



DUDA
POLSKI KONCERN MIĘSNY

Annual report 2007

CONSOLIDATED FINANCIAL STATEMENT
FOR PKM DUDA CAPITAL GROUP 2007

We feed millions of Europeans



OPINION OF THE INDEPENDENT STATUTORY AUDITOR

for
the General Meeting of Shareholders and Supervisory Board of
POLSKI KONCERN MIĘSNY DUDA S.A.

We have audited the enclosed consolidated financial statements of the PKM DUDA Group, of which POLSKI KONCERN MIĘSNY DUDA S.A. with registered office in Warsaw, ul. Kłobucka 25, is the parent undertaking, including:

1. the consolidated balance sheet drawn up as on 31 December 2007, which shows assets and liabilities amounting to	PLN 879,648,000;
2. the consolidated profit and loss account for the financial year from 1 January 2007 to 31 December 2007, which shows a net profit amounting to	PLN 40,346,000;
3. the consolidated cash flow statement for the financial year from 1 January 2007 to 31 December 2007, which shows a decrease in cash amounting to	PLN 8,603,000;
4. the statement of changes in consolidated shareholders' equity for the financial year from 1 January 2007 to 31 December 2007, which shows an increase in equity amounting to	PLN 180,535,000;
5. notes.	

The financial statements were drawn up using the full consolidation method. The Management Board of the parent undertaking is responsible for the truth and fairness of the consolidated financial statements drawn up in accordance with International Financial Reporting Standards, and with respect to matters not regulated by the aforementioned standards pursuant to the Accounting Act of 29 September 1994 and the secondary legislation issued pursuant to this Act as well as the requirements concerning issuers of securities admitted to official stock exchange trading or subject to procedures concerning such admission to trading.

Our task was to audit these statements and express an opinion concerning their correctness, truth and fairness.

The audit of consolidated financial statements was conducted pursuant to the provisions of:

1. International Auditing Standards.
2. Chapter 7 of the Accounting Act of 29 September 1994 (Official Journal [Dz.U.] No. 76/2002 item 694 as amended).
3. Professional Standards for Statutory Auditors issued by the Polish National Council of Statutory Auditors.

The audit of consolidated statements was planned and conducted so as to obtain a reasonable basis to express the opinion concerning the statements. The audit concerned in particular the verification of the correctness of the accounting principles adopted by related undertakings and the verification — mostly in a random manner — of the basis for the figures and information included in the consolidated statements as well as the general assessment of the consolidated financial statements presented.

We believe that the audit provides a sufficient basis to express a reliable opinion.

In our opinion, the audited consolidated statements of the PKM DUDA Group, which include figures and notes, give a true and fair view of all information relevant to the assessment of the assets and financial standing of the Group as at 31 December 2007 as well as its financial performance for the financial year from 1 January to 31 December 2007.

The financial statements conform in all material respects to the International Financial Reporting Standards as approved by the European Union, and with respect to matters not regulated by the aforementioned standards to the requirements of the Accounting Act of 29 September 1994 and the secondary legislation issued pursuant to this Act as well as the requirements concerning issuers of securities admitted to official stock exchange trading or subject to procedures concerning such admission to trading; they also comply with the laws applicable to the Group that affect the contents of consolidated financial statements.

The Management Report concerning the activities of the Group is complete within the meaning of para. 9 of IAS 1 and Article 49, para. 2 of the Accounting Act and it complies with the requirements of the Ordinance of the Minister of Finance of 19 October 2005 regarding current and periodical information submitted by issuers of securities (Official Journal [Dz.U.] No. 209/2005 item 1744), and the information contained therein, based on the audited consolidated financial statements, is compatible with these.

Statutory Auditor

Auditing undertaking

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Miroslawa Szóstak
(9718/7302)

An undertaking authorised to audit financial statements, entered under No. 541 in the list of authorised undertakings

Poznań, 9 June 2008

Auditor:
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1. Selected consolidated financial figures

	in thousands PLN		in thousands EUR	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Net revenues from sale of products, merchandise and materials	1 325 332	1 041 207	350 914	267 038
Profit (loss) from operating activity	54 527	62 998	14 437	16 157
Gross profit (loss)	48 395	59 825	12 814	15 343
Net profit (loss)	40 346	50 871	10 683	13 047

Net cash low from operating activity	-1 705	36 979	-451	9 484
Net cash flow from investment activity	-175 290	-83 122	-46 412	-21 318
Net cash low from investment activity	168 392	61 938	44 586	15 885
Net cash low, total	-8 603	15 795	-2 278	4 051

Assets, total	879 648	596 379	245 575	155 664
Liabilities and provisions for liabilities	430 999	328 265	120 324	85 682
Long-term liabilities	106 838	134 082	29 826	34 997
Short-term liabilities	295 261	172 099	82 429	44 920
Equity capital	448 649	268 114	125 251	69 982
Share capital	96 400	48 200	26 912	12 581

No. of shares	96 400 000	48 200 000	96 400 000	48 200 000
Profit (loss) per ordinary share (in PLN / EUR)	0,42	1,06	0,11	0,27
Diluted profit (loss) per ordinary share (in PLN / EUR)				
Book value per one share (in PLN / EUR)	4,65	5,56	1,30	1,45
Diluted book value per share (in PLN / EUR)				
Declared or paid out dividend per share (in PLN / EUR)				

2. Consolidated balance sheet - Assets

(in thousands PLN)

	31.12.2007	31.12.2006
ASSETS		
I Fixed assets	569 167	357 461
1. Intangible and legal assets, of which:	2 324	2 899
goodwill	0	0
2. Goodwill of subsidiary entities	165 438	87 527
3. Fixed tangible assets	358 853	233 968
4. Long-term receivables	967	1 108
from associated entities	0	0
from other entities	967	1 108
5. Long-term investments	38 737	30 663
5.1 Real estate	37 787	29 430
5.2 Intangible and legal assets	0	0
5.3 Long-term financial assets	950	1 233
in associated entities, of which:	0	0
- shares or stock in subsidiary entities valued with ownership of rights method	0	0
- shares or stock in subsidiary entities and inter-dependent not consolidated	0	0
in other entities	950	1 233
5.4 Other long-term investments	0	0
6. Long-term inter-period settlements of accounts	2 848	1 296
6.1 Assets by virtue of deferred income tax	2 848	1 296
6.2 Other inter-period settlements of accounts	0	0
II Current assets	310 481	238 918
1. Inventories	91 438	71 873
2. Short-term receivables	186 390	119 787
2.1 from associated entities	0	0
2.2 from other entities	186 390	119 787
3. Short-term investments	32 653	47 258
3.1 Short-term financial assets	32 643	47 258
a) in associated entities	0	0
b) in other entities	6 981	14 583
c) cash equivalents and other liquid assets	25 662	32 675
3.2 Other short-term investments	10	0
Total assets	879 648	596 379

3. Consolidated balance sheet - liabilities

(in thousands PLN)

	31.12.2007	31.12.2006
LIABILITIES		
I Equity capital	448 649	268 114
1. Share capital	96 400	48 200
2. Amounts due on share capital (negative value)	0	0
3. Own stock (share) (negative value)	0	0
4. Reserve capital	298 183	165 769
5. Minority capital	1 119	823
6. Revaluation capital	0	0
7. Other reserve capital	0	0
8. Exchange rates differences from conversion of subsidiary entities	0	0
positive exchange rate differences	0	0
negative exchange rate differences	0	0
9. Retained profit (loss)	12 883	3 004
10. Net Profit (loss)	40 064	50 318
11. Write offs from net profit during the financial year (negative value)	0	0
II Minority capital	0	0
III Negative goodwill of subsidiary entities	0	0
IV Liabilities and provisions on liabilities	430 999	328 265
1. Provisions on liabilities	3 970	1 097
1.1 Reserve by virtue of deferred income tax	250	22
1.2 Reserve on retirement benefits and similar	1 852	8
a) long-term	240	0
b) short-term	1 612	8
1.3 Other reserves	1 868	1 067
a) long-term	449	0
b) short-term	1 419	1 067
2. Long-term liabilities	106 838	134 082
2.1 Towards associated entities	0	0
2.2 Towards other entities	106 838	134 082
3. Short-term liabilities	295 261	172 099
3.1 To associated entities	0	0
3.2 To other entities	294 938	171 758
a) liabilities by virtue of income tax	763	
b) other short-term liabilities	294 175	
3.3 Special funds	323	341
4. Inter-period settlements of accounts	24 930	20 987
4.1 Negative goodwill	0	0
4.2 Other inter-period settlements of accounts	24 930	20 987
a) long-term	20 511	17 205
b) short-term	4 419	3 782
Total liabilities	879 648	596 379

Book value	448 649	268 114
No. of shares	96 400 000	48 200 000
Book value per share (in PLN)	4,65	5,56
Diluted no. of shares		
Diluted book value per share (in PLN)		

4. Consolidated profit and loss account

(in thousands PLN)

	2007	2006
A. Net sales revenues, of which	1 325 332	1 041 207
- from associated entities	0	0
I. Net revenues from sale of products	724 251	623 472
II. Net revenues from sale of merchandise and materials	601 081	417 735
B. Costs sale of products, commodities and merchandise, of which:	1 172 158	907 242
- to associated entities	0	0
I. Cost of goods sold	641 721	533 738
II. Value of commodities and merchandise, materials sold	530 437	373 504
C. Gross profit (loss) from sales	153 174	133 965
D. Costs of sales	69 433	51 993
E. General administration costs	47 884	38 444
F. Profit (loss) from sales	35 857	43 528
G. Other operating expenses	27 324	24 541
I. Profit from sale of non-financial fixed assets		468
II. Subsidies	9 506	3 487
III. Other operating revenues	17 818	20 586
H. Other operating expenses	8 654	5 071
I. Loss from sale of non-financial fixed assets	113	946
II. Updating the value of non-financial assets	2 110	1 279
III. Other operating expenses	6 431	2 846
I. Profit (loss) from operating activity	54 527	62 998
J. Financial revenues	11 147	6 190
I. Dividends and share in profit, of which		406
- from associated entities	0	0
II. Interests, of which	2 638	567
- from associated entities	0	0
III. Profit from sale of investments	4 161	3 480
IV. Updating the investment value		0
V. Other	4 348	1 737
K. Financial expenses	17 279	9 363
I. Interests, of which	12 851	8 546
- to associated entities	0	0
II. Loss from sale of investment	0	
III. Updating the investment value	1 610	0
IV. Other	2 818	817
V. Profit (loss) from sale of the whole stake or part of shares in the subsidiary entities		
L. Profit (loss) from economic activity	48 395	59 825
M. Results of extraordinary events	0	0
I. Extraordinary gains	0	0

II. Extraordinary losses	0	0
N. Write off goodwill of subsidiary entities	0	0
O. Write off negative value of subsidiary entities	0	0
M. Gross profit (loss)	48 395	59 825
N. Income tax	8 049	8 954
- current	8 972	9 992
- deferred	-923	-1 038
S. Other mandatory decrease in profit (loss increase)		0
T. Share of net profit (loss) of subsidiary entities evaluated by ownership of rights method	0	
O. Result of disposed entities- abandoned activity		
P. Net profit (loss)	40 346	50 871
R. Profit (loss) attributable to minority interest	282	553
S. Profit (loss) attributable to equity holders of the parent	40 064	50 318
Net profit (loss) - annual	40 064	50 318
Average weighted no. of ordinary shares	79 364 932	48 200 000
Profit (loss) per ordinary share (in PLN)	0,50	1,04
Average weighted diluted no. of ordinary shares		
Diluted profit (loss) per ordinary share (in PLN)		

5. Consolidated cash flow statement

(in thousands PLN)

	2007	2006
A. Cash flow from operating activity		
I. Net profit (loss)	40 064	50 318
II. Total adjustments	-41 769	-13 339
1. Minority profit (loss)	282	553
2. Share in net (profit) loss in subsidiary entities evaluated by ownership of rights method		
3. Amortization, of which	27 664	19 928
- write offs from goodwill of subsidiary entities or negative goodwill of subsidiary entities		
4. Profit (loss) by virtue of exchange rate differences	-1 103	-93
5. Interests and share in profit (dividends)	8 314	7 323
6. Profit (loss) from investment activity	-2 662	-5 679
7. Change of reserves	1 150	-164
8. Change of inventories	-6 928	-10 970
9. Change of receivables	-68 689	-19 616
10. Change of short-term liabilities, except loans and credits	6 594	3 403
11. Change of inter-period settlements of accounts	-748	3 005
12. Other adjustments	-5 643	-11 029
III. Net cash flow from operating activity (I+/-II) - indirect method	-1 705	36 979
B. Cash flow from investment activity		
I. Income	18 141	50 182
1. Sale of intangible and legal assets and tangible fixed assets	4 071	3 093
2. Sale of investments in real estate and intangible and legal assets	62	
3. From financial assets, of which	12 446	42 331
a) in associated entities	0	4 919
- sale of financial assets		4 919
- dividends and share in profit		
- redemption of long-term loans granted		
- interests		
- other income from financial assets		
b) in other entities	12 446	37 412
- sale of financial assets	8 200	35 154
- dividends and share in profit		406
- redemption of long-term loans granted	2 530	1 820
- interests	1 716	29
- other income from financial assets		3
4. Other investment income	1 562	4 758

II. Expenses	193 431	133 304
1. Acquisition of intangible and legal assets and tangible fixed assets	99 614	70 993
2. Investments in real estate and intangible and legal assets	3 245	5 317
3. On financial assets, of which	90 218	51 167
a) in associated entities	87 373	21 301
- acquisition of financial assets	87 373	21 301
- short-term loans granted		
b) in other entities	2 845	29 866
- acquisition of financial assets	225	27 336
- short-term loans granted	2 620	2 530
- dividends and other share in profit paid out to minority		
4. Other investment expenses	354	5 827
III. Net cash flow from investment activity (I-II)	-175 290	-83 122
C. Cash flow from investment activity		
I. Income	328 200	156 514
1. Net income from stocks' issue (shares' issue) and other capital instruments and extra charge to capital	143 770	2 170
2. Loans and credits	134 161	123 826
3. Issue of debt securities	50 000	30 000
4. Other financial income	269	518
II. Expenses	159 808	94 576
1. Acquisition of own stock (shares)		
2. Dividends and other payments to shareholders	0	0
3. Other, than payments to shareholders, expenses by virtue of appropriation of profit		
4. Redemption of credits and loans	148 091	55 233
5. Redemption of debt securities		30 000
6. By virtue of financial liabilities		
7. Payments of liabilities by virtue of financial leasing agreements	2 407	963
8. Interests	9 085	7 786
9. Other financial expenses	225	594
III. Net cash flow from financial activity (I-II)	168 392	61 938
D. Total net cash flow (A.III+/-B.III+/-C.III)	-8 603	15 795
E. Balance change of liquid assets, of which	-7 013	15 795
- change of liquid assets by virtue of exchange rate differences	1 590	
F. Liquid assets at the beginning of the period	32 675	16 880
G. Liquid assets at the end of the period (F+/- D), of which	25 662	32 675
- with a restricted ability to administer		

6. Statement of changes in consolidated shareholders' equity

(in thousands PLN)

	Equity attributable to equity holders of the parent						Minority interest	Total
	Share Capital	Reserve Capital	Exchange rates differences from conversion of subsidiary entities	Retained profit	Amounts due on share capital	Total equity		
1 January 2007	48 200	165 923	-154	53 322	0	267 291	823	268 114
Issue - incentive plan for 2007		5 776				5 776		5 776
Issue of shares	48 200					48 200		48 200
Share premium		96 400				96 400		96 400
Distribution of retained profit		39 087		-39 087		0		0
Decrease in reserve capital - exchange rates differences from consolidation		-8 033				-8 033		-8 033
Increase in reserve capital		15				15		15
Decrease in reserve capital - costs of issue		-831				-831		-831
Increase in loss from previous years				-1 352		-1 352		-1 352
Increase in amounts due on share capital						0		0
Decrease in amounts due on share capital						0		0
Acquisition of Ukrainian entity						0	14	14
Release of exchange rates differences from consolidation		-154	154			0		0
Exchange rates differences from consolidation		8 187	-8 187			0		0
Profit attributable to equity holders of the parent				40 064		40 064		40 064
Profit attributable to minority						0	282	282
31 December 2007	96 400	306 370	-8 187	52 947	0	447 530	1 119	448 649

(in thousands PLN)

	Equity attributable to equity holders of the parent						Minority interest	Total
	Share Capital	Reserve Capital	Exchange rates differences from conversion of subsidiary entities	Retained profit	Amounts due on share capital	Total equity		
1 January 2006	48 200	127 638	-21	30 924	0	206 741	-316	206 425
Issue – incentive plan for 2006		5 776				5 776		5 776
Distribution of retained profit		26 535		-26 535		0		0
Decrease in reserve capital - costs of issue		-528				-528		-528
Disposal of subsidiaries		6 093				6 093		6 093
Adjustment for amortisation of goodwill on disposals		430				430		430
Increase in minority capital						0	16	16
Decrease in minority capital						0	570	570
Decrease in profit from previous years				-1 812		-1 812		-1 812
Increase in profit from previous years				427		427		427
Release of exchange rates differences from consolidation		-21	21			0		0
Exchange rates differences from consolidation			-154			-154		-154
Profit attributable to equity holders of the parent				50 318		50 318		50 318
Profit attributable to minority						0	553	553
31 December 2006	48 200	165 923	-154	53 322	0	267 291	823	268 114



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