

Summary of the Annual Report
of company Droga Kolinska, d. d., and Droga Kolinska
Group for 2006

Ljubljana, 25 April 2007

On the basis of the Companies Act, the Securities Market Act (ZTVP – 1, Official Gazette of the Republic of Slovenia No. 56/99) and the provisions of the Ljubljana Stock Exchange Rules, d. d., company Droga Kolinska, Živilska industrija d. d., with central office in Ljubljana, Kolinska ulica 1, publishes:

A SUMMARY OF THE AUDITED ANNUAL REPORT 2006

The report will be available for inspection at the central office of company Droga Kolinska, d. d., Kolinska ulica 1, 1544 Ljubljana, every business day between 8 a.m. and 4 p.m. The report will also be published on the corporate web page www.drogakolinska.si.

More important changes of information, contained in the prospect for stock exchange listing, will be promptly published by the company in the electronic informing system of the Ljubljana Stock Exchange SEOnet.

The audited annual report of company Droga Kolinska, d. d., Droga Kolinska Group for 2006 has not yet been discussed and confirmed by the supervisory board of the company.

The audit of the annual report for 2006 was conducted by the audit company KPMG SLOVENIJA, podjetje za revidiranje, d. o. o., Ljubljana, which issued two opinions without reservations, to wit:

Auditor opinion on the financial statements of Droga Kolinska Group, issued on 26 March 2007 and

Auditor opinion on the financial statements of company Droga Kolinska, d. d., issued on 26 March 2007.

The Auditor's Report, intended for the publication of the summary of financial statements, was received on 25 April 2007.

INDEX

INTRODUCTION

1	FINANCIAL HIGHLIGHTS OF BUSINESS OPERATIONS IN 2006.....	4
2	IMPORTANT BUSINESS EVENTS IN 2006	5
3	IMPORTANT BUSINESS EVENTS AT THE END OF 2006	7
4	GENERAL DATA ABOUT THE COMPANY	9
5	CORPORATE GOVERNANCE REPORT	15

SUMMARY OF THE BUSINESS REPORT

6	ECONOMIC CONDITIONS	21
7	SALES AND MARKET POSITIONS	22
8	ACQUISITION	NAPAKA! ZAZNAMEK NI DEFINIRAN.
9	PRODUCTION	25
10	RESEARCH AND DEVELOPMENT	26
11	INVESTMENTS	27
12	RISK MANAGEMENT	28
13	INFORMATION FOR SHAREHOLDERS	31
14	ANALYSES OF THE SUCCESS OF OPERATIONS	35
15	PLANS FOR THE YEAR 2007	47

SUMMARY OF THE FINANCIAL STATEMENT

16	AUDITED FINANCIAL STATEMENTS OF THE COMPANY DROGA KOLINSKA, D. D.....	48
	<i>AUDITOR'S REPORT.....</i>	48
	<i>BALANCE SHEET OF DROGA KOLINSKA, D. D.....</i>	50
	<i>INCOME STATEMENT OF DROGA KOLINSKA, D. D.</i>	52
	<i>CASH FLOW STATEMENT OF DROGA KOLINSKA, D. D.</i>	53
	<i>STATEMENT OF CHANGES IN EQUITY OF DROGA KOLINSKA, D. D.</i>	54
	<i>DIFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS</i>	56
17	AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY DROGA KOLINSKA	57
	<i>BALANCE SHEET OF THE DROGA KOLINSKA GROUP</i>	57
	<i>INCOME STATEMENT OF DROGA KOLINSKA GROUP</i>	58
	<i>CASH FLOW STATEMENT OF DROGA KOLINSKA GROUP</i>	59
	<i>STATEMENT OF CHANGES IN EQUITY OF DROGA KOLINSKA GROUP</i>	60

INTRODUCTION

1 FINANCIAL HIGHLIGHTS OF BUSINESS OPERATIONS IN 2006

Droga Kolinska Group

		In thousands of SIT		
<i>In accordance with IFRS</i>		2006	2005	<i>Index 06/05</i>
1	Sales revenues	80,964,387	56,052,289	144
2	Earnings before interest and taxes (EBIT)	6,529,194	1,509,168	433
3	Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	11,698,026	5,230,050	224
4	EBIT margin (in %)	8.1 %	2.7 %	300
5	EBITDA margin (in %)	14.5 %	9.3 %	155
6	Cash flow	-646,081	-903,483	72
7	Profit or loss before taxes	5,883,113	605,684	971
8	Net profit or loss for the accounting period	5,079,044	-196,687	-
9	Net return on equity (in %)	10.3 %	-0.4 %	-
		31. 12. 2006	31. 12. 2005	<i>Index 06/05</i>
10	Total assets	104,742,467	96,879,880	108
11	Capital	54,519,896	48,467,802	112
12	Long-term debt	23,846,351	26,926,165	89
13	Working capital	4,934,253	8,971,768	55
14	Number of employees on 31 December 2006	3,525	3,711	95

<i>In accordance with IFRS</i>	2006	2005	Index 06/05
1 Sales revenues	46,103,556	37,661,309	122
2 Earnings before interest and taxes (EBIT)	4,751,983	3,248,833	146
3 Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	7,508,280	6,137,353	122
4 EBIT margin (%)	10.4 %	8.6 %	121
5 EBITDA margin (%)	16.4 %	16.3 %	101
6 Cash flow	-1,370,983	-2,326,860	59
7 Profit or loss before taxes	3,381,001	921,973	367
8 Net profit or loss for the accounting period	2,530,418	-9,975	-
9 Net return on equity (in %)	6.0 %	0.0 %	-
	31. 12. 2006	31. 12. 2005	Index 06/05
10 Total assets	80,000,826	74,273,991	108
11 Capital	44,153,202	42,584,113	104
12 Long-term debt	19,641,348	21,851,971	90
13 Working capital	10,452,475	11,554,201	90
14 Number of employees on 31 December 2006	939	1,047	90

2 IMPORTANT BUSINESS EVENTS IN 2006

Pursuant to the contract on the merger of companies Droga, d. d., and Kolinska, d. d., dated 28 January 2005, **awards in the form of shares** of the new company were paid out to members of the management and supervisory boards of acquired companies on **31 January 2006**.

On 2 February 2006, company DK Trade, d. o. o., Sarajevo, in 100-percent ownership of company Droga Kolinska, d. d., was established in Bosnia and Herzegovina.

On 15 March 2006, company Droga Kolinska, d. d., received a notification from holding company Istrabenz, d. d., on the intention to publish **a bid for the purchase of all securities of issuer Droga Kolinska, d. d.**, at a price of 2,450.00 SIT per share. At the time of the public offer, Istrabenz, d. d., acquired 4.61 percent of all shares of Droga Kolinska, d. d. The Securities Market Agency confirmed the success of the public bid on 17 May 2006.

Droga Kolinska, d. o. o. e. l., Skopje acquired 79.93 percent of capital of Macedonian company **Slovin Jugokokta, AD, Skopje**, one of the largest Macedonian bottlers of mineral and soft drinks, on the Macedonian stock exchange market on **31 March 2006**. The company increased its ownership stake to 87.46 percent on 1 June 2006.

The supervisory board of Droga Kolinska, d. d., has at its session on **19 May 2006** discussed the following topics:

- briefing on the chairman's report on current activities;

- briefing on the company's operations in the first trimester of 2006;
- confirmation of the annual report of company Droga Kolinska, d. d., for 2005 and the consolidated annual report of Droga Kolinska Group for 2005; within this point of the agenda the supervisory board adopted the decision on the allocation of the profit for appropriation as proposed by the management board, to wit as a proposal of the decision for the Assembly, and adopted the report of the supervisory board for 2005;
- briefing on the resignation of Gorazd Čuk from the position of the member of the supervisory board.

The supervisory board also adopted decisions as proposals of decisions for the following Assembly of company Droga Kolinska, d. d.

The second regular Assembly of company Droga Kolinska, d. d., convened on 30 June 2006. Shareholders were acquainted with the annual report of the company for 2005, the consolidated annual report of Droga Kolinska Group for 2005, with the report of the supervisory board on the verification and confirmation of the annual report for 2005 and the decision on the disposition of the profit for appropriation and discharging members of the management board. On the basis of the resignation of Gorazd Čuk, dated 20 March 2006, shareholders established that his function in the supervisory board ceased. A new member of the management board, representative of shareholders, was appointed, namely Branko Greganovič, with a four-year term, which starts on the day of his appointment.

KPMG Slovenija, audit company, d. o. o., Ljubljana, was appointed for the auditor for 2006.

Shareholders adopted changes and amendments to the Articles of Association and confirmed the conversion of the share capital of the company from SIT to EUR.

On 14 July 2006, Droga Kolinska, d. o. o. e. l., increased its ownership stake in company **Slovin Jugokokta**, AD, Skopje, to **99.33 percent**.

Kolinska, d. o. o., Novi Beograd has ceased to operate in 2005 and was joined with company Palanački Kiseljak, AD, Smederevska Palanka, on **19 July 2006**.

A court ruling, with which company Slovin Jugokokta, AD, Skopje, was transformed into **company Slovin Jugokokta, d. o. o. e. l., Skopje**, was issued on **27 September 2006**. Droga Kolinska, d. o. o. e. l., Skopje became the 100-percent owner of the business share of the company.

A court ruling on the **deletion of company Kolinska, d. o. o. e. l., Skopje** from the court register was issued on **3 November 2006**.

On 10 November 2006, a court ruling **on the completion of activities of company Argeta, d. o. o., Sarajevo**, was issued.

On 24 November 2006, a court ruling was issued on the **entry of the new stakeholder Grand Prom, AD, Beograd into company DK Trade, d. o. o., Sarajevo**; on the increase of the share capital of the company: Grand Prom, AD, Beograd invested 13,011,717.89 KM, Droga Kolinska, d. d., invested additional 81,431.49 KM, which results in the following shares of stakeholders: Droga Kolinska 1 percent, Grand Prom, AD, Beograd 99 percent; and on the introduction of the supervisory board as a new organ of the company.

A court ruling on the **transfer of the 100-percent ownership stake in company Kofikom, d. o. o., Sarajevo** from company Grand Prom, AD, Beograd to company DK Trade, d. o. o., Sarajevo, was issued on **4 November 2006**.

A court ruling on the merger of company Kolinska, d. o. o., Sarajevo, with company Droga, d. o. o., Sarajevo and a court ruling on the **deletion of company Kolinska, d. o. o., Sarajevo**, from the court register were issued on **5 December 2006**.

In 2006, company Droga Kolinska, d. d., successfully defended and received certificates for the following international standards:

- ISO 9001:2000;
- ISO 14001:2004;
- BRC Global standard – Food, Issue 4, Grade A (for the meat program);
- DS 3027 (for baby food).

In 2006, associated company Droga Kolinska, d. o. o. e. l. from Macedonia also prolonged the ISO 9001:2000 quality certificate.

In 2006, special attention was awarded to key brands and the development of new products that will satisfy the needs of consumers:

- **Argeta**: on all most important markets, we have introduced a new flavour – tuna – to the Argeta family. The new flavour was a big success on all markets and became one of the most popular fish flavours in a very short time.

- **Cocta:** we have standardized the image of the brand on all markets, adopted a new creative strategy for market communication and added a new flavour – Cocta red orange.
- **Donat Mg:** has preserved the specific and clear position “for health”, high level of reputation and loyalty among consumers and in the eyes of the professional audience. We have re-entered the Serbian market and internationalized the brand.
- **Maestro:** we have continued the process of migration of different brands under the umbrella brand Maestro, which now next to spices and food supplements also includes mustard, sauces, ragouts and mixes for food preparation. Maestro is thus becoming a synonym for the kitchen assistant.
- **Barcaffè:** in 2006, we added a new flavour, caramel, to the successful launch of Barcaffè cappuccinos in 2005. Herewith, we increased our market share to 16 percent and reinforced our position as the third supplier of cappuccino products on the domestic market. In the segment of classic coffee, we offered a new, more practical 100-gram and 200-gram self-standing packaging.
- **1001 cvet:** we started with the project of modernizing the image and assortment of the entire group of teas. The novelty on the market is the group of teas Wellness, which was prepared as an answer to the trend of increasing health care awareness of consumers and their need to be spoiled.
- **Bebi/Čoko, Čokolešnik:** we have prepared a new strategy for Bebi for 2007, which will focus on the marketing of the brand Bebi on the Russian market. We elaborated additional, healthier products and redesigned the packaging for Čoko and Čokolešnik.
- **Grand and Štark:** the launch of the new line of instant drinks of brand Grand Pleasure and the enlargement of the assortment of salty snacks brand Štark.

Important status changes in the structure of subsidiaries in 2006

The year 2006 was a successful year for Droga Kolinska Group, because favourable economic trends on the most important markets of the Group as well as the consolidation and reorganization of the Group, which are part of the post-merger activities, have contributed to overall growth.

The economic situation on markets, on which Droga Kolinska Group operates:

- On **markets of South-Eastern Europe**, where Droga Kolinska Group creates the biggest share of its incomes, the economic situation was still favourable. The economic environment is stabilization, deficits in the balance of payments are decreasing, above all due to foreign investments;
- On the **Russian market** there is tough competition among multinational corporation in the field of baby food products, which resulted in the non-attainment of sales plans. At the end of 2006, we launched pates Argeta and we anticipate good results;
- On **EU** markets, we entered an important retail chain in Austria with our brand Cocta, while brand Argeta is working its way into retail chains in Austria, Germany, Switzerland, Sweden and Spain.

3 IMPORTANT BUSINESS EVENTS AT THE END OF 2006

On **3 January 2007**, the transition to the new SAP information solution in the business areas of finance, accounting, controlling, production, logistics, quality control, sales and business reporting was implemented.

On **8 January 2007**, a court decree was issued initiating the liquidation proceedings of the company Koler Nahrungsmittel GmbH.

On **19 January 2007**, a contract was concluded on the transfer of a 1 percent share of the company DK Trade, d. o. o., Sarajevo from the company Droga Kolinska, d. d., to the company Grand Prom, AD, Beograd. Following the entry of the transfer in the court register, Grand Prom, AD, Beograd will become the 100-percent partner of the company DK Trade, d. o. o., Sarajevo.

On **22 January 2007**, a court decree was issued whereby the company Soko Štark, d. o. o. e. l., Skopje was erased from the Register of Companies.

On **15 February 2007**, the Board of Directors of the company Droga Kolinska, d. d., received from the holding company Istrabenz, d. d., a takeover notice, based on which Istrabenz, d. d., intends to publicly announce a takeover offer for all the securities of the company Droga Kolinska, d. d., at a price of EUR 16.00 per share. Istrabenz's public announcement of the offer was guided by the new takeover legislation which has increased the limit for the acquisition of remaining shares without an obligatory public offer announcement from 45% to 75% of the company's shares. The expected yield for Droga Kolinska equity exceeds the investment financing expenses. Droga Kolinska's successful completion of the group consolidation following the mergers and takeovers in 2005 and 2006 represents another contributing factor.

On **30 March 2007**, the Securities Market Agency established in its decision d.n.: 171/149/AG-07-(128) that the acquisition offer of the company ISTRABENZ, holdinška družba, d.d., Cesta Zore Perello - Godina 2, 6000 Koper for the acquisition of 5,711,914 ordinary registered no-par value shares of the same class with voting rights of the company Droga Kolinska d.d. which lasted from 28 February to and inclusive of 28 March 2007 had been successful.

On **11 April 2007**, the Supervisory Board of Droga Kolinska d.d. at its 12th session was acquainted with the resignation of Mr. Robert Ferko and appointed the new Management Board of Droga Kolinska, d.d., Ljubljana at its subsequent session: Mr. Slobodan Vučićević, President of the Management Board of the company Droga Kolinska d.d. Mr. Vučićević had been, prior to his appointment, the Executive Director of South-Eastern Europe of the the Droga Kolinska Group and General Director of the company Grand Prom from Belgrade, Serbia, also a member of the Droga Kolinska Group. Ms. Milena Štular, Vice-President of the Management Board of the company. Ms. Štular had been Director of Unilver Slovenija in Ljubljana since 2001 until her appointment.

On **20 April 2007**, the Management Board of Droga Kolinska, d.d. published the Management Board convocation of the 3rd regular session of the General Shareholder's Meeting of the company which will be held in Ljubljana at the headquarters of the company, Kolinska ulica 1 on 21 May 2007 at 11 a.m.

4 GENERAL DATA ABOUT THE COMPANY

Presentation of the company and Droga Kolinska Group

Droga Kolinska, d. d., is a regional company, which produces and markets food products of high quality and of established brands for consumers all around the world. The long-lasting tradition and experience are supplemented by knowledge and merged with the latest techniques and production technologies.

The merger of two successful Slovenian food companies, Droga, d. d., and Kolinska, d. d., in May 2005 produced a new company Droga Kolinska, d. d., with central office in Ljubljana. The new company owns associated companies in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Sweden and Russia.

Droga Kolinska Group has 3,525 staff members in Slovenia and on foreign markets. The strategic objective of Droga Kolinska Group is to become the biggest food company in the region, through organic as well as through external growth with further capital connections. The already established brands, some of them have regional and even international potential, will help realize these ambitions. The Group is distinguished by business success and financial strength, market-orientation, strong and renowned own brands as well as investments into development, human resources and technology.

The Group's objective is comprehensive quality management. It is following the modern trends in the food industry by educating its experts and promoting innovations. For its operations, the Group chooses environmentally-friendly technology and raises awareness on the protection of the environment, in which it lives and operates, among its own employees.

Profile of company Droga Kolinska

COMPANY NAME: Droga Kolinska, Živilska industrija, d. d.

SHORT NAME: Droga Kolinska, d. d.

CENTRAL OFFICE: Kolinska ulica 1, 1544 Ljubljana, Slovenija

REGISTER ENTRY: 2114011

TAX NUMBER: 88736172

COURT REGISTER ENTRY: 1/41898/00

COURT REGISTER ENTRY DATE: 03. 05. 2005

MOST IMPORTANT ACTIVITIES: 15.860 – tea and coffee processing

SHARE CAPITAL: 14,382,915.000 SIT

Capital is divided into 14,382,915 regular freely transferable registered no-par shares, whereas every no-par share has the same stake and the participating amount in the share capital.

SHARE LISTING: Ljubljana stock exchange, d. d., Ljubljana, DRKR ticker

E-MAIL ADDRESS: info@drogakolinska.si

WEB PAGE: www.drogakolinska.si

NUMBER OF EMPLOYEES: Droga Kolinska, d. d.: 939 (on 31 December 2006)

Main activity and other important activities of the company

The code number of the main activity of company Droga Kolinska, d. d., is 15.860 – tea and coffee processing

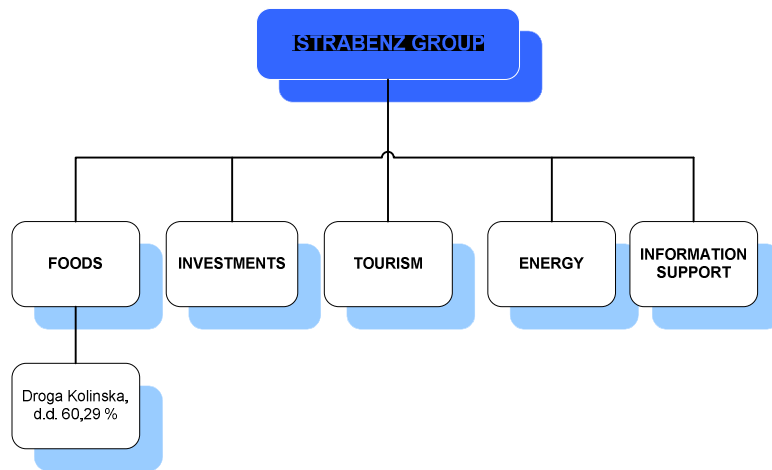
Other important activities are:

- Coffee and tea processing and packaging;
- Mineral water and soft drink production;
- Production of meat products, including poultry products;
- Homogenized product and dietary food production;
- Processing and packaging of cereals, spices and other food products;
- Processing and canning of vegetables and mushrooms;
- Sea salt processing;
- Extract production;
- Herb and tea processing;
- Merchandising;
- Production of cocoa, chocolate and confectionary products;
- Fruit and vegetable juice production, processing and canning of fruit and vegetables;
- Production of licensed products (Hellmann's and Knorr);
- Foreign branded product importing and exporting (Bender Iglauer, Chupa Chups S.A., Hagold Hefe, Impex (Fisherman`s Friend), Menthos, Nutrici Export By, PEZ International and others).

The position of the company in the group of companies

Droga Kolinska, d. d., is part of the Istrabenz Group.

The position of company Droga Kolinska, d. d., in the Istrabenz Group on 31 December 2006



Organization and composition of the parent company Droga Kolinska and of Droga Kolinska Group

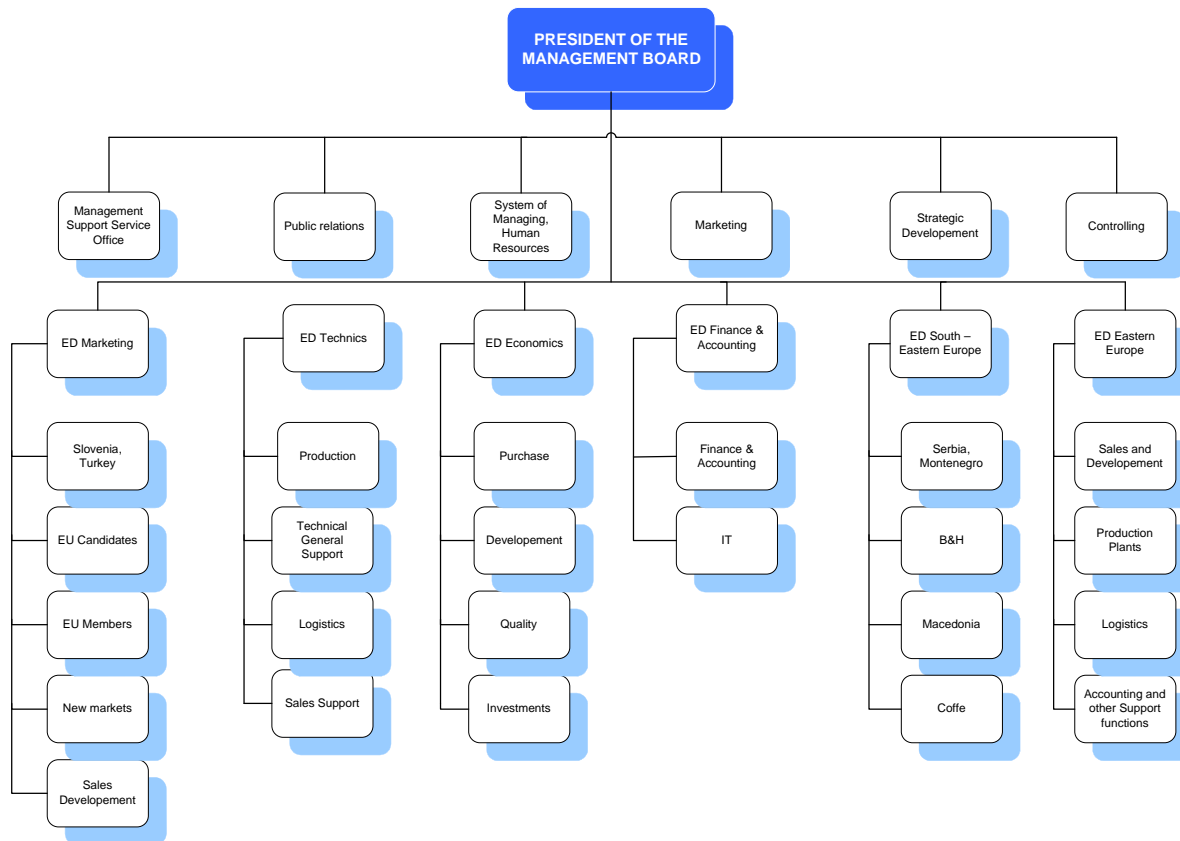
Droga Kolinska, d.d.

Company Droga Kolinska is a public limited liability company operating on eight locations in Slovenia: Ljubljana, Izola, Portorož, Gradišče, Središče ob Dravi, Rogaška Slatina and Mirna. It employs altogether 939 peoplei.

The company's organization structure is matrix-functional and comprises five levels of management:

- Ø Management board;
- Ø Business functions and profit centres;
- Ø Business fields and offices;
- Ø Departments;
- Ø Groups.

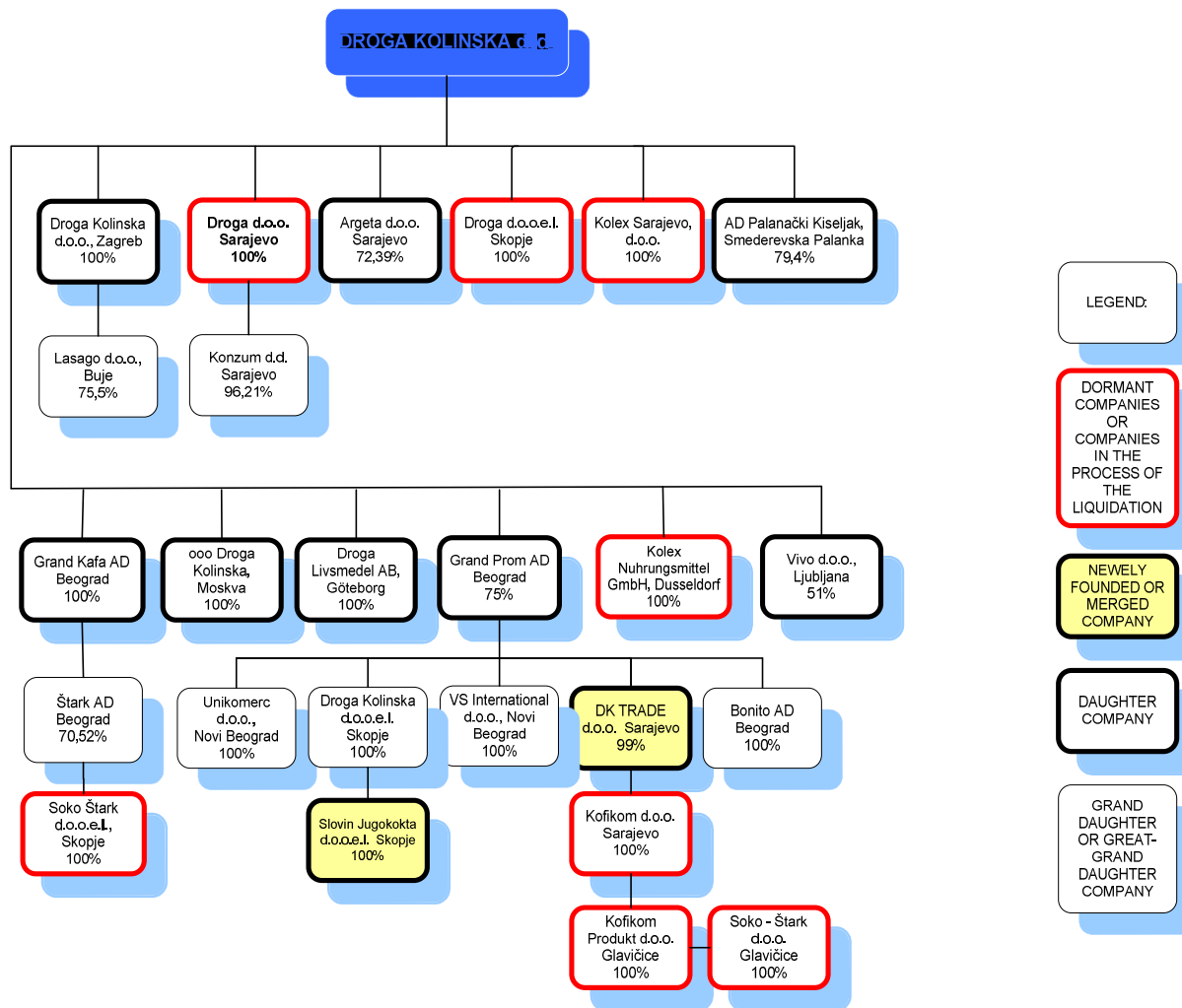
Organigram



Droga Kolinska Group

Droga Kolinska Group is made up of the parent respectively controlling company Droga Kolinska, d. ., and 25 subsidiaries, of which 24 operate abroad, namely in: Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Russia, Sweden and Germany. Droga Kolinska also has an office abroad, in Moscow (Russian Federation).

The structure of Droga Kolinska Group at the end of December 2006, with ownership stakes:



5 CORPORATE GOVERNANCE REPORT

The management and governance of the company respectively Corporate Governance does not take place only on the level of the limited liability company, but on the level of the entire Droga Kolinska Group. Droga Kolinska, d. d., is directly or indirectly controlling a total of 25 companies in eight countries.

Audit and Internal Auditing

The operations of the internal auditing department has in 2006 just like in the year 2005 focused on the auditing of operations of foreign subsidiaries. Regular and special audits with the aim of checking the functioning of internal controls, compliance with the Business Rules of the Group and its uniform accounting policies have been carried out. Inspections of dependent companies in restructuring represented an important part of the task. As part of regular operations, the Internal Auditing Department provided advisory services to the management and supervisory organs of subsidiaries in the Group.

The management and supervisory structure of company Droga Kolinska, d. d.

The main acts of organization and operations

Droga Kolinska, d. d., operates on the basis and in accordance with the Company Statute. Three changes to the Statute were adopted since it entered into force on 3 May 2005. In July 2005, the supervisory board has according to mandates from the Assemblies of Droga, d. d., and Kolinska, d. d., harmonized the provisions of the Company Statute of Droga Kolinska, d. d., with the final size of the share capital and the final number of shares. The Assembly of Droga Kolinska, d. d., has at its first session on 25 October 2005 adopted changes and amendments relating to statutory reserves. At its second session on 30 June 2006, the Assembly adopted changes regarding the central office of the company, the introduction of no-par shares due to the adoption of the euro and changes to the length of the mandate of members of management and supervisory organs.

Next to the Company Statute, the company also has the Supervisory Board Working Rules, which were adopted at the 4th session of the supervisory board on 31 May 2005.

The management board of Droga Kolinska, d. d.

COMPOSITION OF THE MANAGEMENT BOARD

Robert Ferko, MSc., Former President of the Management Board; appointed at the constituent session of the Supervisory Board on 6 April 2005 for a five-year mandate. Mr. Ferko submitted his resignation which the Supervisory Board of Droga Kolinska, d.d. became acquainted with on 11 April 2007 at its 12th session, appointing the new Management Board of Droga Kolinska, d.d., Ljubljana at its subsequent session.

Mr. **Slobodan Vučićević**, President of the Management Board of the company Droga Kolinska d.d. Mr. Vučićević had been, prior to his appointment, the Executive Director of South-Eastern Europe of the the Droga Kolinska Group and General Director of the company Grand Prom from Belgrade, Serbia, also a member of the Droga Kolinska Group.

Ms. **Milena Štular**, Vice-President of the Management Board of the company. Ms. Štular had been Director of Unilver Slovenija in Ljubljana since 2001 until her appointment.

Until 11 April 2007, Droga Kolinska, d.d. possessed a one-member Management Board and from this date onwards now has a two-member Management Board whereby the Articles of Association of the company allows for a maximum of five members. The Management Board does not have a Rules of Procedure regarding the work of the Management Board.

ACCOUNTABILITY OF THE MANAGEMENT BOARD

Competences and accountability of the management board are regulated by the legislation and the Company Statute, which does not introduce any specifics with regard to the legal regulation. With the adoption of the internal act Organization of company Droga Kolinska, d. d., the management board has transferred part of its competences to the second management level, meaning executive directors of business functions respectively profit centres. The principle of autonomous decision-making is valid only to a certain level respectively the size of a transaction, which is defined for each individual in a special authorization.

An established practice in the company are the regular weekly meetings of the management board and executive directors. The meetings of the collegiate body serve as a forum for the reaching of agreements or harmonizing solutions regarding strategic decisions as well as for the settlement of current issues regarding the operations of the company and the Group.

AWARDS FOR THE MANAGEMENT BOARD

An individual employment contract with the chairman of the management board was closed on 19 May 2005. As regards payments to the management board, the company followed the provisions of the Management code for publicly traded companies and has defined the fix as well as variable part in the contract. The variable part is expressed in the form of awards on the annual level (which can be awarded by the supervisory board in respect of the attainment of annual plans and exceptional achievements) and as a special single award in respect of the synergies of the merged company (which can be awarded to the management board by the supervisory board with regard to the condition on 31 December 2006). In accordance with the Company Statute, members of the management board can also participate in the distribution of the company's profit, if the Assembly decides so. Participation in the profit can be paid out in shares.

In 2006, the supervisory board has at its 8th regular session adopted a decision with which it defined the variable part in respect of the attainment of annual plans in the form of an annual award.

OWNERSHIP OF COMPANY SHARES BY THE MANAGEMENT BOARD

Chairman Robert Ferko owned 5,222 shares of the company on 31 December 2006.

Supervisory board of company Droga Kolinska, d. d.

COMPOSITION OF THE SUPERVISORY BOARD

The supervisory board of company Droga Kolinska, d. d., has six members appointed for a period of four years. Representatives of capital were appointed by the Assembly, while the workers' representatives were appointed by the Workers' Council.

Droga Kolinska, d. d. (06 April 2005)	Igor Bavčar , president (since 6 April 2005) Gorazd Čuk , vice-president (from 6 April 2005 till 20 March 2006*) Branko Greganovič , vice-president (since 30 June 2006) Milan Čadež , member (since 6 April 2005) Miroslav Golubič , member (since 6 April 2005) Josip Šorgo , member – workers' representative (since 13 September 2005) Dušan Lorenčič , member – workers' representative (since 13 September 2005)
---	---

* submitted his resignation

MEMBERSHIP IN OTHER SUPERVISORY BOARDS

Igor Bavčar	Istrabenz Gorenje d.o.o., Nova Gorica	president
	Intrade energija, d. o. o. Sarajevo	member
	LHB Frankfurt	member
Miroslav Golubič	Geodetski zavod Slovenije (GZS), d. d.	Member
	Mlinotest, d. d.	Member
	Terme Čatež, d. d.	Member
	PDU – Publikum, d. d.	member
Milan Čadež	Javno podjetje za zapiranje Rudnika urana – Rudnik Žirovski Vrh	member

ACCOUNTABILITY OF THE SUPERVISORY BOARD

The supervisory board carries out its tasks in accordance with the legislation, the Company Statute and the adopted Supervisory Board Working Rules.

AWARDS FOR THE SUPERVISORY BOARD

In 2006, members of the supervisory board received incomes on the basis of the legislation, the Company Statute and the Assembly decision dated 25 October 2005. In the above-mentioned decision, the Assembly defined the basic payments to members of the supervisory board for the performing of their function in the amount of 2,088,576 SIT gross per year. The president of the supervisory board is entitled to a supplementary payment of 2,088,576 SIT gross per year for the performing of special functions. Next to the payment for the performing of his function, the president of the supervisory board also receives attendance fees in the amount of 100,000 SIT, while members of the supervisory board receive 80,000 SIT gross.

OWNERSHIP OF COMPANY SHARES BY MEMBERS OF THE SUPERVISORY BOARD

On 31 December 2006, the following members of the supervisory board owned company shares:

- § Miroslav Golubič: 452 shares;
- § Josip Šorgo: 1.026 shares;
- § Dušan Lorenčič: 452 shares.

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARD

The chairman regularly, comprehensively and on time acquaints the members of the supervisory board with important business events and plans of company Droga Kolinska, d. d., in accordance with the legislation and the Company Statute. Subsidiaries represent a special area of reporting, with emphasis on strategic decision.

Report according to paragraph 6 of article 70 of the Companies Act (ZGD-1)

With regard to the fact that Droga Kolinska, d. d., is one of the companies that are bound to follow the law regulating takeovers, the following information and necessary explanations according to the balance on the last day of the business year 2006 are submitted:

The share capital of company Droga Kolinska, d. d., is in accordance with the statute divided into 14, 382,915 regular freely transferable registered no-par shares. Every no-par share has the same stake and the participating amount in the share capital. Shares are freely transferable and have equal rights thus forming one class. Each share gives the holder the right to one vote at the company's Assembly, the right to a proportional part of profits (dividends) in the case of payment, to a proportionate stake of the remaining property after liquidation or bankruptcy. The company has not issued other securities, save for shares with voting right. There is a limitation to the transfer of shares, namely a prohibition, which is of limited duration, to use shares that were transferred to the current owners on the basis of point 9 of the Contract on the Merger of companies Kolinska, d. d., and Droga, d. d. , dated 28 January 2005, and which originate from the granted awards to members of management and supervisory boards. The prohibition to use the shares was imposed on a total of 14,472 shares and is valid till 1 January 2008. A premature release is possible only with prior consent from the supervisory board of company Droga Kolinska, d. d.

A review of qualified stakes in direct ownership of shares of company Droga Kolinska, d. d.:

No.	Shares	Holder of shares	No. of shares	Stake in share capital
1.	DRKR	ISTRABENZ, D. D.	8.671.001	60,29 %
2.	DRKR	MAKSIMA HOLDING, D. D.	1.835.113	12,76 %
3.	DRKR	POTEZA NALOŽBE, D. O. O.	1.436.377	9,99 %
			11.942.491	83,04 %

Information on indirect ownership are not known.

Company's securities, which assure special controlling rights, do not exist in company Droga Kolinska, d.d..

Droga Kolinska, d. d., does not have a share a share plan for workers.

Shares of company Droga Kolinska, d. d., do not impose limitations on voting rights.

Company Droga Kolinska, d. d., is not familiar with any agreement between shareholders that could result in restrictions to the transfer of securities or voting rights.

Droga Kolinska, d. d., has no special rules referring to the appointment and replacement of members of management and supervisory organs or that would refer to changes to the statute. The basis for the above-mentioned actions are thus only the legislation, the Company Statute and the Supervisory Board Working Rules, if rules on the appointment and replacement of members of management and supervisory organs are at stake. The mentioned Rules define the manner of forming proposals for new members of the supervisory board, election of the president and vice-president of the supervisory board and several rules on the appointment of the management board.

Shareholders of Droga Kolinska, d. d., have at the first Assembly on 25 October 2005 adopted a decision, which authorizes the management board of the company for the purchase of treasury shares. The mentioned decision was altered at the second Assembly on 30 June 2006. In respect of the above-mentioned legal bases, the management board is entitled to purchase treasury shares, but the total nominal amount must not exceed 10 percent of the share capital of the company. The purpose and price of the shares are defined in the decisions of the Assembly. The authorization to the management board is valid for 18 months, till 25 April 2007.

Company Droga Kolinska, d. d., is not a party in contracts that will enter into force, change or terminate on the basis of changes to the supervision in the company, which is the result of an offer, as defined by legislation, regulating takeovers.

Company Droga Kolinska, d. d., has not closed any agreements with members of its management or supervisory organs or workers that would foresee compensation. If they resign due to an offer, as defined by legislation regulating takeovers, they are discharged without reasonable cause or their working relation is terminated.

Statement on the management of the company

Company Droga Kolinska, d. d., applies the Management code for publicly traded companies as a guidance for good business practice. The statement on the compliance with the Management code for publicly traded companies was published on 31 May 2006 and 25 April 2007 in the informing system of the Ljubljana Stock Exchange Seo-net.

SUMMARY OF THE BUSINESS REPORT

6 ECONOMIC CONDITIONS

2006 was a successful year for Droga Kolinska Group. Growth was helped by:

- 1) favourable economic movement on the Group's most important markets;
- 2) consolidation and reorganization of the Group as part of the post-merging activities.

Relatively high economic growth in the EU was maintained in the last quarter of 2006. According to first estimates, economic growth in the Euroarea last year was highest in six years and is likely going to surpass the autumn forecast of the European Commission (2,6 %).

Supported by international conjecture, the **Slovenian economy** achieved excellent results in 2006. According to UMAR estimates, economic growth reached 4,7 percent at an average yearly rate of inflation of 2,5 percent. The operation of the Group on the market was marked in 2006 by the introduction of new products under the names of our acclaimed trademarks and the renovation of the image of some products while retaining the recognizable quality.

On the markets of **Southeastern Europe**, where Droga Kolinska Group creates the largest share of its incomes, economic conditions remained favourable. Persistent lowering of the budget deficit in **Croatia** is encouraging economic growth and an influx of foreign investment. Economic growth remained at the same rate with 4,4 percent, which is also confirmed by the stability of price growth, which attained 3,2 percent in 2006. Economic reforms in **Serbia** began to bring positive economic results, which also affects the political stability in the country. Economic growth is increasing and attained a high 5,8 percent last year. Coordinated action of the central bank and the government contributed to a surprisingly fast lowering of the rate of inflation, which, according to estimates, last year amounted to 6,6 percent. Introduction of the VAT caused an increase in price growth in **Bosnia and Herzegovina** to 6 percent per year. Economic growth, supported by foreign investments in infrastructure and industry, amounts to a high 5,3 percent. The stabilisation effect of the agreement with the IMF also restored balance and encouraging conditions in Macedonia. Economic growth remained at a rate of 4 percent at a low rate of inflation of 2,9 percent.

Individual specific unpredictable factors affect operation on Southeastern European markets.

Russia, one of the more important Droga Kolinska Group markets, has for some time noted high rates of growth. The driving gears of economic growth still remain high prices of raw materials, also, due to a better economic position, more foreign investors are deciding to enter the Russian market, which is increasing industrial production. Domestic product growth in 2006 attained 5,6 percent at a 9,8 percent rate of inflation. The social status of people is also affected by the decreasing of unemployment, even though social differences are very large.

Trade in Russia remains unconsolidated, even though market chains are spreading. The highest level of competition is exactly in the field of foodstuffs. All important world competitors now have production located in Russia, while 77 percent of Russian consumers still believe that Russian foodstuffs trademarks are better than foreign products. At the end of 2006 we began with the sale of the Argeta pate on the Russian market, from which we expect good business results in the future.

7 SALES AND MARKET POSITIONS

After the concluded process of merging sales teams in Slovenia and other linked companies, whose outcome were new sales teams with larger focus on sales locations, the introduction of systematic market approaches, which were to be standardized in Slovenia as well as in linked companies, was begun. Higher concentration of trade on target markets can mean a competitive advantage for companies that have a systematic approach to managing key customers and distributors. At our company we prepared a concept of profiles and plans for key customers for regions 1 (EU, Croatia, Kosovo and new markets) and 2 (Southeastern Europe – Serbia, Montenegro, Macedonia, Bosnia and Herzegovina), and we have been gradually introducing this manner of work into the operation of our companies. We are introducing systematic managing of distributors on markets where we do not have our own sales teams, and in this way care for qualitative supply of our articles, and for transparent and targeted operation of our distributors. In 2006, we at Droga Kolinska Group were also active in the field of internal training and transfer of skills between employees.

Droga Kolinska Group 2006 Sales Results

In 2006, Droga Kolinska Group generated 81,0 billion SIT net sales incomes, which is 44 percent more than in 2005 and is in accordance with the ambitiously planned Droga Kolinska Group incomes for 2006. It is worth emphasizing the fact that the increase of consolidated net sales incomes was significantly affected by the inclusion of Grand Prom Group and Grand Kafa Group, which are included in Droga Kolinska Group since October 2005, which hinders the comparability of 2005 and 2006 incomes.

Structure of 2006 net sales incomes according to Droga Kolinska Group regions and areas

		Thousands of SIT			
Region	Area	European Union	Southeastern Europe	Other markets	Total
	Beverages	10.815.684	25.977.863	272.279	37.065.826
	Foods	15.412.308	24.237.381	3.547.341	43.197.030
	Other	296.884	399.457	5.190	701.531
	Total	26.524.876	50.614.701	3.824.810	80.964.387

Structure of 2006 net sales incomes according to Droga Kolinska Group segments

Thousands of SIT		
Segment	2006	Share
Hot beverages	27.049.853	33 %
Drinks	10.015.973	12 %
Beverages region	37.065.826	46 %
Confectionery	13.045.332	16 %
Spreads	8.618.068	11 %
Baby food	3.585.080	4 %
Semi-prepared dishes	1.396.331	2 %
Health food	1.351.413	2 %

Other	15.200.806	19 %
Foods region	43.197.030	53 %
Other region	701.531	1 %
Total	80.964.387	100 %

In 2006, Droga Kolinska Group generated the largest share of net sales incomes with Hot beverages - 33 percent, followed by Confectionery with 16 percent and Drinks with a 12 percent share in net sales incomes. Compared to the previous year, the biggest increase - 251 percent - was in the sale of Confectionery. The sale of Hot beverages increased by 113 percent. The reason for such high growth indexes of Confectionery and Hot beverages is the inclusion of the Soko Štark, A. D., and Grand Prom, A. D., companies into the Droga Kolinska Group in the final quarter of 2005.

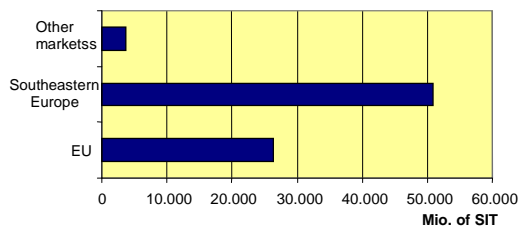
Comparison of the structure of 2006 and 2005 net sales incomes according to Droga Kolinska Group regions

Thousands of SIT

Region	2006	Share	2005	Share	06/05
European Union	26.524.876	33 %	26.281.284	47 %	101
Southeastern Europe	50.614.701	63 %	26.597.812	47 %	191
Other markets	3.824.810	5 %	3.173.193	6 %	116
Total	80.964.387	100 %	56.052.289	100 %	144

Droga Kolinska Group generated 29 percent of the net sales incomes in Slovenia and the remaining 71 percent on foreign markets.

2006 net sales incomes according to region



Droga Kolinska company 2006 sales results

In 2006, the Droga Kolinska, d.d., company generated 46,1 billion SIT net sales incomes, which is 22 percent more than in 2005 and 4 percent above the plans for 2006.

Structure of 2006 net sales incomes according to Droga Kolinska, d.d., areas and regions

		Thousands of SIT		
Region Area	European Union	Southeastern Europe	Other markets	Total 2006
Beverages	10.805.266	1.938.349	272.279	13.015.894
Foods	15.315.695	14.807.929	2.964.038	33.087.662
Total	26.120.961	16.746.278	3.236.317	46.103.556

Structure of 2006 net sales incomes according to Droga Kolinska, d.d., segments

Thousands of SIT		
Segment	2006	Share
Beverages	13.015.894	28
Hot beverages	7.369.640	16
Drinks	5.646.254	12
Foods	33.087.662	72
Confectionery	44.108	0
Spreads	6.434.609	14
Baby food	3.227.388	7
Semi-prepared dishes	1.335.775	3
Health food	1.157.082	3
Other	20.888.701	45
TOTAL	46.103.556	100

The largest share of net incomes was generated in the area of Foods - 72 percent. Droga Kolinska, d.d., generated the remaining 28 percent of net sales incomes in the area of Beverages.

In 2006, Droga Kolinska, d.d., generated the largest, 16 percent, share of net sales incomes in the Hot beverages segment, followed by Spreads with a 14 percent share and Drinks with a 12 percent share. The biggest increase of sales incomes was in the Spreads segment – 22 percent.

The company generated the largest share of net incomes in the region of the European Union – 57 percent. In the region of Southeastern Europe the company generated 36 percent of all net incomes, with the remaining 7 percent generated in the regions of other markets. The most important sales markets are the markets of the countries of the former Yugoslavia, the Russian Federation and the member states of the EU.

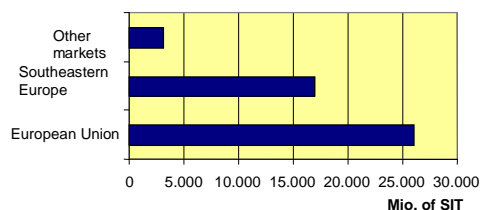
Comparison of the structure of 2006 and 2005 net sales incomes according to Droga Kolinska, d.d., regions

Thousands of SIT

Region	2006	Share	2005	Share	06/05
European Union	26.120.961	57 %	25.656.684	68 %	102
Southeastern Europe	16.746.278	36 %	8.844.549	23 %	189
Other markets	3.236.317	7 %	3.160.076	8 %	102
Total	46.103.556	100 %	37.661.309	100 %	122

In Slovenia the company generated 51 percent of the net sales incomes, with the remaining 49 percent generated on foreign markets.

2006 net sales incomes according to region



8 PURCHASE

In a broader sense, the area of purchase includes the purchase services of all companies in Droga Kolinska Group and their unified organization and coordinated activity.

2006 was marked by major changes to prices of energents and some other strategic raw materials (coffee, rice, polyethylene, glass). Most of the contracts with suppliers were made on a yearly level, which softened the pressures on the price changes through the year. Through purchase marketing we were searching all the time for new purchase markets and solutions for cost optimization within the company.

Purchase was also actively included in the Argeta Bosnia and Herzegovina project, with the aim of ensuring undisturbed supply of the new factory in Sarajevo in accordance with the adopted normatives and standards.

Management of quality remains one of the key foundations of operation also in purchase, therefore we, together with the quality service, carry out regular estimation and assessing of suppliers and, on the basis of these assessments, implement corrective measures where needed. Along with cost management, management of the quality of raw materials and packaging, and sanitary integrity are the most important elements of ensuring consumer protection.

9 PRODUCTION

The PRODUCTION business area includes production at the following locations:

- PU Tovarna hranil – Ljubljana;
- PU Mirna – Mirna na Dolenjskem;
- PU Nova tovarna – Izola;
- PU Zlato polje – Gradišče;
- PU Gosad – Središče ob Dravi;
- PU Rogaški vrelci – Rogaška Slatina;
- PC Sol – Portorož;
- PC Repro – Ljubljana

and

- contractual production of Cockta and other non-alcoholic drinks (Croatia, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia);
- contractual production of Viki creamy spreads (Macedonia);
- contractual production of garden crops and condiments in Bosnia and Herzegovina;
- contractual production of jams in Croatia;
- production of sweet and salty products in Štark, AD (Serbia and Montenegro);
- production of coffee in linked companies (roizvodnja kave v povezanih podjetjih (Croatia, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia).

Merging of the Droga, d.d., and Kolinska, d.d., companies into a joint company in 2005 did not have a strong direct effect on the realization of production: In the beginning of 2006 we began with activities for the introduction of the SAP information system, which meant the unification of processes and information sciences in production-logistic processes. Despite the introduction of unified information support, the primary task of production (swift and flexible fulfillment of sales orders) was not compromised. We introduced sliding operative planning of sales for all markets where we sell Droga Kolinska products, thereby also improving production efficiency, lowering stores and lowering the amount of products with expired one-third expiry dates.

In production and logistics we cost efficiently adapted to the marketing orientation of Droga Kolinska to focus on the sale and development of marketing successful trademarks.

10 RESEARCH AND DEVELOPMENT

Products

In 2006 we expanded the assortment of most programmes. In the coffee programme we offered a new cappuccino beverage with a caramel flavour. Developmental activities in the meat programme were focused on the development of a new line of pates and the project of the renovation of packaging of tins, which has already been introduced in the Argeta, d.o.o., factory and will be realized in Slovenia in the year 2007. In the tea programme we launched a new line of so-called Wellness teas, with four new flavours. We expanded the offer of non-alcoholic drinks with red-orange-flavoured Cockta and Jupi, and launched Donat Mg in a 0,25 l bottle, intended primarily for the catering industry. For the needs of the Russian market we developed 8 new products in the baby food programme, which are still waiting for realization, due to the registration procedure in Russia and other countries.

Technologies

The technologically most demanding project last year was the setting up and launching of production at the Argeta, d.o.o., factory in Sarajevo.

In Mirna we set up a new packaging line which enables the introduction of an inert atmosphere in product satchels, ensuring longer expiry dates of the product. In 2006 we transferred the production of vinegars, jams, powders, coffees and condiments to external producers. In Izola we began with the production of teas for one of the more important offerers of filter teas. The purpose of all these transfers is the improvement of economies in the above-mentioned programmes. In accordance with the adopted decision on the unification of the business location we prepared the project of moving and renovating the roasting facility in Skopje in the first half of 2007.

One of the more important projects in the future is undoubtedly also the continuation of the transfer of good practices, from the field of products as well as technologies, to the entire Droga Kolinska Group.

11 INVESTMENTS

In 2006, Droga Kolinska Group had 12.175 million SIT of realized investments in basic resources, which is 29 percent more than planned. Investments in objectified basic resources amount to 11.200 million SIT, and 975 million SIT in unobjectified resources. The largest share of investments are represented by investments in equipment in construction and composition (28 percent), in plots of land and buildings (25 percent), in production devices and machines (25 percent), in other devices and equipment (15 percent) and in unobjectified longterm resources (8 percent).

78 percent of all Droga Kolinska Group investments are represented by investments in linked companies. Among the most important ones it is worth mentioning the construction of the Argeta pate factory in Bosnia and Herzegovina (5,4 billion SIT), the renovation of production equipment in Štark, AD, (1,9 billion SIT), the construction of the business-production complex in Macedonia and the investments in the renovation of technology in the Grand Prom A.D. company.

Structure of Droga Kolinska Group 2006 investments according to areas and regions

Thousands of SIT

2006	EU	Southeastern Europe	Other markets	Total 2006	Total 2005
Foods	1.632.341	7.795.379	6.404	9.434.123	2.579.077
Beverages	1.032.437	1.703.493	0	2.735.930	1.371.550
Other	4.933	0	0	4.933	5.040
Total 2006	2.669.711	9.498.872	6.404	12.174.987	3.955.667
Total 2005	1.423.129	2.524.234	8.304	3.955.667	

Excluding the investments in the Argeta factory in Bosnia and Herzegovina, investments of the central company Droga Kolinska in 2006 amounted to 2,3 billion SIT. 765 million SIT were assigned for unobjectified basic resources, 1.315 million SIT for production equipment, 166 million SIT were invested in construction, and 47,5 million SIT were assigned for real estate.

In 2006 we renovated and increased the capacity of the baby food filling facility in PU Mirna, carried out the purchase of new packaging machines for the renovation of the Argeta pate packaging, finished construction of a new distribution center and warehouse, and renovated equipment at all company plants.

For better management of business processes at the level of the company we began in 2006 the project of introducing the new ERP-system SAP at the Droga Kolinska, d.d., company.

12 RISK MANAGEMENT

Property risk

We do not anticipate any particular risks in real estate, as the prices of real estate keep growing. For 2007 the sale of real estate which is unnecessary to business is anticipated. Offers for the sale have already been acquired, with the process of the most satisfactory offerer under way. Based on calculations of the profitability of the operation of vacation capacities in 2007 we decided to sell a part of the existing capacities.

Management of financial risks

Within the framework of the regular activity we assess the exposure to individual kinds of risks and adopt measures for shielding from them in the areas of business, investment and finances, while also insuring ourselves against certain risks.

In the area of financial risks we pay special attention to management of the following risks:

- currency risk;
- interest risk;
- risk of high instability of the price of raw coffee;
- risk of non-fulfillment of the opposite party and
- liquidity risk.

Currency risk

Among currency risks the predominant ones are risks that originate from the implementation of business activities on the Serbia and Croatia markets and all markets where the American dollar is the basic currency of business. On all the above-mentioned markets we try to decrease the exposure over the long term by regulating sale and procurement, and shield ourselves from currency risk over the short term with terminal currency contracts and other financial derivatives.

The Droga Kolinska Group and company are above all exposed to currency risk in American dollars. The process of management and regulation with risks from the EUR/USD exchange rate heading is at Droga Kolinska Group organized at the Droga Kolinska, d.d., FRS service. With 1 January 2006 we centralized the procurement of coffee for the entire Group at the Droga Kolinska, d.d., company, thereby making the shielding of the EUR/USD exchange rate at the level of the Group much easier in the operative sense as well. In 2006 the company pursued the goal of having at least 70 percent of anticipated net dollar needs leased in advance, leaving 30 percent of the needs unshielded and purchasing USD on the prompt currency market. The value of USD to EUR fell in 2006, from 1,1833 to 1,319 USD for 1 EUR (10,3 % decrease in the value of the USD). According to the movement of the EUR/USD exchange rate it would have been better to buy all USD on the prompt market, but that would have meant that we are entirely exposed to the EUR/USD exchange rate risk, which would have been unacceptable and not in the spirit of active management of financial risk.

Movement of the value of the iSerbian dinar positively affected the business results of companies that operate in the Serbia and Montenegro area.

Movement of other currencies did not significantly affect company business in 2006.

Regarding the measures we are taking with the of shielding from currency risk, we estimate that exposure to this sort of risk is low.

Interest risk

In 2006 we carried out additional activities for protection from interest risk with interest swaps and other financial derivatives based on Euribor and the plans for amortization of the Group's financial debts.

Exposure to risk because of the interest rate change is not distinctive due to the large share of own capital, or the still relatively moderate financial indebtedness. Credits represent 32,5 % of the balance total, with the share of capital at 55,1 %.

Exposure to interest risk is at Droga Kolinska Group estimated as moderate.

Risk of high instability of the price of raw coffee

Instability of the American dollar and the simultaneous exposure to price risk (changes of the price of coffee on the world exchange market) dictated us in 2006 to ensure the price of coffee with term purchases, and protect the financial currents of planned deals with the making of terminal contracts, with which we protected the larger part of obligations for the purchase of coffee in all Droga Kolinska Group companies. We compensate a part of the outflux in American dollars with influxes from the sale to Russia heading.

We manage the risk of high price instability of the price of raw coffee with systematic regulating of this risk within our "coffee team".

Because of analysts' forecasts of very intense pressures on the raising of the price of raw coffee, we opened a trade account in London in the second half of 2006, with the purpose of active raw coffee price shielding on the NYBOT (New York) and LIFFE (London) stock exchanges. These two markets represent the benchmark for the evaluation and setting of prices from the distributors' side for all raw coffees.

According to all the attention that is paid to protecting raw coffee price swings, we estimate that exposure of Droga Kolinska Group to this risk is low.

Risk of non-fulfillment of the opposite party

The possibility that claims to buyers and other legal persons will not be paid or will not be paid in their entirety is managed by intensively tracking, overseeing and systematically exacting overdue claims. In addition to that we regularly track profits of partners and insure most claims at the Slovenia Export Company, d.d. We also insure a part of the claims with other instruments (bills, bank guarantees).

Exposure to this sort of risk is also limited by determining the amount of the limit of open claims for individual business partners.

In 2006 the company did not have significant write-offs of claims from the buyer non-payment heading.

We estimate that in 2006 the exposure of the Droga Kolinska, d.d. company to credit risk was low.

Because of pay non-discipline in Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Croatia, the exposure of Droga Kolinska Group to credit risk on these markets in 2006 was relatively high. That is why we insured claims to buyers of our linked companies in these countries through the Slovenian Export Group, d.d.

We estimate that exposure of the Droga Kolinska, d.d., company and Droga Kolinska Group due to these forms of risk is moderate.

Liquidity risk

Reshaping of assets that have a non-financial form (form of stores and claims) into a financial form is exposed to all business risks that determine, whether there is to be a ceasing of liquifying assets. By coordinating the handling of claims and obligations we manage financial currents and try to optimise the short-term paying capacity.

The Droga Kolinska, d.d., liquidity risk in 2006 was low due to positive operation, stable regular influxes from the buyers' side, efficient time coordination of outfluxes and influxes, where we were also assisted by appropriate short-term credit lines at various banks.

For other companies in the Droga Kolinska Group a moderate liquidity risk is characteristic.

Risk in the area of work safety

Risks from work safety are for each DM defined in the Risk Assessment, which also prescribes the measures that guarantee satisfactory employee safety. The risks are predominantly mechanical injuries with machine equipment, vehicles, slips and other, and increased noise in production (above 80 dB). Average endangerment of units is medium (3).

Regarding fire safety we estimate the level of fire threat at medium (3) and medium to increased (4) at the roasting and extraction facilities. In spite of this, the average level remains 3. At all locations, assessments of fire endangerment have been made and also inspected by insurance agents.

Internal revision

The internal revision independently and impartially tests, assesses and reports on the composition of internal controlling and the realization of business goals that are oriented on achieving the highest possible efficiency of simultaneous business and operation of the Group.

The internal revisions carries out constant and whole inspection over the operation of the Group with the purpose of:

- examining operation of the Group in accordance with regulations and internal rules;
- notifying of existing risk in operation;
- evaluating the adequacy of risk management, internal controls and regulatory process in the central as well as subsidiary companies.

The internal revision sets up mechanisms for risk management with the aim of better regulation of them.

13 INFORMATION FOR SHAREHOLDERS

Size of the issuing of shares

The joint nominal value of the complete issuing of Droga Kolinska, d.d., shares amounts to 14.382.915.000,00 SIT. The company issued 14.382.915 ordinary freely transferable nominal piece shares. Each piece share has an equal share and belonging amount in the basic capital.

Rights from shares

Shares of the Droga Kolinska, d.d., company are freely transferable and issued in a non-materialized form. They guarantee shareholders:

- the right to voting at the Shareholders' Assembly;
- the right to a share of the profit (dividends);
- the right to an appropriate share of the remaining property after the liquidation or bankruptcy of the company.

Transfer of shares

The shares were issued in dematerialized form and entered in the central securities register with the Central Securities Clearing Corporation on 13 May 2005. All shares are freely transferable and are transferred in accordance with the Dematerialized Securities Act and the rules of the Central Securities Clearing Corporation. Shares are transferred to the new owner's account based on an order given by the current holder. The change is recorded in the central securities register.

Dividend Payment

All shares are ordinary shares of the same class and bear the same dividend rights. Dividends are paid in cash. In accordance with the Rules of the Ljubljana Stock Exchange, d. d., the last day for dividend rights with regard to the shareholders' records may be at least two weekdays after the General Meeting in which a decision is made regarding the appropriation of profit. The date is set by the issuer.

Droga Kolinska, d. d., has paid out dividends in the amount of 68 SIT gross per share in 2006.

Shareholding structure of company Droga Kolinska, d. d.

On 31 December 2006, company Droga Kolinska, d. d., had 3,018 shareholders. On 31 December 2005, the company had 3,698 shareholders, which means that the number of shareholders decreased by 18 percent during this period.

Shareholders	31 December 2006			31 December 2005		
	No. of shareholders	No. of shares	Shareholding (%)	No. of shareholders	No. of shares	Shareholding (%)
1. Istrabenz, d. d.	1	8.671.001	60,29 %	1	8.001.272	55,63 %
2. Maksima Holding, d. d.	1	1.835.113	12,76 %	1	1.835.113	12,76 %
3. Poteza Naložbe, d. o. o.	1	1.436.377	9,99 %	1	819.768	5,70 %
4. Bank Austria Creditanstalt, d. d.	1	472.351	3,28 %	1	484.955	3,37 %
5. Droga Kolinska, d. d.	1	412.058	2,86 %	1	396.680	2,76 %
6. East Capital Balkan Fund	1	131.816	0,92 %	1	0	0,00 %
7. Vzajemni sklad Primus Primus Mutual share fund	1	87.299	0,61 %	1	0	0,00 %
8. Vzajemni sklad delniški Evropa Vip Invest Evropa Vip Invest mutual share fund	1	74.752	0,52 %	1	74.926	0,52 %
9. Delniški vzajemni sklad Modra Linija Modra linija, mutual share fund	1	57.500	0,40 %	1	0	0,00 %
10. Čačovič, Matjaž	1	21.358	0,15 %	1	21.375	0,15 %
11. Other legal entities	88	133.219	0,93 %	106	1.375.577	9,56 %
12. Natural persons	2.920	1.050.071	7,30 %	3.582	1.373.249	9,55 %
Total	3.018	14.382.915	100,00	3.698	14.382.915	100,00

Share price changes

During the period from January to December 2006, the DRKR share traded between 2,250 and 4,879 SIT. The chart below shows the dynamics of the Droga Kolinska share in comparison to the SBI 20 (the Slovenian Stock Exchange Index).

Market capitalization

	Date	Share price
Maximum share price (in SIT)	21. 12. 2006	4.879,07
Market capitalization (in million SIT)	21. 12. 2006	70.175
Minimum share price (in SIT)	15. 5. 2006	2.250,22
Market capitalization (in million SIT)	15. 5. 2006	32.365

Share trading and profitability indicators

		Droga Kolinska d.d.	
		31.12.2006	31.12.2005
1.	Share book value (in Sit) [1]	3.157,72	2.977,23
2.	Share market price (in Sit)	4.216,51	2.818,02
3.	Price to book ratio	1,34	0,95
4.	Net profit per share (in Sit) [2]	180,97	-0,70
5.	Cash flow per share (in Sit) [3]	378,09	201,25
6.	Price multiple (P/E) [4]	23,30	-4.040,79
7.	Cash flow multiple (P/CF) [5]	11,15	14,00

[1] Share book value = (total capital) / (pondered average of the number of shares minus treasury shares)

[2] Net profit per share = net profit for the period/(pondered average of the number of shares minus treasury shares)

[3] Cash flow per share = (net profit for the period + amortisation/depreciation)/ (pondered average of the number of shares minus treasury shares)

[4] Profit multiple = market price / net profit per share

[5] Cash flow multiple = market price / cash flow per share

* the pondered average of the number of shares minus treasury shares under the consideration of the purchase period has been considered in the calculation of the number of shares

** data for 2005 differ from the data published in the annual report for 2005, because the company has in 2006 changed the use of the method of actuary calculation of reservations for jubilee awards and compensations at retirement.

Shares of company Droga Kolinska, d. d., held by members of the management and supervisory board

	31. 12. 2006	
Management board	No. of shares	Shareholding (%)
Robert Ferko	5.222	0,04
Supervisory board	No. of shares	Shareholding (%)

	shares	(%)
Igor Bavčar	0	0,00
Branko Greganovič	0	0,00
Milan Čadež	0	0,00
Miroslav Golubič	452	0,00
Josip Šorgo	1.026	0,01
Dušan Lorenčič	452	0,00

Treasury shares

On 31 December 2006, the company had 412,058 of treasury shares, which represents 2.86 percent of the share capital. On 31 December 2005, the company owned 396,680 treasury shares, which amounted to 2.76 percent of share capital. The company did not hold treasury shares. Treasury shares were acquired for the payment of awards and for the preservation of the share value in accordance with the decisions of the General Meeting and internal acts.

Authorized capital and conditional increase of share capital

Pursuant to the Company Statute of Droga Kolinska, d. d., the management board is authorized to increase the share capital of the company by up to 50 percent with the issue of new shares in the first five years after the company's entry into the court register. The increase of the share capital can be carried out also through material investments. The Company Statute does not include provisions on the conditional increase of share capital.

Profit for appropriation

The audited profit for appropriation of company Droga Kolinska, d. d., for 2006, amounts to 8,121,429,431 SIT.

The management board proposes that the profit for appropriation for 2006 is used as follows:

- part of the profit for appropriation in the amount of 1.071.766.836 SIT, derived from net profit created in 1999 and 2000, is allocated for the payment of dividends to shareholders in the amount of 76.70 SIT or 0.32 EUR gross per share;
- the remaining part of the profit for appropriation in the amount of 7.049.662.592 SIT remains unallocated;
- for the calculation of the proposed amount of the dividend, we considered 13.973.492 shares. The company holds 409,423 treasury shares on 22 March 2007, which are not entitled to receive dividends.

Distribution of the profit for appropriation for 2005

On the basis of the decision of the General Meeting, dated 30 June 2006, the company confirmed the distribution of the profit for appropriation for 2005 and formed the liability for the payment of dividends in the amount of 949,882 SIT for this purpose. 946,632 SIT were paid from this account till 31 December 2006.

Public announcements

The schedule of planned intra-year public announcements, the intra-year public announcements as well as the announcements of price sensitive information will be published through the SEO-net on the web page of the Ljubljana Stock Exchange (www.ljse.si) and on the web page of Droga Kolinska, d. d. (www.drogakolinska.si)

Contact with shareholders

For all additional information, shareholders can contact;

Droga Kolinska, d. d.
Public Relations
Ms Polona Vagaja
Kolinska ulica 1
1544 Ljubljana
Tel: +386 1 47 21 695

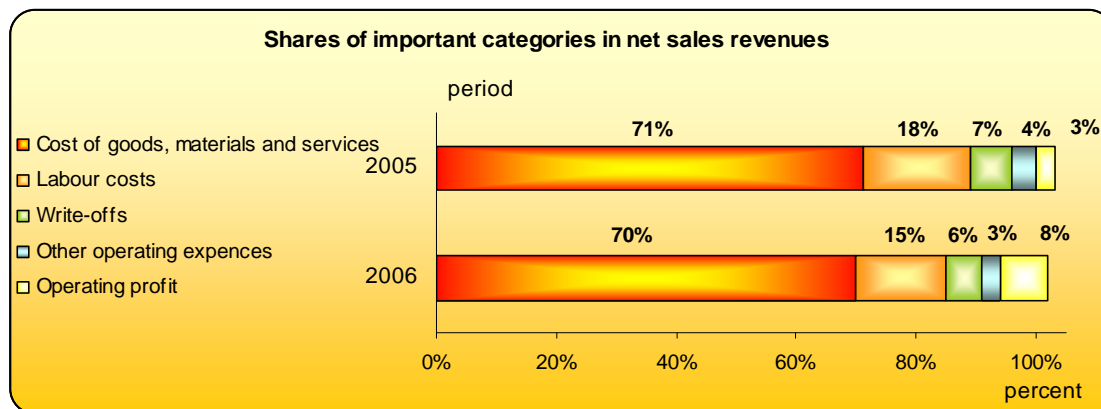
14 ANALYSES OF THE SUCCESS OF OPERATIONS

Business performance analysis for the Droga Kolinska Group

In 2006, Droga Kolinska Group generated SIT 81.0 billion in **net sales revenues**, thus attaining anticipated sales revenues. In comparison with the previous year's levels, net sales revenues increased by 44 percent, to a great extent, due to the inclusion of the companies Grand Prom and Grand Kafa into the Droga Kolinska Group which took place on 30 September 2005.

In addition to the net sales revenues, the Group realized SIT 1.6 billion in **other business revenues**, a 54% increase from the previous year. The level of these revenues was, to a great extent, due to the collection of previously weakened receivables, the write-off of payables and profit from the disposal of fixed operating assets.

The differences in values of items between the performance results of the current and previous year are due to data non-comparability stemming from the inclusion of the groups Grand Prom and Grand Kafa into Droga Kolinska Group in the last quarter of 2005.



Note: While calculating the percentages, the net sales revenues are increased for the change in value of the product inventory and the uncompleted manufacturing process.

Costs of goods, materials, and services amount to SIT 56.3 billion, representing 70 percent of net sales revenues. These expenses are 1 percent lower than the anticipated level due to sales from the inventory and lower material costs. In comparison to the previous year, the expenses percentage of the net sales revenues is lower by 1 percentile, mainly due to the extraordinary cost of services in 2005.

Labour costs in the amount of SIT 12.1 billion represent 15 percent of the net sales revenues. In comparison to the previous year, the revenue percentage level decreased by 3 percent due to higher labour costs in 2005. Labour costs exceeded the anticipated level by 3 percent due to the payment of unplanned expenses for jubilee awards and overtime in the company Stark AD, as well as realized unplanned labour costs in the companies undergoing liquidation proceedings.

Revaluation costs amount to SIT 5.2 billion and represent a 6-percent share in net sales revenues. The percentage decreased by 1 percentile in comparison to the previous year due to the disposal of fixed operating assets. Depreciation expenses exceeded the anticipated level by 3 percent due to the unplanned expenses in the companies undergoing liquidation proceedings.

Other operating expenses amounted to SIT 2.4 billion and represent 3 percent of the net sales revenues in 2006. The percentage decreased by 1 percentile in comparison to the previous year's level due to the extraordinary expenses of the litigations and out-of-court settlements, as well as revaluation adjustments performed on assets in 2005. These expenses exceeded the anticipated level due to the elimination of long-term provisions for severance pay, awards, and new employments, as well as unplanned write-offs of overdue receivables in the companies undergoing liquidation proceedings.

In 2006, Droga Kolinska Group generated **earnings before interest and taxes (EBIT)** at an 8 percent level of net sales revenues (representing SIT 6.5 billion). Thus, the Group exceeded the anticipated level by 5 percent and increased EBIT by 3.3 times in comparison to the previous year. The high level of EBIT in comparison to the previous level is due to merger and acquisition events in 2005, as well as the inclusion of the companies Grand Prom and Grand Kafa into the Droga Kolinska Group.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounting to SIT 11.7 billion were realised during the discussed period, and represent 14.5 percent of net sales revenues. The percentage of net sales revenues increased by 5.1 percent in comparison to the previous year. The value of the realized EBITDA is 4 percent higher than anticipated, and exceeds the previous year's level by 124 percent.

The Droga Kolinska Group exhibited a negative **cash flow** in the business year 2006 in the amount of SIT 0.6 billion. **Financial receivables** amount to SIT 2.2 billion and are 83 percent higher than the amount realized in 2005 due to actual foreign exchange rate differences. **Financial payables** amounted to SIT 2.8 billion and exceeded the previous year's level by 35 percent due to increased borrowing, and thus increased payables under the interest item. Cash flow is better than anticipated, mainly due to the positive effect of non-anticipated foreign exchange rate differences and lower financial payables for financial investments elimination.

The company created SIT 5.9 billion in **profit before taxes** and 5.1 billion SIT in **net profit for the financial year**, representing 6 percent of net sales revenues. Thus, the Droga Kolinska Group exceeded the anticipated net profit for the business year, improving its result from 2005.

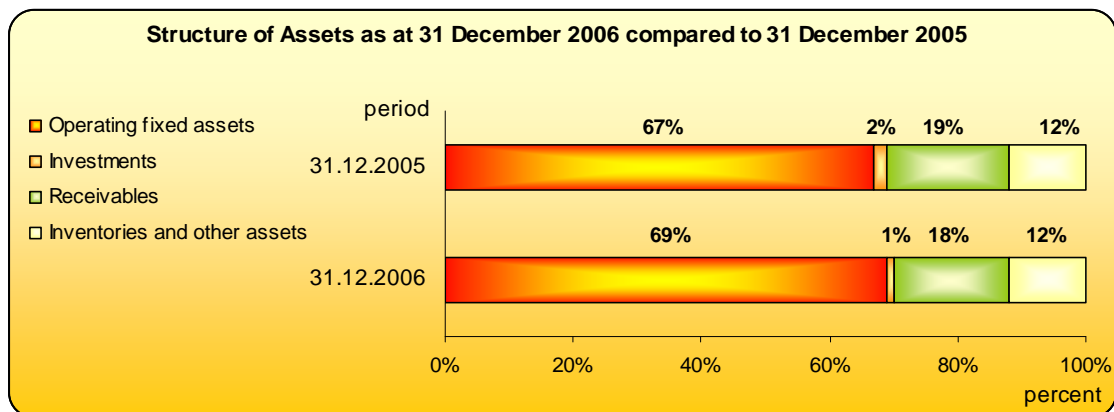
Financial standing of the Droga Kolinska Group

In thousand SIT

	31. 12. 2006	Percent age	31. 12. 2005	Percent age
Fixed assets	73,431,994	70%	66,422,199	69%
Short-term assets	31,310,473	30%	30,457,681	31%
ASSETS	104,742,467	100%	96,879,880	100%
Capital	54,519,896	52%	48,467,802	50%
Liabilities to foreign funding sources	50,222,571	48%	48,412,078	50%
LIABILITIES TO FUNDING SOURCES	104,742,467	100%	96,879,880	100%

The **balance sheet total** of the Droga Kolinska Group on 31 December 2006 amounted to SIT 104.7 billion and is 8 percent or SIT 7.9 billion higher than the balance on 31 December 2005.

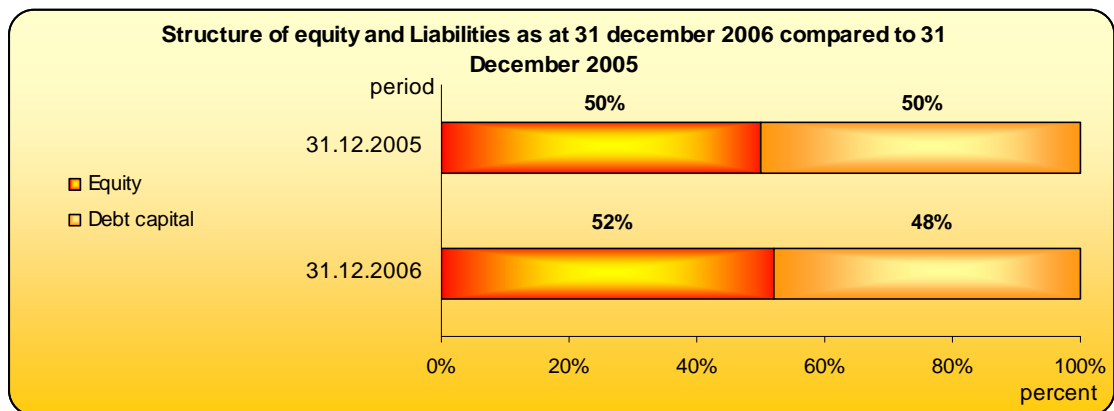
The increase is due to the growth of the fixed assets. The value of **long-term assets** is 11 percent (SIT 7.0 billion) higher than last year's level especially due to the increase in tangible fixed assets whose value is SIT 6.1 billion higher while the greatest growth was caused by investments into the construction of the Agreta pate factory in Bosnia and Hercegovina in the amount of SIT 5.4 billion. In addition, the Group invested into the modernisation of the roasting plant in Macedonia and the modernisation of the manufacturing equipment in Štark AD. **Short-term assets** increased by 3 percent (representing SIT 0.9 billion SIT) in comparison to the balance on 31 December 2005. Among current assets, the highest cash increase was generated in accounts, which are 126 percent higher than the opening balance (representing SIT 1.6 billion), followed by the balance of inventories, which increased by 13 percent (representing SIT 1.0 billion), and operating receivables, which increased by 4 percent (representing SIT 0.7 billion). Substantial change was experienced in the level of assets available for sale, which decreased by SIT 1.6 billion due to the disposal of the 25 percent share in the group Štark AD (representing SIT 1.9 billion), and in the value of short-term financial investments, which decreased by SIT 0.9 billion.



Capital of the Droga Kolinska Group on 31 December 2006 in the amount of SIT 54.5 billion represents 52 percent of the balance sheet total and is nominally SIT 6.1 billion higher compared to the balance on 31 December 2005. Of this amount, the capital of the majority shareholder represents 85 percent of the total capital of the Group.

The increase in capital as compared to the previous year's level is the result of profit realised during the course of the financial year in the amount of SIT 5.1 billion and the decrease in retained profit due to the pay-out of dividends in the amount of SIT 950 million. The percentage of equity within the liability structure is higher by 2 percentiles due to the increase of the balance sheet total.

Own shares reduced the equity value by SIT 1.5 billion.



Within the liabilities structure, the percentage of the **short-term liabilities** increased by 3 percentage points. Short-term loans obtained increased by 38 percent (or SIT 3.6 billion) as opposed to the previous year's level, the result of a transfer of a portion of long-term financial liabilities to payment. Short-term liabilities to business

partners and other short-term liabilities also increased and were 8 percent or SIT 9 billion higher than the balance on 31 December 2005. **Long-term liabilities** are 11 percent (representing SIT 3.1 billion) lower than the previous year's balance, mainly due to the partial transfer of financial liabilities to the short-term liabilities and to the lowering of provisions by 11 percent (representing SIT 0.5 billion) due to the new actuarial calculations.

Value added and revenues per employee in 2006

in million SIT

	2006	2005	Index 06/05
Value added in Droga Kolinska Group	24,566	14,846	165
Value added per employee	6.9	4.0	172
Operating revenues per employee	23.0	15.4	150

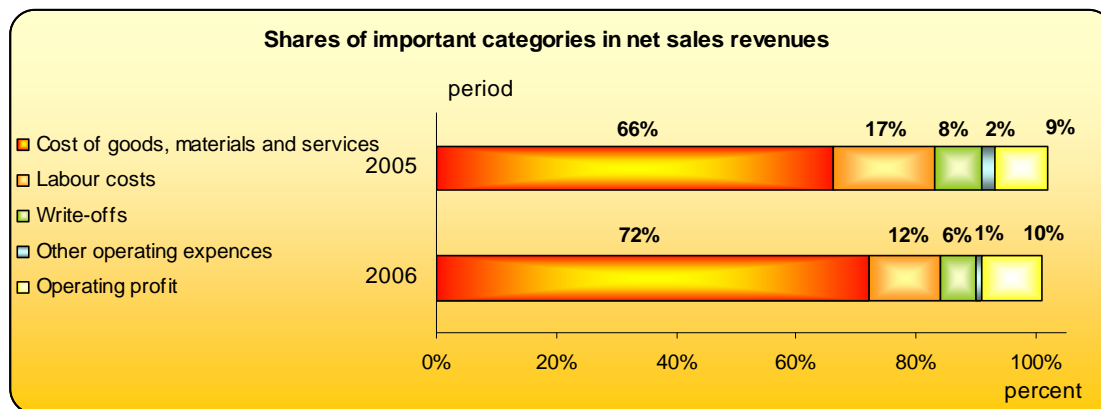
Accounting indicators of business operating for Droga Kolinska Group

	2006	2005	Index 06/05
1. Cost-effectiveness Indicators			
1.1. Operating cost-effectiveness ratio	1.09	1.03	106
1.2. Total cost-effectiveness ratio	1.06	1.00	107
1.3. Operating profitability rate	7,9%	2,6%	300
2. Horizontal financial structure indicators			
2.1. Capital to fixed assets ratio	0.76	0.73	103
2.2. Direct coverage of short-term liabilities ratio (quick ratio)	0.14	0.17	82
2.3. Accelerated coverage of short-term liabilities ratio (accelerated ratio)	0.86	1.06	81
2.4. Short-term coverage of short-term liabilities ratio (current ratio)	1.19	1.42	84
3. Turnover indicators			
3.1. Accounts receivable turnover ratio in days	79	88	90
3.2. Inventory turnover ration in days	37	46	81
4. Yield indicator			
4.1. Net return on equity ratio	10.3%	-0.4%	-
5. Financing indicators			
5.1. Participation rate of equity	52%	49%	106
5.2. Participation rate of long-term financing	75%	78%	96
5.3. Liabilities Financing Rate	48%	51%	95
6. Investment indicators			
6.1. Operating fixed assets rate	69%	67%	102
6.2. Long-term investment rate	70%	69%	102

Business performance analysis for Droga Kolinska, d. d.

In 2006, Droga Kolinska, d. d., realized SIT 46.1 billion in the net sales revenues, exceeding anticipated sales by 4 percent. In comparison to the previous year's levels, sales revenues increased by 22 percent due to the actual increase in sales and the increase in sales of the raw materials (mainly coffee) to the affiliated companies in the Group.

The percentages in significant categories cannot be adequately compared with the previous year because the increase of the net sales revenues was influenced by the re-export of the raw materials to the affiliated companies.



Note: While calculating the percentages, the sales revenues are increased for the change in the value of the product inventory and the uncompleted manufacturing process.

Costs of goods, materials, and services amount to SIT 32.8 billion and represent 72 percent of net sales revenues. The costs exceeded the anticipated level by 5 percent due to the exceeding of the sales plans and higher expenses of consulting and information services. The revenue percentage increased in comparison to the previous year due to the purchase of raw materials for other companies in the Group via the parent company to manage prices, as is evident from the increase in the costs of purchased goods compared to the same period of the previous year. If we exclude the cost of the raw materials for the affiliated companies then the costs percentage remains at the previous year's level.

Labour costs in the amount of SIT 5.4 billion represent 12 percent of net sales revenues, and thus remain at the anticipated level. The percentage expressed in net sales revenues was 5 percent lower in comparison to the previous year. If the influences of revenues and expenses due to raw material sales to the affiliated companies are excluded, then the revenue percentage is 3 percent lower due to the decrease in the amount of employees, and thus lower labour costs in comparison to the previous year.

Revaluation costs amount to SIT 2.8 billion and represent a 6-percent share in net sales revenues. The percentage expressed in net sales revenues was 2 percent lower in comparison to the previous year. If the influences of revenues and expenses due to raw material sales to the affiliated companies are excluded, then the percentage differs only slightly from the previous year's level, due to the disposal of fixed assets (the Belsad plant, the office building in Prečna).

Other operating expenses were realised in the amount of SIT 659 million and represent a percentage of the net sales revenues of 2006. The costs include, in addition to environmental protection disbursements, also costs of taxes and concessions, costs of settlement and compensation paid, revalued operating expenses and other operating costs. The revaluation of operating expenses amounted to SIT 257 million, and includes losses from the sale and disposal of fixed assets sales and disposals in the amount of SIT 117 million, and the value adjustments of receivables and inventory in the amount of SIT 140 million. The differences in comparison to the previous year are the result of the increased revaluation of operating expenses due to losses from the sale and disposal of fixed assets.

In 2006, Droga Kolinska d.d. created **earnings before interest and taxes (EBIT)** comprising 10.4 percent of the net sales revenues level (representing SIT 4.8 billion). Thus, the company exceeded the anticipated level by 11 percent, and increased EBIT by 46 percent in comparison to the previous year. The EBIT increase can be assigned to lower labour costs, which were readjusted during the year due to the merger synergies execution. The level of the EBIT percentage expressed in the amount of net sales revenues was, to a large degree, influenced by the expenses and revenues from raw material sales to affiliated companies. If these were

excluded, then the company would have achieved the EBIT rate of 12.4 percent of net sales revenues, and would have exceeded the previous year's rate by 3.7 percentage points.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) was realized at 7.5 billion SIT during the discussed period, and represents 16.4 percent of net sales revenues. The realized EBITDA is 7 percent higher than anticipated, and exceeds the previous year's level by 22 percent. The level of the EBITDA percentage expressed in the net sales revenues was significantly influenced by the expenses and revenues from raw material sales to the affiliated companies in the Group. If these were excluded, then the company would have achieved the EBITDA rate of 19.7 percent of the net sales revenues, and would have exceeded the previous year's rate by 3.1 percentage points.

The company Droga Kolinska d.d. exhibited a negative **cash flow** in the 2006 business year in the amount of SIT 1.4 billion. **Financial revenues** amounted to SIT 647 million and were 29 percent lower than those realised in 2005. **Financial expenses** comprised SIT 2.0 billion and represent 62 percent of those realised in 2005, the result of higher financial expenses from the write-off of investments in 2005.

The company created SIT 3.4 billion in **profit before taxes**, and SIT 2.5 million in **net profit for the financial year**, representing a 5.5-percent share in net sales revenues. Thus, the parent company surpassed its planned net profit, exceeding its results from 2005.

The financial standing of the company Droga Kolinska d. d.

in thousand SIT

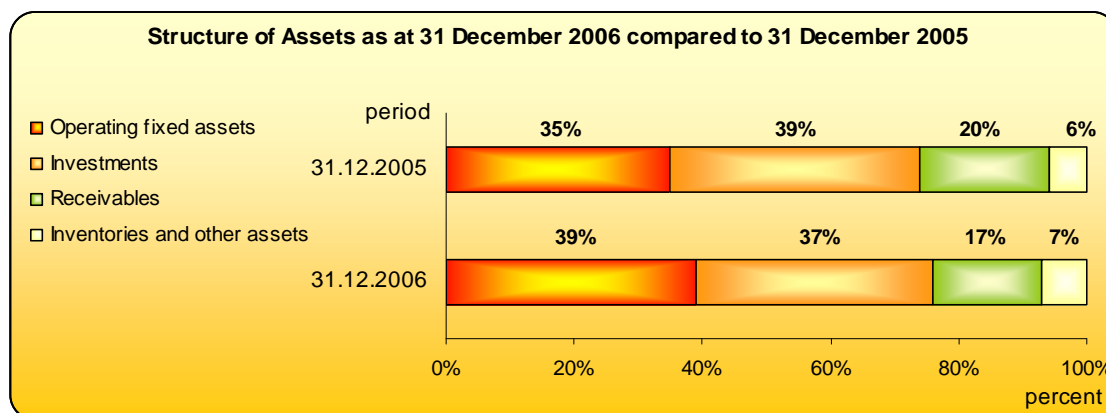
	31. 12. 2006	Percentage	31. 12. 2005	Percentage
Fixed Assets	53,342,377	67%	52,881,883	71%
Short-term assets	26,658,749	33%	21,392,108	29%
ASSETS	80,000,826	100%	74,273,991	100%
Capital	44,153,202	55%	42,584,113	57%
Liabilities to foreign funding sources	35,847,624	45%	31,689,878	43%
LIABILITIES TO FUNDING SOURCES	80,000,826	100%	74,273,991	100%

On 31 December 2006, the company's **balance sheet total** was SIT 80.0 billion, an increase of 8 percent or SIT 5.7 billion in comparison to the balance on 31 December 2005.

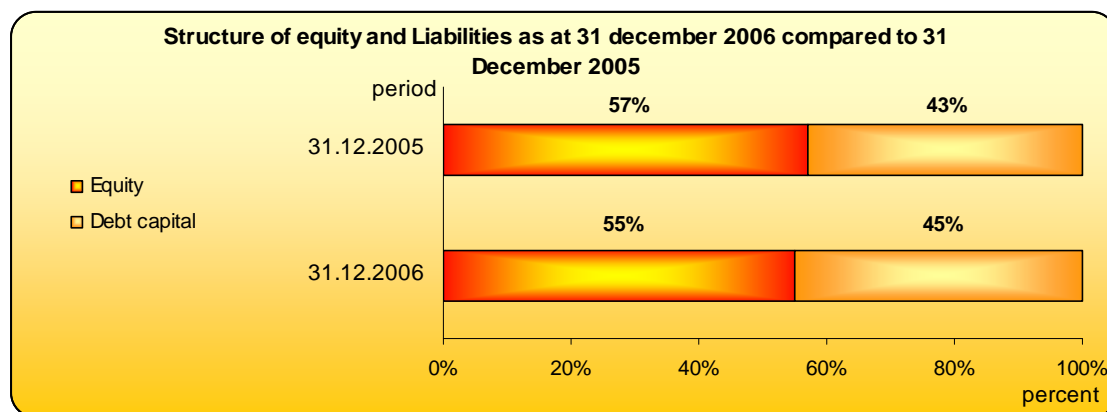
The increase is due to the growth of fixed and current assets. **Current assets** increased by 25 percent (representing SIT 5.3 billion SIT) in comparison to the previous year's balance. Among current assets, the highest increase was observed in business receivables, exceeding the previous year's balance by 24 percent (representing SIT 3.0 billion SIT). This was followed by a 66 percent increase in short-term financial investments (SIT 2.5 billion).

The value of **fixed assets** is one percent (representing SIT 460 million SIT) higher than the previous year's balance. The most significant increase was noted in long-term financial investments, which 6 percent (representing SIT 1.4 million) higher. Disclosed among them are shares in companies in the Group in the amount of SIT 24.3 billion, SIT 309 billion of loan receivables, SIT 149 million of financial assets available for sale and SIT 50 million of other long-term receivables.

Due to the faster growth of **current assets**, their percentage within the asset structure increased by 5 percentage points in comparison to the previous year's balance, and comprises 33 percent of the balance sheet total. Fixed assets decreased by the same percentage amount, representing 67 percent of the balance sheet total on 31 December 2006.



On 31 December 2006, the company's **equity** was SIT 44.2 billion, representing 55 percent of the balance sheet total, and is nominally SIT 1.6 billion higher in comparison to the previous year's balance. The increase is the result of profit realised in the current financial year in the amount of SIT 2.5 billion decreased by SIT 950 million for the pay-out of dividends. The percentage of equity within the liability structure is lower by 2 percentage points, due to the rapid increase of the balance sheet total. Own shares reduce the equity value by SIT 1.5 billion.



Within the liability structure, the percentage of the **short-term liabilities** increased by 7 percentage points. In comparison to the previous year's balance, short-term loans obtained increased by 189 percent (representing SIT 4.6 billion) while short-term payables to business partners and other short-term liabilities increased by 26 percent or SIT 1.9 billion.

Added value and revenues per employee in 2006

in million SIT

	2006	2005	Index 06/05
Value added in Droga Kolinska Group	12,445	10,677	117
Value added per employee	12.8	9.4	136
Operating revenues per employee	47.7	33.7	141

Accounting indicators of business operations for Droga Kolinska, d. d.

	2006	2005	Index 06/05
1. Cost-effectiveness indicators			
1.1. Operating cost-effectiveness ratio	1.11	1.09	102
1.2. Total cost-effectiveness ratio	1.06	1.00	106
1.3. Operating profitability rate	10.3%	8.5%	120

2. Horizontal financial structure indicators			
2.1. Capital to fixed assets ratio	1.56	1.45	108
2.1. Direct coverage of short-term liabilities ratio (quick ratio)	0.02	0.08	27
2.2. Accelerated coverage of short-term liabilities ratio (accelerated ratio)	1.36	1.72	79
2.3. Short-term coverage of short-term liabilities ratio (current ratio)	1.64	2.17	76
3. Turnover indicators			
3.1. Accounts receivable turnover ratio in days	109	105	104
3.2. Inventory turnover ration in days	36	44	82
4. Yield indicator			
4.1. Net return on equity ratio	6.0%	0.0%	-
5. Financing indicators			
5.1. Participation rate of equity	55%	57%	97
5.2. Participation rate of long-term financing	80%	87%	92
5.3. Liabilities Financing Rate	45%	43%	104
6. Investment indicators			
6.1. Operating fixed assets rate	35%	39%	90
6.2. Long-term investment rate	67%	71%	94

The denoted indicators have been calculated according to the following methodologies:

Indicator	Calculation method
1. Operating cost-effectiveness ratio	Operating revenues / Operating expenses
2. Total cost-effectiveness ratio	Revenues / Expenses
3. Operating profitability rate	Operating profit / Operating revenues
4. Capital to fixed assets ratio	Capital / Fixed assets (at book values)
5. Direct coverage of short-term liabilities ratio (quick ratio)	Liquid assets / Current liabilities
6. Accelerated coverage of short-term liabilities ratio (accelerated ratio)	Sum of liquid assets and short-term receivables / Current liabilities
7. Short-term coverage of short-term liabilities ratio (current ratio)	Current assets / Current liabilities
8. Accounts receivable turnover ratio in days	Average operating receivables / Operating revenues * 365
9. Inventory turnover ration in days	Average inventories / Sales revenues * 365
10. Net return on equity ratio	Net profit for the financial year / Average capital (excluding net profit or loss for the current year)
11. Participation rate of equity	(Equity / Liabilities to funding sources) * 100
12. Participation rate of long-term financing	Sum of equity and long-term debt (including long-term provisions) / Liabilities to funding sources
13. Liabilities financing rate	Debt / Liabilities to funding sources
14. Operating fixed assets rate	Fixed assets (at carrying value) / Assets
15. Long-term investment rate	Sum of fixed assets (at carrying value), long-term financial investments and long-term operating receivables / Assets
16. Value added per employee	Net operating profit plus taxes, amortisation, labour costs and paid interest / Average number of employees
17. Operating revenues per employee	Operating revenues / Average number of employees
18. Working capital	Working capital is the difference between short-term assets and short-term liabilities.
19. Long-term debt	Long-term debt includes long-term liabilities.
20. EBITDA margin	The EBITDA margin is a share of the operating profit or loss increased by amortisation (EBITDA), in the sum of net sales revenues and changes in the values of inventories.

15 PLANS FOR THE YEAR 2007

Our goal is to become the leading supplier of food products in the region through our own brand names. We will strive to exceed the revenue levels of the industry, elevating all our brand names so as to attain the top three brand name positions on the market by the year 2010. We aim to write a new successful story with Argeta on the large Russian market, and thus repeat the success achieved with the Bebi brand name.

We plan to achieve the strategic goals of Droga Kolinska to become the leading regional company in the industry by increasing our market shares on existing markets and through aggressive expansion onto new markets. Increased sales of pate are planned on the markets of Sweden, Russia, Austria, Germany and Switzerland. Through market activities, we wish to raise the awareness and distribution of the brand name Arget in Austria and Germany and expand the introduction of new programs on the new markets of the EU. We plan to enter the Turkish distribution chains directing marketing communications towards encouraging the Turkish consumer to buy the first product.

In addition to the stated activities, we will devote a great deal of attention to the receivables structure and expense effectiveness, both of which are crucial for the long-term growth of our company. Our goal is to reach EUR 358 million (SIT 85.8 billion) in net sales revenues, representing a 3 percent increase in net sales revenues at the group level of Droga Kolinska. We will continue to strive to increase labour effectiveness and to achieve higher productivity in all parts of the Group. Our goal EBIT margin at the Group level is 8%, and our goal EBITDA margin is 14%.

We are intent on implementing the values of the Group's employees which include: consumer comprehension, quality, environmental care, entrepreneurship, team work, loyalty and cost-effectiveness. Through the selection of quality food and beverages, we will continue to meet the needs of our consumers of all ages, ensure increased yields for our owners, and offer our partners an environment for carrying out their entrepreneurial ideas. At Droga Kolinska, we believe these objectives form the basis of our efforts for realizing our business goals and tasks, strengthening the group Droga Kolinska, and consequently resulting in increased value for our owners.

In 2007, we will focus on activities that are characteristic of the post-integration period

- Become the largest food company in the South-Eastern European region.
- Develop as an international company.
- Develop and focus on our own brand names.
- Increase flexibility and response time to the demands and needs of the market.
- Increase operating effectiveness and market performance along with business standardization, expense rationalization and standardised processes at the Group level.

Financial Highlights

- **5** percent EBIT margin for the company Droga Kolinska, d. d., or **8** percent EBITDA margin for the Group,
- **11** percent EBITDA margin for the company Droga Kolinska, d. d., and **14** percent EBITDA margin for the Group,
- **2.7** percent net equity profitability for Droga Kolinska d.d. and **7.0** percent net equity profitability for the group Droga Kolinska.

SUMMARY OF THE FINANCIAL STATEMENT

16 AUDITED FINANCIAL STATEMENTS OF THE COMPANY DROGA KOLINSKA, d. d.

AUDITOR'S REPORT



Auditor's Report for Public Reporting Purposes

We have audited the financial statements of the company DROGA KOLINSKA d.d., Ljubljana and the consolidated financial statements of the DROGA KOLINSKA Group for the year ended 31 December 2006, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, from which the summarized financial statements and the summarized consolidated financial statements are derived, in accordance with International Standards on Auditing. As stated in our Auditor's Reports of 25 March 2007, the financial statements and the consolidated financial statements with notes, used for the preparation of the summarized financial statements, give a true and fair view of the financial situation of the Company and the Group as of 31 December 2006.

In our opinion, the attached summarized financial statements and the summarized consolidated financial statements comply, in all material aspects, with the financial statements and the notes thereto and with the consolidated financial statements and the notes thereto from which they originate and on which we have expressed an unqualified opinion.

For a better understanding of the financial situation of the company DROGA KOLINSKA d.d., Ljubljana and the DROGA KOLINSKA Group as of 31 December 2006, the results of its operations, its cash flows and the changes in equity for the year then ended, and the scope of our audit, it is necessary to read the summarized financial statements together with the financial statements and the notes thereto, and our auditor's reports on these financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ed.

Certified Auditor

Partner

KPMG Slovenija, d.o.o.

Ljubljana, 25 April 2007

BALANCE SHEET OF DROGA KOLINSKA, d. d.

In thousands of SIT	31. 12. 2006	31. 12. 2005
Fixed Assets	53,342,077	52,881,883
Intangible assets	10,940,789	10,773,856
Tangible fixed assets	17,127,926	18,295,010
Investments in real estate	183,607	190,885
Shares in Group enterprises	24,302,380	22,758,690
Other long-term fixed assets	507,886	669,779
Long-term deferred tax receivables	279,489	193,663
Short-term Assets	26,658,749	21,392,108
Inventories	4,583,157	4,472,705
Operating receivables	15,341,792	12,336,403
Short-term financial assets	6,305,077	3,793,935
State tax receivables	72,617	0
Cash and cash equivalents	356,106	324,677
Assets held for sale	0	464,388
Assets	80,000,826	74,273,991
Capital	44,153,202	42,584,113
Equity	44,153,202	42,584,113
Called-up capital	14,382,915	14,382,915
Capital reserves	20,160,172	20,160,172
Legal reserves	316,952	316,952
Statutory reserves	2,535,216	2,535,216
Retained earnings	8,121,429	6,554,425
Fair value reserves	93,601	62,971
Own shares	-1,457,083	-1,428,538
Liabilities to foreign funding sources	35,847,624	31,689,878
Long-term liabilities	19,641,348	21,851,971
Long-term financial liabilities	19,053,004	21,175,952
Long-term operating liabilities	13,177	10,393
Provisions for pensions and similar liabilities	528,616	616,809
Deferred state grants	45,304	47,182
Other reserves	1,247	1,635

Short-term liabilities	16,206,276	9,837,907
Bank overdrafts	236,071	0
Short-term financial liabilities	7,013,269	2,423,066
Short-term operating liabilities	8,956,936	7,092,775
Income tax liability	0	322,066
Liabilities to funding sources	80,000,826	74,273,991

INCOME STATEMENT OF DROGA KOLINSKA, d. d.

In thousands of SIT	2006	2005
Sales revenues	46,103,555	37,661,309
Change in the value of inventories	-362,486	32,496
Other operating revenues	614,794	444,220
Cost of goods, materials and services	32,830,036	24,944,901
Cost of goods sold	11,111,586	4,078,812
Cost of materials	14,062,937	13,582,555
Cost of services	7,655,513	7,283,534
Labour costs	5,358,738	6,446,092
Amortisation	2,756,296	2,888,520
Amortisation and depreciation expense, write-offs	144,956	177,701
Other operating expenses	513,853	431,980
Operating profit	4,751,984	3,248,832
Financial revenues	647,287	914,674
Financial revenues from shares	77,213	203,459
Financial revenues from interests, exchange rate differences and other financial revenues	570,074	711,215
Financial expenses	2,018,270	3,241,532
Financial expenses from shares	0	850
Financial liabilities from interests, exchange rate differences and other financial liabilities	1,272,300	588,035
Financial expenses from revaluation of financial investments	745,970	2,652,647
Financial profit or loss	-1,370,983	-2,326,858
Profit before taxes	3,381,001	921,974
Income tax	850,583	931,949
Net profit or loss for the accounting period	2,530,418	-9,975
Profit per share in SIT	180.97	-0.70

CASH FLOW STATEMENT OF DROGA KOLINSKA, d. d.

In thousands of SIT	2006	2005
Cash flows from operating activities		
Net profit or loss	2,530,418	-9,975
Amortisation	2,756,296	2,888,520
Revaluation	1,846,120	915,304
Opening less closing provisions and grants	-90,458	-12,726
Revenues from sales of fixed assets	-212,733	0
Change in net fixed operating assets	-1,892,895	-1,050,955
Income tax paid	-921,868	-971,409
Cash from operating activities	4,014,880	1,758,759
Cash flows from investing activities		
Interest received	262,907	383,460
Dividends received	77,213	0
Increase in tangible and intangible fixed assets and investment property	-2,409,481	-435,672
Proceeds from the sale of operating fixed assets	629,382	0
Proceeds from the sale of assets available for sale	480,599	0
Increase in long-term financial investments	-1,381,797	-20,290,493
Increase in short-term financial investments	-2,415,482	-2,857,481
Change in assets available for sale	0	5,700,326
Change in own shares	-28,545	-1,414,438
Cash from investing activities	-4,785,204	-18,914,298
Cash flows from financing activities		
Interest paid	-948,849	-420,708
Increase in long-term loans	-2,125,706	15,982,083
Increase in short-term loans	4,822,939	879,543
Dividends paid-out	-946,632	0
Cash generated from financing activities	801,752	16,440,919
Cash and cash equivalents at the end of the period	356,105	324,677
Financing result for the period	31,428	-714,620
Cash and cash equivalents at the beginning of the period	324,677	1,039,297

The cash flow statement has been prepared according to the indirect method and on the basis of balance sheet items from 31 December 2006 and 31 December 2005, the income statement for the year 2006 ended on 31 December 2006 and additional data required for the adjustment of inflows and outflows.

STATEMENT OF CHANGES IN EQUITY OF DROGA KOLINSKA, d. d.

In thousands of SIT	Called-up capital	Capital reserves	Legal reserves	Statutory reserves	Retained earnings	Fair value reserves	Own shares	Total capital
31 December 2005	14,382,915	20,160,172	316,952	2,535,216	6,554,425	62,971	-1,428,538	42,584,113
Entry of net profit or loss for the reporting period	0	0	0	0	2,530,418	0	0	2,530,418
Change in fair value due to the sale of financial assets available for sale	0	0	0	0	0	43,131	0	43,131
Sale of financial assets available for sale	0	0	0	0	0	-87,304	0	-87,304
Acquisition of own shares	0	0	0	0	0	0	-82,854	-82,854
Payments over the book value of divested own shares	0	0	0	0	-13,532	0	0	-13,532
Change in fair value of protected cash flows	0	0	0	0	0	77,553	0	77,553
Payment of dividends	0	0	0	0	-949,882	0	0	-949,882
Payment of rewards in the form of own shares	0	0	0	0	0	0	54,309	54,309
Deferred tax liability	0	0	0	0	0	-2,627	0	-2,627
Entry of other changes in equity	0	0	0	0	0	-123	0	-123
31 December 2006	14,382,915	20,160,172	316,952	2,535,216	8,121,429	93,601	-1,457,083	44,153,202

In thousands of SIT	Called-up capital	Capital reserves	Legal reserves	Statutory reserves	Retained earnings	Fair value reserves	Own shares	Total capital
31 December 2004	14,382,915	20,135,660	316,952	2,535,216	6,280,715	267,613	-14,100	43,904,971
Corrections	0	0	0	0	263,699	0	0	263,699
01 December 2005	14,382,915	20,135,660	316,952	2,535,216	6,544,414	267,613	-14,100	44,168,670
Entry of net profit or loss for the reporting period	0	0	0	0	-9,975	0	0	-9,975
Change in the fair values of derivative financial instruments	0	0	0	0	0	32,750	0	32,750
Sale of financial assets available for sale	0	0	0	0	0	-244,945	0	-244,945
Disposal of own shares	0	24,512	0	0	0	0	14,100	38,612
Acquisition of own shares	0	0	0	0	0	0	-1,428,538	-1,428,538
Entry of the amount of unpaid dividends	0	0	0	0	19,986	0	0	19,986
Entry of other changes in equity	0	0	0	0	0	7,553	0	7,553
31 December 2005	14,382,915	20,160,172	316,952	2,535,216	6,554,425	62,971	-1,428,538	42,584,113

An adjustment of the opening balance of the comparative period of 2005 has been implemented in accordance with IAS 8. The adjustment effect was recorded in retained earnings on 1

January 2005. This adjustment regards the change in the actuarial method for calculating provisions for jubilee rewards and retirement severance pay. The PUCM method was used. An explanation is given in the set of provisions.

DIFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS

During the auditing procedure, reconciliation and adjustments were performed for the 2006 financial year whose results were the following differences between the audited and unaudited unconsolidated financial statements of Droga Kolinska d.d., which were published on SEOnet on 28 February 2007:

- § Due to the implemented adjustments and reconciliation of individual items of the balance sheet of Droga Kolinska d.d., the balance sheet amount is SIT 105,394 thousand higher predominantly due to subsequent adjustments of analytical records on tangible fixed assets, revaluation adjustments performed on inventories and the liability due to injection of capital into an affiliated company. The aforementioned facts had an affect on profit or loss and resulted in a SIT 110,775 thousand increase in capital.
- § Operating profit in the audited statements is SIT 125,169 thousand higher. Audited operating expenses are SIT 161,923 thousand lower, representing other expenses in the amount of SIT 60,822 thousand and costs of goods, materials and services and labour costs in the amount of SIT 101,101 thousand. The reason for the lower costs or lower expenses is predominantly the result of a too high estimation of calculated costs and expenses from the non-conciliation of analytical records on tangible fixed assets with balances in the main ledger. The audited change in value of the inventory of products and work in progress is SIT 34,266 thousand higher due to an adjustment of the calculated production. Other operating revenues were SIT 2,488 thousand higher.
- § Cash flows were SIT 18,972 thousand lower due to additionally recorded financial expenses involving the liability from the injection of capital into an affiliated company.
- § The change in the profit or loss item had a positive effect on corporate income tax and deferred taxes, namely in the amount of SIT 4,578 thousand.

17 AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY DROGA KOLINSKA

BALANCE SHEET OF THE DROGA KOLINSKA GROUP

In thousands of SIT	31. 12. 2006	31. 12. 2005
Fixed Assets	73,431,994	66,422,200
Intangible assets	34,413,646	33,704,025
Tangible fixed assets	37,272,837	31,162,902
Investments in real estate	409,754	290,727
Other fixed assets	585,489	819,058
Long-term deferred tax receivables	750,269	445,487
Short-term Assets	31,310,473	30,457,681
Inventories	8,682,921	7,664,185
Operating receivables	18,256,764	17,537,273
Short-term financial assets	574,307	1,518,612
State tax receivables	87,393	43,422
Cash and cash equivalents	2,949,623	1,304,740
Assets held for sale	759,465	2,389,448
Assets	104,742,467	96,879,881
Capital	54,519,896	48,467,802
Equity	46,280,889	41,724,146
Called-up capital	14,382,915	14,382,915
Capital reserves	19,853,322	19,853,322
Legal reserves	316,953	316,953
Statutory reserves	2,535,216	2,535,216
Retained earnings	9,270,924	6,256,819
Fair value reserves	-17,770	84,667
Own shares	-1,457,083	-1,428,538
Translation reserve	1,396,413	-277,207
Minority shareholder capital	8,239,007	6,743,656
Liabilities to foreign funding sources	50,222,571	48,412,078
Long-term liabilities	23,846,351	26,926,165
Long-term financial liabilities	21,559,701	24,177,356
Long-term operating liabilities	13,177	10,393
Provisions for pensions and similar liabilities	705,913	816,892
Deferred state grants	45,304	47,182
Other reserves	1,257,094	1,604,515
Long-term deferred tax liability	265,161	269,827
Short-term liabilities	26,376,220	21,485,913
Bank overdrafts	236,540	25,509
Short-term financial liabilities	13,147,998	9,558,250
Short-term operating liabilities	12,471,643	11,580,088
Income tax liability	70,634	322,066
Provisions (short-term portion)	449,405	0
Liabilities to funding sources	104,742,467	96,879,880

INCOME STATEMENT OF DROGA KOLINSKA GROUP

In thousands of SIT	2006	2005
Sales revenues	80,964,387	56,052,289
Change in the value of inventories	-125,417	14,091
Other operating revenues	1,610,707	1,045,768
Cost of goods, materials and services	56,314,602	39,688,926
Cost of goods sold	9,288,965	8,807,820
Cost of materials	33,229,561	19,914,991
Cost of services	13,796,076	10,966,114
Labour costs	12,069,648	9,838,313
Amortisation	5,168,830	3,720,881
Amortisation and depreciation expense, write-offs	848,118	813,388
Other operating expenses	1,519,285	1,541,472
Operating profit	6,529,194	1,509,168
Financial revenues	2,183,470	1,191,865
Financial revenues from shares	237,383	230,995
Financial revenues from interests, exchange rate differences and other financial revenues	1,946,087	960,870
Financial expenses	2,829,551	2,095,348
Financial expenses from shares	0	851
Financial liabilities from interests, exchange rate differences and other financial liabilities	2,585,545	1,335,445
Financial expenses from revaluation of financial investments	244,007	759,052
Financial profit or loss	-646,081	-903,483
Profit before taxes	5,883,113	605,685
Income tax	804,070	802,372
Net profit or loss for the accounting period	5,079,043	-196,687
Net profit or loss of the majority owner for the accounting period	4,227,833	-52,249
Net profit or loss of the minority owner for the accounting period	851,209	-144,438
Profit per share	302.36	-3.65

CASH FLOW STATEMENT OF DROGA KOLINSKA GROUP

In thousands of SIT	2006	2005
Cash flows from operating activities		
Net profit or loss for the accounting period	5,079,043	-196,687
Amortisation	5,168,830	3,720,881
Revaluation (exchange rate differences, revenues from financial investments)	2,514,279	2,176,267
Opening less closing provisions and grants	-10,872	-373,109
Revenues from sales of fixed assets	-427,764	-207,968
Change in net fixed operating assets	-1,705,020	-454,222
Income tax paid	-1,157,489	-751,658
Cash generated from operating activities	9,461,007	3,913,504
Cash flows from investing activities		
Interest received	118,358	367,731
Dividends received	4,083	0
Changes in tangible fixed assets, intangible assets and investments in real estate	-11,323,224	-3,554,865
Proceeds from the sale of operating fixed assets	677,592	513,631
Proceeds from the sale of assets available for sale	2,799,719	0
Sale of subsidiary companies, with no cash received	0	180,000
Acquisition of subsidiary companies, with no cash received	-220,459	-21,679,826
Change in long-term financial investments	200,842	1,429,311
Change in short-term financial investments	882,359	-1,225,285
Change in assets available for sale	-2,828	5,588,715
Purchase of own shares	-28,545	-1,414,439
Cash from investing activities	-6,892,104	-19,795,027
Cash flows from financing activities		
Interest paid	-1,444,899	-677,619
Increase in long-term loans	-1,666,449	17,021,040
Increase in short-term loans	3,133,960	-608,484
Dividends paid-out	-946,633	0
Cash generated from financing activities	-924,020	15,734,937
Cash and cash equivalents at the end of the period	2,949,623	1,304,740
Financing result for the period	1,644,883	-146,587
Cash and cash equivalents at the beginning of the period	1,304,740	1,451,327

The cash flow statement has been prepared according to the indirect method and on the basis of balance sheet items as at 31 December 2006 and 1 January 2006, the income statement for the year 2006 ended on 31 December 2006 and additional data required for the adjustment of inflows and outflows.

STATEMENT OF CHANGES IN EQUITY OF DROGA KOLINSKA GROUP

In thousands of SIT	Called-up capital	Capital reserves	Legal reserves	Statutory reserves	Retained earnings	Fair value reserves	Own shares	Translation reserve	Majority equity	Minority equity	Total capital
31 December 2005	14,382,915	19,853,322	316,952	2,535,216	6,256,819	84,667	-1,428,538	-277,207	41,724,146	6,743,656	48,467,802
Entry of net profit or loss for the reporting period					4,227,833				4,227,833	851,209	5,079,043
Change in fair value due to the sale of financial assets available for sale						43,131			43,131		43,131
Sale of financial assets available for sale						-87,304			-87,304		-87,304
Acquisition of own shares							-82,854		-82,854		-82,854
Payments over the book value of divested own shares					-13,532				-13,532		-13,532
Change in fair value of protected cash flows						77,553			77,553		77,553
Liabilities for deferred taxes						-2,627			-2,627		-2,627
Payment of dividends					-949,882				-949,882		-949,882
Payment of rewards in the form of own shares							54,309		54,309		54,309
Change in translation reserves								1,673,620	1,673,620		1,673,620
Entry of other changes in equity					-250,314	-133,190			-383,504		-383,504
Changes in minority shareholder capital									0	644,142	644,142
31 December 2006	14,382,915	19,853,322	316,952	2,535,216	9,270,924	-17,770	-1,457,083	1,396,413	46,280,890	8,239,007	54,519,897

In thousands of SIT	Called-up capital	Capital reserves	Legal reserves	Statutory reserves	Retained earnings	Fair value reserves	Own shares	Translation reserve	Majority equity	Minority equity	Total capital
31 December 2004	14,382,915	19,828,810	316,953	2,535,216	6,001,501	267,613	-14,100	31,158	43,350,066	425,015	43,775,081
Corrections	0	0	0	0	307,920	0	0	0	307,920	0	307,920
01 December 2005	14,382,915	19,828,810	316,953	2,535,216	6,309,421	267,613	-14,100	31,158	43,657,986	425,015	44,083,001
Entry of net profit or loss for the reporting period					-52,249				-52,249		-52,249
Change in the fair values of derivative financial instruments						32,750			32,750		32,750
Sale of financial assets available for sale						-244,945			-244,945		-244,945
Disposal of own shares		24,512					14,100		38,612		38,612
Acquisition of own shares							-1,428,538		-1,428,538		-1,428,538
Entry of other changes in equity					-353	29,249		-308,365	-279,469		-279,469
Change in minority shareholder capital									0	6,318,641	6,318,641
31. December 2005	14,382,915	19,853,322	316,953	2,535,216	6,256,819	84,667	-1,428,538	-277,207	41,724,147	6,743,656	48,467,803

An adjustment of the opening balance of the comparative period of 2005 has been implemented in accordance with IAS 8. The adjustment effect was recorded in retained earnings on 1 January 2005. This adjustment regards the change in the actuarial method for calculating provisions for jubilee rewards and retirement severance pay. The PUCM method was used. An explanation is given in the set of provisions.

COMPOSITION OF THE DROGA KOLINSKA GROUP

The financial statements of the parent company Droga Kolinska, d.d. and those of the subsidiary companies have been included in the consolidated financial statements of the Droga Kolinska Group, d. d., in accordance with IFRS.

Affiliated Company	Company's Headquarters	Ownership Shares
Lasago, d. o. o., Buje	Croatia	75.5% Droga Kolinska, d. o. o., Zagreb
Droga Kolinska, d. o. o., Zagreb	Croatia	100%
Droga, d. o. o., Sarajevo	Bosnia and Herzegovina	100%
Konzum, d. d., Sarajevo	Bosnia and Herzegovina	96.21% Droga, d. o. o., Sarajevo
Argeta, d. o. o., Sarajevo	Bosnia and Herzegovina	72.39% Droga Kolinska, d. d., Ljubljana, with the remaining share owned by Konzum, d. d., Sarajevo
Droga, d. o. o. e. l., Skopje	Macedonia	100%
AD Palanački Kiseljak, Smederevska Palanka	Serbia	79.4%
Grand Kafa, AD, Beograd	Serbia	100%
Štark, AD, Beograd	Serbia	70.52% Grand Kafa, AD, Beograd
Soko Štark, d. o. o. e. l., Skopje	Macedonia	100% Štark, AD, Beograd
Grand Prom, AD, Beograd	Serbia	75%
Unikomerc, d. o. o., Novi Beograd	Serbia	100% Grand Prom, AD, Beograd
VS International, d. o. o., Novi Beograd	Serbia	100% Grand Prom, AD, Beograd
Bonito, AD, Beograd	Serbia	100% Grand Prom, AD, Beograd
Droga Kolinska, d. o. o. e. l., Skopje	Macedonia	100% Grand Prom, AD, Beograd
Slovin Jugokokta, d. o. o. e. l., Skopje	Macedonia	100% Droga Kolinska, d. o. o. e. l., Skopje
DK Trade, d. o. o., Sarajevo	Bosnia and Herzegovina	99% Grand Prom, AD, Beograd, 1% Droga Kolinska, d. d.; Ljubljana
Kofikom, d. o. o., Sarajevo	Bosnia and Herzegovina	100% DK Trade, d. o. o., Sarajevo
Kofikom Produkt, d. o. o., Glavičice	Bosnia and Herzegovina	100% Kofikom, d. o. o., Sarajevo
Soko Štark, d. o. o., Glavičice	Bosnia and Herzegovina	100% Kofikom Produkt, d. o. o., Glavičice
ooo Droga Kolinska, Moskva	Russia	100%
Vivo, d. o. o., Ljubljana	Slovenia	51%
Droga Livsmedel AB, Göteborg	Sweden	100%

The company Kalex Nahrungsmittel GmbH., Dusseldorf is currently undergoing liquidation proceedings and has not been included in the financial statements of the Group.

SIGNIFICANT DATA OF INDIVIDUAL AFFILIATED COMPANIES ON 31 DECEMBER 2006

Companies in the Group	Assets	Liabilities	Capital of the majority shareholder	Share capital of the majority shareholder	Revenues	Net profit or loss of the majority shareholder	Number of employees
Lasago, d. o. o., Buje	294,320	165,597	97,186	87,784	430,990	5,227	7
Droga, d. o. o., Sarajevo	2,136,924	3,012,620	-875,695	664,856	1,182,734	-263,231	5
Konzum, d. d., Sarajevo	1,126,964	335,107	759,866	18,075	98,815	-123,951	4
Droga, d. o. o. e. l., Skopje	697	757	-60	13,107	1,347	-13,169	0
Droga Livsmedel AB, Göteborg	309,627	303,735	5,892	5,300	564,021	-108,178	4
Vivo, d. o. o., Ljubljana	63,504	41,274	11,338	1,980	173,163	4,432	9
Argeta, d. o. o., Sarajevo	7,317,706	4,731,985	2,585,721	2,773,355	269,182	-172,966	64
Droga Kolinska, d. o. o., Zagreb	2,958,352	3,090,886	-132,533	203,462	7,615,431	-284,723	87
AD Palanački Kiseljak, Smederevska Palanka	1,944,269	1,727,502	172,113	566,525	1,741,820	-140,301	126
o.o.o. Droga Kolinska, Moskva	620,970	602,687	18,283	454	2,049,811	-268	49
Grand Prom, AD, Beograd	28,773,187	5,596,140	17,382,785	15,526,118	18,720,483	1,573,681	572
Kofikom, d. o. o., Sarajevo	763,867	730,531	25,003	1,192,323	2,411,654	-242,575	3
Kofikom Produkt, d. o. o., Bjeljina	1,377,793	934,473	332,490	560,559	1,634,643	-90,678	34
Grand Kafa, AD, Beograd	6,495,011	122,880	6,372,131	6,252,549	0	111,184	0
Droga Kolinska, d. o. o. e. l., Skopje	2,646,681	1,829,534	612,860	591,036	3,281,007	5,714	80
Štark, AD, Beograd	12,873,117	8,315,792	3,210,180	4,192,825	12,506,193	1,399,547	1,389
Soko Štark, d. o. o. e. l., Skopje	1,299	0	915	23,969	21,048	-23,057	0
Soko Štark, d. o. o., Banja Luka	1,963	263	1,198	2,484	524,909	-11,979	1
Unikomerc, d. o. o., Novi Beograd	2,998	3,724	-544	498	4,233	-970	0
Bonito, AD, Beograd	774,463	11,399	572,298	574,709	44,066	-7,247	0
VS International, d. o. o., Beograd	183,277	177,037	4,680	4,726	333,763	-7,355	9
DK Trade, d. o. o., Sarajevo	4,463,626	2,914,653	1,143,440	1,188,710	6,413,302	-46,292	143
Slovin Jugokokta, d. o. o. e. l., Skopje	794,292	529,079	198,910	163,368	10,930	-17,034	0
Total	75,924,911	35,177,654	32,498,457	34,608,773	60,033,545	1,545,810	2,586