Financial Assets and Financial Liabilities
IAS 40 (revised 2003) Investment Property
IFRS 2 (issued 2004) Share-based Payments
IFRS 3 (issued 2004) Business Combinations
IFRS 4 (issued 2004) Insurance Contracts
IFRS 5 (issued 2004) Non-current Assets Held for Sale and Discontinued Operations
IFRIC 1 (issued 2004) Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2 (issued 2004) Members' Shares in Co-operative Entities and Similar Instruments
SIC 12 (revised 2004) Consolidation – Special Purpose Entities

The adoption of the above new and revised standards had no material effect on the Group's policies or was not relevant to the Group's operations, except as follows:

- IAS 1 (revised 2003) has affected the income statement presentation and other disclosures.
- IAS 24 (revised 2003) has affected the identification of related parties, specifically, key management compensation information has been added.
- The adoption of IAS 39 (revised 2004) has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.
- The adoption of IFRS 2 Share-based payments has resulted in a change in the accounting policy relating to the disclosure of share option rights.
- The adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill (set out below).
- The adoption of IFRS 5 resulted in different classification and measurement of non-current assets held for sale.

Up to 31 December 2004, goodwill was amortised using the straight-line method over its estimated useful life (10 years). The Group ceased amortising goodwill on 1 January 2005. Accumulated amortisation was eliminated against the cost of goodwill on 1 January 2005. Goodwill is now tested for impairment annually, or when there are indications of impairment also at interim balance sheet dates.

Up to 31 December 2004, costs from valuation of share option rights in the income statement and the corresponding changes in total equity have not been disclosed. In line with the transitional provisions of IFRS 2, the Group has restated comparative figures for the previous period in order to disclose:

- costs arising from options after 7 November 2002, which have not vested as at 1 January 2005.
- costs arising from options, which were outstanding as at 1 January 2005.

The adoption of IFRS 2 resulted in:

	2005	**2004**
Increase in share premium (in thousands of HRK)	11,722	10,217
Increase in general and administrative expenses (in thousands of HRK)	11,722	10,217
Decrease in basic earnings per share (in HRK)	11.74	14.04
Decrease in diluted earnings per share (in HRK)	11.40	13.49

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- IAS 21 – goodwill and fair value adjustments arising on the acquisition of a foreign entity are prospectively treated as assets and liabilities of the foreign entity and translated at the closing rate. In 2004, goodwill was carried at historical cost denominated in foreign currency and translated using the exchange rate at the date of transaction.
- IAS 39 – does not require the classification of financial assets as at 'fair value through profit or loss' of previously recognised financial assets.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

- *IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006).* Since the Group has no defined benefit plans, this amendment is not relevant.

- *IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006).* This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will apply this amendment beginning 1 January 2006.

- *IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006).* This amendment is not relevant to the Group's operations, as the Group does not use derivative financial instruments for intragroup transactions.

- *IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).* This amendment requires issued financial guarantees to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management is still considering the impact of this amendment.

- *IFRS 1 (Amendment), First-Time Adoption of International Financial Reporting Standards (effective from 1 January 2006).* This amendment is not relevant to the Group's operations as the Group is not a first-time adopter of IFRS.

- *IFRS 6 and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).* IFRS 6 and related amendment are not relevant, as the Group does not carry out exploration activities for mineral resources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- *IFRS 7, Financial Instruments: Disclosures (effective from 1 January 2007).* IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Group will apply IFRS 7 beginning 1 January 2007, and the related impact is still under consideration by management.

- *Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).* The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of the amendment to IAS 1, and concluded that no additional disclosures are necessary in the financial statements, as the Group does not have any specific internal or external requirements related to capital management.

- *IAS 21 (Amendment) - Net Investment in a Foreign Operation (effective from 1 January 2006).* This amendment requires foreign exchange gains and losses on quasi-equity inter-company loans to be reported in consolidated equity even if the loans are not in the functional currency of either the lender or the borrower. Currently, such exchange differences are required to be recognised in consolidated profit or loss. It also extends the definition of 'net investment in a foreign operation' to include loans between sister companies. This amendment is not relevant to the Group's operations.

- *IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006).* IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement, when: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets; and (b) the arrangement conveys a right to use the asset(s). Management is still considering the impact of IFRIC 4 to the Group's operations.

- *IFRIC 5, Rights to interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).* IFRIC 5 is not relevant to the Group's operations.

- *IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 January 2006).* IFRIC 6 is not relevant to the Group's operations.

- *IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 January 2007).* IFRIC 7 is not relevant as the Group does not operate in a hyperinflationary environment.

- *IFRIC 8, Scope of IFRS 2 (effective from 1 January 2007).* IFRIC 8 will be applied as of 1 January 2007.

- *IFRIC 9, Reassessment of Embedded Derivatives (effective from 1 January 2007).* Management is still considering the impact of IFRIC 9 on the Group's operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

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

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Croatian kuna (HRK), which is the Company's functional and presentation currency.

(b) Transactions and balances

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currencies (continued)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to 'Translation reserves' in shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment is included in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant.

Depreciation annual rates based on estimated useful lives are as follows:

	%
Buildings	2.00 - 10.00
Equipment	3.00 - 37.00

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates (Note 2.7).

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Licences and other rights

Licences and other rights relating to product distribution are shown at historical cost. Licences and other rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences and other rights over their estimated useful lives (5 years).

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets held for sale

Non-current assets are classified as held for sale and carried at the lower of carrying amount and fair value (less selling expenses), provided that the carrying amount will be recoverable through subsequent sale, rather than through continued use.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

The Group classifies its financial assets in the following two categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category includes financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if so determined by Management. Assets in this category are classified as non-current assets if they are not expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Loans and receivables are carried at amortised cost using the effective interest method. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, are presented in the income statement within 'other gains/losses - net' in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of given loans and receivables is described in Note 2.12.

2.10 Leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the income statement over the lease period.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or the lease term.

Leases where the significant portion of risks and rewards of ownership are not retained by the Group are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.11 Inventories

Inventories of raw materials, spare parts and trade goods are stated at the lower of cost, determined using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-process and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Small inventory and tools are expensed when put into use.

2.12 Trade and loan receivables

Trade and loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'selling and distribution costs'.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included in current liabilities on the balance sheet.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Group purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.17 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any other post-employment benefits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions of the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

(d) Short-term employee benefits

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Provisions

Provisions for restructuring costs, warranty and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions represent mainly employee termination benefits.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts. Revenue is recognised as follows:

(a) Sales of goods

Income from the sale of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Income from the retail sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in distribution costs.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Income from government subsidies

Income from government subsidies is recognised at fair value where there is reasonable assurance that the subsidy will be received and the Group will comply with all related conditions. Income from government subsidies is recognised in the period necessary to match them with costs that are intended to be compensated and is presented within other revenues in the income statement.

2. 20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's Treasury department.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO and the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign equity and business operations.

The majority of the Group's foreign sales revenue and long-term debt is denominated in EUROs. Therefore, movements in exchange rates between the EURO and Croatian kuna may have an impact on the results of future operations and future cash flow. The Group does not use derivative instruments to actively hedge foreign exchange risk exposure.

(b) Credit risk

Current assets, which potentially subject the Group to concentrations of credit risk primarily include cash, trade receivables and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Credit risk with respect to loan receivables is limited due to the fact that all of the loans are secured by bank guarantees from major banks and collateralised assets. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Treasury department regularly monitors available cash resources.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group does not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure.

NOTE 3 - FINANCIAL RISK MANAGEMENT (continued)

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

If the revised estimated gross margin at 31 December 2006 was 10% lower than management's estimates at 31 December 2005, it would not result with an impairment charge for the Group.

If the revised estimated pre-tax discount rate applied to the discounted cash flows was 10% higher than management's estimates, it would not result with an impairment charge for the Group.

(b) Other long-term employee benefits

In line with the collective bargaining agreement, the Company and certain subsidiaries within the Group provide jubilee awards to employees. For the present value calculation of these benefits, the Group estimates employee turnover based on past trends and determines the appropriate discount rate based on current market conditions. Were the discount rate and employee turnover used to differ by 10% from management estimates, the carrying amount of the related liability would not be significantly different from that recorded.

(c) Legal claims and disputes

Provisions for legal claims and disputes are recorded based on management's estimate of probable losses after consultation with legal counsel. Based on existing knowledge, the outcomes of future litigation are reasonably estimated and provisions are made, if it is estimated that potential losses will arise from future litigation or out-of-court settlements.

NOTE 5 – SEGMENT INFORMATION

Primary reporting format – business segments

At 31 December 2005, the Group is organised on a worldwide basis into three business segments:

1. Manufacture and wholesale of food and beverages
2. Manufacture and wholesale of medicines
3. The sale of services comprises printing, power supply and food services.

The segment results for the year ended 31 December 2004 are as follows:

(in thousands of HRK)	Food and beverages	Medicines	Services	Total Group
Sales	**2,688,872**	**594,681**	**11,396**	**3,294,949**
Operating profit	53,094	87,152	200	140,446
Finance costs	(31,221)	(16,840)	-	(48,061)
Profit before income tax	**21,873**	**70,312**	**200**	**92,385**
Income tax expense	(2,438)	(15,927)	-	(18,365)
Profit for the year	**19,435**	**54,385**	**200**	**74,020**

The segment results for the year ended 31 December 2005 are as follows:

(in thousands of HRK)	Food and beverages	Medicines	Services	Total Group
Sales	**2,820,002**	**611,095**	**10,281**	**3,441,378**
Operating profit	8,503	76,411	576	85,490
Finance costs	(5,163)	(10,486)	-	(15,649)
Profit before income tax	**3,340**	**65,925**	**576**	**69,841**
Income tax expense	7,308	(14,523)	-	(7,215)
Profit for the year	**10,648**	**51,402**	**576**	**62,626**

Other segment items included in the income statement are as follows:

	2005				**2004**			
(in thousands of HRK)	**Food and beverages**	**Medicines**	**Services**	**Total Group**	**Food and beverages**	**Medicines**	**Services**	**Total Group**
Depreciation	142,525	39,545	2,611	184,681	146,030	34,722	2,615	183,367
Amortisation	35,942	2,256	48	38,246	45,391	1,109	11	46,511
Impairment of goodwill	-	-	-	-	2,000	-	-	2,000
Impairment of trade receivables	15,085	2,932	98	18,115	16,155	1,695	84	17,934
Restructuring costs – termination benefits	3,361	1,401	-	4,762	22,508	8,060	-	30,568

NOTE 5 – SEGMENT INFORMATION (continued)

The segment assets and liabilities at 31 December 2004 and capital expenditure for the year then ended are as follows:

(in thousands of HRK)	Food and beverages	Medicines	Services	Total Group
Assets excluding goodwill	2,578,592	792,764	15,379	3,386,735
Goodwill	26,805	-	-	26,805
Total assets	**2,605,397**	**792,764**	**15,379**	**3,413,540**
Liabilities	**1,290,417**	**235,101**	**8,594**	**1,534,112**
Capital expenditure	**98,713**	**32,577**	**110**	**131,400**

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

(in thousands of HRK)	Food and beverages	Medicines	Services	Total Group
Assets excluding goodwill	2,574,008	798,454	13,269	3,385,731
Goodwill	27,096	-	-	27,096
Total assets	**2,601,104**	**798,454**	**13,269**	**3,412,827**
Liabilities	**1,229,139**	**256,222**	**6,307**	**1,491,668**
Capital expenditure	**87,500**	**48,219**	**207**	**135,926**

Secondary reporting format – geographical segments

Sales

	2005	2004
	(in thousands of HRK)	
Croatia	1,828,947	1,769,124
South-eastern Europe	789,219	722,954
Central Europe	469,992	487,778
Western Europe, overseas and Orient	218,284	201,258
Eastern Europe	134,936	113,835
Total	**3,441,378**	**3,294,949**

Sales are allocated based on the country in which the customer is located.

NOTE 5 – SEGMENT INFORMATION (continued)

Non-current assets

	2005	2004
	(in thousands of HRK)	
Croatia	2,821,858	2,836,921
South-eastern Europe	244,413	221,020
Central Europe	322,082	330,889
Western Europe, overseas and Orient	22,250	22,388
Eastern Europe	2,224	2,322
Total	**3,412,827**	**3,413,540**

Total assets are allocated based on where the assets are located.

Capital expenditure

	2005	2004
	(in thousands of HRK)	
Croatia	124,030	112,180
South-eastern Europe	7,566	8,068
Central Europe	4,286	11,050
Western Europe, overseas and Orient	44	101
Eastern Europe	-	1
Total	**135,926**	**131,400**

Capital expenditure is allocated based on where the assets are located.

NOTE 6 – OTHER LOSSES – NET

	2005	2004
	(in thousands of HRK)	
Gains on sale of financial assets at fair value through profit or loss (Note 19)	2,036	1,792
Gains/(losses) on sale of non-current assets – net	4,593	(695)
	6,629	1,097
Foreign exchange losses – net	(7,250)	(5,764)
	(621)	**(4,667)**

NOTE 7 – OTHER REVENUES

	2005	2004
	(in thousands of HRK)	
Government subsidies	2,936	3,145
Dividend received	355	343
Interest from time deposits and customers	2,906	10,398
Interest from given loans	175	350
Other	3,302	2,246
	9,674	**16,482**

NOTE 8 – OTHER EXPENSES

	2005	2004
	(in thousands of HRK)	
Interest from suppliers	1,882	5,493
Loan receivables written off	-	2,126
Other	-	3,739
	1,882	**11,358**

NOTE 9 – EXPENSES BY NATURE

	2005	2004
	(in thousands of HRK)	
Raw materials, consumables and energy used, cost of goods sold	1,583,568	1,511,266
Depreciation and amortisation (Note 16 and 17)	223,007	229,878
Staff costs (Note 10)	792,580	772,686
Change in inventories of work in progress and finished goods	14,605	(1,295)
Advertising and promotion costs	257,370	213,343
Maintenance	27,267	27,887
Transportation	69,064	68,451
Rental costs	54,317	50,511
Net provisions for trade receivables	18,115	17,934
Other	323,166	264,299
	3,363,059	**3,154,960**

NOTE 10 – STAFF COSTS

	2005	2004
	(in thousands of HRK)	
Salaries	743,226	713,487
Share options	11,722	10,217
Termination benefits /i/	4,762	31,636
Awards	16,789	3,334
Transportation	10,498	10,061
Donations and aids	1,403	1,316
Other	4,180	2,635
Total	**792,580**	**772,686**

As at 31 December 2005, the number of employees by the Group was 7,181 (2004: 7,283).

/i/ In 2005, the Group accrued termination benefits for 88 employees, of which termination benefits have been paid to 40 employees (2004: accrued and paid to 250 employees).

NOTE 11 – FINANCIAL EXPENSE

	2005	2004
	(in thousands of HRK)	
Interest expense from long-term borrowings	(26,413)	(33,281)
Interest expense from short-term borrowings	(2,301)	(6,344)
Interest expense from issued bonds and other	(10,825)	(14,119)
Net foreign exchange gains from borrowings (Note 13)	23,890	5,683
Total	**(15,649)**	**(48,061)**

NOTE 12 – INCOME TAX

	2005	2004
	(in thousands of HRK)	
Current income tax	16,941	18,195
Deferred tax (Note 27)	(9,726)	170
	7,215	**18,365**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of 20.2% (2004: 20.6%) applicable to profits of the consolidated companies as follows:

	2005	2004
	(in thousands of HRK)	
Profit before taxation	69,841	92,385
Tax calculated at weighted average tax rates applicable to profits in the respective countries	14,108	19,031
Income not subject to tax	(6,647)	(5,835)
Expenses not deductible for tax purposes	20,835	15,550
	28,296	28,746
Utilised tax loss	(11,355)	(10,551)
Current income tax	16,941	18,195
Deferred income tax (credit)/expense	(9,726)	170
Tax charge	7,215	18,365

Unutilised tax losses in the amount of HRK 38,592 thousand (2004: HRK 141,853 thousand) are not recognised as deferred tax assets in the balance sheet, as it is uncertain that sufficient taxable profit for related entities will be realised against which these deferred tax assets may be utilised. The stated tax losses may be utilised until 2010.

In 2004, the Croatian tax authorities have carried out a full-scope tax audit of the Company's income tax and VAT returns for the periods 2002 and 2003. In accordance with local regulations, the tax authorities may at any time inspect the Company's books and records within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax assessments and penalties. Similar regulations exist for other Group subsidiaries. The Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

NOTE 13 – NET FOREIGN EXCHANGE GAINS/(LOSSES)

Foreign exchange gains/(losses) are recorded in the income statement as follows:

	2005	2004
	(in thousands of HRK)	
Other losses – net (Note 6)	(7,250)	(5,764)
Finance expense (Note 11)	23,890	5,683
	16,640	**(81)**

NOTE 14 – EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit of the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2005	2004
Net profit attributable to shareholders *(in thousands of HRK)*	62,626	74,020
Weighted average number of shares	5,335,385	5,272,642
Basic earnings per share *(in HRK)*	**11.74**	**14.04**

(2) Diluted earnings per share

Diluted earnings per share is calculated as basic earnings per share including the impact of the number of share options given to employees, of which 158,708 were not exercised (2004: 212,375 options).

	2005	2004
Net profit attributable to shareholders *(in thousands of HRK)*	62,626	74,020
Adjustments for share options	158,708	212,375
Weighted average number of shares in issue for diluted earnings per share	5,494,092	5,485,016
Diluted earnings per share *(in HRK)*	**11.40**	**13.49**

NOTE 15 – DIVIDENDS PER SHARE

As at 30 June 2005, the Company's General Assembly reached a decision on the distribution of profit for the financial year 2004 by approving payment of dividends on ordinary shares in the gross amount of HRK 5,00 per share, totalling HRK 26,689 thousand. During 2005, dividends have not been fully paid. Unpaid dividends are included in other liabilities (Note 25).

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	Land and buildings	Equipment	Assets in course of construction	Total
At 1 January 2004				
Cost	1,796,100	1,460,501	138,745	3,395,346
Accumulated depreciation	(662,474)	(932,542)	-	(1,595,016)
Net book value	**1,133,626**	**527,959**	**138,745**	**1,800,330**
Year ended 31 December 2004				
Opening net book amount	1,133,626	527,959	138,745	1,800,330
Effect of changes in foreign exchange rates	10,364	3,255	(1,609)	12,010
Additions	3,545	3,380	111,712	118,637
Transfer	66,503	129,257	(195,760)	-
Disposals	(292)	(1,830)	(2,992)	(5,114)
Impairment	(1,300)	(822)	-	(2,122)
Depreciation	(59,923)	(123,444)	-	(183,367)
Closing net book amount	**1,152,523**	**537,755**	**50,096**	**1,740,374**
At 31 December 2004				
Cost	1,875,059	1,561,721	50,096	3,486,876
Accumulated depreciation	(722,536)	(1,023,966)	-	(1,746,502)
Net book value	**1,152,523**	**537,755**	**50,096**	**1,740,374**
Year ended 31 December 2005				
Opening net book amount	1,152,523	537,755	50,096	1,740,374
Effect of changes in foreign exchange rates	494	(644)	(206)	(356)
Additions	6,096	6,164	116,880	129,140
Transfer	52,903	80,142	(133,045)	-
Disposals	(5,705)	-	-	(5,705)
Impairment	(6,245)	(617)	(549)	(7,411)
Transfer to assets held-for-sale (Note 18)	(11,472)	(4,490)	-	(15,962)
Depreciation	(61,279)	(123,402)	-	(184,681)
Closing net book amount	**1,127,315**	**494,908**	**33,176**	**1,655,399**
At 31 December 2005				
Cost	1,907,499	1,582,132	33,176	3,522,807
Accumulated depreciation	(780,184)	(1,087,224)	-	(1,867,408)
Net book value	**1,127,315**	**494,908**	**33,176**	**1,655,399**

Group buildings and land worth HRK 891,980 thousand (2004: HRK 955,972 thousand) have been mortgaged against the Group's borrowings.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2005	**2004**
	(in thousands of HRK)	
Cost of capitalised finance leases	53,853	52,892
Accumulated depreciation	(30,932)	(21,585)
Net book value	**22,921**	**31,307**

NOTE 17 – INTANGIBLE ASSETS

(in thousands of HRK)	Goodwill	Software	Distribution right	Other	Total
At 1 January 2004					
Cost	52,460	125,305	67,694	5,704	251,163
Accumulated amortisation	(13,163)	(67,492)	(13,539)	-	(94,194)
Net book value	**39,297**	**57,813**	**54,155**	**5,704**	**156,969**
Year ended 31 December 2004					
Opening net book amount	39,297	57,813	54,155	5,704	156,969
Effect of changes in foreign exchange rates	-	1,667	-	-	1,667
Additions /i/	-	313	-	12,450	12,763
Transfer	-	17,325	-	(17,325)	-
Impairment charge	(2,000)	-	-	-	(2,000)
Disposals	-	(259)	-	(179)	(438)
Amortisation	(10,492)	(22,480)	(13,539)	-	(46,511)
Closing net book amount	**26,805**	**54,379**	40,616	**650**	**122,450**
At 31 December 2004					
Cost	52,460	145,084	67,694	650	265,888
Accumulated amortisation	(25,655)	(90,705)	(27,078)	-	(143,438)
Net book value	**26,805**	**54,379**	**40,616**	**650**	**122,450**
Year ended 31 December 2005					
Opening net book amount	26,805	54,379	40,616	650	122,450
Effect of changes in foreign exchange rates	291	46	-	-	337
Additions	-	187	-	6,599	6,786
Transfer	-	6,616	-	(6,616)	-
Disposals	-	(68)	-	-	(68)
Transfer to assets held-for-sale (Note 18)	-	(22)	-	-	(22)
Amortisation	-	(24,707)	(13,539)	-	(38,246)
Closing net book amount	**27,096**	**36,431**	**27,077**	**633**	**91,237**
At 31 December 2005					
Cost	27,096	151,619	67,694	633	247,042
Accumulated amortisation	-	(115,188)	(40,617)	-	(155,805)
Net book value	**27,096**	**36,431**	**27,077**	**633**	**91,237**

NOTE 17 – INTANGIBLE ASSETS (continued)

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

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) acquired in previous years, namely Lagris, Czech Republic and Ital Ice, Poreč, Croatia. The stated CGUs are included in the business segment food and beverages.

The recorded goodwill balance as at 31 December is as follows:

	2005	2004
	(in thousands of HRK)	
Lagris	24,878	24,587
Ital Ice	2,218	2,218
	27,096	**26,805**

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial projections approved by management.

Certain assumptions have been used for the analysis of each cash-generating unit within the business segment. Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates (4.25%) used are pre-tax and reflect specific risks relating to the relevant segments.

In 2004, goodwill impairment was recorded for Ital-ice in the amount of HRK 2,000 thousand based on revised management projections of future operating results.

NOTE 18 – NON-CURRENT ASSETS HELD FOR SALE

	2005	2004
	(in thousands of HRK)	
Business premises in Knez Domagoj Street, Koprivnica (Note 16)	5,610	-
Equipment and intangible assets of Koprivnička Tiskarnica d.o.o. (Notes 16 and 17)	4,512	-
Property in subsidiary Podravka Kft, Budapest (Note 16) /i/	5,138	-
Total	**15,260**	-

/i/ As an adjustment to fair value of this property, an impairment expense was recorded in the amount of HRK 724 thousand.

NOTE 19 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005	2004
	(in thousands of HRK)	
Long-term investments:		
Investments in securities	1,340	5,277
RTL d.o.o.	21,037	14,458
EKO OZRA d.o.o.	100	-
	22,477	**19,735**

Movements during the year are as follows:

	2005	2004
	(in thousands of HRK)	
Opening net book value	19,735	15,882
Additions /i/	6,679	24,479
Disposals /ii/	(3,952)	(20,502)
Fair value adjustments	-	(209)
Effect of foreign exchange rates	15	85
Closing net book value	**22,477**	**19,735**

/i/ Total additions include the following:

- In January and October 2005, the investment in RTL d.o.o. was increased by the amounts of HRK 1,285 thousand and HRK 5,294 thousand (2004: HRK 14,199 thousand), as part of the capital increase in RTL. The equity interest of 8.5% remained unchanged.
- In November 2005, the Group made an equity contribution in the company EKO OZRA d.o.o. in the amount of HRK 100 thousand. As at 31 December 2005, the equity interest in the stated company was 9.9%.
- At the beginning of 2004, the Group paid-in an additional amount of HRK 10,280 thousand as an increase in the investment in Dinova d.o.o.

/ii/ Total disposals include the following:

- In August and September 2005, shares in the following companies were sold: Gospodarsko kreditna banka Zagreb, Croatia osiguranje Zagreb, Riviera Holding Poreč and Istarska kreditna banka Umag.
- In April 2004, the entire interest in Dinova d.o.o. with a book value of HRK 19,000 thousand was sold at a price of HRK 20,900 thousand, and the difference between the sales price and the book value in the amount of HRK 1,900 thousand was recorded as a gain from interests sold as part of Other losses - net (Note 6).

NOTE 19 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets at fair value include the following securities:

	2005	2004
	(in thousands of HRK)	
Listed securities:		
- Shares of GKB	-	823
- Shares of Croatia osiguranje	-	2,200
- Shares of Riviera Holding Poreč	-	47
	-	**3,070**
Unlisted securities:		
- ZD Olšava	1,327	1,312
- Bonds of Privredna banka Zagreb	13	13
- Shares of IKB Umag	-	882
	1,340	**2,207**

NOTE 20 – INVENTORIES

	2005	2004
	(in thousands of HRK)	
Raw materials and supplies	186,570	175,570
Work in progress	70,239	83,245
Finished goods	168,144	175,131
Trade goods	144,139	134,978
	569,092	**568,924**

At each balance sheet date, an assessment is made of damaged and expired inventories. As a result, a provision is made for such inventories which amounted to HRK 11,746 thousand in 2005 (2004: HRK 740 thousand) and were included in cost of goods sold in the income statement.

NOTE 21 – TRADE AND OTHER RECEIVABLES

	2005	2004
	(in thousands of HRK)	
Non-current receivables /i/:		
Flats and sale of flats via loans	3,020	3,322
Other non-current receivables and deposits	10,175	7,312
	13,195	**10,634**
Current receivables:		
Trade receivables	946,494	934,618
Less: Provisions for impairment /ii/	(163,077)	(171,770)
Net trade receivables	783,417	762,848
Bills of exchange received	50,500	50,934
Prepayments	7,520	7,267
Other trade receivables /iii/	67,033	63,900
Short-term loans given	365	34
	908,835	**884,983**
	922,030	**895,617**

/i/ The fair value of non-current receivables approximates the carrying amounts, since the stated interest rates reflect market rates.

/ii/ In 2005, a net expense in the amount of HRK 18,115 thousand (2004: HRK 17,934 thousand) was realised for the impairment of trade receivables, which was included in 'selling and distribution costs'. In addition, HRK 26,808 thousand trade receivables were eliminated, which have been provided for in earlier periods (2004: HRK 10,840 thousand).

/iii/ Other receivables recorded as at 31 December 2005 are as follows:

	2005	2004
	(in thousands of HRK)	
Prepaid VAT receivable	38,901	34,754
Prepaid income tax receivable	4,701	6,457
Receivables from employees	2,480	2,275
Prepaid expenses	9,201	6,608
Amounts due from settlement agreements	1,893	4,016
Other	9,857	9,790
	67,033	**63,900**

NOTE 22 – CASH AND CASH EQUIVALENTS

	2005	2004
	(in thousands of HRK)	
Cash with banks	123,740	64,465
Cheques received	134	101
Deposits	2,360	640
	126,234	**65,206**

NOTE 23 – SHAREHOLDERS' EQUITY

	Number of shares	Ordinary shares	Share premium	Treasury shares	Total
			(in thousands of HRK)		
At 1 January 2004	5,224,807	1,623,121	12,001	(35,502)	1,599,620
Shares issued /i/	9,599	2,880	-	-	2,880
Purchase of treasury shares	(26,691)	-	-	(5,231)	(5,231)
Sale of treasury shares	9,361	-	-	1,447	1,447
Employee share options:					
- options exercised	110,104	-	-	18,127	18,127
- fair value of options	-	-	10,217	-	10,217
At 31 December 2004	**5,327,180**	**1,626,001**	**22,218**	**(21,159)**	**1,627,060**
At 1 January 2005	5,327,180	1,626,001	22,218	(21,159)	1,627,060
Purchase of treasury shares	(65,721)	-		(18,858)	(18,858)
Employee share options:					
- options exercised	76,388	-	(4,572)	20,444	15,872
- fair value of options	-	-	11,722	-	11,722
At 31 December 2005	**5,337,847**	**1,626,001**	**29,368**	**(19,573)**	**1,635,796**

As at 31 December 2005, the Company's share capital amounted to HRK 1,626,000,900, distributed among 5,420,003 shares (2004: HRK 1,626,000,900 and 5,420,003 shares). The nominal value amounted to HRK 300 per share. All issued shares are fully paid.

/i/ According to the decision of the Croatian Privatisation Fund in 2004, the capital was increased by issuing 9,599 new shares with a nominal value of HRK 300 per share. These shares relate to the valuation of land in Zagreb, Žitnjak in the amount of HRK 2,879,700, which was not included in equity during the Company's privatisation process in 1993.

NOTE 23 – SHAREHOLDERS' EQUITY (continued)

Share options

Options for the purchase of Podravka d.d. shares are granted to members of Management and certain executive directors of Podravka d.d., Belupo d.d. and Danica d.o.o. in accordance with the applicable Employment contracts. The exercise price of the granted option equals the average share price of the Company's shares per the Zagreb Stock Exchange in the year the option is granted (employees of Belupo are entitled to a purchase price of 60% of the average price). The vesting period normally starts at the beginning of the business year. Options are acquired separately for each business year. The vesting period is one year. The exercise period is from 3 to 5 years after the end of the year when they were granted. Based on historical practice, upon termination of employment the options vest immediately and can be exercised 6 to 12 months, as determined by the Termination contract. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Average exercise price *(in HRK per share)*	**Options** *(number of options)*	**Average exercise price** *(in HRK per share)*	**Options** *(number of options)*
At 1 January	169.47	212,375	161.51	273,930
Granted	269.40	24,054	173.91	95,219
Forfeited	-	-	167.97	(15,670)
Exercised	147.26	(76,388)	149.82	(110,104)
Lapsed	308.00	(1,333)	183.30	(31,000)
At 31 December	**194.15**	**158,708**	**169.47**	**212,375**

As at 31 December 2005, 158,708 outstanding options (2004: 212,375 options) were granted. In 2005, 34,000 options (2004: 8,000 options), which were exercisable, were not granted. Options exercised in 2005 resulted in 76,388 options (2004: 110,104 options), being issued at an average price of HRK 147.26 (2004: HRK 149.82). The related weighted average market price at the time of exercise was HRK 308.66 (2004: HRK 196.49).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Number of shares	
Expiry date	**Average exercise price**	**2005**	**2004**
2006	140.70	8,000	18,000
2007	153.61	26,000	46,000
2008	172.74	50,334	67,001
2009	187.18	58,374	81,374
2010	296.69	16,000	-
		158,708	**212,375**

The fair value of options granted during the period determined using the intrinsic value method was HRK 831 thousand (2004: HRK 6,007 thousand).

NOTE 24 – RESERVES

In thousands of HRK	Legal reserves	Other reserves	Translation reserves	Reserves for treasury shares	Total
At 1 January 2004	35,572	54,338	(7,627)	22,479	104,762
Coverage of loss /ii/	-	(3,956)	-	-	(3,956)
Dividend paid	-	(10,390)	-	-	(10,390)
Transfer to reserves /i/	606	7,039	-	-	7,645
Foreign exchange differences	-	-	11,121	-	11,121
At 31 December 2004	**36,178**	**47,031**	**3,494**	**22,479**	**109,182**
At 1 January 2005	36,178	47,031	3,494	22,479	109,182
Transfer to reserves /i/	7,407	4,379	-	2,168	13,954
Foreign exchange differences	-	-	2,378	-	2,378
At 31 December 2005	**43,585**	**51,410**	**5,872**	**24,647**	**125,514**

Both legal reserves (maintained at five percent of the Company's share capital) and treasury share reserves are maintained as required by the Croatian Company Law. These reserves are non-distributable. Other reserves mainly comprise statutory reserves recorded in accordance with the Company's statute.

/i/ According to the decision of the General Assembly of Podravka d.d. in June 2005, the Company's profit for 2004 was allocated to: legal reserves in the amount of HRK 1,636 thousand, reserves for treasury shares in the amount of HRK 2,168 thousand, and other reserves in the amount of HRK 1,446 thousand. In 2005, an additional amount of HRK 8,704 thousand (2004: HRK 7,645 thousand) was transferred to other reserves in accordance with the Statutes of certain Group companies.

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

NOTE 25 – TRADE AND OTHER PAYABLES

	2005	2004
	(in thousands of HRK)	
Trade payables	456,625	462,969
Other payables /i/	134,084	102,854
	590,709	**565,823**

NOTE 25 – TRADE AND OTHER PAYABLES (continued)

/i/ Other payables are as follows:

	2005	2004
	(in thousands of HRK)	
Salaries and other payments to employees	62,561	60,227
Dividend payable	2,117	896
Interest payable on borrowings	13,195	14,403
Taxes and contributions payable	15,787	11,531
Purchase of equity interests	738	767
Other	39,686	15,030
	134,084	**102,854**

NOTE 26 – BORROWINGS

	2005	2004
	(in thousands of HRK)	
Non-current borrowings		
Banks in Croatia	373,432	419,867
Banks in foreign countries	113,517	182,605
Bonds issued	199,142	207,123
Finance lease	16,052	23,713
Current portion of non-current borrowings	(186,785)	(148,812)
	515,358	**684,496**
Current borrowings		
Banks	130,151	121,970
Current portion of non-current borrowings	186,785	148,812
Other	704	1,026
	317,640	**271,808**
Total borrowings	**832,998**	**956,304**

Total secured borrowings of the Group amount to HRK 467,628 thousand (2004: HRK 562,765 thousand). Bank borrowings are secured by the land and buildings of the Group.

NOTE 26 – BORROWINGS (continued)

The exposure of the Group's borrowings to interest rate changes based on the contractual repricing dates at the balance sheet dates are as follows:

	2005	2004
	(in thousands of HRK)	
6 months or less	387,919	491,352
6-12 months	54,153	5,736
1-5 years	312,953	355,438
Over 5 years	77,973	103,778
	832,998	**956,304**

The maturity of non-current borrowings is as follows:

	2005	2004
	(in thousands of HRK)	
Between 1 and 2 years	369,329	184,585
Between 2 and 5 years	117,895	446,113
Over 5 years	28,134	53,798
	515,358	**684,496**

The effective interest rates at the balance sheet date were as follows:

Podravka Group	**2005**			**2004**		
	HRK	**EUR**	**Other**	**HRK**	**EUR**	**Other**
	%	**%**	**%**	**%**	**%**	**%**
Non-current borrowings						
Banks in Croatia	4.00	4.29		4.00	4.33	
Banks in foreign countries		4.06	4.28		4.06	5.33
Bonds issued		5.00			5.00	
Finance lease		6.16			5.28	
Current borrowings						
Banks	4.05	3.48	4.45	4.00	4.08	5.82
Other	4.50			4.50		

NOTE 26 – BORROWINGS (continued)

Bonds issued

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

As at 31 December 2005, the balance of liabilities for bonds issued was translated using the mid-market exchange rate of the EUR and was recorded in the amount of HRK 199.1 million. The interest expense for 2005 amounted to HRK 10.0 million (2004: HRK 8.7 million), of which accrued interest not yet due amounted to HRK 8.6 million (2004: HRK 8.7 million), which is recorded under 'other liabilities' (Note 25).

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2005	**2004**	**2005**	**2004**
	(in thousands of HRK)		*(in thousands of HRK)*	
Non-current borrowings				
Banks in Croatia	247,544	374,693	249,398	377,839
Banks in foreign countries	60,026	87,315	60,184	87,473
Bonds issued	199,142	207,123	200,735	207,123
Finance lease	8,646	15,365	8,646	15,365
	515,358	**684,496**	**518,963**	**687,800**

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.25 % (2004: 3.95%).

The carrying amounts of short-term borrowings approximate their fair value.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2005	**2004**
	(in thousands of HRK)	
HRK	177,839	158,026
EUR	552,248	670,848
Other	102,911	127,430
	832,998	**956,304**

NOTE 26 – BORROWINGS (continued)

The Group has the following undrawn borrowing facilities:

	2005	2004
	(in thousands of HRK)	
Floating rate:		
- Expiring within one year	139,591	98,609
	139,591	**98,609**

The borrowing facilities expire within one year. They comprise current borrowings granted on a revolving basis for the purpose of financing temporary requirements, and they are repayable from cash inflows.

NOTE 27 – DEFERRED INCOME TAX

	2005	2004
	(in thousands of HRK)	
Deferred tax assets	11,098	1,234
Deferred tax liabilities	-	-
	11,098	**1,234**

Deferred tax assets are recognised for tax losses and tax credits carried forward to the extent that it is probable amounts recorded will be realised through future taxable profits of the related Group entities.

Movements on the deferred income tax account are as follows:

	2005	2004
	(in thousands of HRK)	
Beginning of the year	1,234	1,313
Foreign exchange differences	138	91
Income tax credit/(expense)	9,726	(170)
End of the year	**11,098**	**1,234**

NOTE 28 – PROVISIONS

	Legal proceedings	Employee benefits	Restructuring	Total
At 1 January 2005	11,985	-	-	11,985
Additions	39,943	13,695	2,680	56,318
Foreign exchange differences	(32)	-	-	(32)
Used during year	(310)	-	-	(310)
At 31 December 2005	**51,586**	**13,695**	**2,680**	**67,961**
Analysis of total provisions:				
Non-current	2,540	11,594	-	14,134
Current	49,046	2,101	2,680	53,827

Legal proceedings

In the ordinary course of business, the Group companies were defendants and plaintiffs in a number of pending legal proceedings. Management believes that the outcome of these legal proceedings will not give rise to any significant loss beyond the amounts provided at 31 December 2005. It is expected that HRK 49,046 thousand will be used during 2006 and HRK 2,540 thousand during 2007.

Short-term provisions primarily relate to an outstanding legal suit relating to the termination of a foreign distribution agreement. The provision includes both principal amount claimed and related penalty interest.

Employee benefits

This provision comprises estimated long-term employee benefits relating to jubilee awards, as defined by the collective bargaining agreement. It is expected that HRK 2,101 thousand will be used during 2006, HRK 5,849 thousand by 2010 and the remaining amount after 2010.

Restructuring

During 2005, a provision was made for termination benefits for employees of the Group company Sana d.o.o., Hoče, Slovenia, due to the relocation of production to Koprivnica. The provision of HRK 2,680 thousand is expected to be fully utilised during the first half of 2006.

NOTE 29 – COMMITMENTS

In 2005, the purchase costs of tangible fixed assets contracted with suppliers amounted to HRK 21,207 thousand for the Group (2004: HRK 41,730 thousand for the Group), which are not yet realised or recognised in the balance sheet as at 31 December 2005 and 2004.

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

	2005	**2004**
	(in thousands of HRK)	
Not later than 1 year	24,894	20,782
Later than 1 year and not later than 5 years	28,772	32,228
	53,666	**53,010**

NOTE 30 – CONTINGENCIES

	2005	**2004**
	(in thousands of HRK)	
Legal proceedings	6,652	21,099
Guarantees	26,788	25,467
	33,440	**46,566**

With respect to legal proceedings and guarantees granted, contingent liabilities have not been recognised in the balance sheet, as Management estimated that no contingent liability will arise for the Group.

NOTE 31 – CASH GENERATED FROM OPERATIONS

(in thousands of HRK)	Note	2005	2004
Net profit		**62,626**	**74,020**
Income tax	12	7,215	18,365
Depreciation and amortisation	16, 17	223,007	229,878
(Gain)/Loss on sale of tangible and intangible fixed assets	6	(4,593)	695
Provisions for current assets	20, 21	37,067	25,246
Provisions for non-current assets	16, 17	8,135	4,122
Share option fair value adjustment	23	5,478	10,217
Provisions	28	55,976	11,985
Gain on sale of investments	6	(2,036)	(1,792)
Interest income	7	(5,580)	(10,524)
Dividend income	7	(355)	(343)
Interest expense	11	39,539	53,744
Write-off of loan receivables	8	-	2,126
Effect of movements in foreign exchange rate		(22,181)	13,904
Other items not affecting cash		(5,940)	7,564
Movements in working capital:			
Movements in inventories		(11,914)	40,650
Movements in trade receivables		(45,709)	(135,550)
Movements in other current assets		(4,646)	21,135
Movements in trade payables		4,856	8,553
Movements in other liabilities		22,600	(17,066)
Cash generated from operations		**363,545**	**356,929**

NOTE 32 – RELATED PARTY TRANSACTIONS

EXPENSES	2005	2004
Key management and executive directors compensation – Group		
Salaries	50,424	56,951
Share-based payments through income statement	10,857	5,727
Share-based payments through equity	5,320	2,269
	66,601	**64,947**

NOTE 33 – EVENTS AFTER THE BALANCE SHEET DATE

As at 21 January 2006, the Group acquired a 100% equity interest in the company Deltis Pharm d.o.o., Zagreb, whose principal activity is the provision of services and trade, for an amount of HRK 2,308 thousand.

Details on net assets acquired are as follows:

	(in thousands of HRK)
- Purchase consideration wholly paid in cash	2,308
- Fair value of assets acquired (see below)	2,308

The assets and liabilities arising from the acquisition are as follows:

	Fair value	**Carrying amount**
	(in thousands of HRK)	
Cash	3	3
Intangible assets – rights gained /i/	2,380	-
Trade receivables	750	750
Trade payables	(745)	(745)
Borrowings	(80)	(80)
Net assets acquired	**2,308**	**(72)**

/i/ Rights gained relate to the valuation of acquired registration files and the right to use the resolution on circulating the generic medicine, whose active substance is Lizinopril, which was appraised by experts in the Sector for the development of generic operations and intellectual property.

NOTE 34 – SUBSIDIARIES

	Business activity	2005	2004
		Interest in %	Interest in %
Belupo d.d., Koprivnica	Manufacture of medicines	100.00	100.00
- Belupo d.o.o. Ljubljana	Sale of medicines	100.00	100.00
- Belupo s.r.o., Bratislava	Sale of medicines	100.00	100.00
- Belupo d.o.o., Skopje	Sale of medicines	100.00	-
Koprivnička Tiskarnica d.o.o., Koprivnica	Printing services	100.00	100.00
Danica d.o.o., Koprivnica	Manufacture of meat products	100.00	100.00
Podravka Inženjering d.o.o., Koprivnica	Services	100.00	100.00
Poni trgovina d.o.o., Koprivnica	Wholesale	100.00	100.00
Ital-Ice d.o.o., Poreč	Manufacture of frozen products	100.00	100.00
Sana d.o.o., Hoče, Slovenia	Manufacture of powder sweets	100.00	100.00
Podravka d.o.o., Ljubljana, Slovenia	Sales	100.00	100.00
Podravka d.o.o., Skopje, Macedonia	Sales	100.00	100.00
Podravka d.o.o., Sarajevo, Bosnia and Herzegovina	Sales	100.00	100.00
Podravka d.o.o., Podgorica, Serbia and Montenegro	Sales	100.00	100.00
Podravka-International Deutschland –"Konar" GmbH, Germany	Sales	100.00	100.00
Podravka d.o.o., Belgrade, Serbia and Montenegro	Sales	100.00	100.00
Podravka-International Kft, Budapest, Hungary	Sales	100.00	100.00
Podravka-International e.o.o.d., Sofia, Bulgaria	Sales	100.00	100.00
Podravka-International Pty Ltd, Sydney, Australia	Sales	100.00	100.00
Podravka-International Sp.z o.o., Warsaw, Poland	Sales	100.00	100.00
Podravka-Polska Sp.z o.o., Kostrzyn, Poland	Manufacture of Vegeta	100.00	100.00
Podravka-International s.r.l., Bucharest, Romania	Sales	100.00	100.00
Lagris a.s., Lhota u Luhačovic, Czech Republic	Manufacture	100.00	100.00
- Lagris s r.o., Zvolen, Slovakia	Manufacture	-	25.00
- Podravka-International s.r.o., Bratislava, Slovakia	Manufacture	25.00	-
Lagris s r.o., Zvolen, Slovakia	Manufacture	-	75.00
Podravka-International s.r.o., Bratislava, Slovakia	Manufacture	75.00	100.00
- Podravka-International s.r.o. Prague	Sales	100.00	100.00
Podravka-International USA Inc. Wilmington	Sales	100.00	-