

General Assembly

**Annual report of the Management Board
upon business activity and status in 2004**

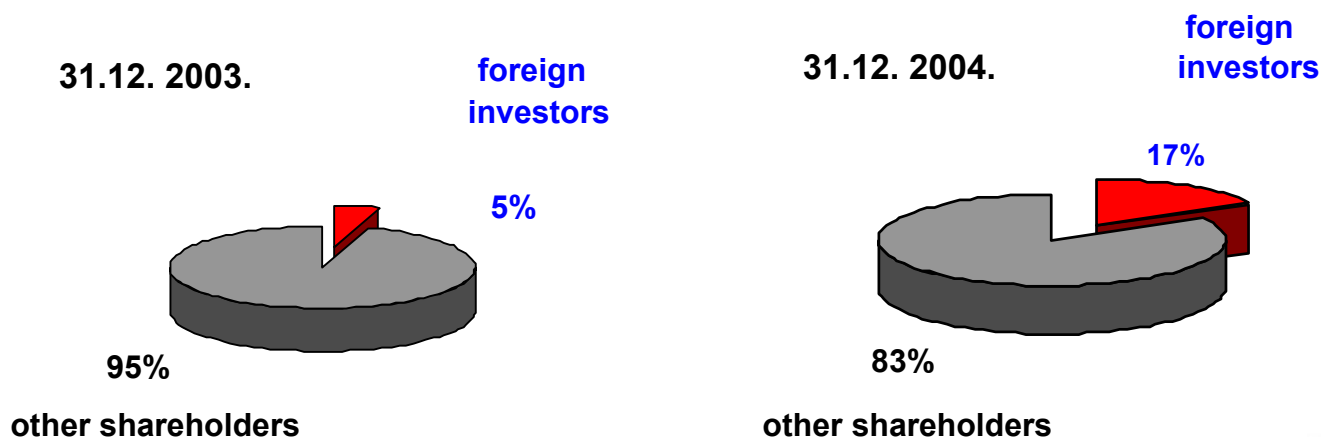
Content

- 1. Key events in 2004**
- 2. Sales**
- 3. Business results**
- 4. Podravka in the environment**
- 5. Capital market in 2004**
- 6. Outlook 1H 2005**

1. Key events in 2004

...shareholders

- realised net profit in amount of HRK 84,2 mil. representing growth of 746%
- suggested dividend in gross amount of HRK 5 per share -
in total amount of 26.635.900 HRK
- significant entrance of foreign investors in ownership structure
 - 2003 without significant foreign investor in shareholder's top 10
 - 2004 first 10 foreign investors hold 10,83% of market capitalization



... financing

- bond listing in first quotation on ZSE improved balance structure of the Podravka Group in a way of credit maturity and capital price
- side effect by bond issue:
 - strengthening of institucional investor
 - advertising effect- **FIRST REAL CORPORATIVE BOND**

<i>Listed Issue</i>	<i>Listing Date</i>	<i>Listing Price</i>	<i>Interest</i>	<i>Maturity Date</i>
27 mil EUR	20.02.2004.	100	5,00%	20.02.2007.

- activ trading wiht bonds on ZSE

PODR 07	5,000%	20-vlj-07	99,30	100,30	5,442%	4,806%	234
PLV 11	5,750%	12-svi-11	99,15	100,15	5,922%	5,718%	265

Source:HAAB Daily Report from Capital Market, 20.06.2005.

...business activity

- Operating efficiency project:
 - Production optimization(closure of Mohacs product. facility)
 - consolidation of business operation Podravka International Bratislava and Lagris in Slovakia



- Opening of new Belupo factory for liquid and semi-liquid dosage forms

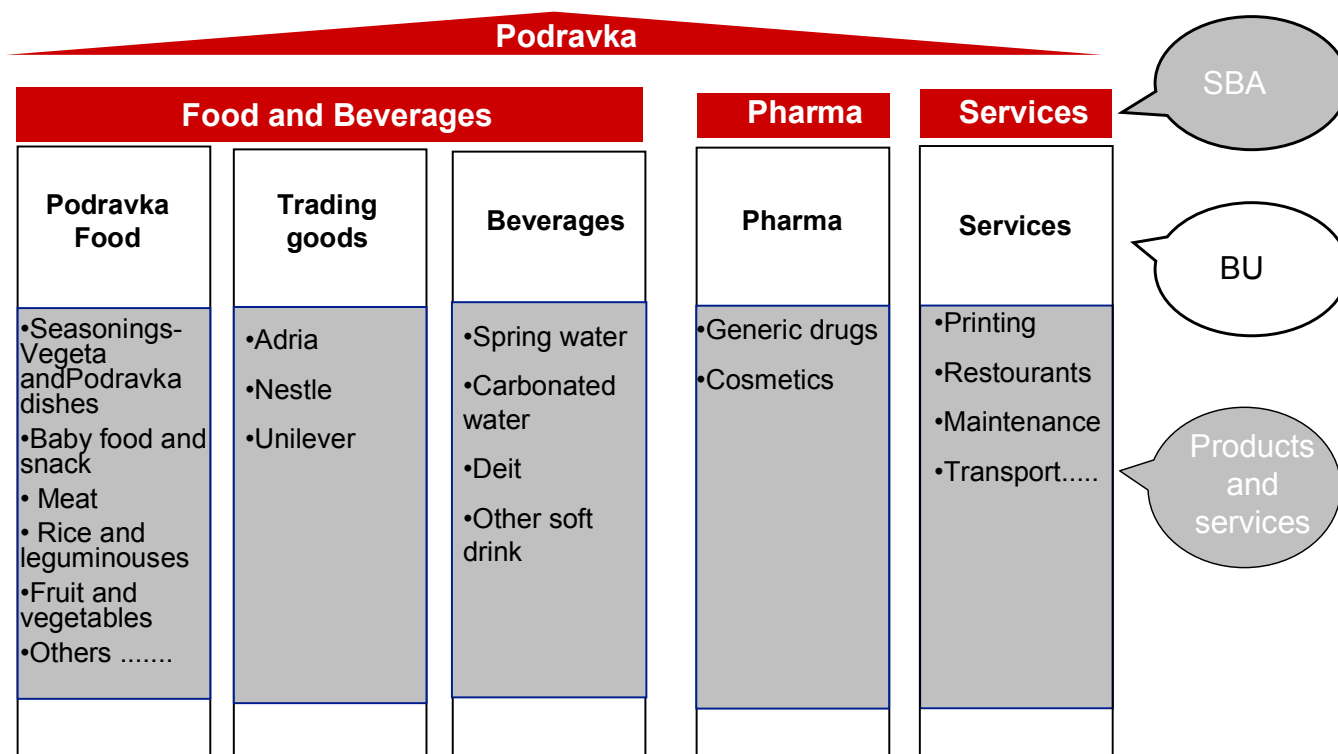


- Podravka d.d. signed exclusive distribution contract with Unilever for Croatia



...reorganization

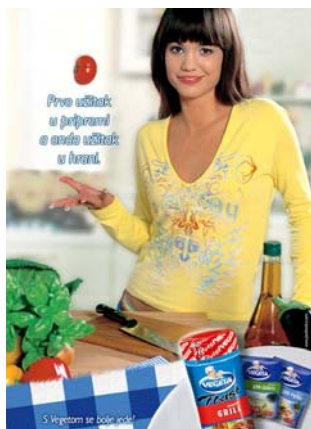
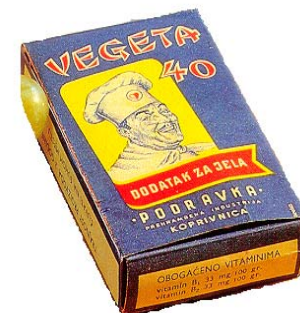
- new organization structure of Podravka d.d. adopted at the end of September 2004
- redefining of bussines process acording to 3 Strategic Business Areas: Food and beverages, Pharmaceuticals and Services



... Vegeta in Poland

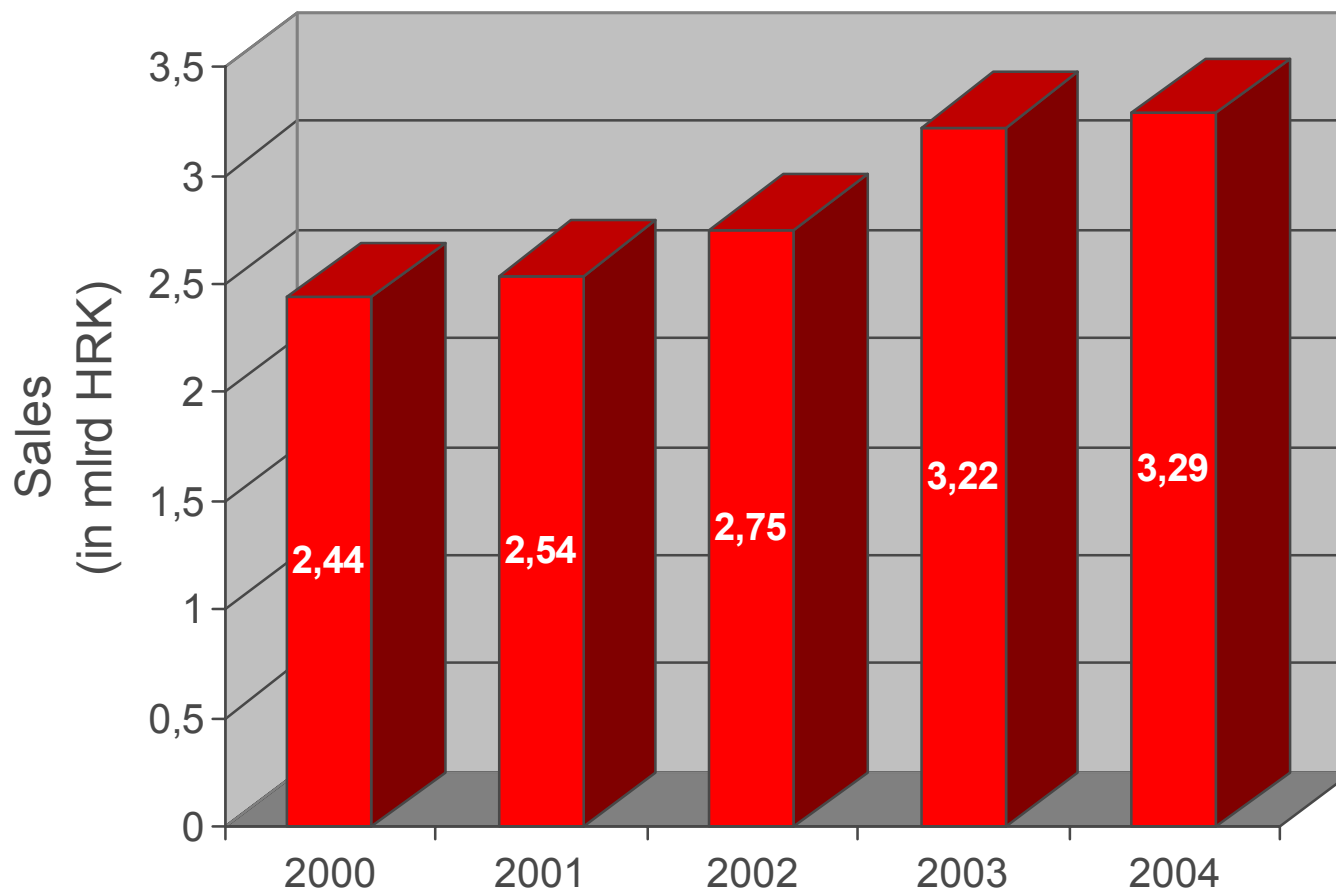
- According to Young & Rubicam Vegeta is among the three brands with the highest growth potential

1.	Lipton	11.	Pudliszki
2.	RMF FM	12.	Jacobs
3.	Vegeta	13.	Hortex
4.	Wedel	14.	Blend-a-med
5.	Delicje Szampańskie	15.	Nescafe
6.	Nivea	16.	Hochland
7.	Adidas	17.	Nokia
8.	Polska	18.	Polsat
9.	Radio ZET	19.	Knorr
10.	TVN	20.	Tymbark



2. Sales

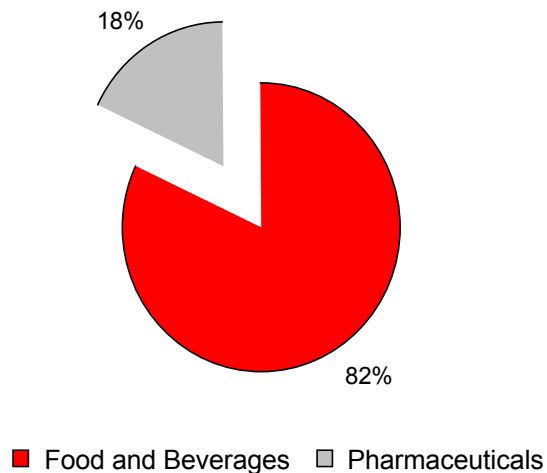
Sales of the Podravka Group 2000 – 2004



Sales structure I–XII 2004

- total sales amounts to 3,3 mlrd HRK
- sales growth of 2,4% compared to 2003 sales

Sales structure I-XII 2004

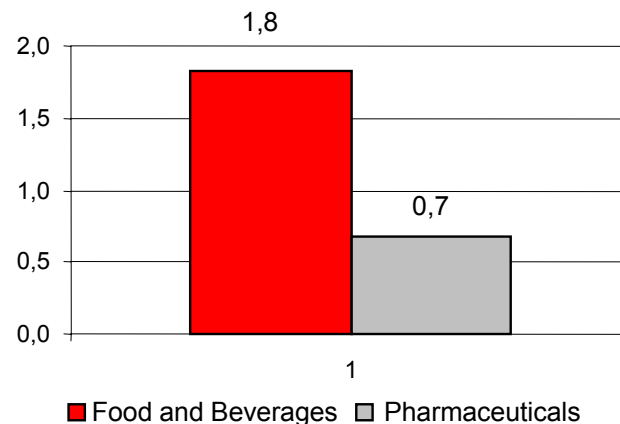


Note: SBA Services participate with 0,3% in total realisation

- the structure of sales growth:

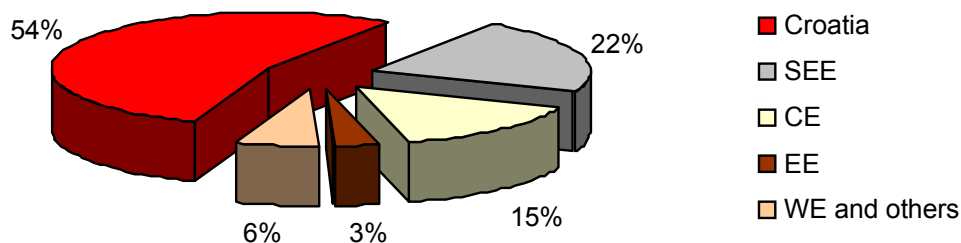
- Food and Beverages 1,8%
- Pharmaceuticals 0,7%

Structure of sales growth



Sales per Markets

- on domestic market (54% of total sales) sales growth was 1,2% while on foreign markets (46% of total sales) sales growth was 4%



SEE: Slovenia, Bosnia and Hercegovina, Macedonia, Serbia, Kosovo, Monte Negro

CE : Czech Republic, Slovakia, Hungary, Poland

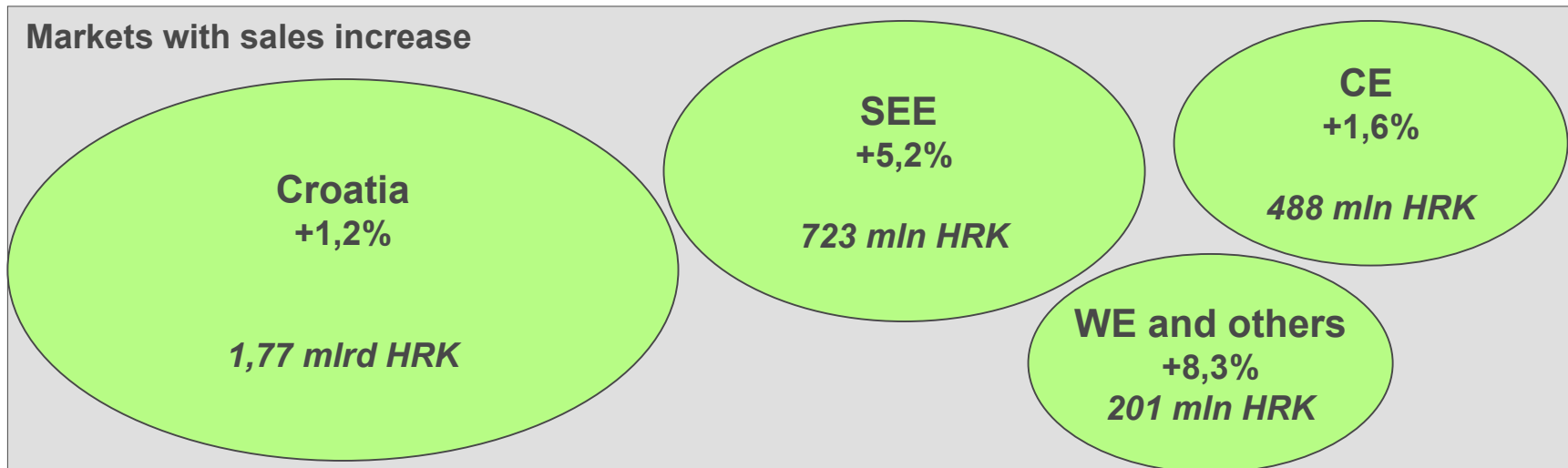
IE: Russia, Ukraine, Lithuania, Estonia, Latvia, Romania, Kazakhstan, Belarus, Bulgaria

WE & others: SAD, Canada, Austria, Sweden, Switzerland, Germany, Australia, France, United Kingdom, Norway, Italy, Belgium, Brazil, Chile, New Zeland, Gwiney, Liberia, Turkey, Greece

Sales per Markets

Sales I-XII 2004

Markets with sales increase



Markets with sales decrease

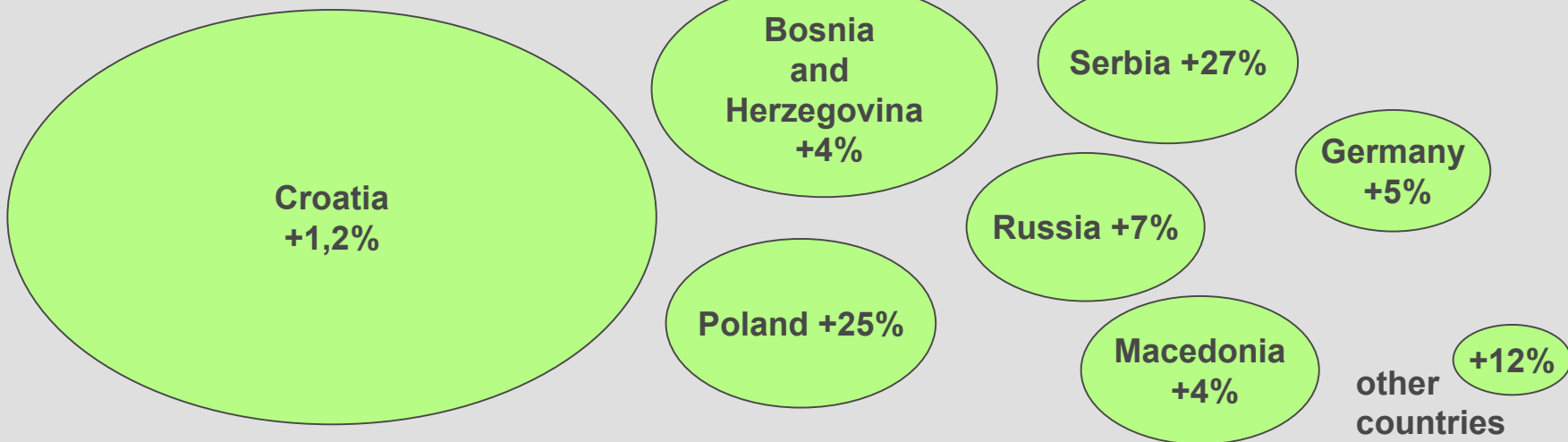


* Negativ influence of USD exchange rate on Podravka's Group sale

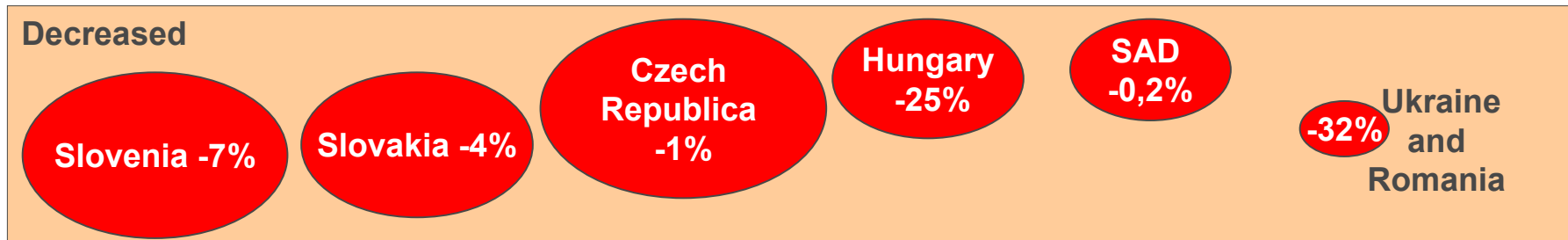
Sales per countries

Sales I-XII 2004 / increased in relation to 2003

Increased



Decreased



Russia – Strategic Market

Development of 3 strategic categories

Vegeta



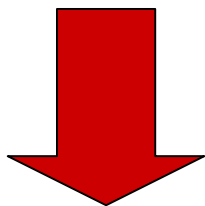
Lino Baby Food



Podravka Dishes



Annual target growth rate exceeds more than 15%

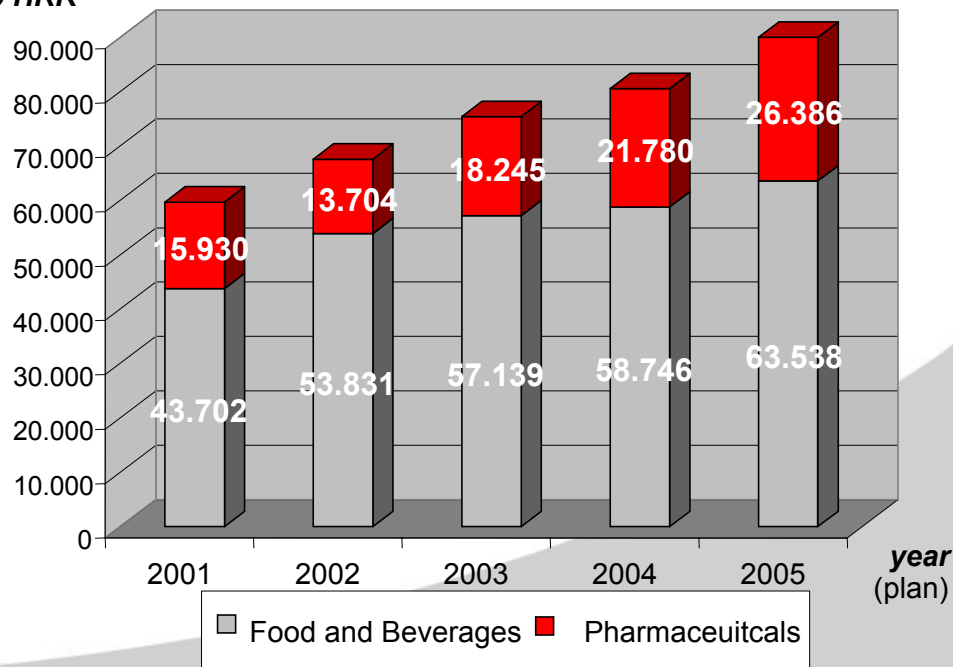


1. 2006. = 10 mln USD by Vegeta (ex W)
2. market leader in baby food for the long term
3. soups – between 3 market players

Quality control and distribution expending
Matching up to local tastes

*Net external sales movement in Russia
2001. - 2005*

u 000 HRK



Domestic Market

Croatia
+1,2%

- 54% of total sales was realised on domestic market
- realised sales of 1,77 mlrd HRK in 2004 presenting sales growth of 1,2%
- sales growth was realised by almost every products group:
3% Vegeta, 4% Sweet and Snack, 4 % Drugs, 10% Trading goods...
- decrease of Beverages by 15% (carbonated- Studenac and Natural waters- Studena and others) due to unfavourable weather and aggressive competition entering croatian market
- strategic partnership with Nestle and Unilever



Domestic Market

TOP 20 buyers

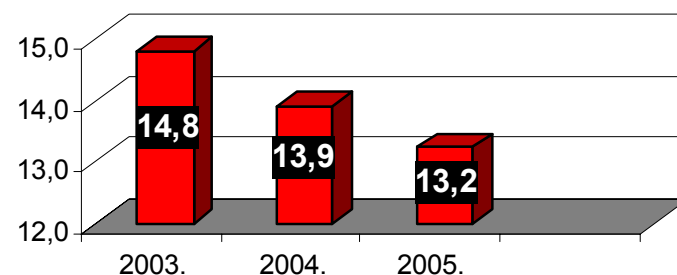
Year	% Sales structure
2001	52%
2002	65%
2003	74%
2004	77%
2005	80%

- consolidation of market
- strengthening of negotiation position of traders
- entrance of hard discounters
- private labels
- concentration of hotels
- company's management (Falkensteiner, Valamar, Maistra, SOL MELIA, Vienna International H&R)

• Podravka's response to challenges:

- consolidation of sales force on Croatian market (food, beverages, frozen segment, meat and meat products)
- reducing S&D costs
- Through strategic partnerships with Nestle, Unilever and others creating cooperation in sales and distribution, using their experience and applying their standards

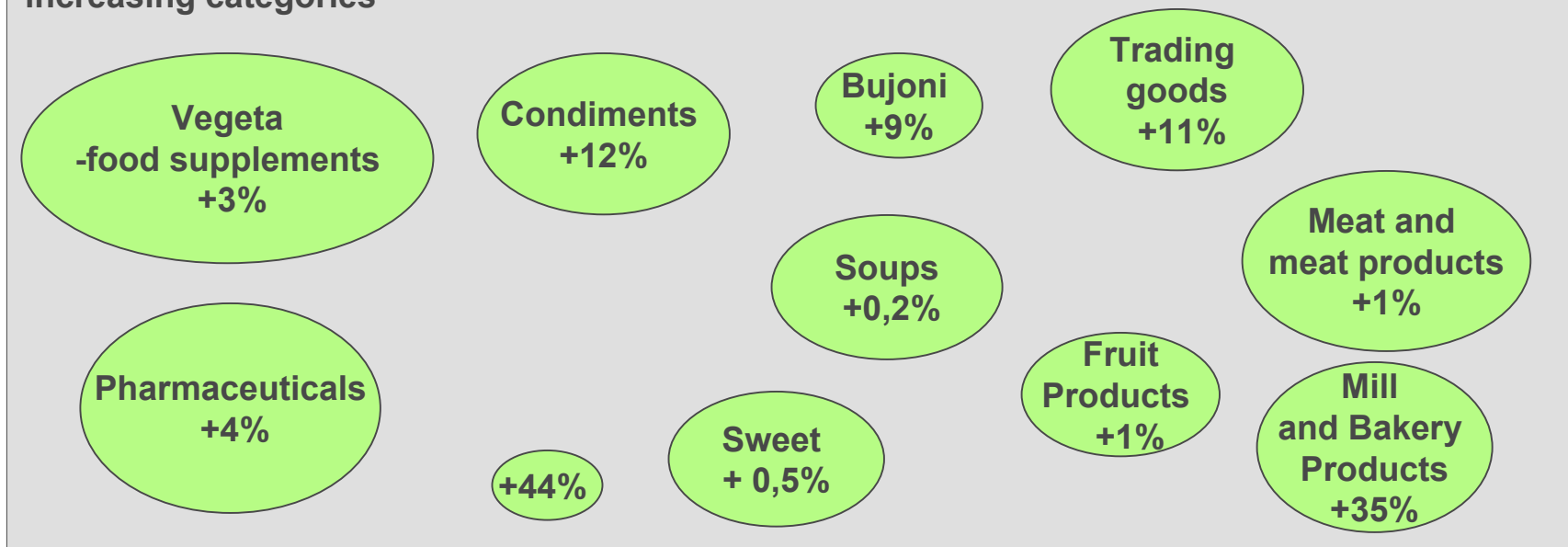
S&D costs in sales revenues (%)



Sales per categories

Sales I-XII 2004 / increased in relation to 2003

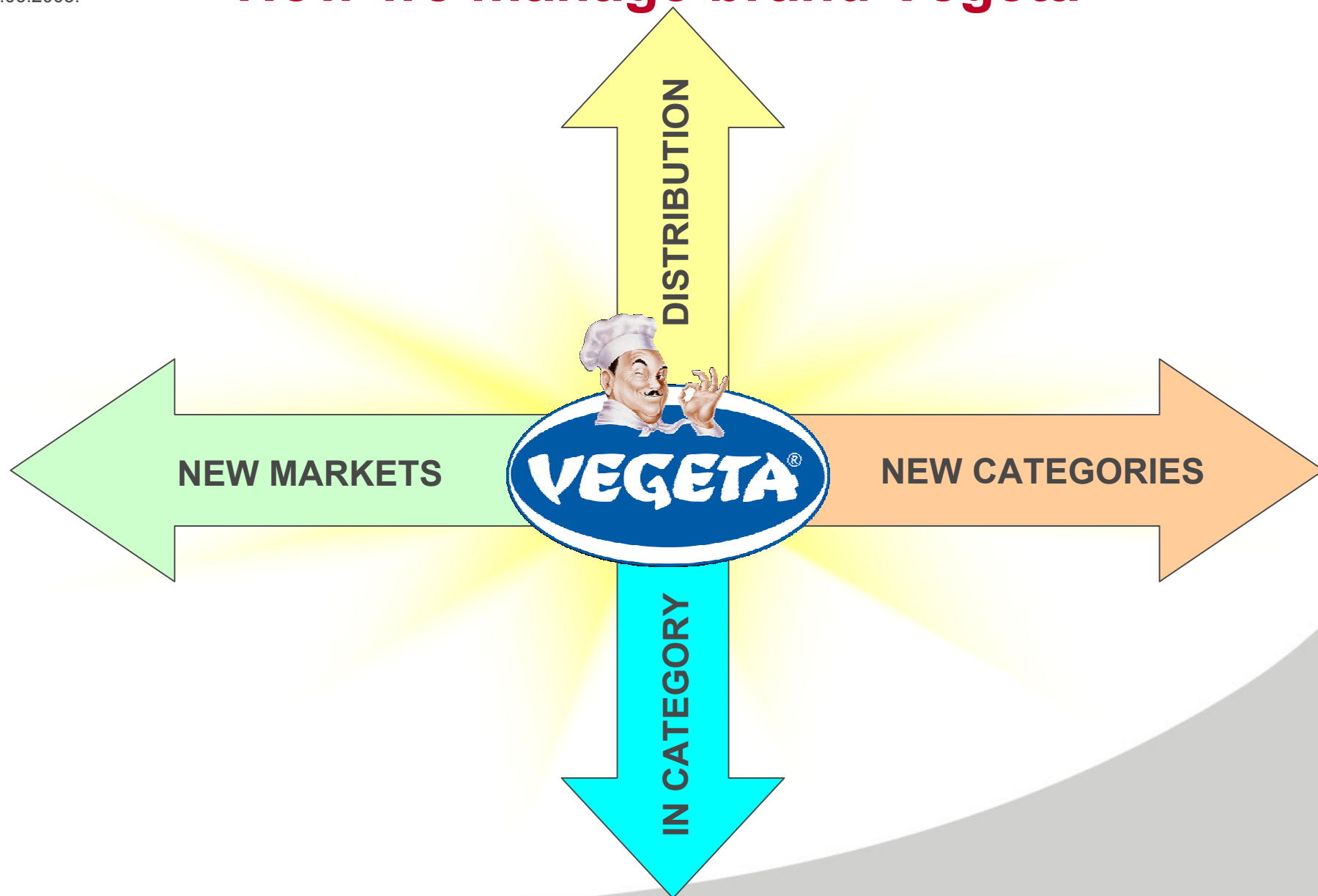
increasing categories



decreasing categories



How we manage brand Vegeta

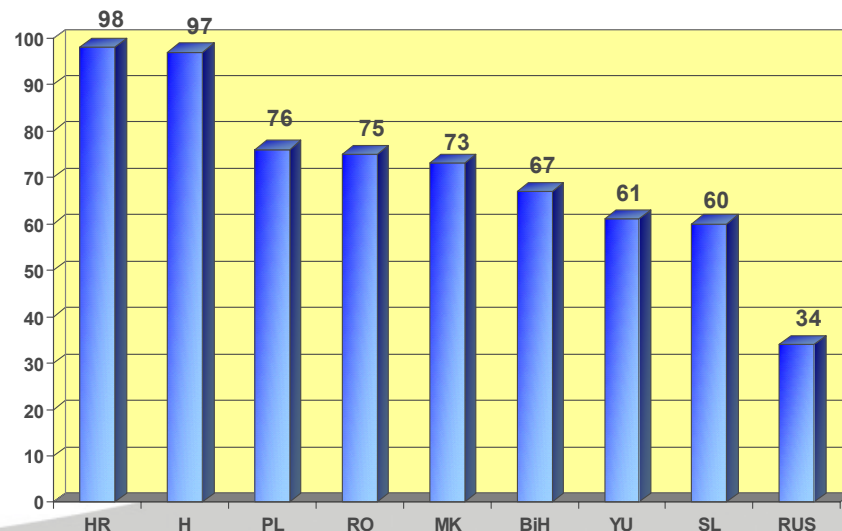
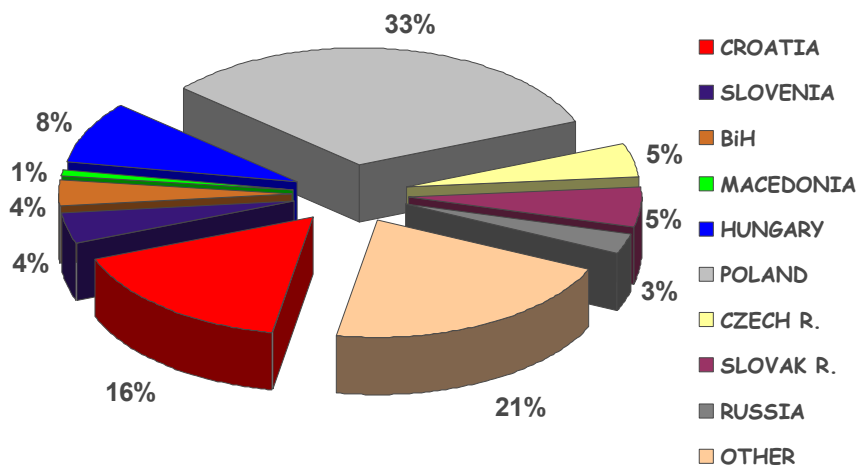


How we manage brand Vegeta

**OUR
WAY**

To transform PRODUCT into successful international BRAND in food industry we find most important:

- Understanding consumer needs
- Valuable functional attributes
- Creating Brand essence
- Creative communication of brand values
- Use accumulated experience and know-how



3. Podravka Group Business Results 2004

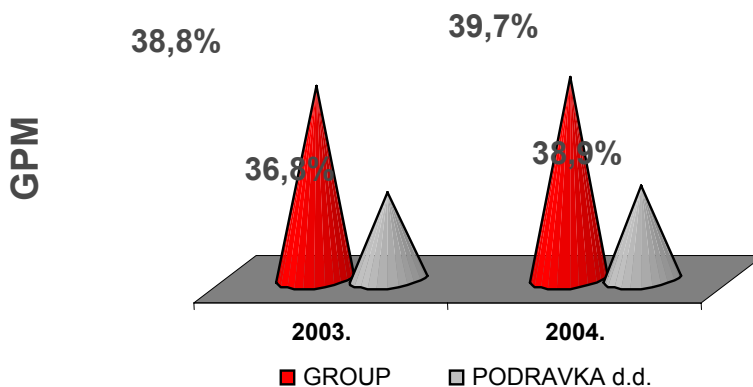
Financial indicators

PODRAVKA GROUP

PODRAVKA d.d.

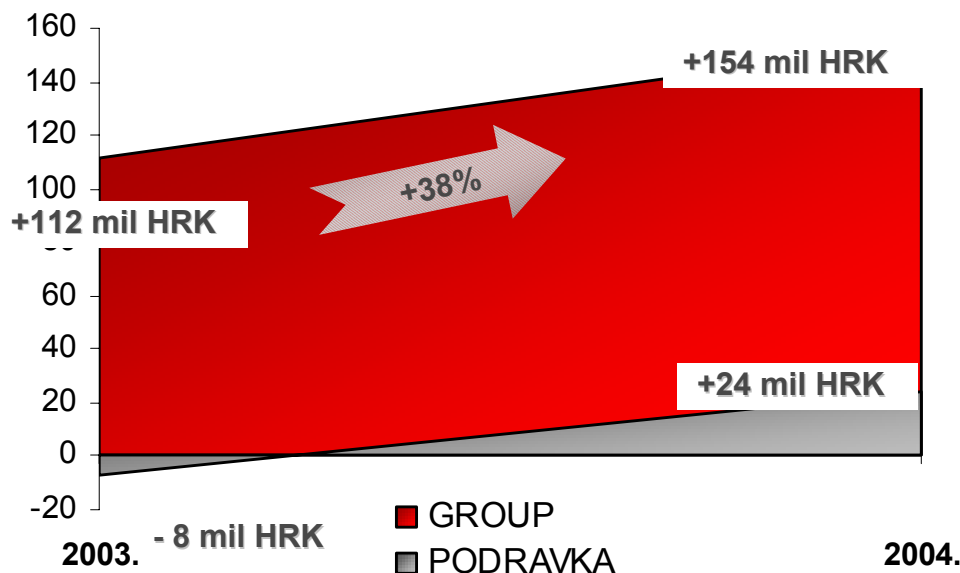
<i>In mln HRK</i>	<i>I-XII 2004</i>	<i>I-XII 2003</i>	<i>change</i>	<i>I-XII 2004</i>	<i>I-XII 2003</i>	<i>change</i>
Sales revenue	3.294,9	3.217,7	2%	1.541,5	1531,7	1%
Gross profit	1.306,6	1.249,2	5%	600,3	564,0	6%
EBITDA	384,2	336,8	14%	162,2	113,7	43%
EBIT	154,4	112,0	38%	24,1	-7,6	417%
Net income	84,2	10,0	746%	32,7	-20,3	261%
ROE (%)	4,5	2,4	210bp	1,9	-1,2	312bp
ROA (%)	2,5	1,2	130bp	1,2	-0,7	198bp
Profit margins %	I-XII 2004	I-XII 2003	change	I-XII 2004	I-XII 2003	change
GPM	39,7	38,8	83bp	38,9	36,8	212bp
EBITDA margin	11,7	10,5	119bp	10,5	7,4	310bp
EBIT margin	4,7	3,5	121bp	1,6	-0,5	206bp
Neto margin	2,6	0,3	225bp	2,1	-1,3	345bp

Sales revenue and gross profit

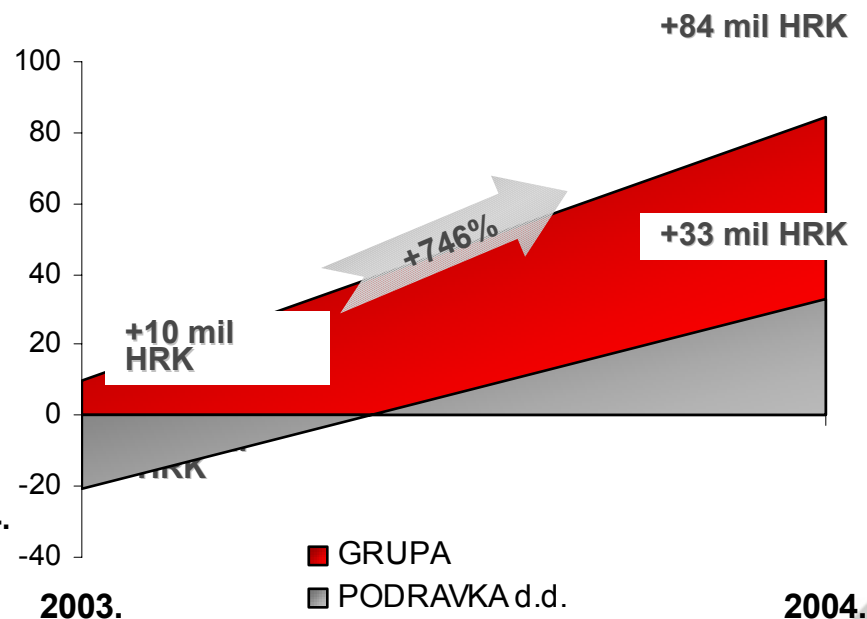


Contribution of Podravka in profitability

EBIT Group and Podravka



Net income Group and Podravka



PODRAVKA GROUP

Margins (%)	I-XII 2004	I-XII 2003	change
EBITDA margin	11,7	10,5	119bp
EBIT margin	4,7	3,5	121bp
Net margin	2,6	0,3	225bp

PODRAVKA d.d.

Margins (%)	I-XII 2004	I-XII 2003	change
EBITDA margin	10,5	7,4	310bp
EBIT margin	1,6	-0,5	206bp
Net margin	2,1	-1,3	345bp

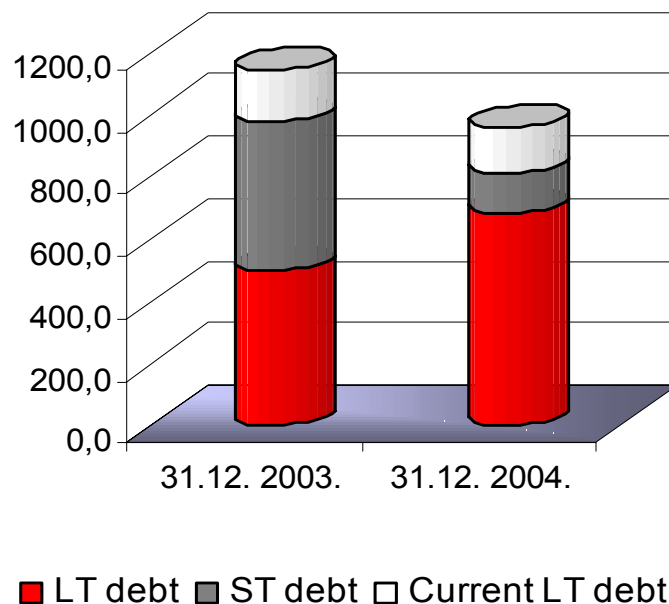
Expensses

- **operating expensses increased by 0,8% which is lower than sales growth**
- **cost of goods sold amount 60.3% in sales structure which is 1% lower than in 2003**
- **S&D costs represented 25.6% of sales compared to 25.1% in 2003**
- **G&A costs decreased to 10.2% compared to 10.4% in 2003**

Balance sheet and indebtedness

<i>In mil HRK</i>	<i>12/31/04</i>	<i>12/31/03</i>
Cash	116,1	139,6
Total current asset	1.528,0	1.520,7
Total asset	3.416,5	3.494,0
LT debt	684,5	501,5
ST debt	123,0	479,5
Current LT debt	148,8	157,0
Equity	1.879,4	1.779,5
Total liabilities+ equity	3.416,5	3.494,0
Indicators	12/31/04	12/31/03
tio	1,8	1,3
D/E	50,9%	63,9%
Net debt	840,2	998,4
Senior Net Debt/EBITDA	2,2	3,0
Interest coverage	2,5	2,3

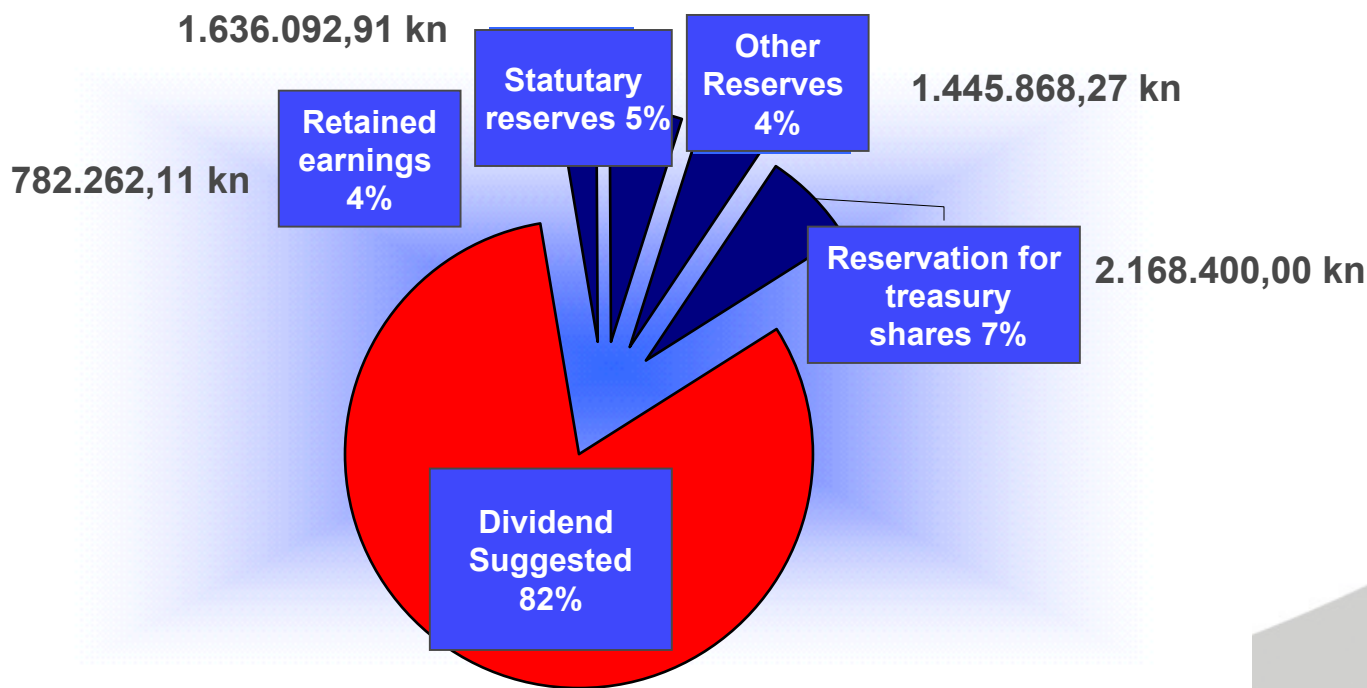
Podravka Group indebtedness structure



- total indebtedness was reduced for 16%
- decreased share of ST debt by refinancing
- reducing of financing cost
- indicator of interest coverage was improved

Distribution of profit

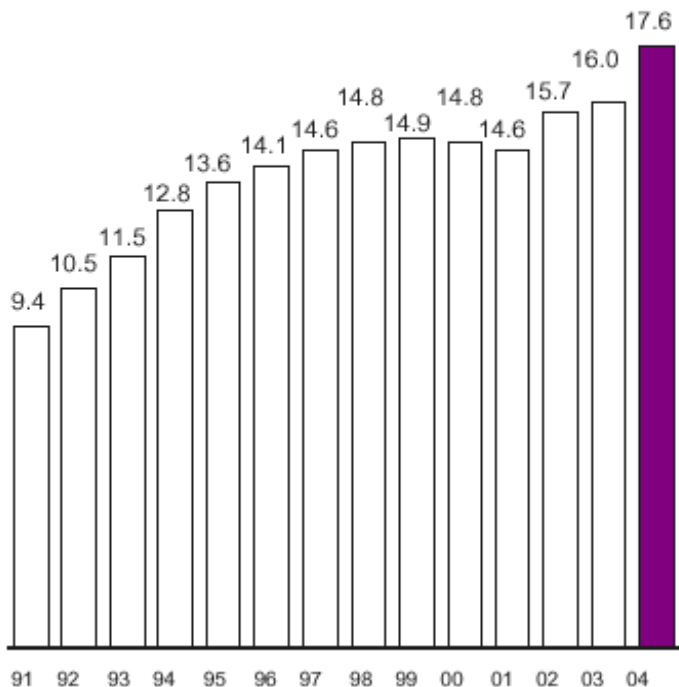
- suggested gross dividend in amount HRK 5 per share - in total HRK 26.635.900 kn, which is 32% of Group's net profit and 82% of Podravka's net profit, should be paid out until 31 December 2005



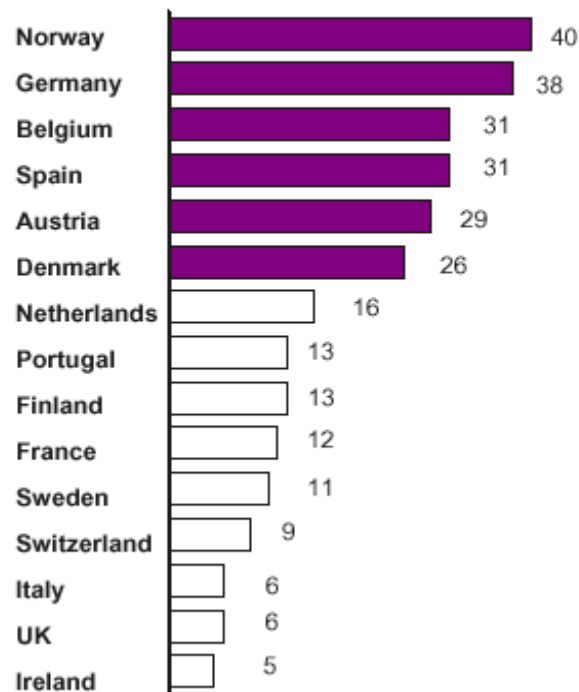
4. Podravka in the environment

Hard discounters

Development of discounter share in Europe
1991 - 2004



Discounter share by market
2003



- 5 new Aldi and 6 new Lidl markets are opened weekly

Izvor: AC Nielsen, TNS

Podravka in the environment

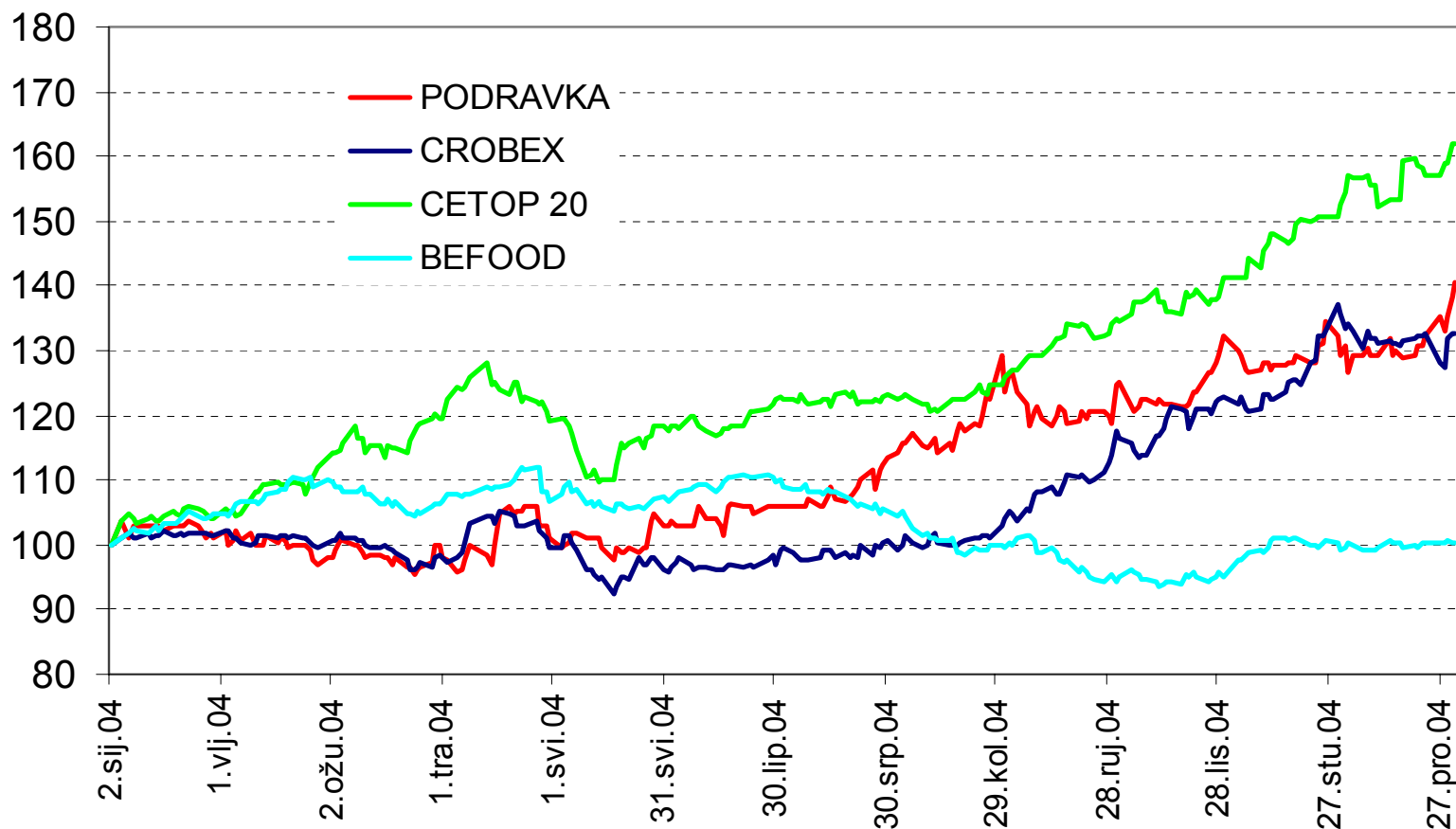
- Due to the fact that competition heavily invests in marketing, Podravka needs to make additional effort in finding the balance of marketing investments in different group of products and different markets
- Decreasing trend of consumer's interest for large packaging, as well as pressure on reducing price are the challenges for Podravka
- Increasing investment in marketing for products with high gross margin
- More intensive usage of modern marketing channels (electronic media)
- Better knowledge of consumer's behaviour
- To be large is not enough for long term success - ability to innovate and redesign product assortments as well as fast placement at the market is the key of success!

5. Capital market in 2004

Podravka Share Price

Date: 31.12. 2004.
12 month max / min u HRK 239/ 162
Close price (HRK / €) 239/ 31,16
Market capital. (mil HRK / €) 1.295,4 / 168,9
Number of issued shares: 5. 420.003

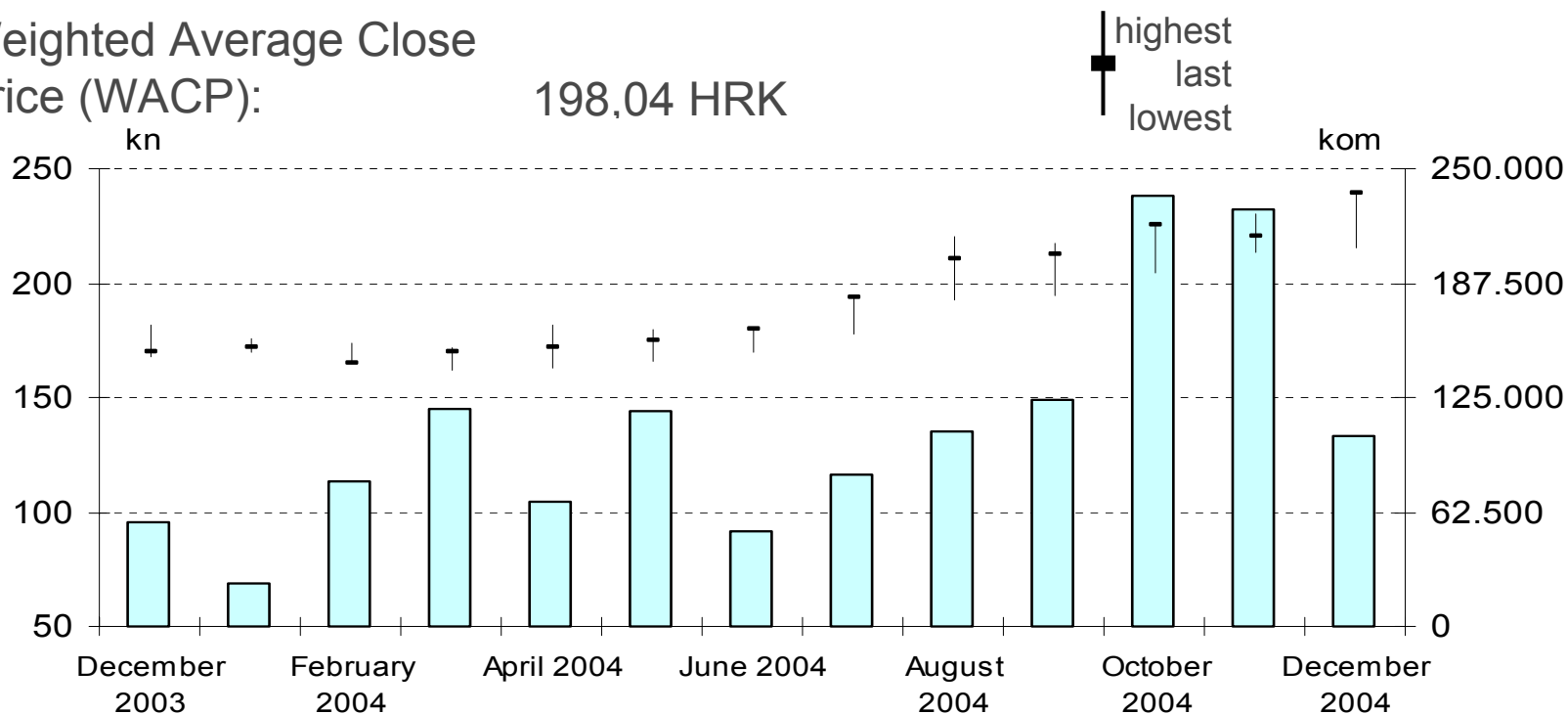
Recommendations by analysts:
RBA HOLD
ERSTE ACCUMULATE
HYPO-ALPE ADRIA HOLD
FIMA HOLD



Price review and turnover

Weighted Average Close

Price (WACP): 198,04 HRK

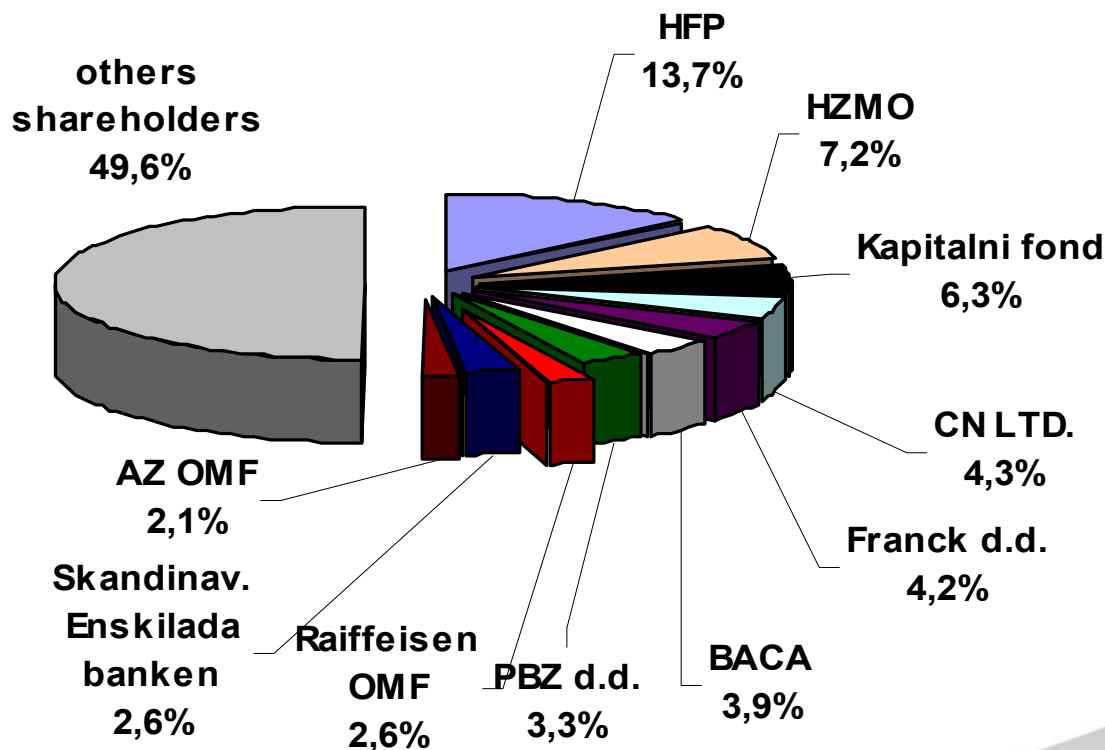


- total turnover for 2004 amounts to 266 mil HRK (35,5 mil EUR) compared to 2003 turnover in amount of 135,2 mil HRK (17,5 EUR)
- average daily turnover for 2004 amounts to 1,1 mil HRK (146 th EUR), on the same level as for 2003
- highest monthly turnover (50 mil HRK) realized in November
- turnover valocity 20,6% compared to 2003 of 14,63%

Ownership structure of Podravka

- Top 10 shareholders hold 50,36% of market capitalization
- individual investors and other legal entities hold 49,7% of issued equity in which treasury shares presents 1,7% of market capitalization

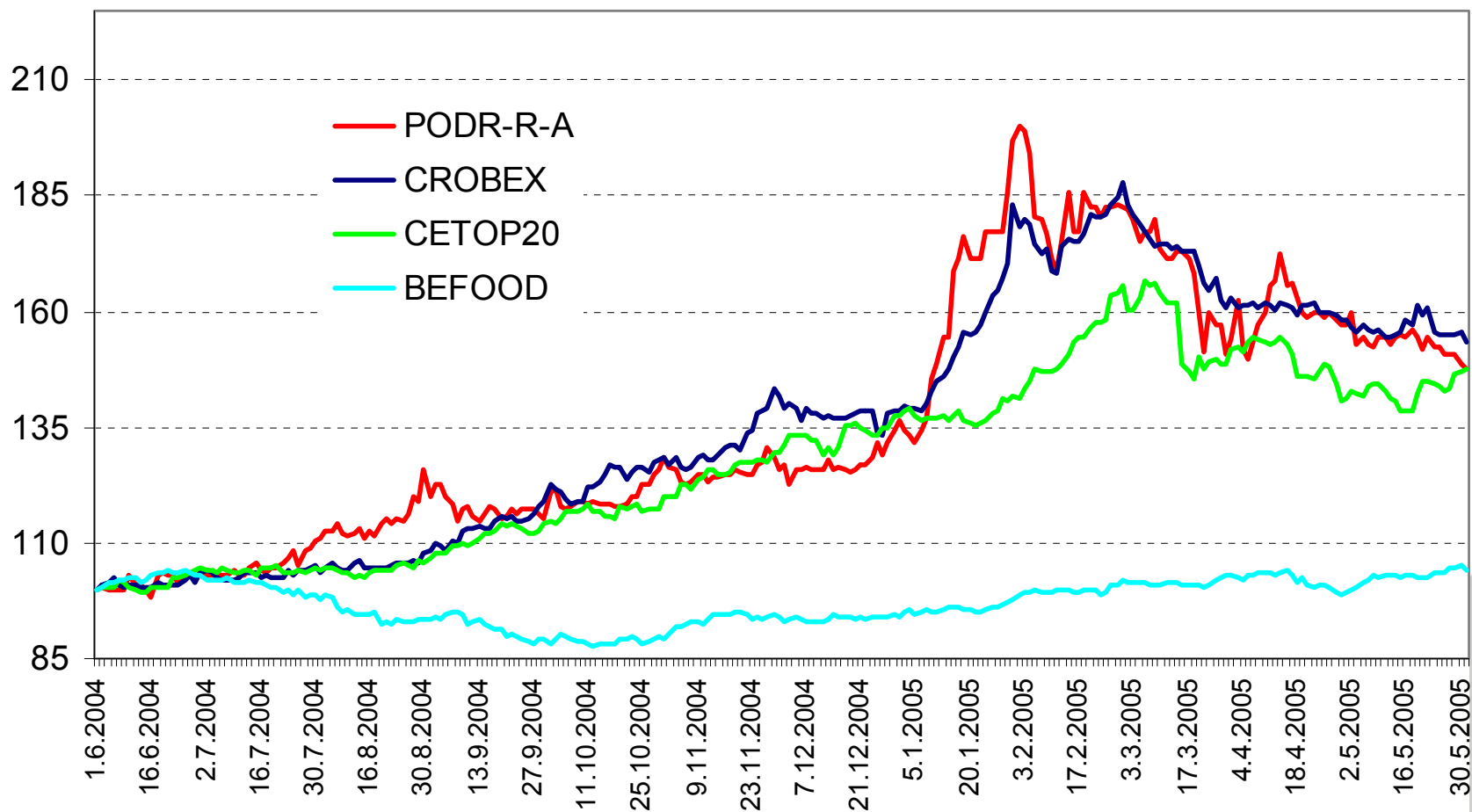
As of
31 Dec 2004



Podravka Share Price

Date: 31.05.2005.
 12 month max / min u HRK 365 / 170
 Close price (HRK / €) 258/ 35,31
 Market capital. (mil HRK / €) 1. 398,4 / 191,4
 Number of issued shares: 5. 420.003

Recommendations by analysts:
 RBA HOLD
 ERSTE ACCUMULATE
 HYPO-ALPE ADRIA HOLD
 FIMA HOLD

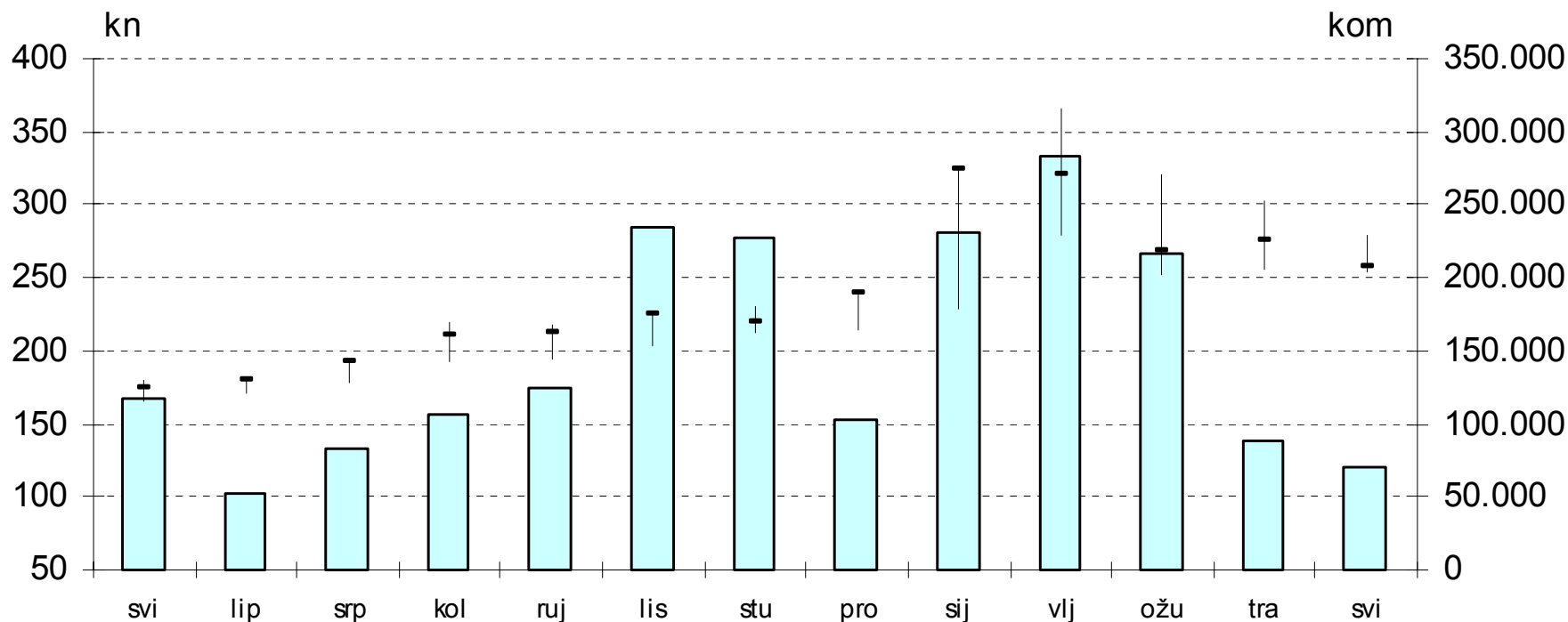


Price review and turnover

Weighted Average Close

Price (WACP): 253,3 HRK

highest
last
lowest



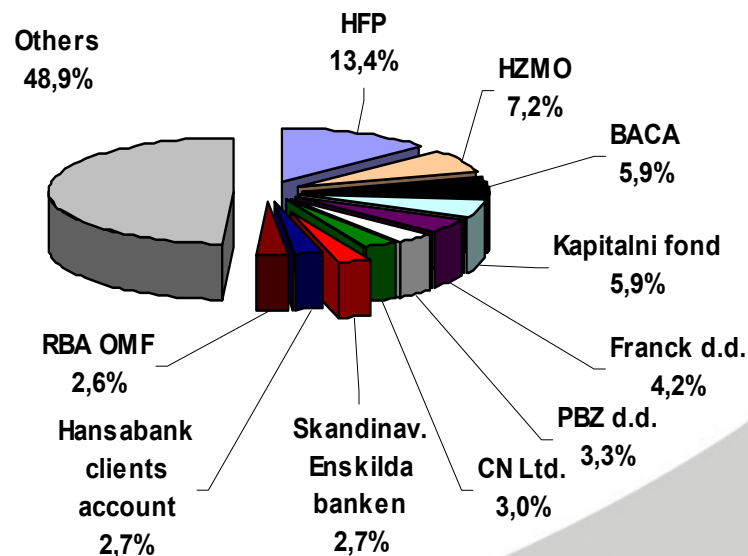
- total turnover in preiod 01.06. 2004. – 31.05. 2005. amounted to 460 mil HRK
- average daily turnover amounted 1,8 mil HRK
- highest montly turnover (90 mil. kn) realised in February

Ownership structure of Podravka

- Top10 shareholders together hold 50.8% of market capitalization
- individual investors and other legal entities hold 49.2% of market capitalization

Ownership structure of Podravka 31 May 2005

SHAREHOLDERS	NO. OF SHARES	MC %
HFP	725.780	13,39%
HZMO	391.186	7,22%
BACA	322.405	5,95%
Kapitalni fond	321.804	5,94%
Franck d.d.	229.630	4,24%
PBZ d.d.	178.657	3,30%
CN Ltd.	159.960	2,95%
Skandinav. Enskilda banken	148.157	2,73%
Hansabank clients account	147.962	2,73%
RBA OMF	142.756	2,63%
Others	2.651.706	48,92%
Total:	5.420.003	100,00%



Changes in TOP 20 shareholders

- period 31 December 2003- 31 December 2004

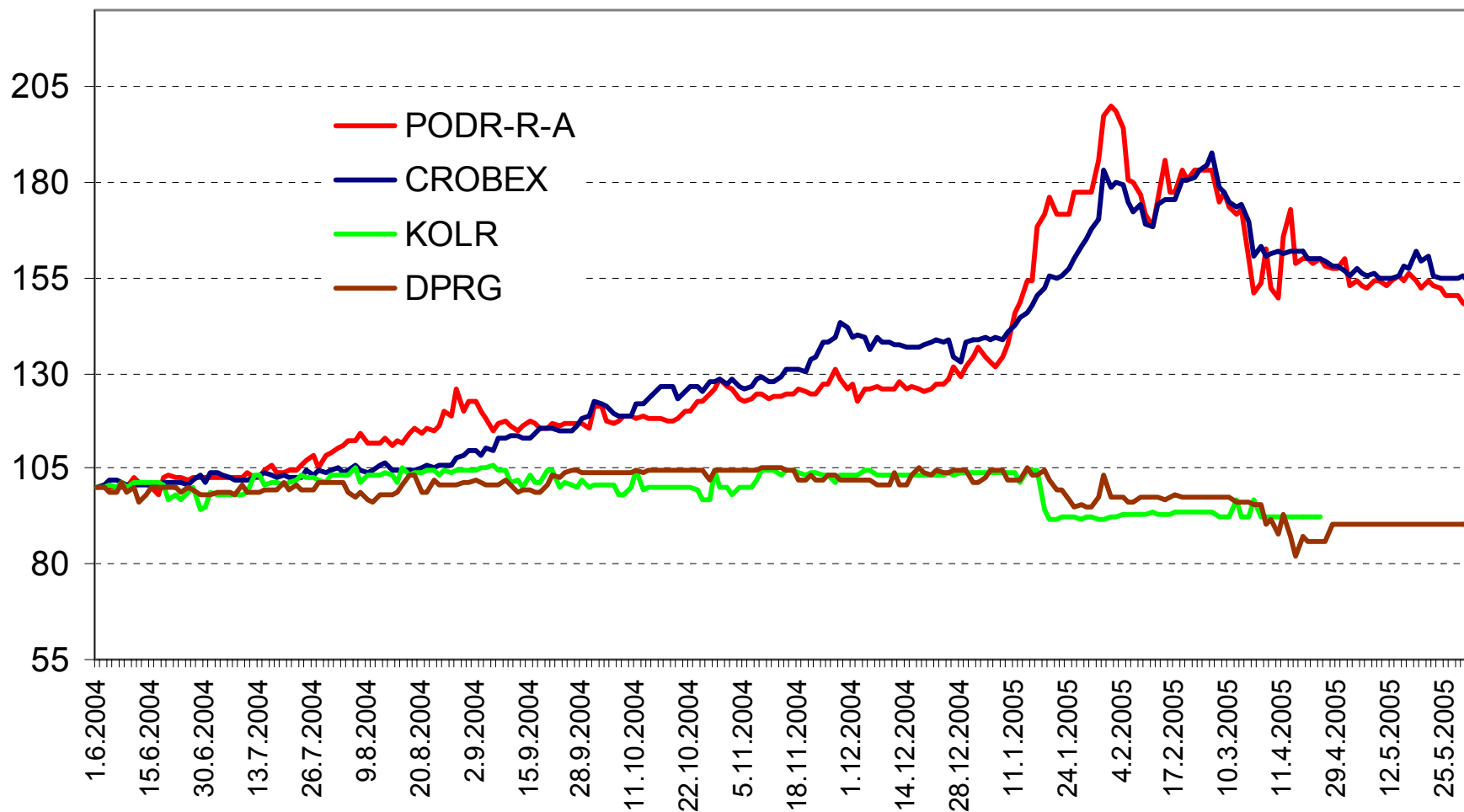
R.br.	Prezime i ime/Skracena tvrtka	Stanje na dan 31.12.2004.	% u TK	% u TK 2003	Promjena 31.12.2004/ 31.12.2003.
1	HFP	743.370	13,72	14,81	-59.469
2	HZMO	391.186	7,22	7,22	0
3	KAPITALNI FOND D.D.	341.804	6,31	6,31	0
4	CN LTD.	234.223	4,32	0,79	191.332
5	FRANCK D.D.	229.630	4,24	4,24	0
6	BACA AG	210.899	3,89	0,79	167.818
7	PBZ D.D.	178.638	3,30	3,41	-6.110
8	RBA OMF	142.756	2,63	2,58	2.759
9	SKANDINAVISKA ENSKILDA BANKEN	141.623	2,61	0,00	141.623
10	AZ OMF	115.489	2,13	1,42	38.435
11	ELKA D.D.	111.442	2,06	2,06	0
12	PBZ CROATIA OSIGURANJE D.D. OMF	94.193	1,74	1,80	-3.503
13	PODRAVKA D.D.	92.823	1,71	3,42	-92.774
14	HANSABANK CLIENTS ACCOUNT	88.250	1,63	0,00	88.250
15	HAAB	77.410	1,43	0,00	77.410
16	MEDVIDOVIC MARIJAN	58.250	1,07	1,07	0
17	PBZ D.D./PBZ-SP	55.000	1,01	0,00	55.000
18	RBA D.D.	53.974	1,00	0,22	41.922
19	ZAGREBACKA BANKA D.D./PICTET ET CIE	53.708	0,99	0,64	18.764
20	ERSTE PLAVI OMF	53.311	0,98	0,00	Erste+Plavi
	Ukupno:	3.467.979	63,98	50,80	

Changes in position of top shareholders

- period 31 December 2004 -31 May 2005

R.br.	Prezime i ime/Skracena tvrtka	Stanje na dan 31.05.2005.	% u TK	% u TK 2004.	Promjena 31.05.2005/ 31.12.2004.
1	HFP	725.780	13,39	13,72	-17.590
2	HZMO	391.186	7,22	7,22	0
3	BACA	322.405	5,95	3,89	111.506
4	KAPITALNI FOND	321.804	5,94	6,31	-20.000
5	FRANCK D.D.	229.630	4,24	4,24	0
6	PBZ D.D.	178.657	3,30	3,30	19
7	CN LTD.	159.960	2,95	4,32	-74.263
8	SKANDINAVISKA ENSKILDA BANKEN	148.157	2,73	2,61	6.534
9	HANSABANK CLIENTS ACCOUNT	147.962	2,73	1,63	59.712
10	RBA OMF	142.756	2,63	2,63	0
11	RBA D.D.	106.251	1,96	1,00	52.277
12	PBZ CROATIA OSIGURANJE OMF	100.424	1,85	1,74	6.231
13	PODRAVKA D.D.	82.156	1,52	1,71	-10.667
14	AZ OMF	77.351	1,43	2,13	-38.138
15	HAAB	73.829	1,36	1,43	-3.581
16	MEDVIDOVIC MARIJAN	58.250	1,07	1,07	0
17	RBA D.D./ZBIRNI SKRBNIČKI RACUN - ZA SP	56.670	1,05	0,34	38.479
18	PBZ D.D./PBZ-SP	55.000	1,01	1,01	0
19	ZAGREBACKA BANKA D.D./PICTET ET CIE	46.409	0,86	0,99	-7.299
20	SZIF D.D.	46.145	0,85	0,85	0
	Ukupno:	3.470.782	64,04	62,13	

Comparison of food industry shares



- Podravka's share correlates with Crobex movement
- Outperformeing food companies (Droga and Kolinska)

Business comparison (in USD)

Podravka and other food companies 2004/2003

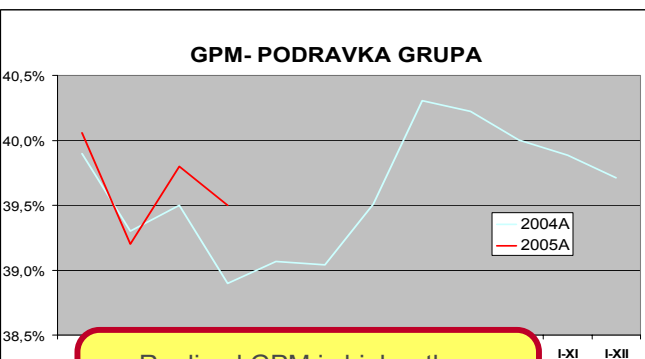
	Sales (USD m)	Sales growth	Net income growth	EBIT margin	Net margin
Podravka (CRO)	545.9	13.7%	839.3%	4.7%	2.6%
Kolinska (SLO)	125.0	9.4%	-26.3%	6.3%	3.3%
Droga Portoroz (SLO)	122.0	11.6%	-35.5%	3.9%	2.7%
Rieber & Son CEE operations (NOR)	158.2	8.9%	n.a.	-0.6%	n.a.
Rieber & Son Group (NOR)	516.2	13.5%	6.3%	8.9%	5.2%

Source: Company Report, Erste bank

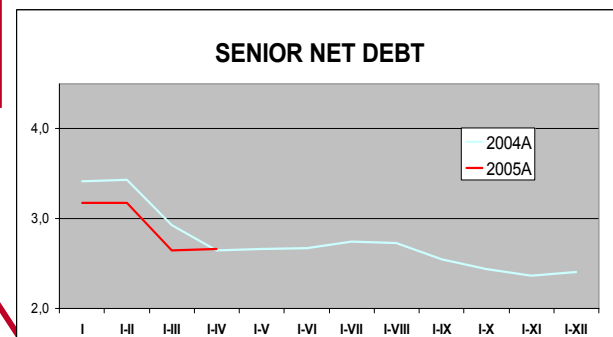
6. Outlook 1H 2005

Financial status

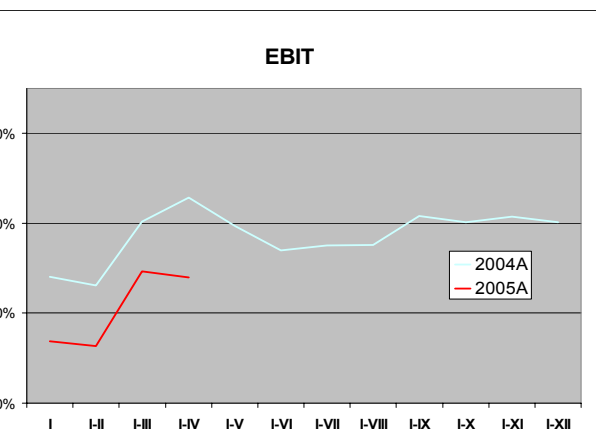
PODRAVKA GROUP



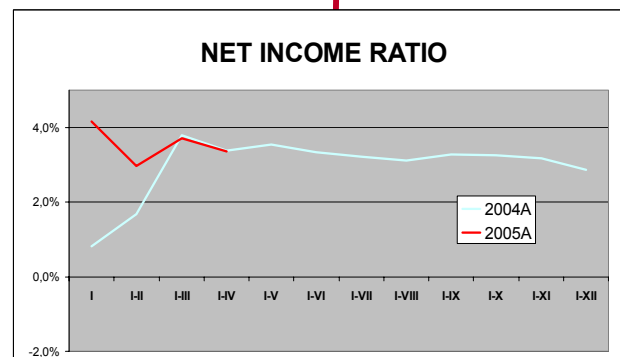
Realised GPM is higher than realised margin on the same period last year.



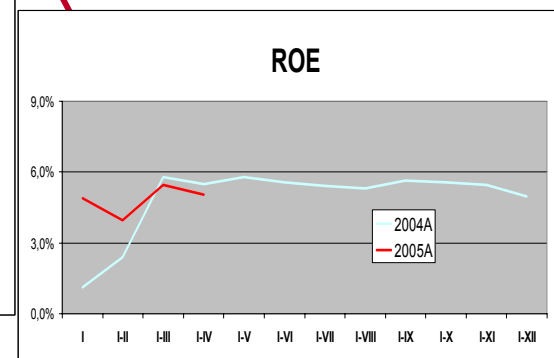
Senior net debt is on the same level as for 2004



Share of EBIT in sales structure is below last year level.



Net income rate is on the same level as for 2003.

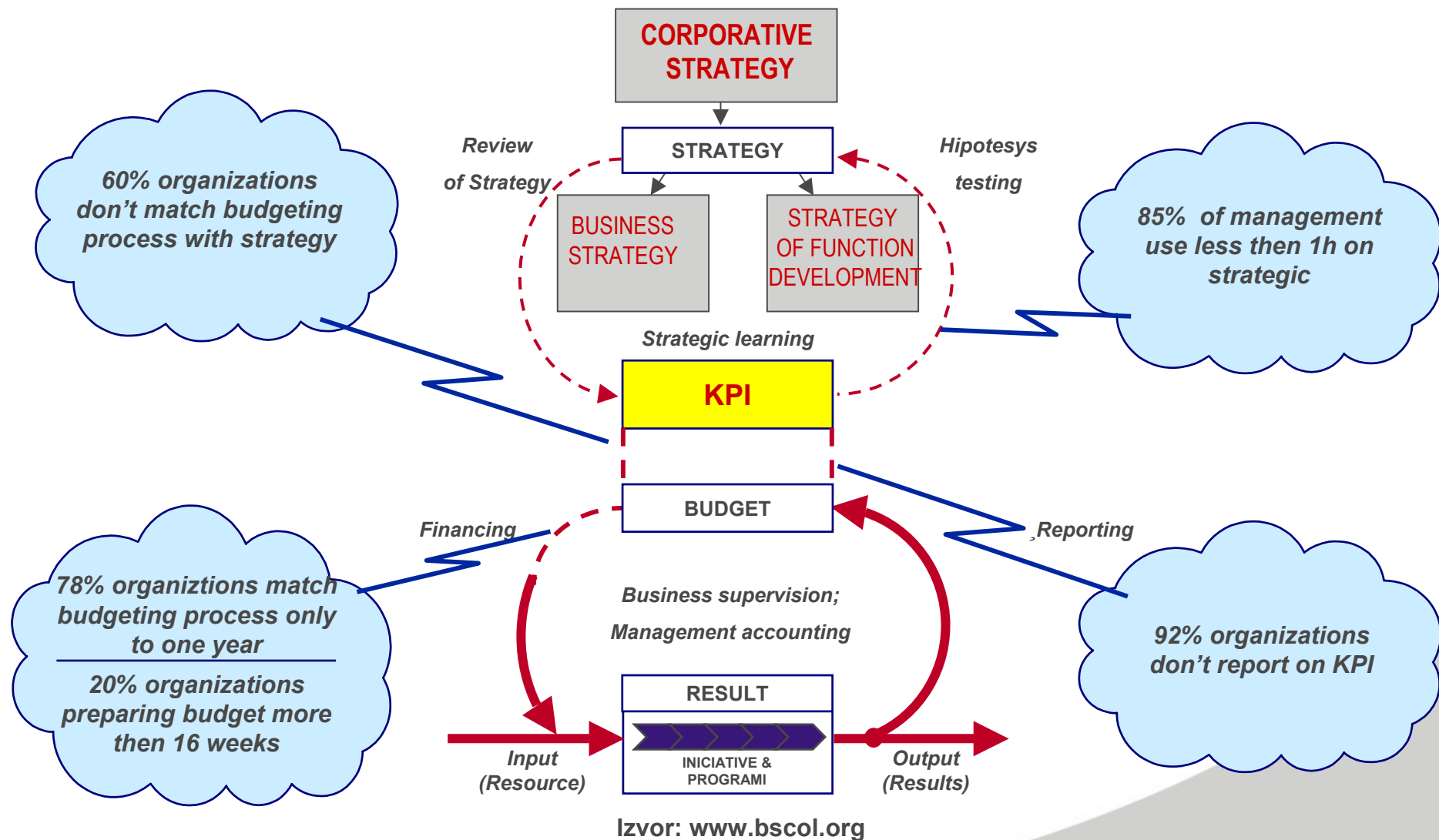


ROE is slightly below last year level.

Expectations I-VI 2005

- Sales – increase in sales of SBA Food and Beverages with effort in retaining sales level in SBA Pharmaceuticals
- Margins – great pressure on margins to which Podravka's response will be creating changes in product-mix
- Costs – effort in reducing of S&D costs
- EBIT – increase of EBIT margin
- Operative efficiency directed towards capital employed and changing of processes

Strategic vs. operative planning



ADDITIONAL EFFORT IN FOCUS ON STRATEGY IMPLEMENTATION-KPI SYSTEM OF TRACKING OF MANAGEMENT PERFORMANCE

Consumer- the focus of our activities

- reducing the costs generally and routing the funds in marketing strategy
 - market research
 - guiding the attention on CONSUMER



- optimism
- team work
- Savings due to centralization of supply process
- Liquidity optimization trough cash management
- Store optimization

***“TODAY'S PROBLEMS CANNOT BE
SOLVED BY THINKING THE WAY WE
THOUGHT WHEN WE CREATED
THEM”***

Albert Einstein

Allways with a heart

