

PODRAVKA GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2001**

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF PODRAVKA d.d.

We have audited the accompanying balance sheet of Podravka d.d. ("the Company"), and of Podravka d.d. and its subsidiaries ("the Group") as at 31 December 2001, and the related income and cash flow statements for the year then ended, prepared in accordance with International Accounting Standards issued by the International Accounting Standards Committee. These financial statements set out on pages 2 to 32 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 the Company and the Group as of 31 December 2000 were audited by another auditor whose report dated 16 March 2001, expressed an unqualified opinion on those statements.

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

In our opinion the consolidated and non-consolidated financial statements present fairly in all material respects the financial position of the Group and the Company as at 31 December 2001, and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.



PricewaterhouseCoopers d.o.o.
Zagreb, 19 March 2002

PODRAVKA GROUP

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

<i>(in thousands of HRK)</i>	Notes	Podravka Group		Podravka d.d.	
		2001	2000	2001	2000
Sales	3	2,537,042	2,435,976	1,313,437	1,306,325
Cost of goods sold	5	(1,490,867)	(1,489,563)	(856,215)	(873,538)
Gross profit		1,046,175	946,413	457,222	432,787
Other revenues	4	52,392	59,081	32,383	45,801
General and administrative expenses	6	(275,019)	(230,008)	(191,976)	(178,212)
Selling and distribution expenses	7	(705,328)	(642,968)	(306,279)	(293,120)
Operating profit/(loss)		118,220	132,518	(8,650)	7,256
Net financial income/(expense)	8	(53,967)	(45,246)	37,120	16,553
Net foreign exchange gains		17,961	4,291	7,805	5,379
Profit before tax		82,214	91,563	36,275	29,188
Tax on profit	10	(20,215)	(11,517)	-	-
Net profit from ordinary activities		61,999	80,046	36,275	29,188
Minority interests		(62)	(86)	-	-
Net profit		61,937	79,960	36,275	29,188
Basic earnings per share	11	HRK 7,83	HRK 12,20		
Diluted earnings per share	11	HRK 10,41	HRK 13,38		

The financial statements set out on pages 2 to 32 were approved by the Managing Board on 19 March 2002.

President of the Managing Board

Darko Marinac

The accompanying notes form an integral part of these consolidated financial statements.

PODRAVKA GROUP

BALANCE SHEET

AS AT 31 DECEMBER 2001

		Podravka Group		Podravka d.d.	
(in thousands of HRK)	Notes	31/12/2001	31/12/2000	31/12/2001	31/12/2000
ASSETS					
Non-current assets					
Investments in subsidiaries	12	-	-	331,046	340,417
Loan receivables	13	21,279	21,437	290,873	360,067
Intangible assets	14	69,766	77,044	47,638	57,645
Property, plant and equipment	15	1,644,098	1,828,423	964,388	1,057,393
Total non-current assets		1,735,143	1,926,904	1,633,945	1,815,522
Current assets					
Inventories	16	472,030	498,116	257,654	265,751
Available-for-sale investments	17	76,500	91,620	70,266	71,595
Trade receivables	18	581,180	533,243	269,220	302,827
Other receivables and prepaid expenses	19	40,297	72,464	85,359	52,906
Current portion of long-term loan receivables	13	3,940	3,266	69,833	68,081
Short-term loan receivables	20	4,772	6,372	44,687	1,549
Cash and cash equivalents	21	72,193	40,073	35,577	12,388
Total current assets		1,250,912	1,245,154	832,596	775,097
Total assets		2,986,055	3,172,058	2,466,541	2,590,619

The accompanying notes form an integral part of these consolidated financial statements.

PODRAVKA GROUP

BALANCE SHEET

AS AT 31 DECEMBER 2001

<i>(in thousands of HRK)</i>		Podravka Group		Podravka d.d,	
	Notes	31/12/2001	31/12/2000	31/12/2001	31/12/2000
LIABILITIES AND EQUITY					
Non-current liabilities					
Long-term debt	22	311,005	390,136	178,262	202,859
Long-term provisions	23	-	62,504	-	39,180
Total non-current liabilities		311,005	452,640	178,262	242,039
Current liabilities					
Trade payables	24	338,816	300,733	215,895	178,594
Other liabilities	25	109,184	106,560	56,268	58,667
Short-term borrowings	26	110,630	125,201	35,124	69,808
Current portion of long-term debt	22	176,870	212,590	94,480	129,589
Total current liabilities		735,500	745,084	401,767	436,658
Total liabilities		1,046,505	1,197,724	580,029	678,697
Shareholders' equity	27				
Share capital		1,812,809	1,812,809	1,812,809	1,812,809
Share premium		12,001	12,001	12,001	12,001
Treasury shares		(30,971)	(14,482)	(30,971)	(14,482)
Revaluation reserve		39,992	39,992	39,286	39,286
Legal and other reserves		38,459	36,104	35,966	33,120
Translation reserves		3,396	57	-	-
Retained earnings		63,369	87,420	17,421	29,188
Total shareholders' equity		1,939,055	1,973,901	1,886,512	1,911,922
Minority interest	29	495	433	-	-
Total liabilities and equity		2,986,055	3,172,058	2,466,541	2,590,619

The accompanying notes form an integral part of these consolidated financial statements.

PODRAVKA GROUP

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

Podravka Group	Notes	Share capital	Share premium	Treasury shares	Revaluation reserve	Legal and other reserves	Retained earnings	Translation reserve	Total
<i>in thousands of HRK</i>									
Balance at 1 January 2000	27 /i/	1,812,809	12,001	(13,478)	40,485	119,656	(63,946)	1,487	1,909,014
Value adjustment	27/vii/	-	-	-	(493)	-	-	-	(493)
Transfer to cover loss	27/iv/	-	-	-	-	(83,552)	83,552	-	-
Purchase of treasury shares	27/vi/	-	-	(1,004)	-	-	-	-	(1,004)
Dividend declared		-	-	-	-	-	(12,146)	-	(12,146)
Net profit for the year		-	-	-	-	-	79,960	-	79,960
Exchange differences		-	-	-	-	-	-	(1,430)	(1,430)
Balance at 31 December 2000	27 /i/, /ii/	1,812,809	12,001	(14,482)	39,992	36,104	87,420	57	1,973,901
Value adjustment	27/viii/	-	-	-	-	-	(68,811)	-	(68,811)
Transfer to legal reserves	27/iv/	-	-	-	-	2,355	(2,355)	-	-
Purchase of treasury shares	27/vi/	-	-	(16,489)	-	-	-	-	(16,489)
Dividend declared	27/iii/	-	-	-	-	-	(14,822)	-	(14,822)
Net profit for the period		-	-	-	-	-	61,937	-	61,937
Exchange differences		-	-	-	-	-	-	3,339	3,339
Balance at 31 December 2001	27 /i/, /ii/	1,812,809	12,001	(30,971)	39,992	38,459	63,369	3,396	1,939,055

The accompanying notes form an integral part of these consolidated financial statements.

PODRAVKA GROUP

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

Podravka d.d.	Notes	Share capital	Share premium	Treasury shares	Revaluation reserve	Legal and other reserves	Retained earnings	Total
<i>in thousands of HRK</i>								
Balance at 1 January 2000	27 /i/	1,812,809	12,001	(13,478)	39,779	116,964	(71,698)	1,896,377
Value adjustment	27/vii/	-	-	-	(493)	-	-	(493)
Transfer to cover loss	27/iv/	-	-	-	-	(83,844)	83,844	-
Purchase of treasury shares	27/vi/	-	-	(1,004)	-	-	-	(1,004)
Dividend declared		-	-	-	-	-	(12,146)	(12,146)
Net profit for the year		-	-	-	-	-	29,188	29,188
Balance at 31 December 2000	27 /i/, /ii/	1,812,809	12,001	(14,482)	39,286	33,120	29,188	1,911,922
Value adjustment	27 /viii/	-	-	-	-	-	(30,374)	(30,374)
Transfer to legal reserves	27/iv/	-	-	-	-	2,846	(2,846)	-
Purchase of treasury shares	27/vi/	-	-	(16,489)	-	-	-	(16,489)
Dividend declared	27/iii/	-	-	-	-	-	(14,822)	(14,822)
Net profit for the year		-	-	-	-	-	36,275	36,275
Balance at 31 December 2001	27 /i/, /ii/	1,812,809	12,001	(30,971)	39,286	35,966	17,421	1,886,512

The accompanying notes form an integral part of these consolidated financial statements.

PODRAVKA GROUP

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

<i>(in thousands of HRK)</i>	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
Cash flows from operating activities				
Net profit	61,937	79,960	36,275	29,188
Depreciation	180,668	152,496	95,847	84,589
Provision for trade receivables	51,132	50,573	18,165	16,663
Value adjustment of investments	14,477	-	10,000	-
Other non-cash items	2,088	(407)	3,691	(493)
	<u>310,302</u>	<u>282,622</u>	<u>163,978</u>	<u>129,947</u>
Decrease/(increase) in inventories	24,360	(63,710)	7,136	(3,739)
(Increase)/decrease in trade receivables	(99,069)	103,287	15,442	240,723
Decrease/(increase) in short-term loans receivable	1,600	(5,479)	(43,138)	81,758
Decrease/(increase) in other current assets	2,596	16,739	(62,827)	101,690
Increase/(decrease) in trade payables	38,083	(59,507)	37,301	(55,106)
Decrease in provisions	(62,504)	(1,496)	(39,180)	(24,820)
Increase/(decrease) in other liabilities	87,573	25,345	33,957	1,499
Tax paid	(13,112)	(3,209)	-	-
Interest paid	(67,414)	(57,815)	(36,356)	(31,450)
	<u>222,415</u>	<u>236,777</u>	<u>76,313</u>	<u>440,502</u>
Cash flows from investing activities				
Purchase of tangible and intangible assets	(70,917)	(112,355)	(38,847)	(48,677)
Disposal of tangible and intangible assets	46,053	5,625	43,283	5,070
(Increase)/decrease in long-term receivables	(516)	9,828	67,442	(262,753)
Investments in subsidiaries and other investments	-	-	(629)	(35,357)
Sale of investments in shares	1,328	5,196	1,328	5,047
Dividend paid	(14,822)	(12,146)	(14,822)	(12,146)
	<u>(38,874)</u>	<u>(103,852)</u>	<u>57,755</u>	<u>(348,816)</u>
Cash flows from financing activities				
Purchase of treasury shares	(16,489)	(1,004)	(16,489)	(1,004)
Proceeds from long-term borrowings	175,866	101,152	138,889	19,754
Repayment of long-term borrowings	(290,717)	(200,120)	(198,595)	(154,685)
Proceeds from short-term loans	183,575	190,254	145,826	186,451
Repayment of short-term loans	(198,146)	(235,068)	(180,510)	(172,176)
	<u>(145,911)</u>	<u>(144,786)</u>	<u>(110,879)</u>	<u>(121,660)</u>
Effect of change in exchange rates on cash	(5,510)	(4,529)	-	-
Net increase/(decrease) in cash and cash equivalents	32,120	(16,390)	23,189	(29,974)
Cash and cash equivalents:				
At the beginning of year	40,073	56,463	12,388	42,362
At the end of year	<u>72,193</u>	<u>40,073</u>	<u>35,577</u>	<u>12,388</u>

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 1 – GENERAL INFORMATION

Podravka prehrambena industrija d.d., Koprivnica (the "Company") is incorporated in the Republic of Croatia. The Company and its subsidiaries (the "Podravka Group") are manufacturers of a wide range of foodstuffs and non-alcoholic beverages, pharmaceutical and cosmetic products.

NOTE 2 – ACCOUNTING POLICIES

2.1 Basis of presentation

The consolidated financial statements of the Podravka Group and the financial statements of the Company are prepared in accordance with International Accounting Standards and comply with accounting and reporting requirements issued by International Accounting Standards Committee. The consolidated financial statements and the financial statements of the Company are presented in Croatian kuna (HRK). The principal accounting policies have been consistently applied for all the periods covered by this report, except for the policy of accounting for tangible fixed assets under 2.5.

In 2001, the Group adopted IAS 39 – Financial instruments: Recognition and Measurement. Further information is disclosed in accounting policies 2.8 and 2.17 and in Note 17.

2.2 Accounting conventions

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

2.3 Consolidation

The Podravka Group consists of the parent company and its subsidiaries. A listing of the Group's subsidiaries is set out in Note 12. All intragroup transactions have been eliminated on consolidation.

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Investments in associated undertakings over which the Company exercises significant influence are accounted for by the equity method of accounting.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 2 – ACCOUNTING POLICIES (continued)

2.4 Intangible assets

Intangible assets are stated at cost and comprise licences for software used for business purposes. Intangible assets are amortised at annual rates of 20% - 30%.

Expenditure which enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

2.5 Tangible fixed assets

All property, plant and equipment is recorded at cost less accumulated depreciation, except for assets acquired prior to 31 December 1993, which are stated at revalued cost less estimated accumulated depreciation and included as such in the registered share capital.

Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Until 2000, cost included a part of the borrowing costs related to financing of property, plant and equipment over the period of construction.

In 1999, a part of land and buildings were revalued at market value. The result of this valuation is recorded as revaluation reserve within equity.

Non-current tangible assets are annually reviewed by the Company on the basis of external and internal information so as to estimate their recoverable amount. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight-line basis over their expected useful lives. The expected useful lives are as follows:

	2001	2000
Buildings	10 - 50 years	10 - 50 years
Machinery and equipment	2.7 - 33 years	5 - 33 years
Fixtures and fittings	2.7 - 15 years	4 - 15 years

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

NOTE 2 – ACCOUNTING POLICIES (continued)

2.6 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is calculated on the average annual cost price basis. Cost of work in progress and finished goods includes materials, direct labour and an appropriate proportion of variable and fixed overhead costs, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.7 Trade receivables

Trade receivables are stated at their nominal value less necessary provisions for bad and doubtful debts. An estimate is made for doubtful receivables based on a periodical review of all outstanding amounts. Provision for bad and doubtful debt is recorded in the period when identified.

2.8. Investments

At 1 January 2001, the Group adopted IAS 39, Financial Instruments, and classified its investments accordingly.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments in shares are classified as investments available-for-sale and are carried at fair value. Equity instruments which are not traded and for which it is not possible to determine fair value are carried at cost less amortisation. Marketable securities are carried at market value determined by reference to stock exchange quoted offer prices as at the balance sheet date.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the income statement in the period in which they arise.

Prior to the adoption of IAS 39, The Group had recorded its investments in shares and bonds at the lower of cost or net realisable value. The implementation of IAS 39 and the resulting change in the accounting policy had no significant effect on the value of investments. Accordingly, no adjustment was made to the opening balance as at 1 January 2001.

Investments in subsidiaries are stated at cost in the financial statements of the Parent Company.

NOTE 2 – ACCOUNTING POLICIES (continued)

2.9 Provisions for restructuring costs

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions represent mainly employee termination payments and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the numbers of employees affected, or after individual employees have been advised of the specific terms.

2.10 Cash and cash equivalents

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

2.11 Profit tax

Profit tax is computed on the basis of reported income under the laws and regulations of the country in which the respective Group company is registered.

For the Company and subsidiaries in Croatia, the corporate profit tax is calculated by applying a 20% rate (2000: 35%) to the taxable base as prescribed by law. The taxable base represents profit increased or decreased by certain items which are added to or deducted from the tax base.

In 2000, the corporate profit tax base was reduced by the amount of protective interest on capital, calculated by applying the protective interest rate to the book value of capital. The protective interest rate for 2000 was 11.09% (consisting of 5% plus annual growth index of production prices).

Under the Croatian tax regulations, tax loss can be carried forward in the next five years.

NOTE 2 – ACCOUNTING POLICIES (continued)

2.12 Provisions for deferred taxes

Based on the Croatian tax regulations providing that tax loss can be carried forward in the next five years, in 1998 the Company recognised tax assets and recorded income, which will be used in the period of five years to reduce income tax liability.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses could be utilised. To the extent that it is not probable that future taxable profit will be available against which tax benefits can be utilised or for its utilised portion, deferred tax asset is reversed.

2.13 Share capital

Share capital consists of ordinary and preferred shares. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Dividends on ordinary and preferred shares are recognised in equity in the period in which they are declared.

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

2.14 Borrowings

Borrowings are recognised initially at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

2.15 Foreign currencies

Transactions denominated in foreign currencies are recorded, on initial recognition in the reporting currency, by translating the foreign currency amount according to the exchange rate between the foreign and reporting currency valid at the date of the transaction. Outstanding foreign currency monetary items at the balance sheet date are reported at the closing rate.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded in the year, or reported in previous years, are recognised as income or expense for the year in which they arise.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded in the year, or reported in previous years, are recognised as income or expense for the year in which they arise.

NOTE 2 – ACCOUNTING POLICIES (continued)

2.16 Revenue recognition

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

2.17 Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of: changes in market prices, foreign currency exchange rates and interest rates. The Group does not use derivative financial instruments to hedge financial risk exposure.

(2) Foreign exchange risk

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

(3) Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk consists of primarily trade receivables and given loans. The Group keeps its cash with major banks. Trade receivables are presented net of the provision for doubtful accounts.

(4) Interest rate risk

The Group's income and operating cash flows are dependent on changes in market interest rates. At year-end, majority of borrowings carried variable interest rates.

(5) Fair value

The carrying amount of cash, account receivable, accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these assets and liabilities. Inventories are stated at the lower of cost and net realisable value. The fair values of other long-term borrowings are not materially different from the carrying amounts.

2.18 Reclassification

Certain balances in the balance sheet, income statement and cash flow statement for 2000 have been reclassified to conform with the presentation in the current year. Substantial changes relate to recording of costs in the income statement by function and not by nature of cost and recording of treasury shares in equity.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 3 – SALES

Analysis by business segment

	Podravka Group				Podravka d.d.			
	2001		2000		2001		2000	
	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%
Vegeta	704,863	27.78	644,934	26.48	322,469	24.55	321,491	24.61
Pharmaceuticals	523,063	20.62	496,940	20.40	-	-	-	-
Instant and canned food	265,023	10.45	236,973	9.73	208,567	15.88	200,605	15.35
Meat and meat products	248,451	9.79	274,093	11.25	81,167	6.18	96,803	7.41
Deserts	245,126	9.66	234,047	9.61	207,252	15.78	188,851	14.45
Fruit and vegetables	174,359	6.87	155,455	6.37	175,164	13.34	150,956	11.56
Merchandise	124,068	4.89	136,201	5.59	15,833	1.21	17,978	1.38
Beverages	99,894	3.94	77,243	3.17	99,300	7.56	76,762	5.88
Bread, cake and pastries	49,084	1.93	41,043	1.69	49,743	3.79	41,673	3.19
Services	32,719	1.29	28,737	1.18	96,349	7.33	118,226	9.05
Cosmetics	20,741	0.82	23,455	0.96	-	-	-	-
Other	49,651	1.96	86,855	3.57	57,593	4.38	92,980	7.12
	2,537,042	100	2,435,976	100	1,313,437	100	1,306,325	100

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 3 – SALES

Geographical analysis by destination

	Podravka Group				Podravka d.d.			
	2001		2000		2001		2000	
	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%
Croatia	1,414,381	55.75	1,382,117	56.74	847,022	64.49	834,086	63.85
Poland	265,659	10.47	234,401	9.62	7,615	0.58	51,860	3.97
Slovenia	181,100	7.15	194,726	7.99	83,233	6.34	66,530	5.09
Bosnia and Herzegovina	155,404	6.13	132,010	5.42	64,746	4.93	64,285	4.92
Czech Republic	67,550	2.66	54,654	2.24	34,768	2.65	28,388	2.17
Hungary	59,997	2.36	63,283	2.60	12,185	0.93	10,803	0.83
Russia	59,632	2.35	38,373	1.58	43,702	3.33	28,436	2.18
Macedonia	51,588	2.03	55,057	2.26	25,556	1.94	22,555	1.73
Germany	47,041	1.85	37,066	1.52	31,340	2.39	26,598	2.04
Slovakia	42,850	1.69	41,968	1.72	6,044	0.46	4,108	0.31
Yugoslavia	36,379	1.43	29,393	1.21	32,980	2.51	25,411	1.95
USA	31,183	1.23	27,685	1.14	30,936	2.36	27,685	2.12
Australia	22,312	0.88	26,035	1.07	-	-	-	-
Latvia	20,821	0.82	20,950	0.86	19,361	1.47	20,950	1.60
Austria	15,848	0.62	27,357	1.12	13,490	1.03	24,994	1.91
Romania	12,488	0.49	6,506	0.27	460	0.03	633	0.05
Sweden	10,205	0.41	6,952	0.28	9,614	0.73	6,952	0.53
Switzerland	8,201	0.32	4,555	0.19	5,644	0.43	4,555	0.35
France	3,362	0.13	9,464	0.39	3,362	0.26	9,464	0.72
Ukraine	3,116	0.13	1,817	0.07	3,116	0.24	1,817	0.14
Other countries	27,925	1.10	41,607	1.71	38,263	2.90	46,215	3.54
Total	2,537,042	100	2,435,976	100	1,313,437	100	1,306,325	100

The comparative net profit and net asset figures by business segment are not available due to ongoing restructuring.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 4 – OTHER REVENUES

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Recovered trade receivables previously written-off	18,588	8,755	10,288	2,153
Insurance damages collected	4,629	3,862	3,005	3,237
Sale of material	7,343	4,818	6,796	4,792
Interest receivables written-off	-	-	3,218	-
Statute barred liabilities written-off	-	-	4,558	7,572
Subsequent approvals from suppliers	3,056	6,081	2,401	5,137
Income from reversal of provisions	2,970	20,147	-	19,869
Other	15,806	15,418	2,117	3,041
Total	52,392	59,081	32,383	45,801

NOTE 5 – COST OF GOODS SOLD

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Material	1,000,986	1,026,154	597,494	633,132
Salaries	253,986	232,173	139,476	128,393
Depreciation	112,759	97,532	55,935	51,895
Other	123,136	133,704	63,310	60,118
Total	1,490,867	1,489,563	856,215	873,538

NOTE 6 – GENERAL AND ADMINISTRATIVE EXPENSES

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Salaries	120,884	102,369	90,505	79,174
Depreciation	36,341	26,412	26,406	18,771
Banking, consultancy and other services	28,143	18,002	22,954	13,133
Material	11,504	8,767	5,985	4,565
Write-off of intragroup interest receivable	-	-	1,902	25,801
Other	78,147	74,458	44,224	36,768
Total	275,019	230,008	191,976	178,212

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 7 – SELLING AND DISTRIBUTION EXPENSES

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Advertising and promotion	195,897	193,843	73,993	91,771
Salaries	180,635	158,170	91,557	75,132
Transport	65,276	58,238	38,337	32,832
Provisions	51,134	50,947	18,165	16,663
Maintenance	7,853	6,903	4,512	3,406
Depreciation	26,819	23,633	8,757	9,004
Material	21,792	22,195	9,985	8,477
Other	155,922	129,039	60,973	55,835
Total	705,328	642,968	306,279	293,120

NOTE 8 – NET FINANCIAL INCOME/(EXPENSE)

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Investments				
Income /i/	1,669	5,513	43,588	13,160
Expenses	(7,689)	(12)	(11,077)	(7,016)
Net (expense) / income from investments	(6,020)	5,501	32,511	6,144
Interest				
Income	13,209	21,633	35,806	50,860
Expense	(61,156)	(72,380)	(31,197)	(40,451)
Net interest (expense) / income	(47,947)	(50,747)	4,609	10,409
Total	(53,967)	(45,246)	37,120	16,553

/i/ In 2001, the Management Board issued a decision on withdrawal of subsidiaries' retained earnings in the amount of HRK 41,374,000 (2000: HRK 7,647,000).

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 9 – STAFF COSTS

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Staff costs	586,124	523,311	340,346	300,534
Total	586,124	523,311	340,346	300,534

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

As of 31 December 2001, the number of employees in the Group was 6,885 (2000: 7,073) and in Podravka d.d. 4,365 (2000: 4,478).

NOTE 10 – PROFIT TAX

	Podravka Group		Podravka d.d.	
	2001	2000	2001	2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Corporate profit tax at 20 % (2000: 35%)	15,327	3,633	-	-
Overseas tax	4,888	7,884	-	-
Total	20,215	11,517	-	-

In accordance with the Croatian tax regulations, at the end of 2001, the Company and the Group realised tax losses which can be carried forward 5 years and expire as follows:

	Podravka Group		Podravka d.d.	
	2001.	2000.	2001.	2000.
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
2000	-	79,224	-	36,817
2001	150,449	150,449	58,274	58,274
2002	219,171	219,171	171,880	171,880
2003	20,457	20,457	-	-
2004	16,080	16,080	-	-
2005	112,362	112,362	109,219	109,219
	518,519	597,743	339,373	376,190

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 11 – EARNINGS AND DIVIDENDS PER SHARE

Basic earnings per share of HRK 7.83 (2000: HRK 12.20) has been calculated on the basis of the net earnings of the Podravka Group less total dividend on preferred shares in the amount of HRK 41,486,000 (2000: HRK 65,138,000) and the weighted average number of ordinary shares in issue of 5,300,454 less treasury shares (2000: 5,340,780).

Diluted earnings per share of HRK 10.41 (2000: HRK 13.38) has been calculated on the same basis as basic earnings per share and additionally taking into consideration the impact of the number of preferred shares that may be converted into ordinary shares in the amount of 636,000 and taking into consideration the impact of the assumed conversion of the employee share options of 14,270 which were eligible during the year but remain unexercised.

NOTE 12 – INVESTMENTS IN SUBSIDIARIES

	Holding in %	Podravka d.d.	
		31/12/2001	31/12/2000.
		(in thousands of HRK)	
Belupo d.o.o., Koprivnica	100,00	157,830	157,830
- Belupo d.o.o. Ljubljana (subsidiary)		-	-
Koprivnička Tiskarnica d.o.o., Koprivnica	100,00	14,142	14,142
Danica d.o.o., Koprivnica	100,00	92,311	92,311
Podravka Inženjering d.o.o., Koprivnica	100,00	20	20
Poni trgovina d.o.o., Koprivnica	100,00	20	20
Hotel Podravina d.o.o., Koprivnica /i/	100,00	9,684	19,684
Sana d.o.o., Hoče, Slovenia	100,00	217	217
Podravka d.o.o., Ljubljana, Slovenia	100,00	74	74
Podravka d.o.o., Skopje, Macedonia	100,00	42	42
Podravka d.o.o., Sarajevo, Bosnia and Herzegovina	100,00	40	40
Podravka International – Konar GmbH, Germany	100,00	1,068	1,068
- Podravka d.o.o. Beograd (subsidiary)		-	-
Podravka-International Kft, Budapest, Hungary /ii/	100,00	5,343	1,078
Podravka Kft, Mohacs, Hungary /ii/	100,00	-	3,720
Podravka-International e.o.o.d., Sofia, Bulgaria	100,00	10	10
Podravka-International Pty Ltd, Sydney, Australia	100,00	426	426
Podravka-International Sp.z o.o., Warsaw, Poland	100,00	277	277
Podravka-Polska Sp.z o.o., Kostrzyn, Poland	100,00	49,440	49,440
Podravka-International s.r.l., Bucharest	100,00	84	-
Podravka-International s.r.o., Bratislava, Slovakia	50,00	18	18
- Podravka-International s.r.o. Prague (subsidiary)		-	-
		331,046	340,417

/i/ The investment in the subsidiary Hotel Podravina d.o.o. has been decreased by HRK 10,000,000 and was charged to investment expenses for the period (Note 8).

/ii/ The investment in the subsidiary Podravka-International Kft, Budapest has been increased for the retained earnings by HRK 545,000. In November 2001, upon merger with the subsidiary Podravka-International Kft, Mohacs, net assets of the subsidiary Podravka-International Kft, Budapest increased by HRK 3,720,000.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 13 – LONG-TERM RECEIVABLES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Flats and sale of flats on credit	4,733	5,172	4,720	5,172
Due from associated companies /i/	-	-	344,857	407,606
Other loans	20,486	19,531	11,129	15,370
Total long-term receivables, including current portion	25,219	24,703	360,706	428,148
Current portion of long-term receivables	(3,940)	(3,266)	(69,833)	(68,081)
Total long-term receivables	21,279	21,437	290,873	360,067

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

- Belupo d.o.o., Koprivnica in the amount of HRK 211,608,000 (2000: HRK 251,696,000),
- Danica d.o.o., Koprivnica of HRK 127,249,000 (2000: HRK 131,054,000),
- Poni d.o.o., Koprivnica of HRK 6,000,000 (2000: - HRK).

Loans to Belupo and Poni are repayable over five years and the loan to Danica over 10 years. Loans carry variable interest rates (the average interest rate on borrowings for working capital of Podravka d.d.).

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 14 – INTANGIBLE ASSETS

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Cost				
At 1 January	89,158	84,750	64,852	63,332
Effect of changes in foreign exchange rates	1,115	832	-	-
Additions	9,698	3,835	2,407	1,548
Disposals	(486)	(259)	(1)	(28)
At the end of period	99,485	89,158	67,258	64,852
Accumulated amortisation				
At 1 January	(12,114)	(4,614)	(7,207)	(2,166)
Effect of changes in foreign exchange rates	(145)	66	-	-
Additions /i/	(1,287)	-	-	-
Amortisation charge	(16,659)	(7,805)	(12,414)	(5,041)
Disposals	486	239	1	-
At end of period	(29,719)	(12,114)	(19,620)	(7,207)
Net book value	69,766	77,044	47,638	57,645

/i/ An increase in accumulated amortisation of HRK 1,287,000 relates to the difference which occurred in the period between 1997 and 2000 as a result of using different accounting policies for recording useful life of intangible assets in the financial statements of the subsidiary Belupo d.o.o. and in the financial statements of the Group. This difference, increased for the amount described in Note 15/iii/, was recorded as a part of reduction of retained earnings (Note 27 /viii/).

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment of the Podravka Group together with the related accumulated depreciation at 31 December 2000 and 2001 are presented below:

Podravka Group <i>(in thousands of HRK)</i>	Land and buildings	Equipment	Assets in course of construction	Other	Total
2000					
Cost					
At 1 January 2000	1,580,939	1,031,077	309,015	9,217	2,930,248
Effect of foreign exchange rate movements	(236)	(2,331)	4,461	(43)	1,851
Additions	744	4,202	103,405	169	108,520
Transfer from assets in course of construction /i/	168,272	233,753	(402,714)	689	-
Disposals and retirements	(1,248)	(11,760)	(3,328)	(355)	(16,691)
At 31 December 2000	1,748,471	1,254,941	10,839	9,677	3,023,928
Accumulated depreciation					
At 1 January 2000	442,797	618,939	-	514	1,062,250
Effect of foreign exchange rate movements	169	(496)	-	(23)	(350)
Charge for the year	56,309	87,829	-	553	144,691
Disposals and retirements	(170)	(10,574)	-	(342)	(11,086)
At 31 December 2000	499,105	695,698	-	702	1,195,505
Net book value					
At 31 December 2000	1,249,366	559,243	10,839	8,975	1,828,423
At 31 December 2001					
Cost					
At 1 January 2001	1,748,471	1,254,941	10,839	9,677	3,023,928
Effect of foreign exchange rate movements	5,821	5,818	483	(1,243)	10,879
Additions	22	6,564	49,852	4,104	60,542
Transfer from subsidiaries	-	1,915	-	-	1,915
Transfer from assets in course of construction	4,391	35,997	(40,465)	77	-
Disposals and retirements	(48,364)	(86,833)	(110)	(46)	(135,353)
Value adjustments /ii/	(7,864)	-	-	-	(7,864)
At 31 December 2001	1,702,477	1,218,402	20,599	12,569	2,954,047
Accumulated depreciation					
At 1 January 2001	499,105	695,698	-	702	1,195,505
Effect of foreign exchange rate movements	215	3,446	-	(661)	3,000
Additions /iii/	10,230	25,267	-	-	35,497
Depreciation charge for the period	57,568	106,406	-	35	164,009
Disposals	(16,608)	(72,692)	-	-	(89,300)
Transfer from subsidiaries	-	1,238	-	-	1,238
At 31 December 2001	550,510	759,363	-	76	1,309,949
Net book value at 31 December 2001	1,151,967	459,039	20,599	12,493	1,644,098

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

- /i/ In 2000, significant investment projects, the new Vegeta factories in Koprivnica, Croatia and Kostrzyn, Poland, as well as a part of the SAP project in the total amount of HRK 270,826,000 were completed.
- /ii/ The impairment charge for buildings belonging to subsidiary Hotel Podravina was calculated on the expected recoverable amount in the amount of HRK 7,864,000. Other operating expenses included in general and administrative expenses increased by the same amount (Note 6).
- /iii/ An increase in accumulated depreciation of HRK 35,497,000 relates to the difference which occurred in the period between 1997 and 2000 as a result of using different accounting policies for recording useful life of these in the financial statements of the subsidiary Belupo d.o.o. and in the financial statements of the Group. This difference was reduced by the amount of deferred tax liability in the amount of HRK 5,226,000 and increased by the amount described in Note 14 /i/, and stated as a part of decrease of retained earnings (Note 27 /viii/).
- /iv/ Group buildings and land worth HRK 439,020,000 (2000: HRK 458,422,000) were pledged as collateral for borrowings.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

The cost of property, plant and equipment of the Company together with the related accumulated depreciation at 31 December 2000 and 2001 are presented below:

Podravka d.d. (in thousands of HRK)	Land and buildings	Equipment	Assets in course of construction	Other assets	Total
2000					
Cost					
At 1 January 2000	994,663	528,366	239,227	2,284	1,764,540
Additions	531	851	44,176	2,283	47,841
Transfer from assets in course of construction /i/	98,424	178,068	(277,562)	1,070	-
Disposals and retirements	(1,248)	(7,468)	(3,328)	-	(12,044)
At 31 December 2000	1,092,370	699,817	2,513	5,637	1,800,337
Accumulated depreciation					
At 1 January 2000	281,670	388,710	-	18	670,398
Charge for the year	35,140	44,385	-	23	79,548
Disposals and retirements	(170)	(6,832)	-	-	(7,002)
At 31 December 2000	316,640	426,263	-	41	742,944
Net book value at 31 December 2000	775,730	273,554	2,513	5,596	1,057,393
2001					
Cost					
At 1 January 2001	1,092,370	699,817	2,513	5,637	1,800,337
Additions	-	620	35,595	-	36,215
Transfer from assets in course of construction	1,076	20,413	(21,550)	61	-
Disposals and retirements	(48,364)	(69,286)	-	(1,746)	(119,396)
Transfer from subsidiaries	-	1,793	-	-	1,793
At 31 December 2001	1,045,082	653,357	16,558	3,952	1,718,949
Accumulated depreciation					
At 1 January 2001	316,640	426,263	-	41	742,944
Charge for the period	35,218	48,180	-	35	83,433
Disposals and retirements /ii/	(16,608)	(56,777)	-	-	(73,385)
Transfer from subsidiaries	-	1,569	-	-	1,569
At 31 December 2001	335,250	419,235	-	76	754,561
Net book value at 31 December 2001	709,832	234,122	16,558	3,876	964,388

- /i/ In 2000, significant investment projects, the new Vegeta factories in Koprivnica, Croatia and a part of the SAP project in the total amount of HRK 239,120,000 were completed.
- /ii/ In 2001, land, buildings and equipment for yeast production and the holiday home in Pirovac were sold for the amount of HRK 42,485,000. The book value of the sold assets was HRK 42,607,000. The loss on sale was stated at HRK 122,000.
- /iii/ Company buildings and land worth HRK 303,197,500 (2000: HRK 295,020,000) were pledged as collateral for borrowings.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 16 – INVENTORIES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Raw material and supplies	189,105	202,293	111,204	114,941
Work in progress	59,672	72,331	43,612	55,010
Finished goods	146,946	137,580	83,955	77,807
Merchandise	76,307	85,912	18,883	17,993
Total	472,030	498,116	257,654	265,751

NOTE 17 – AVAILABLE-FOR-SALE INVESTMENTS

		Podravka Group		Podravka d.d.	
	<u>% Holding</u>	<u>31/12/2001</u>	<u>31/12/2000</u>	<u>31/12/2001</u>	<u>31/12/2000</u>
		<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Investments in associated companies:					
Panonska pivovara d.o.o., Koprivnica /i/	40.00	70,207	83,699	63,973	63,973
Elite Hrvatska d.o.o., Koprivnica	20.00	1,434	1,434	1,434	1,434
		71,641	85,133	65,407	65,407
Investments in equity instruments:					
Gospodarsko kreditna banka d.d., Zagreb	2.43	1,648	2,063	1,648	2,063
Podravska banka d.d., Koprivnica	3.00	839	1,325	839	1,325
Privredna banka d.d., Zagreb	0.06	0	1,002	0	1,002
Croatia osiguranje, Zagreb	0.16	1,450	700	1,450	700
Other		922	1,397	922	1,098
		4,859	6,487	4,859	6,188
Total investments		76,500	91,620	70,266	71,595

/i/ A decrease in investment by the corresponding portion of the accumulated loss incurred by the related company, Panonska pivovara d.o.o., was made in the amount of HRK 13,492,000. Of this amount retained earnings of the Group were decreased by the portion of the loss incurred in the previous period (HRK 6,879,000) (Note 27 /viii/), and the portion relating to the loss incurred in the current period was charged to the income statement of the Group in the amount of HRK 6,613,000.

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 18 – TRADE RECEIVABLES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Trade receivables	767,657	710,362	222,365	234,556
Provisions	(188,926)	(181,187)	(98,877)	(93,973)
Net trade receivables	578,731	529,175	123,488	140,583
Due from associated companies	-	-	144,427	159,435
Prepayments	2,449	4,068	1,305	2,809
Total	581,180	533,243	269,220	302,827

NOTE 19 – OTHER RECEIVABLES AND PREPAID EXPENSES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Deferred tax assets /i/	-	30,374	-	30,374
Receivables for retained earnings from affiliated companies			41,954	606
Interest receivable on loans to a affiliated companies /ii/	-	-	12,362	9,621
Interest receivable on loans to non-affiliated companies	1,764	968	1,386	864
Tax receivable /iii/	21,557	25,635	1,697	6,833
Due from employees	2,788	2,461	2,008	2,171
Prepaid expenses	3,098	4,927	28	27
Over-due receivables for long-term loans to affiliated companies /ii/	-	-	21,132	-
Over-due receivables for long-term loans to non-affiliated companies	2,123	-	2,123	-
Other	8,967	8,099	2,669	2,410
Total	40,297	72,464	85,359	52,906

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 19 – OTHER RECEIVABLES AND PREPAID EXPENSES (continued)

/i/ In the 1998, deferred tax assets were recorded in the balance sheet and income statement in the amount of HRK 30,374,000. Deferred tax assets are a result of accumulated tax losses for previous periods available for carry forward within five years.

The Company had an obligation to estimate, on each balance sheet date, from 1998 to 2001, the probability of utilisation of the stated tax assets in relation to available taxable profit. The Company's plan for 2002 does not provide evidence on whether sufficient amount of taxable profit will be realised against which the stated tax assets could be utilised.

For this reason, the Company's retained earnings in 2001 were decreased by the total amount of deferred tax assets of HRK 30,374,000 (Note 27 viii).

/ii/ Over-due receivables for loans to associated companies (Note 13) and interest receivable of HRK 32,438,000 relate to loans granted to Belupo d.o.o. Koprivnica.

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

NOTE 20 – SHORT-TERM LOAN RECEIVABLES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Short-term loans to subsidiary - Podravka-International Sp.z o.o., Warsaw, Poland	-	-	44,687	-
Other	4,772	6,372	-	1,549
Total	4,772	6,372	44,687	1,549

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 21 – CASH AND CASH EQUIVALENTS

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Cash with banks	65,106	39,479	28,781	12,236
Cheques received	297	460	95	130
Bills received	6,705	89	6,675	-
Deposits	85	45	26	22
Total	72,193	40,073	35,577	12,388

NOTE 22 – LONG-TERM DEBT

	Interest rate	31 December 2001	31 December 2000
Podravka d.d.		<i>(in thousands of HRK)</i>	
Repayment due in 2001	5.76%-8.50%	-	129,589
Repayment due in 2002	4.33%-8.50%	94,480	141,841
Repayment due in 2003	5.85%-8.50%	57,424	26,712
Repayment due in 2004	5.85%-7.90%	53,813	21,974
Repayment due in 2005 and thereafter	5.85%-7.90%	67,025	12,332
Total long-term debt		272,742	332,448
Current portion of long-term debt		(94,480)	(129,589)
Total long-term debt excluding current portion		178,262	202,859
Podravka Group			
Repayment due in 2001	4.11%-14.20%	-	212,590
Repayment due in 2002	4.11%-14.20%	176,870	225,221
Repayment due in 2003	4.11%-14.20%	115,810	84,269
Repayment due in 2004	4.11%-14.20%	90,968	56,810
Repayment due in 2005 and thereafter	5.15%-14.20%	104,227	23,836
Total long-term debt		487,875	602,726
Current portion of long-term debt		(176,870)	(212,590)
Total long-term debt excluding current portion		311,005	390,136

The majority of long-term loans carry variable interest rates based on LIBOR, EURIBOR, WIBOR and TOM. The interest rates included in the table above have been calculated as at 31 December 2001.

Total secured loans to Podravka d.d. amount to HRK 187,492,000 (2000: HRK 211,973,000) and secured loans to the Group amount to HRK 401,176,000 (2000: HRK 480,843,000).

PODRAVKA GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

NOTE 23 – LONG-TERM PROVISIONS

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Restructuring provisions	-	62,504	-	39,180
Total	-	62,504	-	39,180

The provision stated as at 31 December 2000 related to restructuring costs in respect to severance payments for redundant employees. In 2001, severance payments were paid to employees whose employment contracts were terminated (Group: 386 - Podravka d.d.: 242).

NOTE 24 – TRADE PAYABLES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Trade payables	338,816	300,733	164,214	128,212
Due to associated companies	-	-	51,681	50,382
Total	338,816	300,733	215,895	178,594

NOTE 25 – OTHER LIABILITIES

	Podravka Group		Podravka d.d.	
	31/12/2001	31/12/2000	31/12/2001	31/12/2000
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Salaries and other payments to employees	47,238	42,184	30,166	26,370
Dividend payable	124	131	124	131
Interest payable on borrowings	8,744	15,002	5,755	10,915
Taxes payable	30,773	25,622	11,809	15,306
Other payables	22,305	23,621	8,414	5,945
Total	109,184	106,560	56,268	58,667

PODRAVKA GROUP

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NOTE 26 – SHORT-TERM BORROWINGS

	Interest rate	31 December 2001	31 December 2000
Podravka d.d.		<i>(in thousands of HRK)</i>	
Banks	5.86% - 8%	27,619	59,094
Other	5.90% - 6%	7,505	10,714
Total		35,124	69,808
Podravka Group			
Banks	5.86%-13.75%	103,125	114,487
Other	5.90%-6%	7,505	10,714
Total		110,630	125,201

NOTE 27 – SHAREHOLDERS' EQUITY

/i/ As at 31 December 2001, the share capital amounts to HRK 1,812,808,800, and consists of 6,042,696 shares, with a nominal value of HRK 300 each. These shares are comprised as follows:

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

In 1993, the subscribed share capital was stated in the equivalent amount of DEM 523,524,700, consisting of 5,235,247 shares, with a nominal value of DEM 100 each (or HRK 380.18 each as translated using the exchange rate in effect on the date of initial registration). In 1996, the nominal value per share was reduced to HRK 300. As at 31 December 1996, such reduced subscribed share capital of Podravka d.d. amounted to HRK 1,570,574,100, and other reserves of the Company were increased by the amount of decrease in the share capital (HRK 419,762,100).

During 1997, 171,449 ordinary shares were issued, with a nominal value of HRK 300 per share, representing an additional share capital in the amount of HRK 51,434,700. These shares were sold at HRK 370 each, which resulted in a total share premium in the amount of HRK 12,001,430.

In 1998, the share capital was increased by an additional amount of HRK 111,900,000 by issuance of 373,000 A series preferred shares. In 1999, the share capital was increased by HRK 78,900,000 by issuance of 263,000 B series preferred shares. The nominal value of A and B series shares is HRK 300 each. The preferred shareholder is the European Bank for Reconstruction and Development (the EBRD). The agreements reached with the EBRD pursuant to the contract on subscription of shares are as follows:

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

NOTE 27 – SHAREHOLDERS' EQUITY (continued)

- The Company is to adhere to certain financial conditions, such as: certain current liquidity ratios, profitability ratios and net value of tangible assets.

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

	31 December 2001		31 December 2000	
	Number of shares	%	Number of shares	%
Ordinary shares				
Shareholders – legal entities	2,460,931	40.73	2,454,655	40.62
Shareholders – individuals	2,045,219	33.85	2,118,832	35.07
Croatian Privatisation Fund	738,880	12.22	767,120	12.69
Treasury shares	161,666	2.67	66,089	1.09
Total	5,406,696	89.47	5,406,696	89.47
Preferred shares				
EBRD	636,000	10.53	636,000	10.53
Total	6,042,696	100.00	6,042,696	100.00

- /iii/ For 2000, the total dividend for preferential shares amounted to DEM 4,041,250, or HRK 14,822,000, and was paid to the EBRD in July 2001.
- /iv/ The legal reserve is required under Croatian law and must be built up to a minimum of 5% of the profit for the year until the total reserve reaches 5% of the Company's share capital. This reserve is not distributable. In 2001, the amount of HRK 1,459,000 relating to the profit for 2000, was transferred to legal reserve. An additional amount of HRK 1,387,000 was allocated to other reserves in accordance with the provisions of the Company's Statute.
- /v/ Pursuant to the management's decision, the loss in respect of 1999 was covered from other reserves in July 2000.
- /vi/ In 2001, 95,577 (2000: 3,348) of treasury shares, with a total nominal value of HRK 28,673,100 (2000: HRK 1,004,000) were purchased at the total cost of HRK 16,488,586 (2000: HRK 1,004,000).
- /vii/ Revaluation reserve represents the result of the 1999 valuation of land and buildings. In 2000, this reserve was reduced by value adjustment of land in the amount of HRK 493,000.
- /viii/ Retained earnings of the Group from previous periods was reduced in 2001 by the amount of HRK 68,811,000 as follows:
 - the amount of HRK 31,558,000 is the result of applying different accounting policies in recording the expected useful life of tangible and intangible fixed assets in the financial statements of the subsidiary Belupo d.o.o. and the financial statements of this subsidiary stated within the Group, which previously resulted in overstating Group profits (Notes 14 and 15).
 - the amount of HRK 6,879,000 relates to a decrease in investment by the corresponding portion of the accumulated loss of the related company, Panonska pivovara d.o.o., which was incurred in the previous period (Note 17/i/).
 - Retained earnings of HRK 30,374,000 was reduced by deferred tax assets recorded in 1998 (Note 19/i/).

PODRAVKA GROUP**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2001****NOTE 28 – MANAGEMENT BENEFITS**

In 2001, benefits paid to members of the Management Board and the Supervisory Board amounted to HRK 4,822,000 (2000: HRK 3,506,000) and HRK 1,297,000 (2000: HRK 1,113,000) respectively.

NOTE 29 – MINORITY INTERESTS

	<u>31/12/2001</u>	<u>31/12/2000</u>
	<i>(in thousands of HRK)</i>	
At 1 January	433	347
Share of net profit for the period	62	86
Total	495	433

NOTE 30 – COMMITMENTS

	Podravka Group		Podravka d.d.	
	<u>31/12/2001</u>	<u>31/12/2000</u>	<u>31/12/2001</u>	<u>31/12/2000</u>
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Unrealised commitments /i/	26,710	17,847	4,657	9,722
Guarantees for borrowings	327,896	342,672	326,536	331,010
Total	354,606	360,519	331,193	340,732

/i/ This item represents purchase cost of tangible fixed assets as contracted with suppliers, which have not yet been incurred and thus not included in the balance sheet as of 31 December 2001.

NOTE 31 – POST BALANCE SHEET EVENT

Following approval of the financial statements by the General Assembly, based on the subscription contract for preferred shares, the dividend for 2001 will amount to DEM 8.50 per share and the total amount of dividend will be DEM 5,406,000 (HRK 20,452,000).