



COMPANY MANAGEMENT

PODRAVKA GROUP

CONSOLIDATED AND AUDITED FINANCIAL REPORTS FOR PERIOD JANUARY-DECEMBER 2010



COMPANY MANAGEMENT

Appendix 1

Reporting period:

1.1.2010

to

31.12.2010

Annual financial report of entrepreneur - GFI-POD

Registration number (MB)

Identification number of subject

Personal identification number (OIB)

Issuer company:

Postal code and place

Street and number

E-mail address:

Internet address:

Code and name of comune/to

Code and county name Number of employees (at quarter end)

Consolidated statement NKD/NWC code:

Subsidiaries subject to consolidation (according to IFRS):

Registration number:

BELUPO d.d.	Koprivnica	3805140
DANICA d.o.o.	Koprivnica	0991279
ITAL-ICE d.o.o.	Poreč	3746011
PODRAVKA POLSKA SP z.o.o.	Kostrzyn, Poljska	5981449907
PODRAVKA LAGRIS a.s.	Dolni Lhota u Luhačovic, Češka	3042510487
PODRAVKA SARAJEVO d.o.o.	Sarajevo, BiH	20188537

Book keeping service:

Contact person:

(fill in only surname and name of contact person)

Phone number: Facsimile:

E-mail address:

Surname and name

(authorised person for representation)

Disclosure documents:

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Statement of responsible persons for preparation of financial statements
3. Report of the Management Board on position of the Company



(signed by authorised person for representation)

BALANCE SHEET

as at 31.12.2010

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+028+032)	002	2.131.294.388	2.056.625.198
I. INTANGIBLE ASSETS (004 to 009)	003	354.486.038	352.332.661
1. Assets development	004		4.235.380
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	278.912.936	285.308.114
3. Goodwill	006	42.877.073	44.293.000
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in progress	008	32.696.029	18.496.167
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	1.711.646.007	1.642.820.313
1. Land	011	173.412.190	176.061.299
2. Buildings	012	973.239.891	966.278.616
3. Plant and equipment	013	420.718.094	418.780.995
4. Tools, facility inventory and transport assets	014	26.194.296	23.292.232
5. Biological assets	015		
6. Prepayments for tangible assets	016	2.340.013	5.361.777
7. Tangible assets in progress	017	110.644.732	49.188.929
8. Other tangible assets	018	3.880.480	3.856.465
9. Investments in buildings	019	1.216.311	0
III. LONG-TERM FINANCIAL ASSETS (021 to 027)	020	10.467.739	9.142.431
1. Investments (shares) with related parties	021		
2. Loans given to related parties	022		
3. Participating interest (shares)	023	1.330.000	330.000
4. Investments in securities	024	175.376	1.274.116
5. Loans, deposits and similar assets	025	7.877.087	7.538.295
6. Treasury shares and investments	026		
7. Other long - term financial assets	027	1.085.276	20
IV. RECEIVABLES (029 to 031)	028	1.105.497	0
1. Receivables from related parties	029		
2. Receivables from based on trade loans	030		
3. Other receivables	031	1.105.497	
V. DEFERRED TAX ASSETS	032	53.589.107	52.329.793
C) SHORT TERM ASSETS (034+042+049+057)	033	1.993.707.566	1.933.337.889
I. INVENTORIES (035 to 041)	034	646.839.335	692.093.776
1. Raw-material and supplies	035	219.607.083	222.393.816
2. Work in progress	036	1.445.341	1.227.430
3. Unfinished products and semi-products	037	40.970.172	35.062.417
4. Finished goods	038	214.450.214	246.637.351
5. Trade goods	039	170.344.843	186.772.762
6. Prepayments for inventories	040	21.682	0
7. Other assets held for sales	041		
II. RECEIVABLES (043 to 048)	042	1.101.946.158	991.603.792
1. Receivables from related parties	043		
2. Trade receivables	044	1.063.632.230	946.272.822
3. Receivables from participating parties	045		
4. Receivables from employees and members of related parties	046	2.946.308	2.518.619
5. Receivables from government and other institutions	047	32.182.890	34.687.811
6. Other receivables	048	3.184.730	8.124.540
III. SHORT TERM FINANCIAL ASSETS (050 to 056)	049	99.652.185	97.276.862
1. Investments (shares) with related parties	050		
2. Loans given to related parties	051		
3. Participating interests (shares)	052		
4. Investments in securities	053	47.576.858	41.935.216
5. Loans, deposits, etc.	054	45.812.297	46.170.596
6. Treasury shares and investments	055		
7. Other financial assets	056	6.263.030	9.171.050
IV. CASH AT BANK AND IN CASHIER	057	145.269.888	152.363.459
D) PREPAID EXPENSES AND ACCRUED REVENUE	058	11.699.154	18.226.022
E) LOSS BEYOND CAPITAL	059		
F) TOTAL ASSETS (001+002+033+058+059)	060	4.136.701.108	4.008.189.109
G) OFF-BALANCE RECORDS	061	977.432.372	807.562.291

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	1.539.095.991	1.634.817.706
I. SUBSCRIBED CAPITAL	063	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	064	25.294.074	22.337.176
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	42.220.550	59.331.755
1. Reserves prescribed by law	066	19.697.012	19.785.012
2. Reserves for treasury shares	067	35.344.592	35.344.592
3. Treasury shares and investments (item to be deducted)	068	67.604.502	67.604.502
4. Statutory reserves	069	25.470.988	28.036.954
5. Other reserves	070	29.312.460	43.769.699
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS	072	192.210.400	0
VI. LOSS CARRIED FORWARD	073		191.434.600
VII. PROFIT FOR THE BUSINESS YEAR	074		84.235.325
VIII. LOSS FOR THE BUSINESS YEAR	075	380.991.140	
IX. MINORITY INTERESTS	076	34.361.207	34.347.150
B) PROVISIONS (078 to 080)	077	29.226.422	30.037.638
1. Provisions for retirement allowances, severance pay, and other similar liabilities	078	21.861.305	22.431.979
2. Provisions for tax liabilities	079	71.494	
3. Other provisions	080	7.293.623	7.605.659
C) LONG - TERM LIABILITIES (082 to 089)	081	796.832.112	566.097.840
1. Liabilities to related parties	082		
2. Liabilities for loans, deposits etc.	083		
3. Liabilities to banks and other financial institutions	084	452.916.112	558.956.840
4. Liabilities for prepayments	085		
5. Accounts payable	086		
6. Liabilities for securities	087	336.300.000	
7. Other long-term liabilities	088		
8. Deferred tax liability	089	7.616.000	7.141.000
D) SHORT - TERM LIABILITIES (091 to 101)	090	1.539.151.561	1.682.185.308
1. Liabilities to related parties	091		
2. Liabilities for loans, deposits etc.	092		12.068
3. Liabilities to banks and other financial institutions	093	691.106.551	472.129.696
4. Liabilities for prepayments	094	2.712.691	2.705.585
5. Accounts payable	095	529.231.434	496.474.625
6. Liabilities for securities	096	131.960.449	507.084.963
7. Liabilities to employees	097	62.942.233	61.340.528
8. Liabilities for taxes, contributions and other payments	098	12.931.528	13.024.738
9. Liabilities based on share in result	099	1.772.345	686.698
10. Liabilities based on short-term assets held for sale	100		
11. Other short - term liabilities	101	106.494.330	128.726.407
E) DEFERRED PAYMENT OF COSTS AND ACCRUED REVENUE	102	232.395.022	95.050.617
F) TOTAL – LIABILITIES (062+077+081+090+102)	103	4.136.701.108	4.008.189.109
G) OFF-BALANCE RECORDS	104	977.432.372	807.562.291
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Subscribed to shareholders in mother company	105	1.504.734.784	1.600.470.556
2. Subscribed to minority interest	106	34.361.207	34.347.150

PROFIT & LOSS ACCOUNT

for the period 1.1.2010 do

Item 1	31.12.2010		
	AOP code 2	Last year 3	Current year 4
I. OPERATING REVENUES (108 to 110)	107	3.758.954.295	3.694.925.673
1. Sales revenues	108	3.587.136.198	3.522.272.227
2. Revenues from use of own products, goods and services	109	91.702.339	74.168.759
3. Other operating revenues	110	80.115.758	98.484.687
II. OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	111	3.996.506.809	3.460.312.393
1. Impairment of inventories of work in progress and finished products	112	1.444.187	0
2. Increase of inventories of work in progress and finished products	113		26.527.118
3. Material costs (115 to 117)	114	2.357.280.243	2.305.150.494
a) Cost of raw-materials and supplies	115	1.204.646.798	1.206.710.284
b) Costs of goods sold	116	540.630.419	528.681.327
c) Other external costs	117	612.003.026	569.758.883
4. Staff costs (119 to 121)	118	748.875.271	729.640.032
a) Net salaries and wages	119	480.270.279	477.592.124
b) Cost for taxes and contributions from salaries	120	172.375.095	158.726.175
c) Contributions on salaries	121	96.229.897	93.321.733
5. Depreciation	122	156.537.316	155.291.996
6. Other costs	123	229.390.719	195.573.521
7. Value adjustment (125+126)	124	81.045.431	28.216.378
a) long-term assets (financial assets excluded)	125	53.753.000	0
b) short - term assets (financial assets excluded)	126	27.292.431	28.216.378
8. Provisions	127	12.866.289	8.342.256
9. Other operating costs	128	409.067.353	64.624.834
III. FINANCIAL REVENUES (130 to 134)	129	61.379.375	50.361.230
1. Interests, currency differences, dividends and other revenues based on relation with related parties	130		0
2. Interests, currency differences, dividends and other revenues based on relations with not related	131	61.378.862	45.212.992
3. Portion of revenue from associated parties and participating interests	132		0
4. Unrealized gains (revenues)	133		5.097.263
5. Other financial revenues	134	513	50.975
IV. FINANCIAL EXPENSE (136 to 139)	135	189.162.895	175.638.356
1. Interests, currency differences and other expenses from related parties	136		0
2. Interests, currency differences and other expenses from unrelated parties and other entities	137	166.260.586	133.149.319
3. Unrealized loss (expense) from financial assets	138	22.902.309	42.489.037
4. Other financial expenses	139		0
V. EXTRA - OTHER REVENUES	140		0
VI. EXTRA - OTHER EXPENSE	141		0
VII. TOTAL REVENUES (107+129+140)	142	3.820.333.670	3.745.286.903
VIII. TOTAL EXPENSE (111+135+141)	143	4.185.669.704	3.635.950.749
IX. PROFIT BEFORE TAX (142-143)	144	0	109.336.154
X. LOSS BEFORE TAX (143-142)	145	365.336.034	0
XI. PROFIT TAX	146	15.471.106	25.262.095
XII. PROFIT IN THE PERIOD (144-146)	147	0	84.074.059
XIII. LOSS IN THE PERIOD (145+146) or (146-144)	148	380.807.140	0
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated annual financial report)			
XIV.* PROFIT SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY	149		84.235.325
XV.* PROFIT SUBSCRIBED TO MINORITY INTERESTS	150	184.000	
XVI.* LOSS SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY	151	380.991.140	
XVII.* LOSS SUBSCRIBED TO MINORITY INTEREST	152		161.266

CASH FLOW STATEMENT - INDIRECT METHOD

for the period 1.1.2010 do 31.12.2010

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Net profit	001	-365.336.034	109.336.153
2. Depreciation	002	156.537.316	155.291.996
3. Increase in short term liabilities	003		
4. Decrease in short term receivables	004	92.992.000	84.719.991
5. Decrease in inventories	005		
6. Other increase in cash flow	006	478.069.405	100.653.200
I. Total increase in cash flow from operating activities (001 to 006)	007	362.262.687	450.001.340
1. Decrease in short term liabilities	008	130.739.000	158.242.569
2. Increase in short term receivables	009		
3. Increase in inventories	010	15.210.000	49.942.000
4. Other decrease in cash flow	011	44.067.000	45.049.000
II. Total decrease in cash flow from operating activities (008 to 011)	012	190.016.000	253.233.569
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013	172.246.687	196.767.771
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	15.695.000	10.446.000
2. Cash inflows from sales of equity and debt instruments	016	4.088.000	75.176.000
3. Proceeds from interests	017	10.966.000	9.191.000
4. Proceeds from dividends	018		
5. Other cash inflows from investing activities	019	186.279.000	3.080.000
III. Total cash inflows from investing activities (015 to 019)	020	217.028.000	97.893.000
1. Cash outflow for purchase of long-term tangible and intangible assets	021	141.791.000	91.068.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	10.209.000	68.299.600
3. Other cash outflow for investing activities	023	313.211.000	2.417.000
IV. Total cash outflow for investing activities (021 do 023)	024	465.211.000	161.784.600
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026	248.183.000	63.891.600
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	633.415.000	758.899.400
3. Other proceeds from financial activities	029		
V. Total cash inflows from financial activities (027 to 029)	030	633.415.000	758.899.400
1. Cash outflow for repayment of credit principal and bonds	031	825.067.000	884.682.000
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033		
4. Cash outflow for purchase of treasury shares	034	6.390.000	
5. Other cash outflow for financial activities	035		
VI. Total cash outflow for financial activities (031 to 035)	036	831.457.000	884.682.000
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038	198.042.000	125.782.600
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	7.093.571
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	273.978.313	0
Cash and cash equivalents at the beginning of the period	041	419.248.201	145.269.888
Increase of cash and cash equivalents	042		7.093.571
Decrease of cash and cash equivalents	043	273.978.313	
Cash and cash equivalents at the end of the period	044	145.269.888	152.363.459

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the period 1.1.2010 do 31.12.2010

Item 1	AOP code 2	Last year 3	Current year 4
1. Subscribed capital	001	1.626.000.900	1.626.000.900
2. Capital reserves	002	25.294.074	22.337.176
3. Reserves from profit	003	42.220.550	59.331.755
4. Retained earnings or loss carried forward	004	192.210.400	-191.434.600
5. Profit or loss for the bussines year	005	-380.991.140	84.235.325
6. Revaluation tangible assets	006		
7. Revaluation intangible assets	007		
8. Revaluation financial assets	008		
9. Other revaluation	009	34.361.207	34.347.150
10. Total capital and reserves (AOP 001 do 009)	010	1.539.095.991	1.634.817.706
11. Effect of changes in foreign exchange rates	011	57.000	13.374.000
12. Deffered taxes	012		
13. Protection of cash flow	013		
14. Change of accounting policy	014		
15. Correction significant mistakes of previous period	015		
16. Other changes of capital	016	-384.408.841	82.347.715
17. Total increase or decrease of equity (AOP 011 do 016)	017	-384.351.841	95.721.715
17 a. Subscribed to shareholders in mother company	018	-384.599.865	95.735.715
17 b. Subscribed to minority interest	019	248.024	-14.000

Notes

Main business characteristics and significant events in 2010

The net profit of the Podravka Group for the year 2010 without nonrecurrent items is HRK 151.1 million

1. The total sales of the Podravka Group in the year 2010 amounted to HRK 3,522.3 million, which represents a drop of 2% compared to the same period of last year. The sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,778.1 million, which is a sales drop of 2% while the sales of the SBA Pharmaceuticals totalled HRK 744.2 million, representing a sales drop of 1%.
2. The operating costs/expenses of the Podravka Group are HRK 133.6 million lesser (-4%).
3. The operating profit (EBIT) of the Podravka Group totalled HRK 204.9 million while the operating margin (EBIT) was 5.8%.
4. The realised net profit of the Podravka Group is HRK 84.2 million after provisions for the contractual relations with OTP Bank Nyrt in the amount of HRK 21 million, adjusted bond value of HRK 34.2 million and severance payments paid in the amount of HRK 12.5 million.
5. The total value of capital investments in the observed period totalled HRK 87.4 million.
6. Croatian consumers awarded the Best Buy Award to Podravka as the best Croatian company when comparing the ratio of price and product quality. This certificate is awarded by the Best Buy Award Croatia in cooperation with the companies Axios and PriceWaterhouseCooper. Podravka won certificates in eight categories: Ready-made meals (canned food), Food seasonings, Soups in bags, Preserved vegetables, Preserved fruit, Canned fish, Breakfast cereal and Side dishes.
7. In November 2010 Podravka started the production of Beef goulash in the USA. Podravka's popular Beef goulash is made in the USA following the original recipe and the recognisable brand as sold in Croatia, many countries of Europe and Australia.
8. The Management Board of Podravka d.d. brought the Decision on refinancing short term indebtedness with a syndicated loan in the amount of EUR 100 million for a term of five years. The accounting policy in 2010 year did not change.



COMPANY MANAGEMENT

Koprivnica, 17 March 2011

**MANAGEMENT REPORT ON THE ACHIEVED CONSOLIDATED AND AUDITED
BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD
JANUARY – DECEMBER 2010**

The Podravka Group achieved operating income in the amount of 3.695 billion HRK in the year 2010, which is a 2% decrease compared to the year 2009.

Sales revenue, which in the total operating income structure participates with 95%, was realized in the amount of 3.522 billion HRK and has been reduced by 2%.

Sales of the SBA Food and Beverages totalled 2,778.1 million HRK or 78.9% of total sales of the Podravka Group and compared to the year 2009 sales have been reduced by 2%. The aforesaid drop of sales results from lower sales levels of the SBA Food and Beverages on the market of Croatia (-7%), which during the entire year of 2010 showed distinctive unfavourable economic trends and a fall of economic activities. Sales of the SBA Food and Beverages grew 3% on foreign markets.

The SBA Pharmaceuticals achieved sales in the amount of 744.2 million HRK, which represents a sales drop of 1% compared to the year 2009. This drop results from a lower level of sales on the market of Croatia (-6%), based on lower sales of prescription drugs (-7%) and OTC products (-8%). The SBA Pharmaceuticals achieved a growth of sales of 8% on foreign markets.

The total operating costs/expenses amounted to 3.460 billion HRK and compared to the year 2009 have been reduced by 13%. The most significant influence for this reduction comes from the fact that value adjustments of issued loans and guarantees as well as the loss from contractual relations between Podravka d.d. and OTP Bank Nyrt from Budapest were recorded within these costs/expenses in the year 2009 and also the fact that a significant decline of operating costs/expenses occurred in the year 2010 due to better cost management at all levels.

In the year 2010 the Podravka Group realised net profit without nonrecurrent items in the amount of 151.1 million HRK.

Nonrecurrent items in 2010 reached 66.9 million HRK and refer to bond value adjustments in the amount of 34.2 million HRK (financial liability at fair value in the profit and loss account) and value adjustments of the share in investment funds in the amount of 1.7 million HRK, severance payments in the amount of 12.5 million HRK and provisions on the grounds of contractual relations with OTP Bank in the amount of 21 million HRK. Apart from the quoted negative extraordinary items there were also positive ones in the amount of 2.4 million HRK which refer to land value adjustments.

Despite the aforesaid extraordinary items which negatively effected business results, in 2010 the Podravka Group achieved net profit in the amount of 84.2 million HRK.



COMPANY MANAGEMENT

The total value of assets of the Podravka Group as of 31 December 2010 was 4.01 billion HRK and compared to the year before has been reduced by 128.4 million HRK (reduction of long-term assets by 74 million HRK and short term by 53.4 million HRK).

The total indebtedness of the Podravka Group as of 31 December 2010 was 1.513 billion HRK and compared to the year before has been reduced by 82.5 million HRK. The actual repayment of loan liabilities is 221 million HRK but as the indebtedness was additionally increased at the beginning of 2010 due to the settlement of liabilities arising from the Bill Financing Agreement, the total reduction of indebtedness is lesser.

In the last quarter, the Management Board of Podravka d.d. brought the Decision on refinancing short term indebtedness (short term facilities, commercial papers and bonds) through a syndicated loan in the amount of 100 million EUR for a term of five years.

A part of the short term indebtedness was refinanced in December 2010, commercial papers in February this year while the refinancing of bond shall be effected in May this year.

The above stated has assured long-term financial stability of the Podravka Group.

President of the Management Board

Miroslav Vitković



COMPANY MANAGEMENT

Koprivnica, 17 March 2011

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

The consolidated audited financial statements of the Podravka Group for the period January – December 2010 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of the Group and all related companies involved in the consolidation.

In the consolidated audited financial statements of the Podravka Group for the year 2010, a correction of liability and loss for the 2009 is made as a result of business relation between Podravka d.d. and OTP Bank Nyrt from Budapest.

Accounting Director:

Draga Celiščak

Board Member for Finance:

Lidija Kljajić