

**Appendix 1**

Reporting period:

1.1.2010

to

30.6.2010

**Quarterly financial report of entrepreneur -TFI-POD**

Registration number (MB) 03454088

Identification number of subject 010006549

Personal identification number (OIB) 18928523252

Issuer company: PODRAVKA prehrambena industrija d.d., KOPRIVNICA

Postal code and place 48000 KOPRIVNICA

Street and number ANTE STARČEVIĆA 32

E-mail address: [draga.celiscak@podravka.hr](mailto:draga.celiscak@podravka.hr)

Internet adresa: [www.podravka.com](http://www.podravka.com)

Code and name of comune/to 201 KOPRIVNICA

Code and county name 6 KOPRIVNIČKO-KRIŽEVAČKA Number of employees 6.746  
(at quarter end)

Consolidated statement Yes NKD/NWC code: 15

Subsidiaries subject to consolidation (according to IFF Headquarters: Koprivnica Registration number:

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

Book keeping service: \_\_\_\_\_

Contact person: Draga Celiščak

(fill in only surname and name of contact person)

Phone number: 048 651 200 Fascimile: 048 651 805E-mail address: [draga.celiscak@podravka.hr](mailto:draga.celiscak@podravka.hr)Surname and name Vitković Miroslav  
(authorised person for representation)

Disclosure documents:

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

## BALANCE SHEET

as at

30 Juni 2010

Item	AOP code	Last year (net) 31 December	Current year (net)
1	2	3	4
<b>ASSETS</b>			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS	002	2.131.294.388	2.083.397.460
I. INTANGIBLE ASSETS	003	354.486.038	348.422.071
II. TANGIBLE ASSETS	004	1.711.646.007	1.671.044.779
III. NON-CURRENT FINANCIAL ASSETS	005	10.467.739	11.092.202
IV. RECEIVABLES	006	1.105.497	
V. DEFERRED TAX ASSETS	007	53.589.107	52.838.409
C) CURRENT ASSETS	008	1.993.707.566	1.972.853.125
I. INVENTORIES	009	646.839.335	661.905.907
II. RECEIVABLES	010	1.101.946.158	1.050.411.466
III. CURRENT FINANCIAL ASSETS	011	99.652.185	70.783.051
IV. CASH AT BANK AND IN HAND	012	145.269.888	189.752.702
D) PREPAID EXPENSES AND ACCRUED REVENUE	013	11.699.154	10.921.251
E) LOSS BEYOND CAPITAL	014		
F) TOTAL ASSETS	015	4.136.701.108	4.067.171.837
G) OFF-BALANCE RECORDS	016	977.432.372	917.514.161
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
A) CAPITAL AND RESERVES	017	1.632.027.991	1.659.893.540
I. SUBSCRIBED CAPITAL	018	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	019	25.294.074	25.294.074
III. RESERVES FROM PROFIT	020	42.220.550	38.851.562
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022	192.210.400	
VI. LOSS CARRIED FORWARD	023		95.911.600
VII. PROFIT FOR THE BUSINESS YEAR	024		31.158.245
VIII. LOSS FOR THE BUSINESS YEAR	025	288.059.140	
IX. MINORITY INTERESTS	026	34.361.207	34.500.359
B) PROVISIONS	027	29.226.422	28.440.023
C) NON-CURRENT LIABILITIES	028	796.832.112	438.845.717
D) CURRENT LIABILITIES	029	1.446.219.561	1.812.298.967
E) DEFERRED PAYMENT OF COSTS AND ACCRUED REVENUE	030	232.395.022	127.693.589
F) TOTAL - LIABILITIES	031	4.136.701.108	4.067.171.837
G) OFF-BALANCE RECORDS	032	977.432.372	917.514.161
<b>APPENDIX to balance sheet (to be filled in by entrepreneur that prepares consolidated annual financial report)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Subscribed to shareholders in mother company	033	1.597.666.784	1.625.393.181
2. Subscribed to minority interest	034	34.361.207	34.500.359



**PROFIT & LOSS ACCOUNT**

for the period 1.1.2010 to 30.6.2010

Item	AOP code	Last year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUE</b>	<b>035</b>	<b>1.821.813.275</b>	<b>975.222.275</b>	<b>1.754.743.873</b>	<b>927.599.740</b>
1. Sales revenue	036	1.737.645.276	939.502.276	1.662.737.962	880.942.981
2. Revenue from use of own products, goods and services	037	37.353.069	22.871.069	35.730.443	21.072.474
3. Other operating revenues	038	46.814.930	12.848.930	56.275.468	25.584.285
<b>II. OPERATING EXPENSES</b>	<b>039</b>	<b>1.734.195.847</b>	<b>940.595.847</b>	<b>1.648.813.919</b>	<b>875.112.030</b>
1. Impairment of inventories	040		8.622.397		18.876.674
2. Increase of inventories	041	15.173.603		7.546.306	
3. Material costs	042	1.144.615.465	616.050.465	1.086.136.499	560.788.189
4. Staff costs	043	383.830.048	194.990.048	366.502.492	188.378.424
5. Depreciation	044	80.914.394	40.584.394	77.728.202	38.784.101
6. Other costs	045	93.516.805	54.743.805	86.066.768	51.666.308
7. Value adjustment	046	10.382.020	5.746.020	16.253.439	5.455.449
8. Provisions	047	2.895.736	2.895.736	78.195	49.055
9. Other operating costs	048	33.214.982	16.962.982	23.594.630	11.113.830
<b>III. FINANCIAL REVENUES</b>	<b>049</b>	<b>53.599.990</b>	<b>37.137.990</b>	<b>31.883.851</b>	<b>12.942.166</b>
1. Interests, currency differences, dividends and other revenues based on relation with related	050				
2. Interests, currency differences, dividends and other revenues based on relations with not	051	53.599.990	37.137.990	29.828.428	12.867.922
3. Portion of revenue from associated parties and participating interests	052				
4. Unrealized gains (revenues)	053			2.055.423	74.244
5. Other financial revenues	054				
<b>IV. FINANCIAL EXPENSE</b>	<b>055</b>	<b>117.142.068</b>	<b>56.394.068</b>	<b>97.994.289</b>	<b>36.364.966</b>
1. Interests, currency differences and other expenses with related parties	056				
2. Interests, currency differences and other expenses with unrelated parties and other entities	057	100.629.271	41.005.271	70.100.780	35.322.828
3. Unrealized loss (expense) from financial assets	058	16.512.797	15.388.797	27.893.509	1.042.138
4. Other financial expense	059				
<b>V. EXTRA - OTHER REVENUES</b>	<b>060</b>				
<b>VI. EXTRA - OTHER EXPENSE</b>	<b>061</b>				
<b>VII. TOTAL REVENUES</b>	<b>062</b>	<b>1.875.413.265</b>	<b>1.012.360.265</b>	<b>1.786.627.724</b>	<b>940.541.906</b>
<b>VIII. TOTAL EXPENSE</b>	<b>063</b>	<b>1.851.337.915</b>	<b>996.989.915</b>	<b>1.746.808.208</b>	<b>911.476.996</b>
<b>IX. PROFIT BEFORE TAX</b>	<b>064</b>	<b>24.075.350</b>	<b>15.370.350</b>	<b>39.819.516</b>	<b>29.064.910</b>
<b>X. LOSS BEFORE TAX</b>	<b>065</b>				
<b>XI. INCOME TAX</b>	<b>066</b>	<b>6.588.653</b>	<b>4.307.653</b>	<b>8.332.124</b>	<b>5.735.043</b>
<b>XII. PROFIT IN THE PERIOD</b>	<b>067</b>	<b>17.486.697</b>	<b>11.062.697</b>	<b>31.487.392</b>	<b>23.329.867</b>
<b>XIII. LOSS IN THE PERIOD</b>	<b>068</b>				
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated annual financial report)</b>					
<b>XIV.* PROFIT SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY</b>	<b>069</b>	<b>17.308.224</b>	<b>11.107.224</b>	<b>31.158.245</b>	<b>23.551.720</b>
<b>XV.* PROFIT SUBSCRIBED TO MINORITY INTERESTS</b>	<b>070</b>	<b>178.473</b>	<b>-44.527</b>	<b>329.147</b>	<b>-221.853</b>
<b>XVI.* LOSS SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY</b>	<b>071</b>				
<b>XVII.* LOSS SUBSCRIBED TO MINORITY INTEREST</b>	<b>072</b>				

## CASH FLOW STATEMENT - INDIRECT METHOD

for the period 1.1.2010 to 30.6.2010

Item 1	AOP code 2	Last year 3	Current year 4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	24.075.350	39.819.516
2. Depreciation	074	80.914.394	77.728.202
3. Increase in current liabilities	075		
4. Decrease in current receivables	076	191.679.000	58.004.000
5. Decrease in inventories	077		
6. Other increase in cash flow	078		
<b>I. Total increase in cash flow from operating activities</b>	<b>079</b>	<b>296.668.744</b>	<b>175.551.718</b>
1. Decrease in current liabilities	080	63.250.000	85.265.000
2. Increase in current receivables	081		
3. Increase in inventories	082	46.356.000	20.078.000
4. Other decrease in cash flow	083	8.540.000	6.505.904
<b>II. Total decrease in cash flow from operating activities</b>	<b>084</b>	<b>118.146.000</b>	<b>111.848.904</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>	<b>178.522.744</b>	<b>63.702.814</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>		
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash inflows from sales of non-current tangible and intangible assets	087	2.583.000	6.177.000
2. Cash inflows from sales of ownership and debt instruments	088		11.500.000
3. Interest income	089		6.540.000
4. Dividend income	090		
5. Other cash inflows from investing activities	091		460.000
<b>III. Total cash inflows from investing activities</b>	<b>092</b>	<b>2.583.000</b>	<b>24.677.000</b>
1. Cash outflow for purchase of non-current tangible and intangible assets	093	53.236.000	39.248.000
2. Cash outflow for acquisition of ownership and debt financial instruments	094	5.198.000	
3. Other cash outflow for investing activities	095	39.663.000	476.000
<b>IV. Total cash outflow for investing activities</b>	<b>096</b>	<b>98.097.000</b>	<b>39.724.000</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>		
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>95.514.000</b>	<b>15.047.000</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issue of ownership and debt financial instruments	099		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	100	510.814.000	403.085.000
3. Other proceeds from financial activities	101		
<b>V. Total cash inflows from financial activities</b>	<b>102</b>	<b>510.814.000</b>	<b>403.085.000</b>
1. Cash outflow for repayment of credit principal and bonds	103	658.040.000	404.416.000
2. Cash outflow for dividends paid	104		
3. Cash outflow for financial lease	105	1.195.000	2.842.000
4. Cash outflow for purchase of treasury shares	106	6.390.000	
5. Other cash outflow for financial activities	107		
<b>VI. Total cash outflow for financial activities</b>	<b>108</b>	<b>665.625.000</b>	<b>407.258.000</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>109</b>		
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>110</b>	<b>154.811.000</b>	<b>4.173.000</b>
Total increase in cash flow	111	178.522.744	63.702.814
Total decrease in cash flow	112	250.325.000	19.220.000
Cash and cash equivalents at the beginning of the period	113	270.609.000	145.269.888
Increase of cash and cash equivalents	114		44.482.814
Decrease of cash and cash equivalents	115	71.802.256	
Cash and cash equivalents at the end of the period	116	198.806.744	189.752.702



**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**

from **1.1.2010** to **30.6.2010**

Item	AOP code	31.12. Last year	Increase	Decrease	Current year
1	2			3	4
1. Subscribed capital	117	1.626.000.900			1.626.000.900
2. Capital reserves	118	25.294.074			25.294.074
3. Reserves from profit	119	44.465.550			44.465.550
4. Retained earnings or loss carried forward	120	192.210.400		288.122.000	-95.911.600
5. Profit or loss for the bussines year	121	-288.059.140	31.158.245	-288.059.140	31.158.245
6. Revaluation tangible assets	122				0
7. Revaluation intangible assets	123				0
8. Revaluation non-current financial assets	124				0
9. Other revaluation	125				0
10. Effect of changes in foreign exchange rates	126	-2.245.000		3.368.988	-5.613.988
11. Deffered taxes	127				0
12. Protection of cash flow	128				0
13. Change of accounting policy	129				0
14. Correction significant mistakes of previous period	130				0
15. Other changes of capital	131	34.361.207	139.152		34.500.359
<b>16. Total increase or decrease of equity</b>	<b>132</b>	<b>1.632.027.991</b>	<b>31.297.397</b>	<b>3.431.848</b>	<b>1.659.893.540</b>
16a. Subscribed to shareholders in mother company	133	1.597.666.784	31.158.245	3.431.848	1.625.393.181
16b. Subscribed to minority interest	134	34.361.207	139.152	0	34.500.359

## Notes

There have been no changes in accounting policies of the Podravka Group in the observed period.



COMPANY MANAGEMENT

Koprivnica, 30 July 2010

## **INTERIM MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE SECOND QUARTER AND THE PERIOD JANUARY – JUNE 2010**

The Podravka Group achieved operating income in the amount of 1.75 billion HRK in the period January – June 2010, which is a 4% decrease compared to the same period of last year.

Within the operating income structure 95% or 1.66 billion HRK belongs to sales revenue which compared to the previous year is 4% lesser. This sales drop is generated by the sales drop of both the SBA Food and beverages by 4% and the SBA Pharmaceuticals by 6%.

The sales of the SBA Food and beverages recorded a growth of 2% on foreign markets while on the domestic market, where there are still no traces of recovery of domestic consumption, a sales drop of 11% was realised. The SBA Pharmaceuticals achieved sales in the amount of 346.9 million HRK, which represents a sales drop of 6% compared to the same period of the year before. The quoted drop arises from lower sales on the Croatian market (-11%), which is partly a result of the price reduction announced in advance. The new General and Additional List of Drugs of the Croatian Health Insurance Institute (HZZO) came into effect and the end of June with lower prices so customers reduced their supplies awaiting price cuts.

The total operating costs/expenses reached the amount of 1.65 billion HRK, recording a bigger drop (-5%) compared to the drop of operating profit.

Material costs, which within the operating costs/expenses structure participate with 66%, have been reduced 5%. A 5% reduction also occurred in labour costs.

The realised net profit in the observed period totalled 31.2 million HRK and is 80% higher compared to the same period of the previous year.

Sales revenue in the amount of 880.9 million HRK was realised in the second quarter of the current year which compared to the same quarter of last year is a 6% decrease.

Operating costs/expenses in the second quarter have been reduced by 7% where material costs recorded a drop of 9% and labour costs are 3% less.

The realised net profit in the second quarter is 23.6 million HRK.

There were no significant changes in assets and funding sources compared to the end of last year. Reductions of long term tangible assets (higher amortisation on investments) and trade accounts receivable were noticed.

Despite the fact that at the beginning of the year liabilities arising from the Bill Financing Agreement concluded with Fima Grupa d.d. in the amount of 102.7 million HRK were settled, the group did not increase its indebtedness compared to the end of the previous year.

However, certain changes in the indebtedness structure did occur (reclassification of bonds from long-term financing sources into short-term).

PODRAVKA d.d., Koprivnica, Ante Starčevića 32, Commercial Court of Bjelovar, Company no. MBS 010006549,  
Privredna banka Zagreb d.d., Zagreb, Račkoga 6, Giro account no. 2340009-1100098526, Share capital 1,626,000,900.00 HRK  
paid in full, Number of shares: 5,420,003, Nominal share value: 300.00 HRK, President of the Supervisory Board: Lj. Jurčić,  
President of the Management Board: M. Vitković, Board members: K. Bešvir, L. Kljajić, M. Pucar, M. Repić



MANAGEMENT BOARD

Koprivnica, 30 July 2010

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements for the period January – June 2010 have been prepared in accordance with the Croatian Accounting Act and International Financial Reporting Standards (IFRS) which give a true and fair view of the state of affairs and results of Podravka d.d. and its subsidiaries (“the Podravka Group”) for that period.

There have been no changes in accounting policies of the Podravka Group in the observed period.

Accounting Dept. Director

Draga Celiščak

Member of the Board for Finance

Lidija Kljajić