

Appendix 1

Reporting period:

01.01.2011.

do

30.06.2011.

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 STARČEVIČA 32**E-mail address: podravka@podravka.hrInternet address: www.podravka.comCode and name of comune/town | 201 | **KOPRIVNICA**Code and county name | 6 | **KOPRIVNIČKO-KRIŽEVAČKA**Number of employees | **6.531**
(at quarter end)Consolidated statement | **Yes**NKD/NWC code: | **1039**

Subsidiaries subject to consolidation (according to IFRS):

Registration number:

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

Book keeping service: | |

Contact person: **Celiščak Draga**

(fill in only surname and name of contact person)

Phone number: **048 651 200**Fascimile: **048 651 805**E-mail address: draga.celiscak@podravka.hrSurname 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

M.P.

**PODRAVKA**

PREHRAMBENA INDUSTRIJA d.d.

KOPRIVNICA 173

(signed by authorised person for representation)

BALANCE SHEET
as at 30.06.2011.

Liabe entity: Podravka Food Processing Industry, Incorporated.

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	2.056.625.198	2.010.846.797
I. INTANGIBLE ASSETS (004 to 009)	003	352.332.661	347.477.753
1. Assets development	004	4.235.380	4.008.195
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	285.308.114	278.027.132
3. Goodwill	006	44.293.000	44.293.000
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	18.496.167	21.149.426
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	1.642.820.313	1.603.222.703
1. Land	011	176.061.299	176.055.454
2. Buildings	012	966.278.616	942.566.379
3. Plant and equipment	013	418.780.995	405.256.144
4. Tools, facility inventory and transport assets	014	23.292.232	22.795.225
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	5.361.777	5.703.274
7. Tangible assets in progress	017	49.188.929	46.997.234
8. Other tangible assets	018	3.856.465	3.848.993
9. Investments in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	9.142.431	6.957.769
1. Investments (shares) with related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interest (shares)	023	330.000	330.000
4. Loans to entrepreneurs in whom the entity holds participating interests	024	0	0
5. Investments in securities	025	1.274.116	1.272.199
6. Loans, deposits and similar assets	026	7.538.295	5.355.570
7. Other long - term financial assets	027	20	0
8. Investments accounted by equity method	028	0	0
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables from based on trade loans	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	52.329.793	53.188.572
C) SHORT TERM ASSETS (035+043+050+058)	034	1.933.337.889	1.934.103.847
I. INVENTORIES (036 to 042)	035	692.093.776	704.027.977
1. Raw-material and supplies	036	222.393.816	220.581.598
2. Work in progress	037	36.289.847	35.474.738
3. Finished goods	038	246.637.351	264.680.892
4. Merchandise	039	186.772.762	183.290.749
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sales	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	991.603.792	1.025.728.507
1. Receivables from related parties	044	0	0
2. Accounts receivable	045	946.272.822	991.796.376
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of related parties	047	2.518.619	2.080.311
5. Receivables from government and other institutions	048	34.687.811	22.505.016
6. Other receivables	049	8.124.540	9.346.804
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	97.276.862	68.267.803
1. Shares (stocks) in related parties	051	0	0
2. Loans given to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to entrepreneurs in whom the entity holds participating interests	054	0	0
5. Investments in securities	055	41.935.216	12.361.838
6. Loans, deposits, etc.	056	46.170.596	46.052.691
7. Other financial assets	057	9.171.050	9.853.274
IV. CASH AT BANK AND IN CASHIER	058	152.363.459	136.079.560
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	18.226.022	24.512.490
E) TOTAL ASSETS (001+002+034+059)	060	4.008.189.109	3.969.463.134
F) OFF-BALANCE RECORDS	061	807.562.291	843.173.312

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.634.817.706	1.688.156.960
I. SUBSCRIBED CAPITAL	063	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	064	22.337.176	22.337.176
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	59.331.755	60.681.000
1. Reserves prescribed by law	066	19.785.012	19.785.012
2. Reserves for treasury shares	067	35.344.592	35.344.592
3. Treasury stocks and shares (deduction)	068	67.604.502	67.604.502
4. Statutory reserves	069	28.036.954	30.705.853
5. Other reserves	070	43.769.699	42.450.045
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-191.434.600	-110.599.836
1. Retained earnings	073	0	0
2. Accumulated loss	074	191.434.600	110.599.836
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	84.235.325	55.566.875
1. Profit for the current year	076	84.235.325	55.566.875
2. Loss for the current year	077	0	0
IX. MINORITY INTERESTS	078	34.347.150	34.170.845
B) PROVISIONS (080 to 082)	079	30.037.638	30.325.685
1. Provisions for pensions, severance pay, and similar liabilities	080	22.431.979	22.316.669
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	7.605.659	8.009.016
C) LONG - TERM LIABILITIES (084 to 092)	083	566.097.840	975.843.248
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	558.956.840	968.222.248
4. Liabilities for received prepayments	087	0	0
5. Accounts payable	088	0	0
6. Liabilities arising from debt securities	089	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090	0	0
8. Other long-term liabilities	091	0	0
9. Deferred tax liability	092	7.141.000	7.621.000
D) SHORT - TERM LIABILITIES (094 to 105)	093	1.682.185.308	1.165.163.342
1. Liabilities to related parties	094	0	0
2. Liabilities for loans, deposits etc.	095	12.068	0
3. Liabilities to banks and other financial institutions	096	472.129.696	451.522.446
4. Liabilities for received prepayments	097	2.705.585	1.010.392
5. Accounts payable	098	496.474.625	499.136.011
6. Liabilities arising from debt securities	099	507.084.963	7.921.592
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	0	0
8. Liabilities to employees	101	61.340.528	70.056.692
9. Liabilities for taxes, contributions and similar fees	102	13.024.738	14.615.446
10. Liabilities to share - holders	103	686.698	686.698
11. Liabilities for long-term assets held for sale	104	0	0
12. Other short - term liabilities	105	128.726.407	120.214.065
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	95.050.617	109.973.899
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	107	4.008.189.109	3.969.463.134
G) OFF-BALANCE RECORDS	108	807.562.291	843.173.312
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	1.600.470.556	1.653.986.115
2. Attributed to minority interest	110	34.347.150	34.170.845

PROFIT AND LOSS ACCOUNT
for the period 01.01.2011. do 30.06.2011.

Liabe entity: Podravka Food Processing Industry, Incorporated.

Item	AOP code	Last year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUE (112+113)	111	1.713.096.391	903.579.145	1.787.754.899	975.887.241
1. Sales revenue	112	1.662.737.962	880.942.981	1.724.170.735	927.105.096
2. Other operating revenues	113	50.358.429	22.636.164	63.584.164	48.782.145
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.607.166.437	851.091.435	1.684.873.486	916.419.836
1. Changes in value of work in progress and finished products	115	-7.546.306	18.876.674	-17.432.341	9.986.891
2. Material costs (117 to 119)	116	1.042.334.425	539.073.128	1.130.678.123	603.524.651
a) Raw material and material costs	117	553.785.546	270.340.297	611.688.273	317.196.324
b) Costs of goods sold	118	218.995.734	120.230.386	251.957.239	133.314.214
c) Other external costs	119	269.553.145	148.502.445	267.032.611	153.014.113
3. Staff costs (121 to 123)	120	366.502.492	188.378.424	361.244.754	189.115.124
a) Net salaries and wages	121	254.038.067	124.133.287	252.278.764	125.518.017
b) Cost for taxes and contributions from salaries	122	71.848.211	40.919.598	69.083.657	40.225.154
c) Contributions on gross salaries	123	40.616.214	23.325.539	39.882.333	23.371.953
4. Depreciation	124	77.728.202	38.784.101	78.881.546	39.106.443
5. Other costs	125	89.100.677	49.831.581	97.783.346	56.632.192
6. Impairment (127+128)	126	16.253.439	5.455.449	6.524.815	4.884.015
a) Impairment of long-term assets (financial assets excluded)	127	0	0	0	0
b) Impairment of short - term assets (financial assets excluded)	128	16.253.439	5.455.449	6.524.815	4.884.015
7. Provisions	129	78.195	49.055	272.830	270.720
8. Other operating costs	130	22.715.313	10.643.023	26.920.413	12.899.800
III. FINANCIAL INCOME (132 to 136)	131	31.883.851	12.942.166	26.108.532	13.361.408
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	0	0	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non - related	133	29.828.428	12.869.766	23.448.324	13.787.181
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	2.055.423	72.400	2.660.208	-425.773
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	97.994.289	36.364.966	62.039.438	32.529.508
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related	138	0	0	0	0
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	70.100.780	35.322.828	58.215.472	32.527.006
3. Unrealized losses (expenses) on financial assets	140	27.893.509	1.042.138	3.823.966	2.502
4. Other financial expenses	141	0	0	0	0
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	1.744.980.242	916.521.311	1.813.863.431	989.248.649
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.705.160.726	887.456.401	1.746.912.924	948.949.344
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	39.819.516	29.064.910	66.950.507	40.299.305
1. Profit before taxation (146-147)	149	39.819.516	29.064.910	66.950.507	40.299.305
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	8.332.124	5.735.043	11.535.549	10.728.582
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	31.487.392	23.329.867	55.414.958	29.570.723
1. Profit for the period (149-151)	153	31.487.392	23.329.867	55.414.958	29.570.723
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated financial report)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155	31.158.307	23.551.441	55.566.875	29.749.657
2. Attributed to minority interest	156	329.085	-221.574	-151.917	-178.934
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	31.487.392	23.329.867	55.414.958	29.570.723
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	8.877.447	-115.441	-1.072.388	-887.288
1. Exchange differences on translation of foreign operations	159	8.877.447	-115.441	-1.072.388	-887.288
2. Movements in revaluation reserves of long - term tangible and intangible assets	160				
3. Profit or loss from reevaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	167	8.877.447	-115.441	-1.072.388	-887.288
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	40.364.839	23.214.426	54.342.570	28.683.435
APPENDIX to Statement of other comprehensive income (to be filled in by entrepreneur that prepares consolidated financial report)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169	40.225.687	23.551.441	54.518.875	28.881.277
2. Attributed to minority interest	170	139.152	-337.015	-176.305	-197.842

STATEMENT OF CASH FLOWS - INDIRECT METHOD
for the period 01.01.2011. do 30.06.2011.

Liabile entity: Podravka Food Processing Industry, Incorporated.

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	39.819.516	66.950.507
2. Depreciation	002	77.728.202	78.881.546
3. Increase in short term liabilities	003		15.881.749
4. Decrease in short term receivables	004	58.004.000	
5. Decrease in inventories	005		
6. Other increase in cash flow	006		9.565.500
I. Total increase in cash flow from operating activities (001 to 006)	007	175.551.718	171.279.302
1. Decrease in short term liabilities	008	85.265.000	
2. Increase in short term receivables	009		28.890.963
3. Increase in inventories	010	20.078.000	10.003.975
4. Other decrease in cash flow	011	6.505.904	29.084.607
II. Total decrease in cash flow from operating activities (008 to 011)	012	111.848.904	67.979.545
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013	63.702.814	103.299.757
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	6.177.000	777.000
2. Cash inflows from sales of equity and debt instruments	016	11.500.000	11.204.000
3. Interests receipts	017	6.540.000	3.315.000
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	460.000	2.319.000
III. Total cash inflows from investing activities (015 to 019)	020	24.677.000	17.615.000
1. Cash outflow for purchase of long-term tangible and intangible assets	021	39.248.000	34.851.000
2. Cash outflow for acquisition of equity and debt financial instruments	022		
3. Other cash outflow for investing activities	023	476.000	224.872
IV. Total cash outflow for investing activities (021 do 023)	024	39.724.000	35.075.872
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026	15.047.000	17.460.872
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	403.085.000	596.913.000
3. Other proceeds from financial activities	029		
V. Total cash inflows from financial activities (027 to 029)	030	403.085.000	596.913.000
1. Cash outflow for repayment of credit principal and bonds	031	404.416.000	696.993.000
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	2.842.000	2.042.000
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035		
VI. Total cash outflow for financial activities (031 to 035)	036	407.258.000	699.035.000
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038	4.173.000	102.122.000
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	44.482.814	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	16.283.115
Cash and cash equivalents at the beginning of the period	041	145.269.888	152.362.675
Increase of cash and cash equivalents	042	44.482.814	
Decrease of cash and cash equivalents	043		16.283.115
Cash and cash equivalents at the end of the period	044	189.752.702	136.079.560

STATEMENT OF CHANGES IN EQUITY
for the period 1.1.2011 do 30.6.2011

Item	AOP code	Last year	Current year
1	2	3	4
1. Subscribed capital	001	1.626.000.900	1.626.000.900
2. Capital reserves	002	22.337.176	22.337.176
3. Reserves from profit	003	59.331.755	60.681.000
4. Retained earnings or accumulated loss	004	-191.434.600	-110.599.836
5. Profit or loss for the current year	005	84.235.325	55.566.875
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	34.347.150	34.170.845
10. Total capital and reserves (AOP 001 do 009)	010	1.634.817.706	1.688.156.960
11. Currency gains and losses arising from net investement in foreign operations	011	13.374.000	-1.047.580
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policy	014		
15. Correction of significant errors in prior period	015		
16. Other changes of capital	016	82.347.715	54.386.834
17. Total increase or decrease in capital (AOP 011 do 016)	017	95.721.715	53.339.254
17 a. Attributed to equity holders of parent company	018	95.735.715	53.515.559
17 b. Attributed to minority interest	019	-14.000	-176.305

Notes

Main business characteristics and significant events in 2011

1. The total sales of the Podravka Group in the first six months of 2011 amounted to 1,724.2 million HRK, which represents a 4% sales growth compared to the same period of last year. Sales of the Strategic Business Area (SBA) Food and Beverages totalled 1,369.1 million HRK, which is a sales growth of 4% while the sales of the SBA Pharmaceuticals were 355.1 million HRK, representing a sales growth of 2%.
2. The operating profit (EBIT) of the Podravka Group is 37% higher than last year and amounts to 102.2 million HRK, while the operating margin (EBIT margin) is 5.9%.
3. The realised net profit of the Podravka Group is 78% higher than last year and amounts to 55.6 million HRK, while the net margin is 3.2%.
4. Podravka d.d. redeemed bonds in the amount of 375 million HRK on the due date of 17 May 2011. These bonds were included on the Official Market of the Zagreb Stock Exchange under the symbol PODR-O-115A.
5. For the third time Lino baby food has been crowned with the Trusted Brand Award awarded by the Reader's Digest magazine based on the assessments of their readers. This is one of the biggest European researches on consumers' trust in consumer goods, organised in 16 countries.
6. Vegeta was awarded with the "TOVAR GODA 2010" (Product of the Year 2010) award in Latvia and Lithuania which has confirmed Podravka's leading position on the markets of the Baltic region.
7. The sales of 576,880 shares of Podravka d.d. in the ownership of FIMA AMI Ltd. was executed on 19 July 2011. The average price of shares in the transaction was 312.87 HRK and the buyers were the mandatory pension funds (75.57%), voluntary pension funds (4.27%), other domestic funds (17.44%), insurances (1.59%) and foreign investors (1.13%).

The accounting policy in 2011 year did not change.



COMPANY MANAGEMENT

Koprivnica, 29 July 2011

INTERIM MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – JUNE 2011 AND THE SECOND QUARTER OF 2011

The Podravka Group achieved operating income in the amount of 1.788 billion HRK in the period January – June 2011, which is a 4% increase compared to the same period of the year before. Sales revenue of the Podravka Group was realized in the amount of 1.724 billion HRK and is 4% higher compared to the same period of the year 2010.

Sales of the SBA Food and Beverages totalled 1.369 billion HRK and compared to the same period of the year 2010 show an increase of 4%. The sales growth results from increased sales on foreign markets (5%) and on the market of Croatia where sales grew 3% in the observed period. Foreign markets which recorded sales growth within the SBA Food and Beverages were the markets of South-East Europe (5%), where the markets of Serbia (13%) and Bosnia and Herzegovina (4%) are the most prominent, then the markets of Central Europe (7%) with the Czech Republic (17%) and Poland (12%) and the markets of Western Europe, overseas countries and the Orient (5%) with the highest sales growth on the markets of Austria (49%) and Australia (12%).

The SBA Pharmaceuticals achieved sales in the amount of 355.1 million HRK, which is a sales growth of 2% compared to the same period of the year 2010. Foreign markets recorded sales growth within the SBA Pharmaceuticals of 9% with the highest contribution coming from the market of Bosnia and Herzegovina (9%) and significant growth was also recorded on the markets of Slovenia (44%), Russia (4%) and Turkey (170%). At the same time sales on the domestic market dropped 2% and this decline on the market of Croatia results from the drop of sales of both prescription drugs (-3%) and the non-prescription program (-1%). Although the sales of prescription drugs dropped, some product groups achieved growth of which the most significant growth was achieved by drugs acting on the nervous system (10%) and drugs for systematic infection (9%). OTC drugs (15%) within the group of non-prescription products recorded growth which is based on the growth of sales of Neofen and Lupocet.

The total operating costs/expenses amounted to 1.684 billion HRK and have increased 4.7%. Material costs cover 67% of operating costs/expenses and have increased compared to the same period of last year by 8.4%. The increase of material costs is mostly effected by increased costs of raw material and material and higher input prices. Employee costs (21.4%) which recorded a drop of 1,5% have a significant share in the structure of operating costs/expenses.



COMPANY MANAGEMENT

The realised net profit is 55.6 million HRK and is 78% higher than the realised net profit in the same period of the year before. Income resulting from insurance recoveries in the amount of 23.7 million HRK had significant influence on the realised net profit within the SBA Pharmaceuticals.

The total value of assets of the Podravka Group as of 30 June 2011 was 3.969 billion HRK and compared to the balance as of 31 December 2010 has been reduced by 38.8 million HRK.

The total indebtedness of the Podravka Group in the first quarter of the year has been reduced by 102 million HRK compared to the indebtedness at the year end of 2010.

In the last quarter of 2010, the Management Board of Podravka d.d. brought the Decision on refinancing short term indebtedness (short term facilities, commercial papers and bonds) through a syndicated loan in the amount of 100 million EUR for a term of five years.

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

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

President of the Management Board:

Miroslav Vitković



Koprivnica, 29 July 2010

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements for the period January – June 2011 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