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HALF-YEAR REPORT

KOFOLA S.A. GROUP

I. half-year 2010

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1 Condensed interim consolidated financial statements KOFOLA S.A. Group

1.1 Consolidated income statement

for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009.

	Note	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Continuing operations			
Revenue from the sale of finished products and services	4.1,4.2	551 600	693 699
Revenue from the sale of goods and materials	4.1,4.2	13 060	51 073
Revenue		564 660	744 772
Cost of products and services sold	4.3	(316 375)	(428 107)
Cost of goods and materials sold	4.3	(10 856)	(45 351)
Total cost of sales		(327 231)	(473 458)
Gross profit		**237 429**	**271 314**
Selling, marketing and distribution costs	4.3	(180 847)	(186 852)
Administrative costs	4.3	(35 500)	(43 599)
Other operating income		1 713	3 669
Other operating expenses		(2 438)	(4 340)
Operating result		**20 357**	**40 192**
Financial income	4.4	3 428	1 266
Financial expense	4.5	(10 138)	(21 742)
Profit before tax		**13 647**	**19 716**
Income tax	4.8	(3 804)	(8 429)
Net profit on continued activity		**9 843**	**11 287**
Discontinued activity			
Net profit on discontinued activity		-	-
Net profit for the financial year		**9 843**	**11 287**
Assigned to:			
Shareholders of the parent company		10 036	8 726
Non-controlling interests shareholders		(193)	2 561
Earnings per share (in PLN)			
- basic earnings per share	4.10	0,3835	0,3334
- basic earnings per share from continuing operations	4.10	0,3835	0,3334
- diluted earnings per share	4.10	0,3820	0,3334
- diluted earnings per share from continuing operations	4.10	0,3820	0,3334

1.2 Consolidated statement of comprehensive income

for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009.

	Note	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Net profit for the financial year		**9 843**	**11 287**
Other comprehensive income (gross)			
Currency differences from translation of foreign subsidiaries		18 293	11 906
Fair value gains on available-for-sale financial assets	4.14	-	2 830
Cash flow hedges		23	(998)
Other		-	(165)
Income tax relating to components of other comprehensive income	4.8	(5)	(348)
Other comprehensive income for the period (net)		**18 311**	**13 225**
Total comprehensive income for the period	1.5	**28 154**	**24 512**
Assigned to:			
Shareholders of the parent company	1.5	23 127	21 554
Non-controlling interests shareholders	1.5	5 027	2 958

1.3 Consolidated balance sheet

as at 30 th of June 2010, 31st of December 2009 and 30 th of June 2009.

ASSETS	Note	30.6.2010	31.12.2009	30.6.2009
Fixed assets		**929 141**	**946 812**	**1 021 176**
Tangible fixed assets		566 398	574 576	645 152
Goodwill		111 998	111 693	112 655
Intangible fixed assets		225 886	223 536	229 879
Investment in subsidiaries and associates		-	-	-
Financial assets available for sale	4.13	-	11 522	12 495
Other financial assets		521	2 085	1 065
Deferred tax assets		24 338	23 400	19 930
Current assets		**492 980**	**444 997**	**542 439**
Inventories		134 598	107 840	166 362
Trade receivables and other receivables		292 985	266 408	325 858
Income tax receivables		7 912	2 339	2 501
Cash and cash equivalents		36 835	50 503	24 066
Other financial assets		146	1 500	-
Assets (group of assets) held for sale	4.14	20 504	16 407	23 652
TOTAL ASSETS		**1 422 121**	**1 391 809**	**1 563 615**
LIABILITIES AND EQUITY				
Equity assigned to the shareholders of the parent company		**524 887**	**526 210**	**482 407**
Share capital	1.5	26 173	26 173	26 173
Other capital	1.5	495 592	502 951	512 931
Retained earnings	1.5	3 122	(2 914)	(56 697)
Equity assigned to the non-controlling interests shareholders	1.5	**47 909**	**42 882**	**37 417**
Total equity		**572 796**	**569 092**	**519 824**
Long-term liabilities		**209 524**	**200 179**	**278 687**
Bank credits and loans		89 522	76 152	142 241
Financial leasing liabilities		35 660	37 601	45 284
Provisions	4.6	125	165	228
Other liabilities		18 783	21 956	29 000
Deferred tax reserve		65 434	64 305	61 934
Short-term liabilities		**639 801**	**622 538**	**765 104**
Bank credits and loans		205 805	261 486	292 009
Financial leasing liabilities		16 694	20 466	25 345
Trade liabilities and other liabilities		360 296	306 237	376 075
Income tax liabilities		129	2 707	862
Other financial liabilities	4.7	25 126	-	18 719
Provisions	4.6	30 695	31 642	42 528
Liabilities (group of liabilities) related to assets held for sale	4.14	1 056	-	9 566
Total liabilities		**849 325**	**822 717**	**1 043 791**
TOTAL LIABILITIES AND EQUITY		**1 422 121**	**1 391 809**	**1 563 615**

1.4 Consolidated cash flow statement

for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009.

	Note	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Cash flow on operating activity			
Gross profit		13 647	19 716
Adjustments for the following items:			
Depreciation	4.3	40 367	53 041
Net interest and dividends	4.4,4.5	8 480	10 969
Net foreign exchange differences	4.4,4.5	46	9 001
(Profit)/loss on investment activity		(1 619)	(16)
Change in the balance of receivables		(28 670)	(30 378)
Change in the balance of inventories		(27 942)	(48 484)
Change in the balance of liabilities		85 037	90 865
Change in the balance of provisions		(805)	1 072
Paid income tax		(11 494)	(9 459)
Other		914	875
Other currency differences from translation		(14 551)	(8 277)
Net cash flow on operating activity		**63 410**	**88 925**
Cash flow on investing activity			
Sale of intangible assets and fixed assets		1 057	827
Purchase of intangible assets and fixed assets	4.11, 4.12	(22 476)	(65 796)
Sale of financial assets (shares BOMI S.A.)		13 844	-
Dividends and interest received		613	1 146
Other		-	-
Net cash flow on investing activity		**(6 962)**	**(63 823)**
Cash flow on financial activity			
Repayment of financial leasing liabilities		(9 908)	(13 898)
Proceeds from loans and bank credits received		93 647	45 063
Repayment of loans and bank credits		(144 583)	(52 680)
Dividends paid to the shareholders of the parent company	4.7	-	-
Dividends paid to the non-controlling interests shareholders	4.7	-	(9 676)
Interest paid	4.5	(9 272)	(11 458)
Other		-	-
Net cash flow on financing activity		**(70 116)**	**(42 649)**
Total net cash flow		(13 668)	(17 547)
Cash at the beginning of the period		**50 503**	**41 613**
Cash at the end of the period		**36 835**	**24 066**
Cash with limited ability to use		-	-

1.5 Consolidated statement of changes in equity

for the period 6 months ended 30 th of June 2010, for the year ended 31st of December 2009 and for the period 6 months ended 30 th of June 2009.

	Note	Assigned to the shareholders of the parent company					Assigned to the non-controlling interests shareholders	Total equity
		Share capital	Other capital: Total other capital	Other capital: including: Currency differences from translation of foreign subsidiaries	Retained earnings	Total		
As at 1.1.2009		**26 172**	**491 049**	**29 606**	**(39 619)**	**477 602**	**45 211**	**522 813**
Increase of share capital		1	-	-	-	1	-	1
Total comprehensive income for the period	1.2	**-**	**12 828**	**11 509**	**8 726**	**21 554**	**2 958**	**24 512**
Dividends payment	4.7	-	-	-	(16 750)	(16 750)	(10 752)	(27 502)
Profit distribution		-	9 054	-	(9 054)	-	-	-
As at 30.6.2009		**26 173**	**512 931**	**41 115**	**(56 697)**	**482 407**	**37 417**	**519 824**
As at 1.1.2009		**26 172**	**491 049**	**29 606**	**(39 619)**	**477 602**	**45 211**	**522 813**
Increase of share capital		1	-	-	-	1	-	1
Capital relating to subscription warrant allocation program		-	424	-	-	424	-	424
Total comprehensive income for the period		**-**	**2 661**	**(6 198)**	**62 272**	**64 933**	**8 423**	**73 356**
Dividends payment		-	-	-	(16 750)	(16 750)	(10 752)	(27 502)
Profit distribution		-	8 817	-	(8 817)	-	-	-
As at 31.12.2009		**26 173**	**502 951**	**23 408**	**(2 914)**	**526 210**	**42 882**	**569 092**
As at 1.1.2010		**26 173**	**502 951**	**23 408**	**(2 914)**	**526 210**	**42 882**	**569 092**
Capital relating to subscription warrant allocation program		-	911	-	-	911	-	911
Total comprehensive income for the period	1.2	**-**	**13 090**	**13 071**	**10 036**	**23 127**	**5 027**	**28 154**
Dividends payment	4.7	-	(23 510)	-	(1 616)	(25 126)	-	(25 126)
Profit distribution		-	2 150	-	(2 385)	(235)	-	(235)
As at 30.6.2010		**26 173**	**495 592**	**36 479**	**3 122**	**524 887**	**47 909**	**572 796**

2 General information

Information about the holding company of the KOFOLA Group ("the Group", "the KOFOLA S.A. Group"):

Name: KOFOLA Spółka Akcyjna [joint-stock company] ("the Company")

Registered office: ul. Jana Olbrachta 94, 01-102 Warszawa

Main areas of activity: the activities of head offices and holdings, excluding financial holdings (PKD 2007) 7010Z (the activities of holdings in accordance with PKD 2004). The classification of the Warsaw Stock Exchange places the Company in the food sector.

Registration organ: the Regional Court for the capital city of Warsaw, XII Business Division of the National Court Register, KRS 0000134518.

The Company has been formed for an unspecified time.

In the presented period the Group's composition did not change compared to 31 December 2009.

The Group's consolidated financial statements cover the period 6 months ended 30 th of June 2010 and includes comparatives for the period ended 6 months ended 30 th of June 2009.

The Group's structure and changes therein in the reporting period

As at 30 th of June 2010 the Group comprised the following entities:

	Company name	Headquarters	Range of activity	Consolidation method	% part in share capital	% part in voting rights
1.	KOFOLA S.A.	Poland, Warszawa	holding	acquisition accounting		
2.	Hoop Polska Sp. z o.o.	Poland, Warszawa	production of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
3.	Kofola Holding a.s.	Czech Republic, Ostrava	holding	acquisition accounting	100,00%	100,00%
4.	Kofola a.s.	Czech Republic, Krnov	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
5.	Kofola a.s.	Slovakia, Rajecká Lesná	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
6.	Kofola Sp. z o.o.	Poland, Kutno	rent of production plant	acquisition accounting	100,00%	100,00%
7.	Santa-Trans s.r.o.	Czech Republic, Krnov	road cargo transport	acquisition accounting	100,00%	100,00%
8.	Santa-Trans.SK s.r.o.	Slovakia, Rajec	road cargo transport	acquisition accounting	100,00%	100,00%
9.	Klimo s.r.o.	Czech Republic, Krnov	in liquidation	acquisition accounting	100,00%	100,00%
10.	Kofola Zrt.	Hungary, Budapest	in liquidation	acquisition accounting	100,00%	100,00%
11.	OOO Megapack	Russia, Widnoje	production of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
12.	OOO Trading House Megapack	Russia, Widnoje	sale and distribution of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
13.	Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.	Poland, Koszalin	wholesale of alcoholic and non-alcoholic beverages	acquisition accounting	75,00%	75,00%
14.	Bobmark international Sp. z o.o.	Poland Warszawa	wholesale of alcoholic and non-alcoholic beverages	acquisition accounting	100,00%	100,00%
15.	Transport Spedycja Handel Sulich Sp. z o.o.	Poland, Bielsk Podlaski	road cargo transport	equity accounting	50,00%	50,00%

The holding company – **KOFOLA S.A.** with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94, formed as a result of the 30 May 2008 merger of HOOP S.A and Kofola SPV Sp. z o.o. Effective with the merger's registration, the name HOOP S.A. was changed to Kofola - HOOP S.A. At this time the Company's functions consist primarily of management and control of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary **Hoop Polska Sp. z o.o**. with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94, of which KOFOLA S.A. holds 100%. The company's main area of activities is the production and sale of non-alcoholic beverages.

The subsidiary **Kofola Holding a.s.** The company Kofola Holding a.s. is a direct subsidiary, which is the holding company of the Kofola Holding a.s. Group, with its registered office in Ostrava, Nad Porubkou 2278/31A, 708 00 Ostrava - Poruba, CZECH REPUBLIC, of which KOFOLA S.A. holds 100%.

The Kofola Holding a.s. Group comprises the following entities:

- Kofola Holding a.s. – the holding company – registered in the Czech Republic, performing management and control of the other entities comprising the KOFOLA S.A. Group,
- Kofola a.s. (CZ) – a company registered in the Czech Republic, with main activities consisting of the production and distribution of beverages on the territory of the Czech Republic,
- Kofola a.s. (SK) – a company registered in Slovakia, with main activities consisting of the production and distribution of beverages on the territory of Slovakia,
- Kofola Sp. z o.o. – a company registered in Poland, with main activities consisting of renting out the production plant in Kutno to the company Hoop Polska Sp. z o.o., which conducts its production there,
- Santa-Trans s.r.o. (CZ) – a company registered in the Czech Republic, with main activities consisting of road cargo transport,
- Santa-Trans.SK s.r.o. (SK) – a company registered in Slovakia, with main activities consisting of road cargo transport,
- KLIMO s.r.o. – a company registered in the Czech Republic. In 2007 it distributed beverages on the Czech market. No operating activities since the beginning of 2008. Company is in liquidation,
- Kofola Zrt. (HU) – a company registered in Hungary, which is in liquidation.

The subsidiary **Megapack Group**, with its holding company OOO Megapack with its registered office in Promozno, Widnoje, Leninskiy District, Moscow Region, the Russian Federation, of which KOFOLA S.A. holds 50%. The main area of activities of the Megapack Group is the provision of services consisting of bottling beverages, production of own beverages, including the HOOP, Arctic, Hooch, Tiamo Tanto and Dieviatka trademarks, as well as their distribution on the territory of the Russian Federation. The KOFOLA S.A. Group is able to control the financial and operating policies of the Megapack Group, and as such it consolidates its financial statements using acquisition accounting. In accordance with the binding Statute, the Managing Director of Megapack is selected by the Shareholders Meeting, with KOFOLA S.A. having the deciding vote in this matter. The Managing Director is Megapack's one-man executive and representative organ.

The subsidiary **Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.** with its registered office in Koszalin, 75-209, ul. BoWiD 9e, of which KOFOLA S.A. holds 75% and has 75% of votes at Shareholders Meeting. The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages. The Company is currently in a bankruptcy open to arrangements proceeding (Note 4.18).

The subsidiary **Bobmark International Sp. z o.o.** with its registered office in Warsaw, of which KOFOLA S.A. holds 100%. The activities of Bobmark International Sp. z o.o. consist of the wholesale of beverages. The shares of Bobmark are the subject of the sale agreement referred to in Note 4.19, the company's assets and liabilities are presented as held for sale (Note 4.14).

The co-subsidiary **Transport – Spedycja – Handel - Sulich Sp. z o. o.** with its registered office in Bielsk Podlaski. The company's activities consist of road transport of cargo.

THE COMPANY'S BOARD OF DIRECTORS

As at 30 th of June 2010 the Company's Board of Directors of the holding company KOFOLA S.A. comprised:

- Mr. Janis Samaras – Chairman of the Board of Directors,
- Mr. Bartosz Marczuk – Member of the Board of Directors,
- Mr. Martin Mateáš – Member of the Board of Directors,
- Mr. Tomáš Jendřejek – Member of the Board of Directors,
- Mr. René Musila – Member of the Board of Directors.

On 7 April 2010 Ms. Simona Nováková, Member of the Board of Directors, resigned from the position of Member of the Board of Directors effective 30 April 2010. The Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Board of Directors effective 1 May 2010.

No changes were made in the composition of the Board of Directors of the holding company KOFOLA S.A. before the publication of the present report.

THE COMPANY'S SUPERVISORY BOARD

As at 30 th of June 2010 the Company's Supervisory Board comprised:

- Mr. Ireneusz Stolarski – Chairman,
- Mr. Jacek Woźniak – Vice-Chairman,
- Mr. Dariusz Prończuk,
- Mr. Raimondo Eggink,
- Mr. Martin Dokoupil,
- Mr. Anthony Brown.

No changes were made in the composition of the Supervisory Board before the publication of the present report.

3 Information about the methods used to prepare the condensed interim consolidated financial statements of the KOFOLA S.A. Group

3.1 Basis for the preparation of the condensed interim consolidated financial statements

The present condensed interim consolidated financial statements ("the consolidated financial statements") have been prepared in accordance with the requirements of IAS 34 "Interim Reporting", as well as the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (Journal of Laws No. 33, item 259) ("the Decree"), and present the Group's financial position as at 30 June 2010 and 31 December 2009, the results of its operations for the period of 6 months ended 30 June 2010 and 30 June 2009, as well as cash flows for the period of 6 months ended 30 June 2010 and 30 June 2009.

The financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements we were aware of no circumstances indicating a threat to the Group's going concern.

In accordance with § 83 par. 1 of the Decree, the present financial statements include financial information of the Holding Company, containing: the separate statement of financial position, the separate statement of comprehensive income, the separate cash flow statement and the separate statement of changes in shareholders' equity.

The present financial statements are to be read along with the audited annual consolidated financial statements of the Kofola S.A. Group prepared in accordance with International Financial Reporting Standards (IFRS), containing notes ("the consolidated financial statements prepared in accordance with IFRS") for the year ended 31 December 2009.

The consolidated financial statements consist of the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement, and selected notes.

The consolidated financial statements are presented in Polish zlotys ("PLN"), and all values, unless stated otherwise, are listed in thousands PLN.

New standards, changes in accounting standards and interpretations binding as at 1 January 2010

The following standards, changes in binding standards and interpretations (adopted or in the process of being adopted by the European Union) are binding as at 1 January 2010:

- Updated IFRS 3 "Business Combinations",
- Updated IAS 27 "Consolidated and Separate Financial Statements",
- Changes to IAS 39 "Financial Instruments: Items eligible for hedge accounting",
- IFRIC 17 "Distribution of Non-Cash Assets to Owners",
- Improvements to International Financial Reporting Standards – a set of changes to International Financial Reporting Standards, the majority of the changes apply to annual periods beginning on or after 1 January 2010,
- Changes to IFRS 2 "Share-based Payment"– intra-group payment transactions in the form of shares settled in cash.

With the exception of the updated IFRS 3 and the updated IAS 27, the adoption of the above standards and interpretations did not result in significant changes in the Group's accounting policies, or presentation of financial statements.

Primary changes arising out of the application of the updated IFRS 3 "Business Combinations":

- the addition of an option that allows the recognition of 100% of the goodwill arising from the business combination, rather than only a portion of the goodwill attributable to the acquirer; this option is available for each business combination transaction separately;
- change in the recognition of contingent payment and subsequent changes thereto;
- the costs associated with acquisition will be recognized separately from the acquisition price, generally they will be recognized in the profit and loss account at the moment they are incurred;
- in the case of multi-stage acquisitions, previously held shares of the acquiree will be subject to restatement to fair value. Any gains and losses arising out of the restatement will be recognized in the profit and loss account.

As a result of the adoption of the updated IAS 27 the Group changed its accounting policy relating to the recognition of increases or decreases in the Group's ownership interests in related parties. In previous years, in the absence of detailed IFRS guidelines, an increase in the ownership interest in a subsidiary company was recognized in the same manner as an acquisition of a subsidiary – with goodwill being recognized in applicable cases. In previous years no decreases in the ownership interest in a subsidiary that did not result in a loss of control took place at the Kofola S.A. Group. Since 2010 increases or decreases in the ownership interests in existing subsidiaries, which will not result in a loss of control, will be recognized in accordance with the updated IAS 27, as a capital transaction, and will have no effect on goodwill or the profit and loss account.

The updated standards apply prospectively to business combination transactions where the transaction date is 1 January 2010 or later. No business combination transaction occurred in the period of 6 months ended 30 June 2010.

Standards and interpretations that have been published, but no yet adopted:

The Management has not opted for early application of the following standards and interpretations (adopted or in the process of being adopted by the European Union):

- Changes to IAS 32 "Financial Instruments: Presentation", apply to annual periods beginning on or after 1 February 2010,
- Changes to IAS 24 "Related Party Disclosures" apply to annual periods beginning on or after 1 January 2011. The changes have not been approved by the European Union,
- IFRS 9 "Financial Instruments" applies to annual periods beginning on or after 1 January 2013. The standard has not been approved by the European Union,
- IFRIC 19 "Extinguishing Financial Liabilities with Equity" applies to annual periods begging on or after 1 July 2010. The interpretation has not been approved by the European Union,
- Changes to IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements" apply to annual periods beginning on or after 1 January 2011. The interpretation has not been approved by the European Union.

The Management is currently analyzing the consequences and effect of the above new standards and interpretations on the financial statements.

3.2 Functional currency and presentation currency

The Polish zloty is the functional currency of the holding company and the presentation currency of the consolidated financial statements.

3.3 Translation of amounts expressed in foreign currencies

The methods used to recognize and value transactions expressed in foreign currencies have been specified in IAS 21 "The Effects of Changes in Foreign Exchange Rates". Transactions expressed in foreign currencies are translated by the companies comprising the Group into their functional currencies using the exchange rates as at the date of the transaction. Financial assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the average exchange rate announced by the National Bank of Poland for the end of the reporting period, and all foreign exchange gains or losses are recognized in the profit and loss account under:

- operating income and expense – for trading operations,
- financial income and expense – for financial operations.

Non-financial assets and liabilities recognized at historical cost expressed in a foreign currency are listed at the historical rate as at the date of the transaction. Non-financial assets and liabilities recognized at fair value expressed in a foreign currency are translated at the exchange rate as at the date on which they were stated at fair value.

The following rates were used in the balance sheet valuation:

Currency rates at the end of period	**30.6.2010**	**31.12.2009**	**30.6.2009**
PLN/USD	3,3946	2,8503	3,1733
PLN/EUR	4,1458	4,1082	4,4696
PLN/RUB	0,1086	0,0950	0,1020
PLN/CZK	0,1609	0,1554	0,1727

Average currency rates, calculated as arithmetical mean of currencies on last day of each month in period	**30.6.2010**	**31.12.2009**	**30.6.2009**
PLN/USD	3,0573	3,1236	3,3857
PLN/EUR	4,0042	4,3406	4,5184
PLN/RUB	0,1013	0,0982	0,1016
PLN/CZK	0,1556	0,1639	0,1667

The financial statements of foreign entities are translated into PLN in the following manner:

- corresponding balance sheet items at the average exchange rate announced by the National Bank of Poland for the balance sheet date except for the Equity items that are translated to PLN at the historical rate;
- corresponding income statement items at the rate constituting the arithmetical mean of the average exchange rates announced by the National Bank of Poland for each day ending a reporting month. The resulting foreign exchange differences are recognized directly under equity as a separate component.
- corresponding cash flow statement items (investment and financing activities) at the rate constituting the arithmetical mean of the average exchange rates announced by the National Bank of Poland for each day ending a reporting period. The resulting foreign exchange differences are recognized under the "Other currency differences from translation" item of the cash flow statement.

3.4 Consolidation methods

The financial statements of the subsidiaries are prepared for the same period as the financial statements of the holding company, using consistent accounting policies, based on the same accounting methods applied to similar transactions and economic events. Adjustments have been made to eliminate any differences in accounting methods.

All material balances and transactions between the Group's entities, including unrealized profits arising out of transactions within the Group, have been fully eliminated. Unrealized losses are eliminated unless they prove impairment.

The subsidiaries are consolidated in the period from the date on which the Group began to exercise control, to the date on which such control ceases. Control is exercised by the holding company whenever it holds, directly or indirectly through its subsidiaries, more than half of the votes in a given company, unless it is possible to prove that such holding does not constitute control. Control is also exercised when the Group is able to influence the entity's financial and operating policies.

3.5 Accounting methods and changes in presentation

No changes have been made in the accounting methods in the presented period compared to the methods used in the Group's Consolidated Report for the year 2009, published on 19 March 2010. Presented in that Report is detailed information on the methods used to value assets and liabilities, measure the financial result and prepare the financial statements and comparatives.

The accounting methods based on which the present financial statements have been prepared have not changed compared to the methods used in the consolidated financial statements for the period of six months ended 30 June 2009, with the exception of the following presentation changes:

Consolidated profit and loss account

	30.06.2009		
	published financial statements	comparatives	change
Revenue	747 555	744 772	(2 783)
Cost of products and services sold	426 388	428 107	1 719
Selling, marketing and distribution costs	187 673	186 852	(821)
Administrative costs	47 280	43 599	(3 681)

The adjustment reducing sales revenue by 2 783 thousand PLN relates primarily to bonuses and rebates granted to customers in the form of cost invoices for marketing services, which irrespective of the transaction's legal content, are currently listed in accordance with the economic substance of the transaction as a reduction in sales revenue, whilst in previous years they had been charged to sales costs. A portion of the costs of wages of production and sales employees, which in previous years had been recognized under general administrative costs, is now presented under costs of goods sold (1 719 thousand PLN) and under sales costs (1 962 thousand PLN).

Consolidated balance sheet

To standardize the presentation of equity items, at the start of the reporting period the Group reclassified as reserve capital a portion of the result designated for the coverage of losses in the amount of 8 117 thousand PLN, previously presented (in accordance with local regulations applicable to some of the Group companies) under retained earnings.

Consolidated cash flow statement

In the consolidated financial statements for the comparative period an adjustment was made to the presentation of assets held for sale (tangible fixed assets) in the amount of 14 087 thousand PLN in correspondence with the "acquired tangible and intangible fixed assets item".

Consolidated segments

In addition, a change has been made in the comparative data with regard to the presentation of operating segments, consisting of the allocation of the previously separate „non-allocated operating costs item" to the various operating segments. In addition, the "eliminations (consolidation adjustments)" item has been added to the presentation of geographical segments, which eliminates transactions between the various geographical segments.

3.6 Correction of error

No adjustments of errors have been made in the financial statements for the year.

3.7 Professional judgment

When a given transaction is not regulated in any standard or interpretation, the Management, based on its subjective judgment, develops and applies accounting policies that will ensure that the financial statements contain proper and reliable information, and that they:

- present truly and fairly the Company's financial position, financial result and cash flows,

- reflect the economic substance of transactions,
- are objective,
- are prepared in accordance with the prudence principle,
- are complete in all material respects.

As at 30 June 2010 the Management's professional judgment relates to provisions for claims and court cases, impairment of assets as well as to contingent liabilities. It is also used in assessing the risk associated with the repayment of overdue receivables – the Group verifies its provisions for doubtful debts as at each balance sheet date, taking into account the potential risk of significant delays in their repayment.

3.8 Uncertainty of estimates

Since some of the information contained in the financial statements cannot be measured precisely, to prepare the financial statements the Group's Management must perform estimates. The Management verifies the estimates based on changes in the factors taken into account at their calculation, new information or past experiences. For this reason the estimates performed as at 30 June 2010 may be changed in the future. The main estimates pertain to the following matters:

- revaluation write downs on trade receivables and inventory,
- income tax,
- employee benefits and share-based payments,
- provisions,
- the economic useful lives of tangible and intangible fixed assets.

3.9 Approval of financial statements

The Board of Directors approved the present consolidated financial statements for publication on 30th of August 2010.

4 Notes to the condensed consolidated financial statements of the condensed KOFOLA S.A. Group

4.1 Operating segments

An operating segment is a component of an entity:

A) which engages in business activities as a result of which it may earn revenue and incur costs (including revenue and costs associated with transactions with other components of the same entity),

B) whose results are regularly reviewed by the main body in charge of making operating decisions at the entity, which uses those results to decide on the allocation of resources to the segment and to assess the segment's results, as well as,

C) for which separate financial information is available.

Change in the presentation of information about operating segments

Due to the new segment reporting requirements introduced effective 1 January 2009 by IFRS 8 Operating Segments, the KOFOLA S.A. Group presents a new breakdown by segment. The Group has performed an analysis to identify potential operating segments. The Group conducts activities as part of the following operating segments:

- Carbonated beverages
- Non-Carbonated beverages
- Mineral waters
- Syrups
- Low alcohol drinks
- Other

The "Other" segment includes beverage sales made by distribution companies, sales of the R20 energy drinks and Nescafe Xpress, as well as transport activities performed for entities from outside the Group.

Financial income and expense, as well as taxes, have not been disclosed by segment, as these values are monitored at Group level and no such information is forwarded to segment-level decision makers.

Due to the use of joint asset resources as part of operating segments and because of difficulties in allocating these resources to separate segments, the Group does not present to the decision making organ its data on the assets, liabilities, investment spending and depreciation charges allocated to the various segments, and does not present this data in the financial statements.

Reporting segment results for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009:

Operating segments

1.1.2010 - 30.6.2010	Carbonated beverages	Non-Carbonated beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Eliminations (consolidation adjustments)	Total
Revenue	252 200	96 389	101 225	62 612	30 942	21 292	-	564 660
Sales to external customers	252 200	96 389	101 225	62 612	30 942	21 292	-	564 660
Inter-segment sales	-	-	-	-	-	-	-	-
Operating expenses	(230 499)	(102 259)	(104 100)	(55 862)	(30 747)	(20 837)	-	(544 303)
Result of the segment	**21 700**	**(5 870)**	**(2 875)**	**6 751**	**195**	**456**	**-**	**20 357**
Result on financial activity								(6 710)
Profit before tax								13 647
Income tax								(3 804)
Net profit								**9 843**

1.1.2009 - 30.6.2009	Carbonated beverages	Non-Carbonated beverages	Mineral waters	Syrups	Low alcohol drinks	Other	Eliminations (consolidation adjustments)	Total
Revenue	287 214	114 401	104 989	70 394	113 847	53 928	-	744 772
Sales to external customers	287 214	114 401	104 989	70 394	113 847	53 928	-	744 772
Inter-segment sales	-	-	-	-	-	-	-	-
Operating expenses	(245 995)	(118 178)	(105 830)	(68 613)	(111 314)	(54 652)	-	(704 580)
								-
Result of the segment	**41 219**	**(3 777)**	**(840)**	**1 782**	**2 533**	**(724)**	**-**	**40 192**
Result on financial activity								(20 476)
Profit before tax								19 716
Income tax								(8 429)
Net profit								**11 287**

4.2 Geographical segments

The Group's activities are generally concentrated on the following markets:

- Poland
- Czech Republic
- Russia
- Slovakia

Presented below are the data for the above geographical segments.

1.1.2010 - 30.6.2010	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	239 011	185 579	68 422	120 090	1 898	(50 340)	564 660
Sales to external customers	231 336	164 590	68 422	98 414	1 898	-	564 660
Inter-segment sales	7 675	20 989	-	21 676	-	(50 340)	-
Operating expenses	(240 334)	(170 355)	(68 247)	(108 649)	(1 897)	45 180	(544 303)
relating to third party sales	(233 385)	(151 090)	(68 247)	(89 684)	(1 897)	-	(544 303)
relating to inter-segment sales	(6 949)	(19 265)		(18 965)	-	45 180	-
Result of the segment	**(1 323)**	**15 224**	**175**	**11 441**	**1**	**(5 160)**	**20 357**
Result on financial activity	19 094	1 911	505	(1 381)	-	(26 840)	(6 710)
within segment	(2 755)	(3 079)	505	(1 381)	-	-	(6 710)
between segments	21 849	4 991	-	-	-	(26 840)	-
Profit before tax	17 771	17 135	679	10 061	1	(32 000)	13 647
Income tax	(461)	(1 288)	(875)	(2 024)		843	(3 804)
Net profit /(loss)	**17 310**	**15 848**	**(196)**	**8 037**	**1**	**(31 157)**	**9 843**
Assets and liabilities							
Segment assets	817 316	493 707	128 765	254 675	622	(272 964)	1 422 121
Total assets	**817 316**	**493 707**	**128 765**	**254 675**	**622**	**(272 964)**	**1 422 121**
Segment liabilities	413 344	494 405	30 157	185 754	16 260	(290 594)	849 325
Equity							572 796
Total liabilities and equity							**1 422 121**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	4 801	4 247	193	14 435	-	(1 200)	22 476
Depreciation and amortization	12 485	15 430	4 771	7 681	-	-	40 367

1.1.2009 - 30.6.2009	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	300 874	225 923	147 303	130 384	1	(59 714)	744 772
Sales to external customers	289 434	200 936	147 303	107 097	1	-	744 772
Inter-segment sales	11 440	24 987	-	23 287	-	(59 714)	-
Operating expenses	(305 718)	(199 469)	(141 099)	(112 871)	(361)	54 937	(704 580)
relating to third party sales	(295 193)	(176 481)	(141 099)	(91 447)	(361)	-	(704 580)
relating to inter-segment sales	(10 525)	(22 988)	-	(21 424)	-	54 937	-
Result of the segment	**(4 843)**	**26 454**	**6 204**	**17 514**	**(360)**	**(4 777)**	**40 192**
Result on financial activity	7 670	(2 594)	16	(2 862)	(64)	(22 642)	(20 476)
within segment	(9 638)	(7 928)	16	(2 862)	(64)	-	(20 476)
between segments	17 308	5 334	-	-	-	(22 642)	-
Profit before tax	2 827	13 858	6 220	14 651	(424)	(17 417)	19 716
Income tax	(3 531)	(2 646)	(1 461)	(3 194)	-	2 402	(8 429)
Net profit /(loss)	**(704)**	**11 213**	**4 760**	**11 458**	**(424)**	**(15 015)**	**11 287**
Assets and liabilities							
Segment assets	900 819	538 543	112 852	293 509	946	(283 055)	1 563 615
Total assets	**900 819**	**538 543**	**112 852**	**293 509**	**946**	**(283 055)**	**1 563 615**
Segment liabilities	478 855	570 039	42 786	216 943	18 223	(283 055)	1 043 791
Equity							519 824
Total liabilities and equity							**1 563 615**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	18 862	9 675	363	36 897	0	-	65 796
Depreciation and amortization	17 518	21 099	4 522	9 888	15	-	53 041

Products

The KOFOLA S.A. Group offers its products in Poland, the Czech Republic, Slovakia and in Russia, as well as exports them to other European countries.

CARBONATED BEVERAGES	Kofola, RC Cola, Citrocola, Hoop Cola, Top Topic, Vinea, Orangina, Chito, Citronela, Fruti, Mr. Max, Sentino
NATURAL SPRING WATERS	Rajec, Arctic
NON-CARBONATED BEVERAGES	Jupí Fruit Drink, Top Topic
100% FRUIT JUICES AND NECTARS	Snipp
SYRUPS AND CONCENTRATES	Jupí, Paola
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jupík Shake, Capri-Sonne
ICE COFFEE	Nescafé Xpress
ICE TEA	Pickwick Just Tea
ENERGY DRINKS	R20
COMPOTES	Paola
LOW ALCOHOL BEVERAGES (Russia)	Hooch, Dieviatka, Tiamo Tanto

Since the beginning of 2010 the Group's assortment of beverages was broadened to include the Pickwick Just Tea frozen tea, new Rajec flavoured waters, new flavours of drinks from the Top Topic family, as well as the citrus beverage Orangina (product of Orangina Schweppes International). In addition, in April 2010 the Group started the introduction of a new product under the Paola brand – Domowe Kompoty [Homemade Compotes]. Thus the Group has created a new market category – Compotes.

In addition, the KOFOLA S.A. Group makes beverages and syrups at the commission of external companies, mainly shopping chains. These companies offer these products to their customers under their own brand, using their own stores to distribute them.

In addition, the company Megapack, which operates on the Russian market, sells drink bottling services, relating to both low alcohol beverages and non-alcoholic beverages.

Seasonal and cyclical nature of the operations of the KOFOLA S.A. Group

Seasonality, associated with periodic deviations in demand and supply, is of certain significance in the shaping of the KOFOLA Group's general sales trends. Beverage sales peak in the 2nd and 3rd quarter of the year. This is caused by increased drink consumption in the spring and summer months. In the years ended 31 December 2009 and 2008, approximately 21% of revenue from the sale of finished products and services was earned in the 1st quarter, with 28% (29% in 2008), 27% (27% in 2008) and 24% (23% in 2008) of total annual revenues earned in the 2nd, 3rd and 4th quarters, respectively – including the revenues of the HOOP S.A. Group until the merger in 2008. The Management is expecting similar seasonality in the year 2010.

4.3 Expenses by type

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Depreciation of fixed assets and intangible assets	40 367	53 041
Employee benefits costs	86 123	91 523
Consumption of materials and energy	304 288	375 908
Services	104 222	132 943
Taxes and fees	7 202	5 675
Property and life insurance	1 400	1 237
Costs of development work	-	-
Other costs, including:	15 879	14 254
- change in revaluation write-off of inventory	(1 047)	(1 757)
- change in revaluation write-off of receivables	1 366	2 917
- other operating costs	15 560	13 094
Total expenses by type	**559 481**	**674 581**
Change in the balance of products, production in progress, prepayments and accruals	(26 759)	(13 376)
Cost of manufacturing products for the entity's proprietary needs	-	(2 647)
Reconciliation of expenses by type to expenses by function	**532 722**	**658 558**
Costs of sales, marketing and distribution	180 847	186 852
Administrative costs	35 500	43 599
Cost of products sold	316 375	428 107
Total costs of product sold, merchandise and materials, sales costs and overhead costs	**532 722**	**658 558**

Costs of employee benefits

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Cost of salary	68 762	72 653
Social security and other benefits costs	17 361	18 927
Reserves costs for pension, jubilee award and other employee benefit	-	(57)
Total costs of employee benefits	**86 123**	**91 523**

4.4 Financial income

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Financial interest income from:		
- bank deposits	613	36
- credits and loans granted	174	-
- interest on receivables	5	1 110
Net financial income from realized FX differences	253	-
Profit on disposal of shares and other securities	2 328	-
Other financial income	55	120
Total financial income	**3 428**	**1 266**

4.5 Financial expense

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Financial interest expense from:		
- credits and financial leases	9 272	12 115
Net financial losses from realized FX differences	207	9 001
Bank costs and charges	648	-
Other financial expense	11	626
Total financial expense	**10 138**	**21 742**

4.6 Changes in reserves and provisions

	Receivables	Inventories	Tangible assets	Intangible assets	Financial assets	Provisions
As at 1.1.2010	**21 790**	**7 825**	**26 177**	**196**	**10 083**	**31 807**
Currency differences from translation	4 205	14	(11)	-	-	229
Increase due to creation	2 727	212	-	-	-	3 638
Decrease due to release and use	(1 361)	(1 259)	(1 575)	-	-	(4 854)
As at 30.6.2010	**27 360**	**6 793**	**24 591**	**196**	**10 083**	**30 820**

The decrease in the value of the write down of tangible fixed assets by 1 500 thousand PLN was caused by the use of the write in connection with the sale of the Iwiny plant.

4.7 Dividends paid and declared

	1.1.2010-30.6.2010	**1.1.2009 - 30.6.2009**
Dividends declared in the given period	25 126	16 750
Dividends on common shares:		
paid out in the given period	-	-
Dividends declared	**25 126**	**16 750**

In its Resolution No. 16 the Ordinary General Meeting of KOFOLA S.A. of 30 June 2010 designated the net profit generated by the KOFOLA S.A. in the period from 1 January 2009 to 31 December 2009, amounting to 1 616 thousand PLN, as well as a portion of the reserve capital created from the Company's accumulated profits from previous years, amounting to 23 510 thousand PLN, for the payment of a dividend.

The shares of all series (A,B,C,D,E,F,G) will partake in the dividend amounting to 0,96 PLN per share. The dividend date was set for 30 September 2010, and the dividend payment date for 2 November 2010. The amount of the declared dividend, equal to 25 126 thousand PLN, is presented under short-term liabilities in the "Other financial liabilities" item.

In the reporting period KOFOLA S.A. recorded a dividend received from the subsidiary Kofola Holding a.s. in the amount of 12 680 thousand PLN. In the reporting period Kofola Holding a.s. recorded dividends received from the subsidiaries Kofola a.s. (Slovakia) and Kofola a.s (Czech Republic) totalling 17 573 thousand PLN. The above revenues have been excluded from the Group's financial revenue as part of consolidation adjustments.

4.8 Income tax

Main tax elements for the period of six months ended 30 June 2010 and for the period of six months ended 30 June 2009:

	1.1.2010 - 30.6.2010	**1.1.2009 - 30.6.2009**
Profit and loss		
Current income tax	**3 618**	**7 446**
Current Income tax charge	3 528	7 228
Adjustments of current income tax from previous years	90	158
Deferred income tax	**186**	**983**
Related with arising and reversing of temporary differences	2 846	116
Related with tax losses	(2 660)	867
Income tax charge recorded in consolidated profit and loss	**3 804**	**8 429**
Statements of changes in equity		
Current income tax	**-**	**-**
Tax effect of changes in share capital	-	-
Deferred income tax	**5**	**348**
Tax from Fair value gains on available-for-sale financial assets	-	538
Tax from Cash flow hedges	5	(190)
Tax benefit / tax burdens shown in equity	**5**	**348**

4.9 Discontinued operations

The Group did not discontinue any operations in the reporting period.

4.10 Earnings per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the holding company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The diluted profit per share is calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting the interest on redeemable preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted by the effect of diluting options and diluting redeemable preferred shares convertible to ordinary shares).

Presented below are the data relating to the profits and shares used to calculate basic and diluted profit per share:

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Net profit assigned to the shareholders of the parent company	10 036	8 726

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Weighted average number of issued common shares used to calculate the regular earnings per share ratio	26 172 602	26 171 918
Impact of dilution:		
Subscription warrants	101 500	-
Adjusted weighted average number of common shares used to calculate diluted earnings per share	**26 274 102**	**26 171 918**

No other transactions involving ordinary shares or potential ordinary shares took place in the period from the balance sheet date to the preparation of the financial statements.

Based on the above information, the basic and diluted profit per share amounts to:

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Net profit assigned to the shareholders of the parent company	10 036	8 726
Weighted average number of issued common shares	26 172 602	26 171 918
Regular earnings per share (PLN/share)	0,3835	0,3334

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Net profit assigned to the shareholders of the parent company, used to calculate diluted earnings per share	10 036	8 726
Adjusted weighted average number of common shares used to calculate diluted earnings per share	26 274 102	26 171 918
Diluted earnings per share (PLN/share)	0,3820	0,3334

4.11 Tangible fixed assets

In the reporting period of six months ended 30 June 2010 the companies of the KOFOLA S.A. Group incurred 20 730 thousand PLN in expenses to increase the value of tangible fixed assets. The investment projects realized in this period pertain primarily to entities belonging to the Kofola Holding a.s. Group.

4.12 Intangible fixed assets

In the reporting period of six months ended 30 June 2010 the companies of the KOFOLA S.A. Group incurred 1 746 thousand PLN in expenses to increase the value of intangible fixed assets; they related primarily to the computer software of the company Kofola Holding a.s.

The goodwill item consists of the goodwill created on the merger with the Hoop Group, as well as the goodwill relating to the company KLIMO s.r.o. The change in the value of goodwill compared to the comparative period is solely the result of taking into account the foreign exchange differences on the recalculation of the goodwill of KLIMO s.r.o.

The value of trademarks consists of, among others, the values of the following trademarks: Kofola, Vinea, Arctic, Hoop, R20, Paola and Hoopers Hooch.

4.13 Shares and interests in subsidiaries and financial assets available for sale

Financial assets available for sale

	30.6.2010	31.12.2009
Shares of the company BOMI S.A.	-	11 522

Shares of BOMI are traded on the Warsaw Stock Exchange. In accordance with IFRS 7, the shares are included in Level 1, determined based on the degree of the observerbility of the source data used to determine the fair value. The shares of BOMI are valued based on stock exchange quotes.

In the six month period ended 30 June 2010 KOFOLA S.A sold all of its shares of BOMI S.A. After commission, the income from this transaction amounted to 13 844 thousand PLN, and the profit on the transaction amounted to 2 328 thousand PLN.

4.14 Assets (group of assets) held for sale

Assets (groups of assets) held for sale include the fixed assets of the subsidiary Hoop Polska Sp. z o.o. with a balance sheet value of 14 795 thousand PLN (fixed assets from a plant in Tychy), as well as the following asset components of the designated for sale subsidiary Bobmark Sp. z o.o., with a balance sheet value of 5 709 thousand PLN:

Tangible fixed assets	671
Receivables	2 093
Inventories	1 184
Loans provided and other assets	1 761
Total	**5 709**

In accordance with IFRS 5 the entity classifies a fixed asset (or group of fixed assets) as held for sale, if its balance sheet value will be recovered primarily through a sale transaction rather than through continued use. The above listed fixed assets with a balance sheet value of 20 504 thousand PLN were available for immediate sale. The realization of the plan for the sale of these assets, which had already existed as at the balance sheet date, was started after the balance sheet date. On 8 July 2010 a contingent agreement was signed for the sale of Bobmark's shares (Note 4.19).

Liabilities to third parties and provisions of the designated for sale company Bobmark amount to 1 056 thousand PLN.

According to the estimates made by the Group's Management, the sale price of Bobmark will cover the value of that company's net assets presented in these financial statements.

The assets held for resale relating to the plant in Iwiny, listed as at 31 December 2009 at a balance sheet value of 633 thousand PLN, have been sold.

4.15 Credits and loans

As at 30 June 2010 the Group's total credit and loan debt amounts to 295 327 thousand PLN after decreasing by 42 311 thousand PLN compared to the end of the year 2009.

On 22 March 2010 the company HOOP Polska Sp. z o.o. concluded with a consortium formed by Bank Zachodni WBK S.A., Kredyt Bank S.A. and Bank Polska Kasa Opieki S.A. the following two credit agreements:

1. an agreement for a term credit in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 3M WIBOR and bank margin, repayment date set for 22 March 2014,
2. an agreement for an overdraft account in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 1M WIBOR and bank margin, repayment date set for 22 March 2012.

The above credit agreements are secured with: a registered pledge on a group of items and rights constituting an economic whole (up to 171 000 thousand PLN), a mortgage on real properties of Hoop Polska Sp. z o.o. (totalling 171 000 thousand PLN) and a guarantee by KOFOLA S.A. for the benefit of the banks comprising the Consortium, for the amount of 171 000 thousand PLN (with an expiration date of 31 December 2015).

The conclusion of the above credit agreements by Hoop Polska Sp. z o.o. replaced all of the existing credit agreements, thereby improving the organization and servicing of Hoop Polska Sp. z o.o. external debt. The credit agreements will cover the external financing needs of HOOP Polska Sp. z o.o. for the next few years, whereas any other credit needs will be the subject of separate negotiations with the Consortium. KOFOLA S.A informed of the conclusion of the above credit agreements in its Current Report No. 5/2010.

Credit terms

Based on credit agreements, the companies of the Group are required to meet specified financial ratios. In the Management's opinion, temporary difficulties in meeting these ratios should not constitute a threat to maintaining liquidity. In the event of being unable to meet the ratios, the Management is attempting to agree with the banks a plan for reaching the ratios specified in the credit agreements. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially lead to limits being placed on unconditional access to credits in the nearest year makes it necessary to classify such liabilities as short-term. As at 30 June 2010, the total value of credits reclassified from long- to short-term liabilities due to failure to meet credit terms was 64 883 thousand PLN.

4.16 Contingent assets and liabilities

	Contingent asset	Contingent liability
As at 1.1.2010	**-**	**628**
Increase	-	-
Decrease	-	(168)
As at 30.6.2010	**-**	**460**

Entity providing guarantees/Sureties	Entity receiving guarantees/Sureties	Credit value on balance sheet day which were subject to guarantee/sureties		The period for providing guarantees/sureties
		in currency	in ths. PLN.	
Hoop Polska Sp. z o.o.	Cargill	460 tys. PLN	460	till termination of the contract
Total Sureties for Loans or Guarantees Issued			**460**	**ths. PLN**

4.17 Information on transactions with related parties

Presented below are the total amounts of transactions concluded in a given financial year with non-consolidated related parties:

Revenues from the sale to related companies	**1.1.2010 - 30.6.2010**	
	revenues on the sale of products and services	revenues on the sale of merchandise and materials
- to affiliates (TSH Sulich Sp.z o.o.)	-	-
- to other related companies (KSM Investment)	-	-
Total revenues from the sale to related companies	**-**	**-**

Purchases from related companies	**1.1.2010 - 30.6.2010**	
	purchase of services	purchase of merchandise and materials
- from affiliates (TSH Sulich Sp.z o.o.)	8 176	-
- from other related companies (KSM Investment)	-	-
Total purchases from related companies	**8 176**	**-**

Receivables from related companies	**30.6.2010**	**31.12.2009**	**30.6.2009**
- from affiliates (TSH Sulich Sp.z o.o.)	2	3	44
- from other related companies (KSM Investment)	4 188	3 507	-
Total receivables from related companies	**4 190**	**3 510**	**44**

Liabilities towards related companies	**30.6.2010**	**31.12.2009**	**30.6.2009**
- towards affiliates (TSH Sulich Sp.z o.o.)	1 475	957	1 189
- towards other related companies (KSM Investment)	5 531	4 948	5 710
Total liabilities towards related companies	**7 006**	**5 905**	**6 899**

All transactions with related parties have been concluded on market terms.

In the reporting period Kofola Sp. z o.o. sold production properties located in Kutno to Hoop Polska Sp. z o.o. The income from the above transaction amounted to 28 000 thousand PLN, and the profit realized by Kofola Sp. z o.o. in the amount of 2 041 thousand PLN was excluded in the consolidated financial statements as part of consolidation adjustments.

4.18 Significant court cases

Fructo-Maj Sp. z o.o.

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj. On 6 August 2007, HOOP S.A (currently doing business as KOFOLA S.A.) concluded an engagement letter with Fructo-Maj Sp. z o.o., in which it expressed its interest in investing in Fructo-Maj for the purposes of its financial restructuring and enabling the payment of debts. As part of realizing this agreement HOOP S.A. acquired Fructo-Maj's debts, among others concluded a debt assignment agreement with Kredyt Bank S.A., based on which Kredyt Bank S.A transferred onto HOOP S.A. all the debt from a credit agreement, which as at 30 June 2010 amounted to 3 546 thousand PLN and is presented in the financial statements of KOFOLA S.A. as short-term credit payables due by 31 August 2010, and as receivables from the company Fructo-Maj. As at 30 June 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 13 354 thousand PLN, the balance sheet value of this item, after revaluation, is 5 677 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj, and with a registered pledge on the entity's movables.

Fructo-Maj was declared bankrupt open to arrangements in a decision issued on 27 September 2007, and then based on a decision issued on 24 June 2008 the type of proceedings was changed from an arrangement to a liquidation proceeding relating to the assets of Fructo-Maj Sp. z o.o. KOFOLA S.A has its representative in the Committee of Creditors of Fructo-Maj Sp. z o.o. The assets of Fructo-May are currently being sold. The Board believes that given the current state of affairs and type of collateral, no revaluation is needed with regard to the assets associated with Fructo-Maj.

Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. („the Company") at the petition of the Company's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to the Company the management over its assets. The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of the Company's new management. It is the intention of the main shareholder and the current Management for the Company to continue as a going concern, thus the company's current legal status has no effect on the assumption of going concern, and in consequence on the valuation and presentation of the company's assets.

Except for the matters described above, the companies of the KOFOLA S.A. Group are not involved in any other cases (disputes), which could have a material effect on their financial position.

4.19 Subsequent events

Sale of the subsidiary Bobmark Sp. z o.o.

On 8 July 2010 a contingent agreement was signed (annexed on 13 August) for the sale of the shares of Bobmark Sp. z o.o. by KOFOLA S.A. to PPHU Specjał Sp. z o.o. At the same time, based on a debt assignment agreement dated 12 August 2010, KOFOLA S.A. acquired from Hoop Polska Sp. z o.o. its undisputed debts from Bobmark Sp. z o.o. totalling 8 030 thousand PLN. The price for the acquisition of the debts will be paid by KOFOLA S.A. in instalments. KOFOLA S.A. as the sole shareholder of Bobmark, on 12 August 2010 passed a resolution to raise the share capital of Bobmark by 8 030 thousand PLN. The sale of shares of Bobmark will be realized once the Court issues a decision to enter the raised share capital in the National Court Register. As at the balance sheet date the assets and liabilities of Bobmark are presented in the financial statements as items held for sale (Note 4.14).

Issue of subscription warrants

On 18 August 2010 Kofola S.A. issued 26 843 inscribed A-series subscription warrants, entitling members of the Company's and subsidiaries' management staff (eligible based on Resolution No. 15/2010 passed by the Supervisory Board on 31 May 2010) to take up a total of 26 843 ordinary H-series bearer's shares at an issue price of 43,20 PLN per share; in accordance with Resolution No. 4/2009 of the Company's Extraordinary Shareholders Meeting, the right to the shares may be realized by submitting a letter of intention to take up shares no sooner than after 12 months, and no later than within 3 years of the warrant issue date.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

30.08.2010	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**René Musila**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

30.08.2010	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	*name and surname*	*position*	*signature*

Document signed on the Polish original.

5 The Directors' Report on the activities of the KOFOLA S.A. Group

5.1 Description of the KOFOLA S.A. Group

The KOFOLA GROUP is one of the leading producers of non-alcoholic beverages in Central Europe. The Group operates in the Czech Republic, Slovakia, in Poland and in Russia (focusing mostly on the Moscow Region).

OUR MISSION AND OUR GOAL

Our mission is to passionately and enthusiastically create new brand name products that offer to our clients functional and emotional values which allow our products to become an important part of their lives.

WE ARE PROUD OF OUR ACHIEVEMENTS

2010 awards:

- Marketer of the year 2009 – Martin Mateáš, Kofola Holding Sales & Marketing Director
- Czech TOP 100 – Kofola a.s. third most admired company in the Czech Republic
- Best TV ad – the 50 years of Kofola campaign (CR)
- Zlatý klinec 2010 – silver for the Kofola and Vinea campaigns (SR)
- FMCG hit of the year – the OOkulary OOtwartości campaign (PL)
- MAGELLAN AWARD - „Hug Day" (PL)
- PROTON awards – best PR people – Edyta Bach, PR Manager (PL)

KOFOLA S.A. GROUP

COMPANIES OF THE KOFOLA GROUP

Companies, plants and representative office:

- **Kofola S.A.** – Warsaw (PL)
- **Kofola Holding a.s.** – Ostrava (CZ)
- **Kofola a.s.** – Krnov, Mnichovo Hradiště, Prague (CZ)
- **Kofola a.s.** – Rajecká Lesná, Senec, Malý Šariš, Zvolen (SK)
- **Hoop Polska Sp. z o.o.** – Warsaw, Kutno, Bielsk Podlaski, Grodzisk Wielkopolski (PL)
- **OOO Megapack** – Moscow, Widnoje, Moscow Region (RU)
- **Kofola Sp. z o.o.** – Kutno (PL)

Distribution companies:

- **PCD Hoop Sp. z o. o.** – Koszalin (PL)
- **Bobmark Int. Sp. z o. o.** – Warsaw (PL)
- **OOO Trading House Megapack** – Moscow, Widnoje, Moscow Region (RU)

Transport companies:

- **Santa-Trans s. r. o.** – Krnov (CZ)
- **Santa-Trans.SK s. r. o.** – Rajec (SK)
- **Transport Spedycja Handel Sulich Sp. z o. o.** – Bielsk Podlaski (PL)

OUR BRANDS

The Group's structure and changes therein in the reporting period

As at 30 th of June 2010 the Group comprised the following entities:

	Company name	Headquarters	Range of activity	Consolidati on method	% part in share capital	% part in voting rights
1.	KOFOLA S.A.	Poland, Warszawa	holding	acquisition accounting		
2.	Hoop Polska Sp. z o.o.	Poland, Warszawa	production of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
3.	Kofola Holding a.s.	Czech Republic, Ostrava	holding	acquisition accounting	100,00%	100,00%
4.	Kofola a.s.	Czech Republic, Krnov	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
5.	Kofola a.s.	Slovakia, Rajecká Lesná	production and distribution of non-alcoholic beverages	acquisition accounting	100,00%	100,00%
6.	Kofola Sp. z o.o.	Poland, Kutno	rent of production plant	acquisition accounting	100,00%	100,00%
7.	Santa-Trans s.r.o.	Czech Republic, Krnov	road cargo transport	acquisition accounting	100,00%	100,00%
8.	Santa-Trans.SK s.r.o.	Slovakia, Rajec	road cargo transport	acquisition accounting	100,00%	100,00%
9.	Klimo s.r.o.	Czech Republic, Krnov	in liquidation	acquisition accounting	100,00%	100,00%
10.	Kofola Zrt.	Hungary, Budapest	in liquidation	acquisition accounting	100,00%	100,00%
11.	OOO Megapack	Russia, Widnoje	production of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
12.	OOO Trading House Megapack	Russia, Widnoje	sale and distribution of non-alcoholic and low-alcoholic beverages	acquisition accounting	50,00%	50,00%
13.	Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.	Poland, Koszalin	wholesale of alcoholic and non-alcoholic beverages	acquisition accounting	75,00%	75,00%
14.	Bobmark international Sp. z o.o.	Poland Warszawa	wholesale of alcoholic and non-alcoholic beverages	acquisition accounting	100,00%	100,00%
15.	Transport Spedycja Handel Sulich Sp. z o.o.	Poland, Bielsk Podlaski	road cargo transport	equity accounting	50,00%	50,00%

The holding company – **KOFOLA S.A.** with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94, formed as a result of the 30 May 2008 merger of HOOP S.A and Kofola SPV Sp. z o.o. Effective with the merger's registration, the name HOOP S.A. was changed to Kofola - HOOP S.A. At this time the Company's functions consist primarily of management and control of all of the entities belonging to the KOFOLA S.A. Group.

The subsidiary **Hoop Polska Sp. z o.o**. with its registered office in Warsaw, 01-102, ul. Jana Olbrachta 94, of which KOFOLA S.A. holds 100%. The company's main area of activities is the production and sale of non-alcoholic beverages.

The subsidiary **Kofola Holding a.s.** The company Kofola Holding a.s. is a direct subsidiary, which is the holding company of the Kofola Holding a.s. Group, with its registered office in Ostrava, Nad Porubkou 2278/31A, 708 00 Ostrava - Poruba, CZECH REPUBLIC, of which KOFOLA S.A. holds 100%.

The Kofola Holding a.s. Group comprises the following entities:

- Kofola Holding a.s. – the holding company – registered in the Czech Republic, performing management and control of the other entities comprising the KOFOLA S.A. Group,
- Kofola a.s. (CZ) – a company registered in the Czech Republic, with main activities consisting of the production and distribution of beverages on the territory of the Czech Republic,
- Kofola a.s. (SK) – a company registered in Slovakia, with main activities consisting of the production and distribution of beverages on the territory of Slovakia,
- Kofola Sp. z o.o. – a company registered in Poland, with main activities consisting of renting out the production plant in Kutno to the company Hoop Polska Sp. z o.o., which conducts its production there,
- Santa-Trans s.r.o. (CZ) – a company registered in the Czech Republic, with main activities consisting of road cargo transport,

- Santa-Trans.SK s.r.o. (SK) – a company registered in Slovakia, with main activities consisting of road cargo transport,
- KLIMO s.r.o. – a company registered in the Czech Republic. In 2007 it distributed beverages on the Czech market. No operating activities since the beginning of 2008. Company is in liquidation,
- Kofola Zrt. (HU) – a company registered in Hungary, which is in liquidation.

The subsidiary **Megapack Group**, with its holding company OOO Megapack with its registered office in Promozno, Widnoje, Leninskiy District, Moscow Region, the Russian Federation, of which KOFOLA S.A. holds 50%. The main area of activities of the Megapack Group is the provision of services consisting of bottling beverages, production of own beverages, including under the HOOP, Arctic, Hooch, Tiamo Tanto and Dieviatka trademarks, as well as their distribution on the territory of the Russian Federation. The KOFOLA S.A. Group is able to control the financial and operating policies of the Megapack Group, and as such it consolidates its financial statements using acquisition accounting. In accordance with the binding Statute, the Managing Director of Megapack is selected by the Shareholders Meeting, with KOFOLA S.A. having the deciding vote in this matter. The Managing Director is Megapack's one-man executive and representative organ.

The subsidiary **Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.** with its registered office in Koszalin, 75-209, ul. BoWiD 9e, of which KOFOLA S.A. holds 75% and has 75% of votes at Shareholders Meeting. The activities of PCD HOOP Sp. z o.o. consist of the wholesale of beverages. The Company is currently in a bankruptcy open to arrangements proceeding (Note 5.5).

The subsidiary **Bobmark International Sp. z o.o.** with its registered office in Warsaw, of which KOFOLA S.A. holds 100%. The activities of Bobmark International Sp. z o.o. consist of the wholesale of beverages. The shares of Bobmark are the subject of the sale agreement referred to in Note 5.16, the company's assets and liabilities are presented as held for sale (Note 4.14).

The co-subsidiary **Transport – Spedycja – Handel - Sulich Sp. z o. o.** with its registered office in Bielsk Podlaski. The company's activities consist of road transport of cargo.

On 8 December 2009 KOFOLA S.A disposed of its shares of the subsidiary Maxpol. The activities of Maxpol Sp. z o.o., of which KOFOLA S.A. held 100 %, consisted of the wholesale of beverages. Therefore the data of Maxpol has only been included in the comparatives.

5.2 Description of operating results and financial position

Presented below is a description of the financial position and results for the first half of 2010 of the Kofola Group. It should be reviewed along with the consolidated financial statements and with other financial information presented in other sections of the present report.

Summary of operating results in the first quarter of 2010

When assessing the financial results of the Kofola Group for the first half of 2010 it is important to consider market conditions, which had an effect on the Group's results. Firstly, the consumers continued to have a high level of uncertainty and thus looked for savings in their shopping cart. A trend was visible whereby consumption at restaurants was being replaced with consumption at home. Unemployment was high and affecting shopping habits in all the countries in which we operate. On the Russian market, the government continued activities to limit alcohol consumption by introducing limitations on advertising of alcoholic beverages and raising excise tax on alcohol effective January 2010. Another factor affecting the willingness of consumers to make purchases (not only of beverages) was large amounts of snow fall and freezing temperatures, which discouraged people from leaving their homes, especially in January and February, and exceptionally rainy April and May.

The first quarter saw an increased advertising activity from Pepsi Cola, arising out of the rebranding of the brand. In the second quarter active advertising campaigns were conducted by Coca Cola, who was the main sponsor of the Football World Cup in South Africa.

At the end of the second quarter a rise could be felt in the prices of raw materials (oil, paper and sugar), which translated into a rise in prices of PET bottle moulds, caps, foils and packaging. The rise in sugar prices was not yet noticeable due to the medium-term contracts concluded by the Group's companies.

Given the macroeconomic conditions, market trends and events we see the first half as minimally positive, because despite a drop in consolidated sales the Group was able to improve its gross sales profitability and, due to lower foreign exchange losses, generate a net profit that was close to that achieved in the first half of 2009. We believe that our investment in sales structures, expansion of distribution and development of new sales channels will bring positive results in the coming periods. We also expect a rise in sales from newly introduced products, and an increase in the sale of the Kofola drink following the "50 years of the Kofola brand" campaign.

- The drop in **consolidated sales revenues** by 180 112 thousand PLN, or 24 % compared to the first half of 2009 was caused primarily by the 78 881 thousand PLN decrease in revenues of the Megapack Group (customers buying low-alcohol beverages stock up on them in the fourth quarter of 2009 to protect themselves against the 2010 increase in excise tax on alcohol), the discontinuation of consolidation of the company Maxpol following its sale in the fourth quarter of 2009 (in the first half of 2009 Maxpol's revenues amounted to 26 375 thousand PLN excluding intra-group transactions), and 32 212 thousand PLN in differences on the exchange rates of the Polish zloty to the

Euro and the Czech crown (in the first half of 2009 and 2010, respectively) applied to translate the profit and loss accounts of Czech and Slovak entities.

- Despite a drop in consolidated sales of the entire Group from the first half of 2010 compared to the first half of 2009, we were able to improve **gross sales profitability** from 36,4% to 42,0%, mainly due to favourable purchase prices on main production materials, focusing sale efforts on the most profitable markets, a rise in sales in the restaurant sector in the Czech Republic, lower production costs by closing Hoop Polska Sp. z o.o.'s production plant in Tychy in the third quarter of 2009, and reducing employment in production departments in the first half of 2010.
- Despite an improvement in gross sales profitability, a decrease was recorded in gross sales profit from 271 314 thousand PLN in the first half of 2009 to 237 429 thousand PLN in the first half of 2010, i.e. by 33 885 thousand PLN or 12% (of which the effect of a change in the exchange rates used to translate the results of subsidiaries accounted for 18 100 thousand PLN).
- In the analyzed period Selling, marketing and distribution costs fell from 186 852 thousand PLN to 180 847 thousand PLN, i.e. by 6 005 thousand PLN, or 3%; however, because of an increased sales force, the start of new distribution channels, the introduction of direct distribution to clients in Slovakia, the selling costs have gone up with respect to sales from 25,1% to 32,0%.
- By optimizing support functions the Group was able to reduce its administrative costs from 43 599 thousand PLN to 35 500 thousand PLN, i.e. by 8 099 thousand PLN, or 19%.
- Due to a lower value of the gross sales margin and a lower drop in selling and administrative costs, the Group's operating profit (EBIT) fell from 40 192 thousand PLN in the first half of 2009 to 20 357 thousand PLN in the first half of 2010. During this time, the EBIT margin decreased from 5,4% to 3,6%.
- In the analyzed period EBITDA (operating profit plus depreciation) fell from 93 233 thousand PLN to 60 722 thousand PLN, and the EBITDA margin from 12,5% to 10,8%.
- The rise in **consolidated net profit** assigned to the holding company's shareholders from 8 726 thousand PLN in the first half of 2009 to 10 036 thousand PLN in the first half of 2010 was achieved primarily because of positive trends on the currency market and better currency risk management, as well as a reduction in the use of credits and leases, which made it possible to limit net financial costs to 6 710 thousand PLN in the 1st half of 2010 compared to 20 476 thousand PLN in the 1st half of 2009.
- The net profit per share has grown from 33,34 grosz to 38,35 grosz in the comparative period. The diluted net profit per share has also increased (diluted due to the issue of subscription warrants) from 33,34 grosz per share to 38,20 grosz per share.
- **Working capital** has decreased from 116 145 thousand PLN as at 30 June 2009 and 68 011 thousand PLN as at 31 December 2009 to 67 287 thousand PLN as at 30 June 2010. The ratio of working capital to sales revenue (on an annualized basis) has improved from 7,6% as at 30 June 2009 to 6,0% as at 30 June 2010.
- Consistent **debt** reduction. The ratio of net debt to annualized EBITDA is down from 2,7 times at the end of the first half of 2009 to 1,8 times at the end of the first half of 2010. As at 30 June 2010 the debt rate amounted to 60% (compared to 59% at the end of December 2009 and 67% as at 30 June 2009). The Group's consolidated net debt amounted to 310 846 thousand PLN as at 30 June 2010 and has fallen from the end of December 2009 by 34 356 thousand PLN (or 10%) and from the end of June 2009 by 169 967 thousand PLN (35%).

Poland

- The 61 863 thousand PLN (21%) drop in sales in Poland compared to the first half of the 2009 year was caused primarily by the discontinuation of consolidation of the company Maxpol Sp. z o.o. (whose revenue in the first half of 2009 after excluding intra-group transactions amounted to 26 375 thousand PLN), the concentration of sales and marketing support on the most perspective brands, as a result of which other unsupported brands suffered. In the first half of 2010 bad weather conditions (snow in January and February and torrential rains in April and May) had an effect on sales, as demand for beverages was down. In addition, in the first half of 2010 Hoop Polska ended the process of forming a sales representative team who during this period had not yet reached their target sales effectiveness. Focusing on key brands in Poland is starting to bring the first results. Thanks to marketing support, the Hoop Cola brand is showing higher sales growth than the growth experienced by cola type drinks (3,7% rise of Hoop Cola's market share compared to a 2% market rise), and as at 30 June 2010 reached its historically highest share of 7,6% in the cola drink market.
- The closing of the Tychy plant in the second half of 2009 made it possible to lower operating costs and reduce operating losses from 4 843 thousand PLN for the first half of 2009 to 1 323 thousand PLN for the first half of 2010.
- In April 2010 a new beverage category was introduced - Domowe Kompoty Babci Paoli [Grandma Paola's Home Compotes].

Czech Republic

- On the falling Czech market in the current period we recorded an 11% drop in sales in the local currency (which translates into a drop of 18% in Polish zloty). We were unable to make up for the drop using traditional channels and the modern rise in sales from the restaurant sector. Noteworthy is the fact that the 12% half-year to half-year increase in sales in the restaurant segment was reached in difficult macroeconomic conditions (despite a drop in consumption in this channel). The decrease in sales in traditional channels was partially the effect of very aggressive price promotions offered by our main competitors in the cola segment, and of defining margins. The drop in sales revenue on the Czech market is also caused by lower sales of transport services to entities from outside the Group by Santa-Trans s.r.o. (CZ).
- In the reporting period in the Czech Republic a significant improvement occurred in the profitability of the syrups segment, resulting primarily from lower prices of sugar and the closing in the year 2009 of one of the three production lines used to make syrups. In the Czech Republic the Jupi syrups have recorded a higher rise in market share than the market in this segment, and remain a leader of this market due to high quality and innovative products.
- In the first half of 2010 we introduced a series of new products to the Czech and Slovak markets: the Pickwick Just Tea frozen teas, Snipp juices and fruit drinks, new Rajec flavoured waters and oxygenated Rajec water, the well-known Orangina carbonated drink, as well as continued the introduction of the Jupik Shake children’s drink.
- In March 2010 the Kofola Group began its celebration of the 50th anniversary of the Kofola brand on the Czech and Slovak market. In connection with this anniversary a series of marketing and public relations events have been planned for this year, which should translate into a further rise in awareness of the brand among Czechs and Slovaks, and bring about an increase in Kofola’s sales on those markets.

Slovakia

- On the Slovak market we recorded a slight drop in sales from half-year to half-year by 1% in the local currency (or 8% after translation into Polish zloty). Due to a drop 3,5% of the entire Slovak market, we were able to increase our market share by 0,2%. This was possible due to consistent work on the position of our products in the waters, colas and carbonated beverages segments, and a decrease in the restaurants segment that was half as slow as the entire market.

Russia

- The 53% drop in sales revenue in Russia was the result of several factors: the introduction of limitations on advertising of alcoholic beverages, the raising of excise tax on alcoholic beverages effective 1 January 2010 (as a result of which the customers’ purchases were partially moved from the first quarter of 2010 to the fourth quarter of 2009), as well as lower revenues from co-packing services (production commissioned by third parties – of to a large extent low-alcohol drinks). As the margins earned on co-packing services are low, the drop in the sale of these services had little effect on the operating profit (175 thousand PLN and 6 204 thousand PLN in the first halves of 2010 and 2009, respectively). We expect that once the distributors sell out their inventory of low-alcohol drinks (from the fourth quarter of 2009) the volume of sales in this category will be partially rebuilt in the 2nd half of 2010. For the same reason Megapack should be able to obtain more contracts for commissioned production of low-alcohol beverages.

CONSOLIDATED INCOME STATEMENT

The six month period ended 30 June 2010 compared to the six month period ended 30 June 2009

Selected financial highlights	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009	Change 2010/2009	Change 2010/2009 (%)
Revenue	564 660	744 772	(180 112)	(24%)
Cost of sales	(327 231)	(473 458)	146 227	(31%)
Gross profit	237 429	271 314	(33 885)	(12%)
Selling, marketing and distribution costs	(180 847)	(186 852)	6 005	(3%)
Administrative costs	(35 500)	(43 599)	8 099	(19%)
Operating result	20 357	40 192	(19 835)	(49%)
EBITDA	60 724	93 233	(32 509)	(35%)
Financial expense, net	(6 710)	(20 476)	13 766	(67%)
Income tax	(3 804)	(8 429)	4 625	(55%)
Net profit for the period	9 843	11 287	(1 444)	(13%)
- assigned to the shareholders of the parent company	10 036	8 726	1 310	15%

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Earnings per share	0,3835	0,3334
Net profitability	1,8%	1,2%
Profitability EBIT %	3,6%	5,4%
Profitability EBITDA %	10,8%	12,5%

Calculation principles:

Earnings per share *– net earnings attributable to shareholders of the parent company / weighted average number of ordinary shares in a given period*
Net profitability *– Net profit attributable to shareholders of the parent company / net revenues from the sales of products, services, goods and materials in a given period*
Profitability EBIT% *– operating profit for a given period / net revenues from sales of products, services, goods and materials in a given period*
Profitability EBITDA% *– ((operating profit + depreciation for a given period) / net revenues from sales of products, services, goods and materials in a given period*

Net sales revenue

The consolidated net sales revenues of the KOFOLA Group for the six month period ended 30 June 2010 amounted to 564 660 thousand PLN, which constitutes a drop of 24% compared to the same period of the previous year. Revenue from the sale of finished products amounted to 551 600 thousand PLN, which constitutes 98% of total revenues. The drop in the Group's revenues in the six month period ended 30 June 2010 compared to the six month period ended 30 June 2009 was caused primarily by: lower (by 78 881 thousand PLN) revenue of the Megapack Group, the sale of the company Maxpol Sp. z o.o. in December 2009 (in the 1st half of 2009 the company's revenue was consolidated and amounted to 26 375 thousand PLN after excluding intra-group transactions), lower revenues of the company Hoop Polska Sp. z o.o. (decrease by 24 499 thousand PLN excluding intra-group transactions), and a change in the exchange rates used to translate the financial statements of foreign entities (effect of approx. 32 212 thousand PLN).

The activities of the KOFOLA S.A. Group concentrate on the production of beverages in five market segments: carbonated beverages, non-carbonated beverages, mineral water, syrups and low-alcohol drinks. Together these segments account for around 95% of the Group's sales revenues. The revenue structure has not changed considerably compared to the same period of last year, except for a drop in revenue in the low-alcohol segment in Russia (15% of revenue in the first half of 2009 compared to 5% of revenue in the first half of 2010). The largest among the revenues of the six month period ended 30 June 2010 was the sale of carbonated beverages, as was the case in the comparative period (45% and 39% of revenues in the six month periods ended 30 June 2010 and 30 June 2009).

Net revenues of the Group's most significant entities

Net revenues from the sales of products, services, goods and materials *	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009	Change	% Change
Hoop Polska Sp. z o.o.	221 505	260 106	(38 601)	(15%)
Kofola a.s. (CZ)	178 695	209 243	(30 548)	(15%)
Kofola a.s. (SK)	117 685	133 885	(16 200)	(12%)
Megapack Group	68 456	147 303	(78 847)	(54%)

** Standalone data without consolidation adjustments*

The revenues realized in the six month period ended 30 June 2010 by the company HOOP Polska were by 15% lower than in the comparative period. This decrease was caused by a change in the business model, the company's gradual withdrawal from the sale of less perspective brands, low effectiveness of a newly formed sales department and changes at the turn of 2009 and 2010 in the company's management staff. In 2010 the enlarged sales department is focusing on increasing numerical distribution and rotation of products on store shelves, and in consequence rebuilding its market share. The weather conditions in January, February, April and May 2010 also had a negative effect on the sales of HOOP Polska Sp. z o.o.

The revenues of Kofola a.s. (CZ) realized for the six month period ended 30 June 2010 were by 8% lower than in the comparative period in the local currency (a drop of 15% after translation into Polish zloty). This drop, equivalent to the drop on the market, was caused by decreased demand, especially in the waters and non-carbonated beverages segment.

The revenues of Kofola a.s. (SK) realized for the six month period ended 30 June 2010 were lower than in the comparative period by 1% in the local currency (a drop of 12% after translation into Polish zloty), which allowed the company to increase its market share in a market that fell by 3,6%.

In the six month period ended 30 June 2010 the Megapack Group decreased the value of its sales revenue by 53% in the local currency compared to the same period of the year 2009 (a drop by 54% after translation into Polish zloty). The main reason for the drop in revenue was a decreased volume of sales of alcoholic beverages (since 1 January 2010 subject to higher excise tax), and lower revenues from co-packing.

Costs of sales

In the six month period ended 30 June 2010 the Kofola Group's consolidated costs of sales decreased by 146 227 thousand PLN, or 31%, to 327 231 thousand PLN from 473 458 thousand PLN in the same period of 2009. The decrease in the Group's cost of goods sold was caused primarily by lower consumption of production products caused by a drop in sales revenues, as well as the Group's ability to get better prices on main production materials due to the scale effect arising out of centralizing purchasing at the Group, lower commodities prices especially at the turn of the years 2009 and 2010, as well as the strengthening of the Polish zloty and the Czech crown with respect to the Euro (as a result of which imported raw materials became cheaper).

In the six month period ended 30 June 2010 the consolidated costs of goods sold went down to 58 % of net sales revenues, compared to 64% in the same period of the year 2009.

Selling, marketing and distribution costs

In the six month period ended 30 June 2010 the Group's consolidated sales costs fell by 6 005 thousand PLN, i.e. by 3% to 180 847 thousand PLN from 186 852 thousand PLN in the same period of 2009.

In percentages, in the six month period ended 30 June 2010 our sales costs increased to 32% of net sales revenues, compared to 25% in the same period of 2009. This means a rise in the share of sales costs by 7 percentage points. This rise consisted primarily of investments in market development, which should bring effects in future periods. We increased the number of sales representatives in all countries, which will make it possible to reach more stores and restaurants. A significant rise was recorded in sales costs in Slovakia due to the start up in October 2009 of direct distribution to the end users (which meant the formation of four new distribution centres and increased logistics costs). The above described rise in logistics costs in Slovakia was caused by the start up of direct distribution and transport of products directly to smaller stores, pubs and restaurants, which in the long-term will make it possible to reclaim the margin that was previously handed over to distributors.

In Russia we started to build distribution outside of the Moscow region. At the end of March 2010 we were able to begin sales in the area of Omsk, and in June 2010 in Rostow on the river Don.

Had the foreign exchange rates from the first half of 2009 been used, the Group's sales costs in the first half of 2010 would have been higher by 13 082 thousand PLN, which corresponds to the additional sales force and logistics costs.

Administrative costs

In the six month period ended 30 June 2010 the consolidated administrative costs went down by 8 099 thousand PLN, i.e. by 19% to 35 500 thousand PLN from 43 599 thousand PLN in the same period of 2009. The decline in the general administrative costs of the KOFOLA Group for this period was caused primarily by a decrease in services purchased from third parties and a reduction in employment and wages at the Group's companies.

In percentages, in the six month period ended 30 June 2010 the consolidated administrative costs reached slightly above 6% of net sales revenues, compared to nearly 6% in the same period of 2009.

Had the foreign exchange rates from the first half of 2009 been used, the Group's general administrative costs in the first half of 2010 would have been higher by 2 784 thousand PLN, but still lower than in the first half of 2009.

Operating profit

Operating profit is down by 19 835 thousand PLN, i.e. by 49 % to 20 357 thousand PLN in the six month period ended 30 June 2010 from 40 192 thousand PLN in the same period of 2009, which after taking into account the change in the exchange rates used to translate foreign entities gives a drop of 17 595. In the six month period ended 30 June 2010 the profit margin on operating activities decreased to 3,6% from 5,5% in the same period of 2009.

This drop was mainly the result of a decrease in gross sales profit, caused by a decrease in sales that was greater than the reductions in selling and general administrative costs (which, to a great extent, constitute fixed costs).

In the course of the year 2009, in accordance with the requirements of International Financial Reporting Standards, the Management performed an analysis of the useful lives of the Group's assets (with particular attention given to production lines). Due to high work culture of operations services and very good condition of the production lines it turned out that their useful lives are longer than originally planned. In view of this, the Management decided to verify upwards the anticipated useful lives of the main assets. At the same time the Group's depreciation rates were also standardized. As a result of these changes, in the first half of the year 2010 depreciation is by approximately 7 680 thousand PLN lower than it would have been had the previous useful lives and depreciation rates been applied.

EBITDA

EBITDA, calculated as the operating profit plus depreciation for a given period, fell from 93 233 thousand PLN in the six month period ended 30 June 2009 to 60 724 thousand PLN, i.e. by 32 509 thousand PLN (by 35%) in the six month period ended 30 June 2010. The decrease in the EBITDA of the KOFOLA Group in this period was caused primarily by a lower EBITDA at the company Kofola a.s. SK (drop in EBITDA by 8 174 thousand PLN due to higher sales costs) and at the Megapack Group (decline in EBITDA by 6 191 thousand PLN caused by a significant drop in sales revenue), and a lower EBITDA due to a change in the exchange rates used to translate the financial statements of foreign entities (effect of approximately 4 342 thousand PLN).

As a result of the above changes, the EBITDA margin went down to 10,8% from 12,5% in the same period of 2009.

Net financial expenses

In the six month period ended 30 June 2010 the Group recorded net financial expenses of 6 710 thousand PLN compared to 20 476 thousand PLN in the same period of 2009. The financial expenses of the KOFOLA S.A. Group decreased in this period due primarily to: 46 thousand PLN in foreign exchange gains compared to 9 001 thousand PLN in foreign exchange losses incurred in the first half of 2009, a drop in interest on credits and leases from 12 115 thousand PLN in the first half of 2009 to 9 272 thousand PLN in the first half of 2010, and 2 328 thousand PLN in profit earned on the sale of the shares of BOMI S.A.

A significant drop in financial expenses occurred at Kofola a.s. (CZ) – by 3 330 thousand PLN, at Kofola Sp. z o.o. – by
3 936 thousand PLN, and at Hoop Polska Sp. z o.o. – by 868 thousand PLN.

The Group’s financial expenses are down mainly due to a decrease in foreign exchange losses following a decrease in exposure to currency risk (repayment of a portion of the credits denominated in EUR), and the strengthening of the exchange rates of PLN and CZK to the EUR. A large portion of foreign exchange losses in the first half of 2009 consisted of unrealized foreign exchange differences arising out of loans, credits and leases denominated in EUR. Also of significance was the drop in interest costs 2 843 thousand PLN, arising out of a decrease in the Group’s net debt by 169 965 thousand PLN compared to 30 June 2009.

Income tax

In the six month period ended 30 June 2010 we recorded income tax in the amount of 3 804 thousand PLN compared to 8 429 thousand PLN in the same period of 2009. The decrease in income tax is caused primarily by a drop in gross profit.

The effective tax rate has fallen in the comparative period from 42,8% to 27,9%.

Net profit for the period

The consolidated net profit for the six month period ended 30 June 2010 amounted to 9 843 thousand PLN, of which 10 036 thousand PLN is assigned to the holding company’s shareholders, compared to consolidated net profit of 11 287 thousand PLN in the same period of 2009, of which 8 726 thousand PLN was assigned to the shareholders of the holding company.

CONSOLIDATED BALANCE SHEET

Selected financial highlights	**30.6.2010**	**31.12.2009**	**30.6.2009**	**Change from 12.2009 (%)**	**Change from 6.2009 (%)**
Total assets	**1 422 121**	**1 391 809**	**1 563 615**	**2%**	**-9%**
Fixed assets, out of which:	929 141	946 812	1 021 176	-2%	-9%
Tangible fixed assets	*566 398*	*574 576*	*645 151*	*-1%*	*-12%*
Intangible fixed assets	*225 886*	*223 536*	*229 879*	*1%*	*-2%*
Goodwill	*111 998*	*111 693*	*112 655*	*0%*	*-1%*
Financial assets available for sale	-	*11 522*	*12 495*	*-100%*	*-100%*
Current assets, out of which:	492 980	444 998	542 439	11%	-9%
Inventories	*134 598*	*107 840*	*166 361*	*25%*	*-19%*
Trade receivables and other receivables	*292 985*	*266 408*	*325 858*	*10%*	*-10%*
Cash and cash equivalents	*36 835*	*50 503*	*24 066*	*-27%*	*53%*
Equity assigned to the shareholders of the parent company	524 887	526 210	482 407	0%	9%
Non-controlling capital	47 909	42 882	37 417	12%	28%
Total equity and liabilities	**1 422 121**	**1 391 809**	**1 563 615**	**2%**	**-9%**
Total equity	572 796	569 092	519 824	1%	10%
Long-term liabilities	209 524	200 179	278 687	5%	-25%
Short-term liabilities	639 801	622 538	765 104	3%	-16%

	30.6.2010	31.12.2009	30.6.2009
Current ratio	0,77	0,71	0,71
Quick ratio	0,56	0,54	0,49
Total debt ratio	60%	59%	67%
Net debt	310 847	345 201	480 813
Net debt /EBITDA *	1,8	1,7	2,7

Calculation principles:

Current ratio *– current assets at the end of a given period / current liabilities at the end of a given period,*
Quick ratio *– current assets less inventory at the end of a given period / current liabilities at the end of a given period,*
Total debt ratio - *current and non-current liabilities at the end of a given period / total assets at the end of a given period,*
Net debt *- long-term and short-term credits, loans and other sources of financing less cash and cash equivalents*

* based on annualized value of EBITDA

Assets

At the end of June 2010 the Group's fixed assets equalled 929 141 thousand PLN. Compared to 31 December 2009 the value of fixed assets decreased by 17 671 thousand PLN (2%). The greatest decrease was recorded in tangible fixed assets, whose value went down by 8 178 thousand PLN, or 1 %, compared to December 2009, and in financial assets available for resale, the value of which went down by 11 522 thousand PLN following the sale of the shares of BOMI S.A. The decrease in the value of tangible fixed assets was caused by lower investment spending incurred by the Group's companies compared to the value of depreciation, and a change in the exchange rate used in the balance sheet valuation of foreign entities, which is responsible for a decrease of 10 848 thousand PLN in the value of assets. Fixed assets account for 65% of total assets (at the end of 2009: 68 %).

Goodwill was created as a result of the merger of the HOOP S.A. Group with the Kofola SPV Sp. z o.o. Group and includes also the goodwill of the Megapack Group and Klimo. Intangible assets consist primarily of trademarks.

As at 30 June 2010 the Group's current assets amounted to 492 980 thousand PLN. They consisted primarily of: trade and other receivables – 60% of current assets, and inventory – 28% of current assets. Compared to the end of December 2009, the value of current assets increased by 47 983 thousand PLN (where the greatest rise was recorded in trade receivables – by 26 577 thousand PLN, and in inventory – by 26 758 thousand PLN). Compared to the end of June 2009 the value of current assets is down by 49 459 thousand PLN (with the biggest drop recorded in trade receivables – by 32 874 thousand PLN, and in inventory – by 31 763 thousand PLN). The rise in the value of inventory compared to the end of the year 2009 is a result of preparing products for the summer season. The rise in the value of receivables compared to the end of the year 2009 was caused by higher sales in May and June compared to November and December 2009.

The value of working capital calculated as the sum of inventory, trade receivables less short-term trade payables and other payables as at 30 June 2010 was 67 287 thousand PLN compared to 68 011 thousand PLN as at 31 December 2009 and 116 145 thousand PLN as at 30 June 2009. This change shows a significant improvement in the management of working capital at the entire Group.

The ratio of working capital to sales revenue (on an annualized basis) amounts to 6% as at 30 June 2010, compared to 4,4% at the end of December 2009 and 7,6% as at 30 June 2009.

Liabilities

As at 30 June 2010 the Group's liabilities (long- and short-term together) amounted to 849 325 thousand PLN, which constitutes an increase by 26 608 thousand PLN (or 3%) compared to the end of December 2009. The increase in liabilities was caused primarily by a rise in the value of trade payables and other payables (by 54 059 thousand PLN, or 18% - resulting mainly from greater purchases of production materials to prepare products for the summer season). Compared to 30 June 2009 a drop may be seen in the Group's liabilities by 194 466 thousand PLN, or 19%, mainly under credits and loans (decrease by 138 923 thousand PLN, or 32 %) and under trade and other payables (down by 25 996 thousand PLN, or 6%).

The ratio of net debt to annualized EBITDA is down from 2,7 times at the end of the first half of 2009 to 1,8 times at the end of the first half of 2010. Compared to the end of 2009 the ratio of net debt to annualized EBITDA went up by 0,1 (the effect of a decrease in the value of cash and cash equivalents and a drop in the value of EBITDA).

The debt ratio (short- and long-term liabilities to total assets) amounted to 60% as at 30 June 2010 (59% at the end of December 2009 and 67% as at 30 June 2009). The Group's consolidated net debt calculated as total long- and short-term liabilities relating to credits, loans and other debt instruments less cash and cash equivalents amounted to 310 846 thousand PLN as at 30 June 2010 after decreasing by 34 356 thousand PLN compared to the end of December 2009 (or 10%) and by 169 967 thousand PLN compared to the end of June 2009 (35%). The decrease was caused by a lower value of credits, loans and lease payables (repayment of liabilities in accordance with repayment schedules, as well as an improvement in the management of working capital and lower use of revolving credits).

The current ratio, calculated as the ratio of total current assets to total short-term liabilities amounted to 0,77 as at 30 June 2010 (0,71 at the end of 2009, 0,71 as at 30 June 2009), whilst the quick ratio equalled to 0,56 (0,54 at the end of 2009 and 0,49 as at 30 June 2009).

CONSOLIDATED CASH FLOW

In the first half of 2010 the value of net cash flows was -13 668 thousand PLN. Compared to the same period of the previous year the Group generated cash flows that were by 3 879 thousand PLN higher. Operating cash flows amounted to 63 410 thousand PLN and were by 25 515 thousand PLN lower than those generated in the period from January to June 2009 due to a drop in profit before tax, lower depreciation write downs, higher foreign exchange losses on the translation of foreign entities and lower interest charges paid (due to a drop in debt). The increase in the value of liabilities, and other changes in working capital are described above.

The excess of investment expenses over income amounted to 6 962 thousand PLN and was by 56 861 thousand PLN lower than in the same period of 2009. In the current period the value of investment cash flows was affected primarily by the acquisition of tangible and intangible fixed assets in the amount of 22 476 thousand PLN, and the sale of the shares of BOMI S.A., resulting in an income of 13 844 thousand PLN. Lower investment expenses incurred by the Group's companies compared to the previous year are caused by a lack of a significant need to invest in production assets in the reporting period.

In the first half of 2010 the Group showed negative financing cash flows of -70 116 thousand PLN. Compared to the first half of 2009 the Group's net financing cash flows were lower by 27 467 thousand PLN. The reason for this drop was the excess of the value of credits and loans paid over the income from credits and loans taken. In the first half of 2010 the highest income and repayment of credits and loans was recorded by Hoop Polska Sp. z o.o. further to its conclusion with a bank consortium formed by Bank Zachodni WBK S.A., Kredyt Bank S.A., Bank Polska Kasa Opieki S.A. of two credit agreements, which replaced all of the company's existing credit agreements (repaid in the first half of 2010).

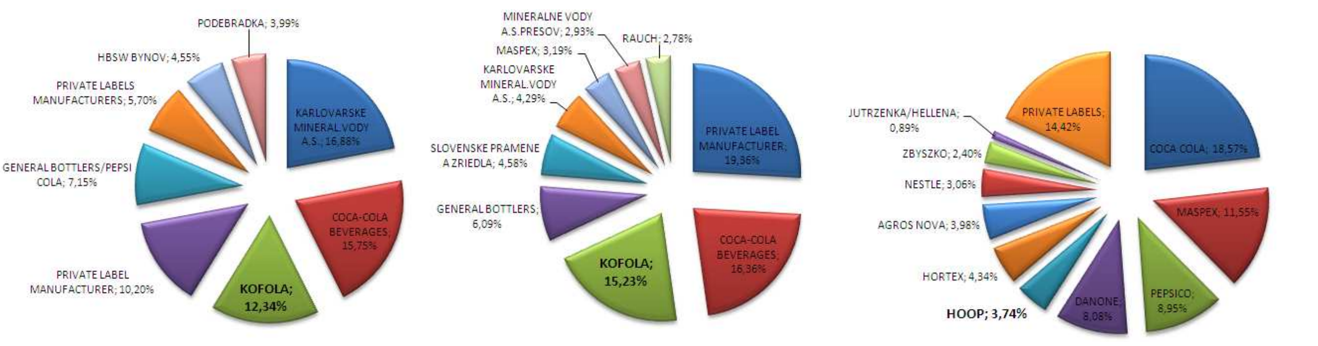
5.3 Operating segments

Market position of the KOFOLA S.A. Group

According to AC Nielsen, as at 30 June 2010 the companies of the KOFOLA S.A. Group rank third on the non-alcoholic beverages market in the *Czech Republic* (of which first when it comes to syrups, first on the market of children's drinks, second in colas and second for non-carbonated beverages in PET packaging), rank second on the *Slovak* non-alcoholic beverages market (first in mineral water, first in children's drinks, second in colas, second in syrups and second in non-carbonated beverages in PET packaging), and seventh on the *Polish* market (of which: second in syrups, third in colas, fifth in children's beverages, eighth in energy drinks, tenth in mineral water, and fourth on the entire non-carbonated beverages market (all types of packaging) – second in non-carbonated beverages in PET packaging).

In *Russia* the company Megapack was until now visible primarily on the local Moscow market. Due to the size of the Russian market, data relating to the company do not appear in market statistics, which makes it difficult to determine its market position.

CZECH REPUBLIC	SLOVAKIA	POLAND



Source: AC Nielsen

Products

The KOFOLA S.A. Group offers its products in Poland, the Czech Republic, Slovakia and in Russia, as well as exports them to other European countries.

CARBONATED BEVERAGES	Kofola, RC Cola, Citrocola, Hoop Cola, Top Topic, Vinea, Orangina, Chito, Citronela, Fruti, Mr. Max, Sentino
NATURAL SPRING WATERS	Rajec, Arctic
NON-CARBONATED BEVERAGES	Jupí Fruit Drink, Top Topic
100% FRUIT JUICES AND NECTARS	Snipp
SYRUPS AND CONCENTRATES	Jupí, Paola
CHILDRENS' DRINKS	Jupík, Jupík Aqua, Jupík Shake, Capri-Sonne
ICE COFFEE	Nescafé Xpress
ICE TEA	Pickwick Just Tea
ENERGY DRINKS	R20
COMPOTES	Paola
LOW ALCOHOL BEVERAGES (Russia)	Hooch, Dieviatka, Tiamo Tanto

Since the beginning of 2010 the Group's assortment of beverages was broadened to include the Pickwick Just Tea frozen tea, new Rajec flavoured waters, new flavours of drinks from the Top Topic family, as well as the citrus beverage Orangina (product of Orangina Schweppes International). The KOFOLA S.A. Group also makes beverages and syrups at the commission of external companies, mainly shopping chains, under their own brand.

In addition, the company Megapack, which operates on the Russian market, sells drink bottling services, relating to both low alcohol beverages and non-alcoholic beverages. Their clients are both multinationals and the largest Russian beverage companies.

The Group conducts activities as part of the following operating segments:

- Carbonated beverages
- Non-Carbonated beverages
- Mineral waters
- Syrups
- Low alcohol drinks
- Other

The "Other" segment includes beverage sales made by distribution companies, sales of the R20 energy drinks and Nescafe Xpress, as well as transport activities performed for entities from outside the Group.

Financial income and expense, as well as taxes, have not been disclosed by segment, as these values are monitored at Group level and no such information is forwarded to segment-level decision makers.

Due to the use of joint asset resources as part of operating segments and because of difficulties in allocating these resources to separate segments, the Group does not present to the decision making organ its data on the assets, liabilities, investment spending and depreciation charges allocated to the various segments, and does not present this data in the financial statements.

Reporting segment results for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009:

Operating segments

1.1.2010 - 30.6.2010	**Carbonated beverages**	**Non-Carbonated beverages**	**Mineral waters**	**Syrups**	**Low alcohol drinks**	**Other**	**Eliminations (consolidation adjustments)**	**Total**
Revenue	252 200	96 389	101 225	62 612	30 942	21 292	-	564 660
Sales to external customers	252 200	96 389	101 225	62 612	30 942	21 292	-	564 660
Inter-segment sales	-	-	-	-	-	-	-	-
Operating expenses	(230 499)	(102 259)	(104 100)	(55 862)	(30 747)	(20 837)	-	(544 303)
Operating result of the segment	**21 700**	**(5 870)**	**(2 875)**	**6 751**	**195**	**456**	**-**	**20 357**
Result on financial activity								(6 710)
Profit before tax								13 647
Income tax								(3 804)
Net profit								**9 843**

1.1.2009 - 30.6.2009	**Carbonated beverages**	**Non-Carbonated beverages**	**Mineral waters**	**Syrups**	**Low alcohol drinks**	**Other**	**Eliminations (consolidation adjustments)**	**Total**
Revenue	287 214	114 401	104 989	70 394	113 847	53 928	-	744 772
Sales to external customers	287 214	114 401	104 989	70 394	113 847	53 928	-	744 772
Inter-segment sales	-	-	-	-	-	-	-	-
Operating expenses	(245 995)	(118 178)	(105 830)	(68 613)	(111 314)	(54 652)	-	(704 580)
								-
Operating result of the segment	**41 219**	**(3 777)**	**(840)**	**1 782**	**2 533**	**(724)**	**-**	**40 192**
Result on financial activity								(20 476)
Profit before tax								19 716
Income tax								(8 429)
Net profit								**11 287**

5.4 Geographical segments

The Group's activities are generally concentrated on the following markets:

- Poland
- Czech Republic
- Russia
- Slovakia

Presented below are the data for the above geographical segments.

1.1.2010 - 30.6.2010	**Poland**	**Czech Republic**	**Russia**	**Slovakia**	**Other**	**Eliminations (consolidation adjustments)**	**Total**
Revenue	239 011	185 579	68 422	120 090	1 898	(50 340)	564 660
Sales to external customers	231 336	164 590	68 422	98 414	1 898	-	564 660
Inter-segment sales	7 675	20 989	-	21 676	-	(50 340)	-
Operating expenses	(240 334)	(170 355)	(68 247)	(108 649)	(1 897)	45 180	(544 303)
relating to third party sales	(233 385)	(151 090)	(68 247)	(89 684)	(1 897)	-	(544 303)
relating to inter-segment sales	(6 949)	(19 265)		(18 965)	-	45 180	-
Operating result of the segment	**(1 323)**	**15 224**	**175**	**11 441**	**1**	**(5 160)**	**20 357**
Result on financial activity	19 094	1 911	505	(1 381)	-	(26 840)	(6 710)
within segment	(2 755)	(3 079)	505	(1 381)	-	-	(6 710)
between segments	21 849	4 991	-	-	-	(26 840)	-
Profit before tax	17 771	17 135	679	10 061	1	(32 000)	13 647
Income tax	(461)	(1 288)	(875)	(2 024)		843	(3 804)
Net profit /(loss)	**17 310**	**15 848**	**(196)**	**8 037**	**1**	**(31 157)**	**9 843**
Assets and liabilities							
Segment assets	817 316	493 707	128 765	254 675	622	(272 964)	1 422 121
Total assets	**817 316**	**493 707**	**128 765**	**254 675**	**622**	**(272 964)**	**1 422 121**
Segment liabilities	413 344	494 405	30 157	185 754	16 260	(290 594)	849 325
Equity							572 796
Total liabilities and equity							**1 422 121**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	4 801	4 247	193	14 435	-	(1 200)	22 476
Depreciation and amortization	12 485	15 430	4 771	7 681	-	-	40 367

1.1.2009 - 30.6.2009	Poland	Czech Republic	Russia	Slovakia	Other	Eliminations (consolidation adjustments)	Total
Revenue	300 874	225 923	147 303	130 384	1	(59 714)	744 772
Sales to external customers	289 434	200 936	147 303	107 097	1	-	744 772
Inter-segment sales	11 440	24 987	-	23 287	-	(59 714)	-
Operating expenses	(305 718)	(199 469)	(141 099)	(112 871)	(361)	54 937	(704 580)
relating to third party sales	(295 193)	(176 481)	(141 099)	(91 447)	(361)	-	(704 580)
relating to inter-segment sales	(10 525)	(22 988)	-	(21 424)	-	54 937	-
Operating result of the segment	**(4 843)**	**26 454**	**6 204**	**17 514**	**(360)**	**(4 777)**	**40 192**
Result on financial activity	7 670	(2 594)	16	(2 862)	(64)	(22 642)	(20 476)
within segment	(9 638)	(7 928)	16	(2 862)	(64)	-	(20 476)
between segments	17 308	5 334	-	-	-	(22 642)	-
Profit before tax	2 827	13 858	6 220	14 651	(424)	(17 417)	19 716
Income tax	(3 531)	(2 646)	(1 461)	(3 194)	-	2 402	(8 429)
Net profit /(loss)	**(704)**	**11 213**	**4 760**	**11 458**	**(424)**	**(15 015)**	**11 287**
Assets and liabilities							
Segment assets	900 819	538 543	112 852	293 509	946	(283 055)	1 563 615
Total assets	**900 819**	**538 543**	**112 852**	**293 509**	**946**	**(283 055)**	**1 563 615**
Segment liabilities	478 855	570 039	42 786	216 943	18 223	(283 055)	1 043 791
Equity							519 824
Total liabilities and equity							**1 563 615**
Other information concerning segment							
Investment expenditure :							
tangibles and intangibles	18 862	9 675	363	36 897	0	-	65 796
Depreciation and amortization	17 518	21 099	4 522	9 888	15	-	53 041

5.5 Most significant events at the KOFOLA S.A. Group in the period from 1 January 2010 to the preparation of the present financial statements

Credit agreements

On 22 March 2010 the company HOOP Polska Sp. z o.o. concluded with a consortium formed by Bank Zachodni WBK S.A., Kredyt Bank S.A. and Bank Polska Kasa Opieki S.A. two credit agreements. An agreement for a term credit in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 3M WIBOR and bank margin, repayment date set for 22 March 2014. An agreement for an overdraft account in the amount of 57 000 thousand PLN designated to refinance current debt and to finance the Company's current operations – variable interest of 1M WIBOR and bank margin, repayment date set for 22 March 2012. The above credit agreements are secured with: a registered pledge on a group of items and rights constituting an economic whole (up to 171 000 thousand PLN), a mortgage on real properties of Hoop Polska Sp. z o.o. (totalling 171 000 thousand PLN) and a guarantee by KOFOLA S.A. for the benefit of the banks comprising the Consortium, for the amount of 171 000 thousand PLN (with an expiration date of 31 December 2015). The conclusion of the above credit agreements by Hoop Polska Sp. z o.o. replaced all of the existing credit agreements, thereby improving the organization and servicing of Hoop Polska Sp. z o.o. external debt. The credit agreements will cover the external financing needs of HOOP Polska Sp. z o.o. for the next few years, whereas any other credit needs will be the subject of separate negotiations with the Consortium. KOFOLA S.A informed of the conclusion of the above credit agreements in its Current Report No. 5/2010.

Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. („the Company") at the petition of the Company's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to the Company the management over its assets. The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of the Company's new management. It is the intention of the main shareholder and the current Management for the Company to continue as a going concern, thus the company's current legal status has no effect on the assumption of going concern, and in consequence on the valuation and presentation of the company's assets.

Changes in the Board of Directors of the holding company KOFOLA S.A.

On 7 April 2010 Ms. Simona Nováková, Member of the Board of Directors, resigned from the position of Member of the Board of Directors effective 30 April 2010. The Supervisory Board appointed Mr. Bartosz Marczuk to the position of Member of the Board of Directors effective 1 May 2010. The Company informed of the changes in its Management Board in its Current Report No. 6/2010.

Sale of the shares of BOMI S.A.

In the reporting period KOFOLA S.A sold all of its shares of BOMI S.A. traded on the Warsaw Stock Exchange. After commission, the income from this transaction amounted to 13 844 thousand PLN.

5.6 Shareholders holding directly or indirectly significant packets of shares along with the number of shares held, their percentage of share capital, the resulting number of votes and percentage in the total number of votes at general meeting

According to the Company's information as at the date of the preparation of the present report (i.e. 30 August 2010), the following entities held at least 5% of the total number of votes at General Shareholders Meeting of KOFOLA S.A.:

KSM Investment S.A.

13 395 373 shares or 51,18% of share capital of KOFOLA S.A.

13 395 373 shares or 51,18% of total votes at General Meeting of KOFOLA S.A.

CED GROUP S. a r.l. with its registered office in Luxembourg

11 283 153 shares or 43,11% of share capital of KOFOLA S.A.

11 283 153 shares or 43,11% of total votes at General Meeting of KOFOLA S.A.

As at 30 June 2010 the share capital amounted to 26 172 602 PLN and consisted of 26 172 602 shares with a nominal value of 1 PLN per share, entitling to 26 172 602 votes at the Company's General Shareholders Meeting.

Changes in the ownership of major KOFOLA S.A. share packages in the period since the previous quarterly report

According to the Group's information, no changes have been made in the ownership of major share packages since the submission of the previous quarterly report.

SHARE CAPITAL STRUCTURE			
Name of entity	Share capital (value)	% in share capital	% in voting power
KSM Investment S.A.	13 395 373	51,18%	51,18%
CED GROUP S. a r.l.	11 283 153	43,11%	43,11%
Other	1 494 076	5,71%	5,71%
Total	**26 172 602**	**100,00%**	**100,00%**

5.7 Statement of changes in the ownership of KOFOLA S.A. shares or rights to such shares (options) by management and supervisory staff

According to the Company's information as at the date of submission of the report for the first half of 2010 no changes occurred in the ownership of KOFOLA S.A. shares by management and supervisory staff compared to the date of submission of the report for the 1st quarter of 2010.

Shareholder	Share capital (value)		% in share capital		% in voting power	
	30.8.2010	14.5.2010	30.8.2010	14.5.2010	30.8.2010	14.5.2010
René Musila	687 709	687 709	2,63%	2,63%	2,63%	2,63%
Tomáš Jendřejek	687 660	687 660	2,63%	2,63%	2,63%	2,63%

5.8 Ongoing proceedings before courts, arbitration authorities or public administration authorities

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj. On 6 August 2007, HOOP S.A (currently doing business as KOFOLA S.A.) concluded an engagement letter with Fructo-Maj Sp. z o.o., in which it expressed its interest in investing in Fructo-Maj for the purposes of its financial restructuring and enabling the payment of debts. As part of realizing this agreement HOOP S.A. acquired Fructo-Maj's debts, among others concluded a debt assignment agreement with Kredyt Bank S.A., based on which Kredyt Bank S.A transferred onto HOOP S.A. all the debt from a credit agreement, which as at 30 June 2010 amounted to 3 546 thousand PLN and is presented in the financial statements of KOFOLA S.A. as short-term credit payables due by 31 August 2010, and as receivables from the company Fructo-Maj. As at 30 June 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 13 354 thousand PLN, the balance sheet value of this item, after revaluation, is 5 677 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj, and with a registered pledge on the entity's movables.

Fructo-Maj was declared bankrupt open to arrangements in a decision issued on 27 September 2007, and then based on a decision issued on 24 June 2008 the type of proceedings was changed from an arrangement to a liquidation proceeding relating to the assets of Fructo-Maj Sp. z o.o. KOFOLA S.A has its representative in the Committee of Creditors of Fructo-Maj Sp. z o.o. The assets of Fructo-May are currently being sold. The Board believes that given the current state of affairs and type of collateral, no revaluation is needed with regard to the assets associated with Fructo-Maj.

Except for the matter described above, the companies of the KOFOLA S.A. Group are not involved in any other cases (disputes), which could have a material effect on their financial position.

5.9 Information about significant contracts

No significant contract was concluded in the period covered by the financial statements.

5.10 Information about relationships with other group entities

Transactions between related parties were conducted on market terms generally applied for a given type of transaction.

A description of the transactions concluded between related parties is presented in Note 4.17 to the financial statements.

5.11 Information on the granting by the issuer or its subsidiary of credit or loan guarantees or sureties

Entity providing guarantees /sureties	Entity receiving guarantees /sureties	Credit value on balance sheet day which were subject to guarantee/sureties		The period for providing guarantees/sureties	The entity for which liabilities guarantees/ sureties were provided	Kind of relationship between the entity providing guarantees/sureties and one on behalf of which it was provided
		in currency	in ths. PLN			
Kofola a.s., CR / Kofola Holding	UNICREDIT BANK	7 291 T EUR	30 143	6/2012	Kofola a.s., SR	subsidiary
Kofola Holding	ČSOB a.s.	553 T EUR	2 286	3/2014	Kofola a.s., SR	subsidiary
Kofola Holding	VÚB BANKA	8 335 T EUR	34 460	2/2015	Kofola a.s., SR	subsidiary
Kofola a.s., CR	UNICREDIT BANK	1 155 T EUR	4 777	6/2012	Kofola a.s., SR	subsidiary
Kofola S.A.	Bank Zachodni WBK S.A.	63 275 T PLN	63 275	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Kredyt Bank S.A.	10 794 T PLN	10 974	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Bank Pekao S.A.	6 014 T PLN	6 014	12/2015	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Deutsche Leasing	17 192 T PLN	17 192	2/1014	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	ING Commercial Finance	4 008 T PLN	4 008	till termination of the contract	Hoop Polska Sp z o.o.	subsidiary
Kofola S.A.	Komerční banka a.s., Praha	180 256 T CZK	29 002	12/2016	Kofola a.s., CR	subsidiary
Kofola S.A.	Komerční banka a.s., Praha	240 000 T CZK	38 616	10/2010	Kofola a.s., CR	subsidiary
Kofola S.A.	Komerční banka a.s., Praha	26 378 T CZK	4 244	10/2010	Kofola Holding	subsidiary
Hoop Polska Sp. z o.o.	Cargill	460 T PLN	460	till termination of the contract		
Total Sureties for Loans or Guarantees Issued			**245 451**	**ths. PLN**		

In the reporting period the companies of the KOFOLA S.A. Group received no remuneration for guaranteeing the liabilities of other Group companies.

5.12 Information on issuing securities

No issue of securities took place in the presented period. See also subsequent events (Note 5.16).

5.13 The Management's standpoint on the feasibility of realizing previously published profit/loss forecasts for a given year, compared to the forecast results

The Group published no financial result forecasts for the year 2010.

5.14 The factors and unusual events that had an effect on the Group's result

The Group's net result in the reported period was affected mainly, but not only, by the strengthening of the exchange rate of the Polish zloty to the Czech crown and the euro adopted for the purposes of the balance sheet valuation of foreign entities (the average exchange rate of PLN to CZK strengthened by 7%, and of PLN to EUR by 13% in the 1st half of 2010 compared to the same period of the previous year).

In the 1st half of 2009 the Group recognized 9 001 thousand PLN in net foreign exchange losses, whereas in the 1st half of 2010 the Group recognized 46 thousand PLN in net foreign exchange gains. This was caused by lower variability of foreign exchange rates compared to the comparative period, and of better management of foreign exchange risk by the Group's companies. A large portion of the foreign exchange losses incurred in the comparative period related to unrealized foreign exchange differences arising primarily out of the valuation of loans, credits and lease payables denominated in EUR at the 30 June 2009 exchange rate.

In the reporting period of the six months ended 30 June 2010 KOFOLA S.A. sold all of its shares of BOMI S.A. The income from this transaction, after deducting commission, amounted to 13 844 thousand PLN, and the profit on the transaction amounted to 2 328 thousand PLN.

The Group's results were also positively affected by its ability to get better prices on main production materials due to the scale effect arising out of centralizing purchasing at the Group, by favourable EUR to PLN and CZK exchange rates, and by low prices of raw materials based on so-called commodities (packaging, sugar, fruit concentrates).

In addition, in the year 2009 the Management analyzed the depreciation rates used at the Group in order to better standardize them. A detailed analysis was performed of the expected useful lives of the main asset groups. As a result of these two changes, depreciation in the first half of 2010 is by around 7 680 thousand PLN lower than what it would have been had the previous depreciation rates and periods been applied to the main asset groups.

5.15 External and internal factors material to the Group's growth

The Kofola Group's competitive position has to do with the main market factors, such as brand strength, costs, quality, their direct sources, marketing activities, market position. In the Management's opinion, the Group's financial position, its production potential and market position pose no threats to its continued growth. There are, however, several factors, especially external that will, either directly or indirectly, affect the Group's financial results in the coming quarters.

The main factors that, in the Management's opinion, will determine the Group's financial results:

- macroeconomic situation, unemployment rate and the related willingness to consume
- sales work force effectiveness and volume of sales
- weather conditions
- prices applied by the competition in main operating segments
- cost of raw materials – sugar and isoglucose, moulds and caps, packaging, flavouring and concentrates
- changes in foreign exchange rates (EUR/CZK, EUR/CZK)
- interest rates

In the upcoming quarters the Group's results will be greatly affected by: the prices of production materials, the majority of which is based on the so-called commodities (prices of raw materials such as: oil, sugar and paper have shown a growing tendency in recent months), the exchange rates (PLN, CZK, EUR and RUB), the effectives of the increased sales force formed at the turn of the years 2009 and 2010, and weather conditions. Macroeconomic factors, such as the rate of unemployment and improvements in economic conditions that will encourage people to consume more (both at home and in restaurants) will play also the important role. The Group's sales revenues are expressed primarily in local currencies, whilst a large portion of its purchases is made in EUR or USD (in Russia). A rise in the value of the EURO and USD with respect to the local currencies translates into higher prices of raw materials, and thus a drop in margins. In addition, a high EUR against PLN and CZK increases the prices of the majority of the materials used in the production of beverages, including such basic components as sugar and moulds used in the production of PET bottles. The Group's currency risk management policy is to cover known risks in a cost effective manner. Based on an assessment of the currency risk, the Group acquires derivative financial instruments in order to properly manage this risk. In order to protect against it, the Group uses primarily forward contracts.

The risk and threat factors to the operations of the KOFOLA Group are primarily caused by the specific nature of its industry. The greatest include seasonality of sales, the fact that consumption of mineral water and beverages depends on weather conditions, sensitivity to changes in prices of raw materials used in the production of beverages (based on so-called commodities), currency risk (in particular with regard of the EUR/PLN and CZK and USD/RUB exchange rates), the risk of losing large clients and impairment of goodwill and brand value.

5.16 Subsequent events

Sale of the subsidiary Bobmark Sp. z o.o.

On 8 July 2010 a contingent agreement was signed (annexed on 13 August) for the sale of the shares of Bobmark Sp. z o.o. by KOFOLA S.A. to PPHU Specjał Sp. z o.o. At the same time, based on a debt assignment agreement dated 12 August 2010, KOFOLA S.A. acquired from Hoop Polska Sp. z o.o. its undisputed debts from Bobmark Sp. z o.o. totalling 8 030 thousand PLN. The price for the acquisition of the debts will be paid by KOFOLA S.A. in instalments. KOFOLA S.A. as the sole shareholder of Bobmark, on 12 August 2010 passed a resolution to raise the share capital of Bobmark by 8 030 thousand PLN. The sale of shares of Bobmark will be realized once the Court issues a decision to enter the raised share capital in the National Court Register. As at the balance sheet date the assets and liabilities of Bobmark are presented in the financial statements as items held for sale (Note 4.14).

Issue of subscription warrants

On 18 August 2010 Kofola S.A. issued 26 843 inscribed A-series subscription warrants, entitling members of the Company's and subsidiaries' management staff (eligible based on Resolution No. 15/2010 passed by the Supervisory Board on 31 May 2010) to take up a total of 26 843 ordinary H-series bearer's shares at an issue price of 43,20 PLN per share; in accordance with Resolution No. 4/2009 of the Company's Extraordinary Shareholders Meeting, the right to the shares may be realized by submitting a letter of intention to take up shares no sooner than after 12 months, and no later than within 3 years of the warrant issue date.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

30.08.2010	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**René Musila**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

30.08.2010	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	*name and surname*	*position*	*signature*

Document signed on the Polish original.

6 Condensed interim separate financial statements KOFOLA S.A.

6.1 Separate income statement

for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009.

	Note	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Continuing operations			
Revenue from the sale of finished products and services		-	867
Revenue from the sale of goods and materials		-	56
Revenue		-	923
Cost of products and services sold	9.2	-	(606)
Cost of goods and materials sold	9.2	-	(70)
Total cost of sales		-	(676)
Gross profit		**-**	**247**
Selling, marketing and distribution costs	9.2	(68)	(425)
Administrative costs	9.2	(954)	(1 955)
Other operating income		1 117	1 087
Other operating expenses		-	(100)
Operating result		**95**	**(1 146)**
Financial income	9.3	23 786	28 286
Financial expense	9.4	(680)	(517)
Profit before tax		**23 201**	**26 623**
Income tax		(1 595)	(5 296)
Net profit on continued activity		**21 606**	**21 327**
Discontinued activity			
Net profit on discontinued activity		-	-
Net profit for the financial year		**21 606**	**21 327**
Earnings per share (in PLN)			
- basic earnings per share		0,8255	0,8149
- basic earnings per share from continuing operations		0,8255	0,8149
- diluted earnings per share		0,8223	0,8149
- diluted earnings per share from continuing operations		0,8223	0,8149

6.2 Separate statement of comprehensive income

for the period 6 months ended 30 th of June 2010 and for the period 6 months ended 30 th of June 2009.

	Note	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Net profit for the financial year		**21 606**	**21 327**
Other comprehensive income (gross)			
Fair value gains on available-for-sale financial assets		-	2 830
Other		-	(165)
Income tax relating to components of Other comprehensive income		-	(538)
Other comprehensive income for the period (net)		-	**2 127**
Total comprehensive income for the period	6.5	**21 606**	**23 454**

6.3 Separate balance sheet

as at 30 th of June 2010, 31st of December 2009 and 30 th of June 2009.

	Note	30.6.2010	31.12.2009	30.6.2009
ASSETS				
Fixed assets		**1 000 438**	**1 005 690**	**1 019 901**
Tangible fixed assets		400	402	879
Goodwill		13 767	13 767	13 767
Intangible fixed assets		70	131	192
Investment in subsidiaries and associates		855 129	854 219	853 845
Financial assets available for sale		-	11 522	12 495
Loans provided to related parties	9.7	130 015	121 518	138 621
Other financial assets		-	1 562	-
Deferred tax assets		1 057	2 569	102
Current assets		**36 764**	**13 913**	**27 901**
Inventories		-	-	-
Trade receivables and other receivables		23 443	13 768	26 581
Income tax receivables		-	-	1 075
Cash and cash equivalents		13 321	145	245
TOTAL ASSETS		**1 037 202**	**1 019 603**	**1 047 802**
LIABILITIES AND EQUITY				
Equity		**901 066**	**903 675**	**916 228**
Share capital		26 173	26 173	26 173
Other capital		853 182	875 781	868 624
Retained earnings		21 711	1 721	21 431
Total Equity		**901 066**	**903 675**	**916 228**
Long-term liabilities		**71 996**	**73 523**	**57 715**
Provisions		-	-	14
Other liabilities		11 807	13 334	-
Deferred tax reserve		60 189	60 189	57 701
Short-term liabilities		**64 140**	**42 405**	**73 859**
Bank credits and loans		3 546	5 306	9 957
Trade liabilities and other liabilities		15 103	16 813	13 676
Income tax liabilities		79	-	-
Other financial liabilities		25 126	-	16 750
Provisions		20 286	20 286	33 476
Total Liabilities		**136 136**	**115 928**	**131 574**
TOTAL LIABILITIES AND EQUITY		**1 037 202**	**1 019 603**	**1 047 802**

6.4 Separate cash flow statement

for the period 6 months ended 30th of June 2010 and for the period 6 months ended 30th of June 2009.

	Note	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Cash flow on operating activity			
Gross profit (loss)		23 201	26 623
Adjustments for the following items:			
Depreciation	9.2	63	163
Net interest and dividends	9.3,9.4	(16 071)	(13 974)
Net foreign exchange differences	9.3,9.4	(4 638)	-
(Profit)/loss on investment activity		(2 325)	(12 691)
Change in the balance of receivables		4 768	(1 397)
Change in the balance of inventories		-	389
Change in the balance of liabilities		(3 720)	(302)
Change in the balance of provisions		-	-
Paid income tax		-	-
Other		-	834
Net cash flow on operating activity		**1 278**	**(355)**
Cash flow on investing activity			
Sale of intangible assets and fixed assets		-	-
Purchase of intangible assets and fixed assets		-	(281)
Sale of financial assets (shares BOMI S.A.)		13 844	-
Purchase of financial assets		-	-
Dividends received		-	9 676
Proceeds from repaid loans		-	-
Granted loans		-	(9 700)
Net cash flow on investing activity		**13 844**	**(305)**
Cash flow on financial activity			
Proceeds from loans and bank credits received		-	-
Repayment of loans and bank credits		(1 760)	(600)
Dividends paid to the shareholders of the parent company		-	-
Interest paid	9.4	(186)	(389)
Net cash flow on financing activity		**(1 946)**	**(989)**
Total net cash flow		13 176	(1 649)
Cash at the beginning of the period		**145**	**1 894**
Cash at the end of the period		**13 321**	**245**
Cash with limited ability to use		-	-

6.5 Separate statement of changes in equity

for the period 6 months ended 30 th of June 2010, for the year ended 31st of December 2009 and for the period 6 months ended 30 th of June 2009.

	Note	Share capital	Other capital	Retained earnings	Total equity
As at 1.1.2009		**26 172**	**866 260**	**17 091**	**909 523**
Increase of share capital		1	-	-	1
Total comprehensive income for the period	6.2	**-**	**2 127**	**21 327**	**23 454**
Dividends payment	9.6	**-**	-	(16 750)	(16 750)
Profit distribution		**-**	237	(237)	-
As at 30.6.2009		**26 173**	**868 624**	**21 431**	**916 228**
As at 1.1.2009		**26 172**	**866 260**	**17 091**	**909 523**
Increase of share capital		1	-	-	1
Capital relating to subscription warrant allocation program		-	424	-	424
Total comprehensive income for the period		**-**	**8 860**	**1 617**	**10 477**
Dividends payment		-	-	(16 750)	(16 750)
Profit distribution		-	237	(237)	-
As at 31.12.2009		**26 173**	**875 781**	**1 721**	**903 675**
As at 1.1.2010		**26 173**	**875 781**	**1 721**	**903 675**
Capital relating to subscription warrant allocation program		-	911	-	911
Total comprehensive income for the period	6.2	**-**	**-**	**21 606**	**21 606**
Dividends payment	9.6	**-**	(23 510)	(1 616)	(25 126)
Profit distribution		**-**	-	-	-
As at 30.6.2010		**26 173**	**853 182**	**21 711**	**901 066**

7 General information

Information about the company:

Name: KOFOLA Spółka Akcyjna [joint-stock company] ("the Company")

Registered office: ul. Jana Olbrachta 94, 01-102 Warszawa

Main areas of activity: the activities of head offices and holdings, excluding financial holdings (PKD 2007) 7010Z (the activities of holdings in accordance with PKD 2004). The classification of the Warsaw Stock Exchange places the Company in the food sector.

Registration organ: the Regional Court for the capital city of Warsaw, XII Business Division of the National Court Register, KRS 0000134518.

The Company has been formed for an unspecified time.

The Company's separate financial statements cover the period 6 months ended 30 th of June 2010 and includes comparatives for the period ended 6 months ended 30 th of June 2009.

8 Information about the methods used to prepare the condensed interim separate financial statements of the KOFOLA S.A.

8.1 Basis for the preparation of the condensed interim separate financial statements

The present condensed interim separate financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these condensed separate financial statements we were aware of no circumstances indicating a threat to the Company's going concern.

The present condensed separate financial statements are to be read along with the audited annual separate financial statements of Kofola S.A. prepared in accordance with International Financial Reporting Standards (IFRS), containing notes ("the separate financial statements prepared in accordance with IFRS") for the year ended 31 December 2009.

The condensed separate financial statements consist of the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement, and selected notes.

The present condensed separate financial statements ("the separate financial statements") have been prepared in accordance with the requirements of IAS 34 "Interim Reporting", as well as the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (Journal of Laws No. 33, item 259) ("the Decree"), and present the Company's financial position as at 30 June 2010, 31 December 2009 and 30 June 2009, the results of its operations for the period of 6 months ended 30 June 2010 and 30 June 2009, as well as cash flows for the period of 6 months ended 30 June 2010 and 30 June 2009.

The condensed separate financial statements are presented in Polish zlotys ("PLN"), and all values, unless stated otherwise, are listed in thousands PLN.

8.2 Functional currency and presentation currency

The Polish zloty is the functional currency of the Company and the presentation currency of the standalone financial statements.

8.3 Translation of amounts expressed in foreign currencies

Transactions expressed in currencies other the Polish zloty are translated into the Polish zloty using the exchange rate as at the date of the transaction.

Financial assets and liabilities expressed as at the balance sheet date in currencies other than the Polish zloty are translated into the Polish zloty using the average exchange rate announced for a given currency by the National Bank of Poland for the end of the reporting period. The resulting foreign exchange differences are recognized under financial revenue (costs).

Non-financial assets and liabilities recognized at historical cost expressed in a foreign currency are listed at the historical rate as at the date of the transaction. Non-financial assets and liabilities recognized at fair value expressed in a foreign currency are translated at the exchange rate as at the date on which they were stated at fair value.

The following rates were used in the balance sheet valuation:

Currency rates at the end of period	**30.6.2010**	**31.12.2009**	**30.6.2009**
PLN/USD	3,3946	2,8503	3,1733
PLN/EUR	4,1458	4,1082	4,4696
PLN/RUB	0,1086	0,0950	0,1020
PLN/CZK	0,1609	0,1554	0,1727

Average currency rates, calculated as arithmetical mean of currencies on last day of each month in period	**30.6.2010**	**31.12.2009**	**30.6.2009**
PLN/USD	3,0573	3,1236	3,3857
PLN/EUR	4,0042	4,3406	4,5184
PLN/RUB	0,1013	0,0982	0,1016
PLN/CZK	0,1556	0,1639	0,1667

8.4 Accounting methods and changes in presentation

No changes have been made in the accounting methods in the presented period compared to the methods used in the Separate Report of Kofola S.A. for the year 2009, published on 19 March 2010. Presented in that Report is detailed information on the methods used to value assets and liabilities, measure the financial result and prepare the financial statements and comparatives.

The accounting methods based on which the present financial statements have been prepared have not changed compared to the methods used in financial statements for the period of 6 months ended 30 June 2009.

8.5 Approval of financial statements

The Board of Directors approved the present separate financial statements for publication on 30th of August 2010.

9 Notes to the condensed separate financial statements of the KOFOLA S.A.

9.1 Operating segments

An operating segment is a component of an entity:

A) which engages in business activities as a result of which it may earn revenue and incur costs (including revenue and costs associated with transactions with other components of the same entity),

B) whose results are regularly reviewed by the main body in charge of making operating decisions at the entity, which uses those results to decide on the allocation of resources to the segment and to assess the segment's results, as well as,

C) for which separate financial information is available.

The Company has performed an analysis to identify potential operating segments.

As the Company's activities are focused on holding management, no operating segments have been separated.

9.2 Expenses by type

	1.1.2010 - 30.6.2010	**1.1.2009 - 30.6.2009**
Depreciation of fixed assets and intangible assets	63	163
Employee benefits costs	136	1 086
Consumption of materials and energy	11	12
Services	744	1 361
Taxes and fees	17	29
Property and life insurance	1	5
Costs of development work	-	-
Other costs	50	11
Total expenses by type	**1 022**	**2 667**
Change in the balance of products, production in progress, prepayments and accruals	-	319
Cost of manufacturing products for the entity's proprietary needs	-	-
Reconciliation of expenses by type to expenses by function	**1 022**	**2 986**
Costs of sales, marketing and distribution	68	425
Administrative costs	954	1 955
Cost of products sold	-	606
Reconciliation of expenses by type to expenses by function	**1 022**	**2 986**

Costs of employee benefits

	1.1.2010 - 30.6.2010	**1.1.2009 - 30.6.2009**
Cost of salary	132	970
Social security and other benefits costs	4	69
Reserves costs for pension, jubilee award and other employee benefit	-	47
Total costs of employee benefits	**136**	**1 086**

9.3 Financial income

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Financial interest income from:		
- bank deposits	83	8
- credits and loans granted	4 057	4 668
- interest on receivables	-	19
Dividends payable	12 680	10 752
Net financial income from realized FX differences	4 638	12 725
Profit on disposal of shares and other securities	2 328	-
Other financial income	-	114
Total financial income	**23 786**	**28 286**

9.4 Financial expense

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Financial interest expense from:		
- credits and financial leases	680	503
Net financial losses from realized FX differences	-	14
Total financial expense	**680**	**517**

9.5 Changes in reserves and provisions

	Receivables	Financial assets	Provisions
As at 1.1.2010	**10 313**	**10 083**	**20 286**
Increase due to creation	65	-	-
Decrease due to release and use	(16)	-	-
As at 30.6.2010	**10 362**	**10 083**	**20 286**

9.6 Dividends paid and declared

	1.1.2010 - 30.6.2010	1.1.2009 - 30.6.2009
Dividends declared in the given period	25 126	16 750
Dividends on common shares:	-	-
paid out in the given period	-	-
Dividends declared	**25 126**	**16 750-**

In its Resolution No. 16 the Ordinary General Meeting of KOFOLA S.A. of 30 June 2010 designated the net profit generated by the KOFOLA S.A. in the period from 1 January 2009 to 31 December 2009, amounting to 1 616 thousand PLN, as well as a portion of the reserve capital created from the Company's accumulated profits from previous years, amounting to 23 510 thousand PLN, for the payment of a dividend.

The shares of all series (A,B,C,D,E,F,G) will partake in the dividend amounting to 0,96 PLN per share. The dividend date was set for 30 September 2010, and the dividend payment date for 2 November 2010. The amount of the declared dividend, equal to 25 126 thousand PLN, is presented under short-term liabilities in the "Other financial liabilities" item.

In the reporting period KOFOLA S.A. recorded a dividend received from the subsidiary Kofola Holding a.s. in the amount of 12 680 thousand PLN.

9.7 Information on transactions with related parties

Presented below are the total amounts of transactions concluded in a given financial period with related parties:

Revenues from the sale to related companies	**1.1.2010 - 30.6.2010** revenues
- to consolidated subsidiaries	-
- to affiliates	-
- to non-consolidated subsidiaries	-
- to the members of key management and supervisory staff	-
- to other related companies (KSM Investment)	-
Total revenues from the sale to related companies	**-**

Purchases from related companies	1.1.2010 - 30.6.2010 purchase of services, merchandise and materials
- from consolidated subsidiaries	247
- from affiliates	-
- from non-consolidated subsidiaries	-
- from the members of key management and supervisory staff	-
- from other related companies (KSM Investment)	-
Total purchases from related companies	**247**

Receivables from related companies	30.6.2010	31.12.2009	30.6.2009
- from consolidated subsidiaries	14 275	4 870	2 332
- from affiliates	-	-	-
- from non-consolidated subsidiaries	-	-	-
- from the members of key management and supervisory staff	-	-	-
- from other related companies (KSM Investment)	-	-	-
Total receivables from related companies	**14 275**	**4 870**	**2 332**

Liabilities towards related companies	30.6.2010	31.12.2009	30.6.2009
- towards consolidated subsidiaries	26 646	28 869	11 667
- towards affiliates	-	-	4
- towards non-consolidated subsidiaries	-	-	-
- towards the members of key management and supervisory staff	-	-	-
- towards other related companies (KSM Investment)	-	-	-
Total liabilities towards related companies	**26 646**	**28 869**	**11 671**

Loans granted to related parties

	30.6.2010	31.12.2009	30.6.2009
Long-term loan , including:	**130 015**	**121 518**	**138 621**
Principal	104 887	101 301	120 890
Interest	25 128	20 217	17 731
Short-term loan , including:	**239**	**231**	**9 769**
Principal	-	-	9 750
Interest	239	231	19
Total	**130 254**	**121 749**	**148 390**

This item includes a loan granted to Kofola Holding a.s. As per the agreement, the repayment deadline is October 2036.

9.8 Contingent assets and liabilities

	Contingent assets	Contingent liabilities
As at 1.1.2010	**-**	**99 506**
Increase	-	152 125
Decrease	-	(78 306)
As at 30.6.2010	**-**	**173 325**

The above contingent liabilities consist primarily of off-balance sheet liabilities relating to guaranties and warranties granted by KOFOLA S.A. to companies from the KOFOLA S.A. Group. The increase in contingent liabilities consists of guaranties granted by KOFOLA S.A. to Hoop Polska Sp. z o.o. for the benefit of the banks comprising the Consortium (see Note 4.15). The decrease in contingent liabilities consists of the repayment by the Group's companies of a portion of credits that had been guaranteed by KOFOLA S.A.

9.9 Court litigations

Fructo-Maj Sp. z o.o.

KOFOLA S.A. is a party in the bankruptcy proceeding of the entity Fructo-Maj. On 6 August 2007, HOOP S.A (currently doing business as KOFOLA S.A.) concluded an engagement letter with Fructo-Maj Sp. z o.o., in which it expressed its interest in investing in Fructo-Maj for the purposes of its financial restructuring and enabling the payment of debts. As part of realizing this agreement HOOP S.A. acquired Fructo-Maj's debts, among others concluded a debt assignment agreement with Kredyt Bank S.A., based on which Kredyt Bank S.A transferred onto HOOP S.A. all the debt from a credit agreement, which as at 30 June 2010 amounted to 3 546 thousand PLN and is presented in the financial statements of KOFOLA S.A. as short-term credit payables due by 31 August 2010, and as receivables from the company Fructo-Maj. As at 30 June 2010 the total value of the receivables from Fructo-Maj relating to the acquired debt is 13 354 thousand PLN, the balance sheet value of this item, after revaluation, is 5 677 thousand PLN. The receivables are secured with mortgages on all of the significant real properties of Fructo-Maj, and with a registered pledge on the entity's movables.

Fructo-Maj was declared bankrupt open to arrangements in a decision issued on 27 September 2007, and then based on a decision issued on 24 June 2008 the type of proceedings was changed from an arrangement to a liquidation proceeding relating to the assets of Fructo-Maj Sp. z o.o. KOFOLA S.A has its representative in the Committee of Creditors of Fructo-Maj Sp. z o.o. The assets of Fructo-May are currently being sold. The Board believes that given the current state of affairs and type of collateral, no revaluation is needed with regard to the assets associated with Fructo-Maj.

Pomorskie Centrum Dystrybucji HOOP Sp. z o.o.

On 28 May 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases, issued a decision on the liquidation bankruptcy of the subsidiary Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. („the Company") at the petition of the Company's then Management. On 17 June 2010 the Regional Court in Koszalin, VII Business Division for Bankruptcy and Recovery Cases issued a decision changing the proceeding from a liquidation bankruptcy to a bankruptcy open to arrangements. At the same time, by virtue of this decision the Regional Court in Koszalin returned to the Company the management over its assets. The 17 June 2010 decision of the Regional Court in Koszalin was issued at the petition of the Company's new management. It is the intention of the main shareholder and the current Management for the Company to continue as a going concern, thus the company's current legal status has no effect on the assumption of going concern, and in consequence on the valuation and presentation of the company's assets.

Except for the matters described above, the companies of the KOFOLA S.A. Group are not involved in any other cases (disputes), which could have a material effect on their financial position.

9.10 Subsequent events

Sale of the subsidiary Bobmark Sp. z o.o.

On 8 July 2010 a contingent agreement was signed (annexed on 13 August) for the sale of the shares of Bobmark Sp. z o.o. by KOFOLA S.A. to PPHU Specjał Sp. z o.o. At the same time, based on a debt assignment agreement dated 12 August 2010, KOFOLA S.A. acquired from Hoop Polska Sp. z o.o. its undisputed debts from Bobmark Sp. z o.o. totalling 8 030 thousand PLN. The price for the acquisition of the debts will be paid by KOFOLA S.A. in instalments. KOFOLA S.A. as the sole shareholder of Bobmark, on 12 August 2010 passed a resolution to raise the share capital of Bobmark by 8 030 thousand PLN. The sale of shares of Bobmark will be realized once the Court issues a decision to enter the raised share capital in the National Court Register. As at the balance sheet date the assets and liabilities of Bobmark are presented in the financial statements as items held for sale (Note 4.14).

Issue of subscription warrants

On 18 August 2010 Kofola S.A. issued 26 843 inscribed A-series subscription warrants, entitling members of the Company's and subsidiaries' management staff (eligible based on Resolution No. 15/2010 passed by the Supervisory Board on 31 May 2010) to take up a total of 26 843 ordinary H-series bearer's shares at an issue price of 43,20 PLN per share; in accordance with Resolution No. 4/2009 of the Company's Extraordinary Shareholders Meeting, the right to the shares may be realized by submitting a letter of intention to take up shares no sooner than after 12 months, and no later than within 3 years of the warrant issue date.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

30.08.2010	**Janis Samaras**	**Chairman of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Bartosz Marczuk**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Martin Mateáš**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**René Musila**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*
30.08.2010	**Tomáš Jendřejek**	**Member of the Board of Directors**	....
date	*name and surname*	*position*	*signature*

SIGNATURE OF PERSON RESPONSIBLE FOR BOOKKEEPING:

30.08.2010	**Katarzyna Balcerowicz**	**Chief Accountant**	....
date	*name and surname*	*position*	*signature*

Document signed on the Polish original.