

APPENDIX 1.

period from: 1.1.2010 to 30.6.2010

QUARTERLY FINANCIAL STATEMENTS OF COMPANY-TFI-POD

Registration number: 03209741

Identification number of company (MBS): 080027531

Personal identification number (OIB): 94818858923

Name of the company: MEDIKA D.D.

Postal code and city: 10000 ZAGREB

Street name and street number: CAPRAŠKA 1

E-mail: medika@medika.hr

Web page: www.medika.hr

Code and name of the city: 133 ZAGREB

Code and name of the county: 21 GRAD ZAGREB

Number of employees: 368
(at the end of period)

Consolidated financial statements: NO

Code of NKD-a: 4646

| Consolidating entities (according IFRS): | Headquarters: | MB: |
|--|---------------|-----|
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| | | |
| | | |

Bookkeeping servis:

Contact person: RADMILOVIĆ DIJANA
(enter surname and name person for contacts)

Phone: 012412551 Fax: 012371441

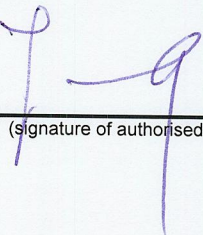
E-mail: medika@medika.hr

Surname and name: HERCEG JASMINKO
(authorised person)

Documents for publishing:

1. Financial statements (balance sheet, profit and loss, cash flow, changes in equity and notes to financial statements)
2. Statement of the person responsible for preparing financial statements
3. Board's report about the state of the company

Medika d.d.
M.P. ZAGREB, Capraška 1


(signature of authorised person)

BALANCE SHEET

as at

30 JUNE 2010

amounts in thousands of HRK

| Description 1 | AOP tag 2 | Previous year (net) 3 | Current year (net) 4 |
|--|-----------------|--------------------------|-------------------------|
| ASSETS | | | |
| A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL | 001 | | |
| B) NON-CURRENT ASSETS | 002 | 251.328.075 | 250.288.353 |
| I. INTANGIBLE ASSETS | 003 | 35.019.733 | 32.862.099 |
| II. TANGIBLE ASSETS | 004 | 154.456.059 | 154.656.368 |
| III. NON-CURRENT FINANCIAL ASSETS | 005 | 60.882.517 | 61.800.120 |
| IV. RECEIVABLES | 006 | | |
| V. DEFERRED TAX ASSETS | 007 | 969.766 | 969.766 |
| C) CURRENT ASSETS | 008 | 1.346.965.286 | 1.454.338.364 |
| I. INVENTORIES | 009 | 192.003.561 | 179.217.934 |
| II. RECEIVABLES | 010 | 1.104.554.282 | 1.256.198.668 |
| III. CURRENT FINANCIAL ASSETS | 011 | 8.413.755 | 12.507.382 |
| IV. CASH AND CASH EQUIVALENTS | 012 | 41.993.688 | 6.414.380 |
| D) ACCRUED INCOME | 013 | 572.669 | 772.256 |
| E) LOSS ABOVE CAPITAL | 014 | | |
| F) TOTAL ASSETS | 015 | 1.598.866.030 | 1.705.398.973 |
| G) OFF BALANCE SHEET ITEMS | 016 | 20.436.128 | 144.373.640 |
| EQUITY AND LIABILITIES | | | |
| A) CAPITAL AND RESERVES | 017 | 283.034.230 | 292.634.291 |
| I. SHARE CAPITAL | 018 | 60.388.000 | 60.388.000 |
| II. CAPITAL RESERVES | 019 | 4.401.478 | 1.861.168 |
| III. RESERVES FROM RETAINED EARNINGS | 020 | 66.555.382 | 71.090.792 |
| IV. REVALUATION RESERVES | 021 | | |
| V. RETAINED EARNINGS | 022 | 136.202.902 | 151.689.370 |
| VI. LOSS CARRIED FORWARD | 023 | | |
| VII. PROFIT FOR THE PERIOD | 024 | 15.486.468 | 7.604.961 |
| VIII. LOSS FOR THE PERIOD | 025 | | |
| IX. MINORITY INTERESTS | 026 | | |
| B) PROVISIONS | 027 | 513.883 | 513.883 |
| C) NON-CURRENT LIABILITIES | 028 | 202.704.856 | 203.580.281 |
| D) CURRENT LIABILITIES | 029 | 1.108.544.716 | 1.202.745.272 |
| E) DEFERRED INCOME AND ACCRUED EXPENSES | 030 | 4.068.345 | 5.925.246 |
| F) TOTAL EQUITY AND LIABILITIES | 031 | 1.598.866.030 | 1.705.398.973 |
| G) OFF BALANCE SHEET ITEMS | 032 | 20.436.128 | 144.373.640 |
| 30.L | | | |
| CAPITAL AND RESERVES | | | |
| 1. Attributable to equity holders | 033 | | |
| 2. Attributable to minority interests | 034 | | |

PROFIT AND LOSS

from

1.1.2010

to

30.6.2010

amounts in thousands of HRK

| Description | AOP tag | Previous year | | Current year | |
|---|------------|--------------------|--------------------|--------------------|--------------------|
| | | Cumulative | Quarter | Cumulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING REVENUES | 035 | 968.753.624 | 489.482.224 | 974.669.738 | 493.655.226 |
| 1. Sales revenues | 036 | 966.217.698 | 488.670.294 | 970.516.512 | 491.072.649 |
| 2. Revenues from use of own goods and services | 037 | | | | |
| 3. Other operating revenues | 038 | 2.535.926 | 811.930 | 4.153.226 | 2.582.577 |
| II. OPERATING EXPENSES | 039 | 955.370.537 | 487.946.493 | 961.247.661 | 490.483.613 |
| 1. Decrease of finished goods and work in progress | 040 | | | | |
| 2. Increase of finished goods and work in progress | 041 | | | | |
| 3. Material expenses | 042 | 900.903.144 | 458.795.040 | 903.958.804 | 459.932.838 |
| 4. Staff costs | 043 | 27.506.441 | 13.657.622 | 25.749.314 | 12.929.820 |
| 5. Depreciation and amortization | 044 | 6.356.205 | 3.522.351 | 7.675.140 | 3.912.735 |
| 6. Other expenses | 045 | 17.094.747 | 9.061.480 | 17.864.403 | 10.708.220 |
| 7. Impairment charge | 046 | 3.510.000 | 2.910.000 | 6.000.000 | 3.000.000 |
| 8. Provisions | 047 | | | | |
| 9. Other operating expenses | 048 | | | | |
| III. FINANCE INCOME | 049 | 11.129.546 | 9.636.701 | 11.596.900 | 6.950.167 |
| 1. Interests, foreign exchanges and dividend from related parties | 050 | | | | |
| 2. Interests, foreign exchanges and dividend from non-related parties | 051 | 11.129.546 | 9.636.701 | 11.596.900 | 6.950.167 |
| 3. Share of profit from associates | 052 | | | | |
| 4. Unrealised gains | 053 | | | | |
| 5. Other finance income | 054 | | | | |
| IV. FINANCE EXPENSES | 055 | 16.882.212 | 7.518.623 | 14.154.747 | 6.908.501 |
| 1. Interests and foreign exchanges from related parties | 056 | | | | |
| 2. Interests and foreign exchanges from non-related parties | 057 | 16.882.212 | 7.518.623 | 14.154.747 | 6.908.501 |
| 3. Unrealised losses | 058 | | | | |
| 4. Other finance expenses | 059 | | | | |
| V. EXTRAORDINARY INCOME | 060 | | | | |
| VI. EXTRAORDINARY EXPENSES | 061 | | | | |
| VII. TOTAL INCOME | 062 | 979.883.170 | 499.118.925 | 986.266.638 | 500.605.393 |
| VIII. TOTAL EXPENSES | 063 | 972.252.749 | 495.465.116 | 975.402.408 | 497.392.114 |
| IX. PROFIT BEFORE TAX | 064 | 7.630.421 | 3.653.809 | 10.864.230 | 3.213.279 |
| X. LOSS BEFORE TAX | 065 | | | | |
| XI. INCOME TAX | 066 | 2.289.126 | 1.493.804 | 3.259.269 | 963.984 |
| XII. PROFIT FOR THE PERIOD | 067 | 5.341.295 | 2.160.005 | 7.604.961 | 2.249.295 |
| XIII. LOSS FOR THE PERIOD | 068 | | | | |
| SUPPLEMENT TO P&L (filled in by the company that prepares consolidated financial statements) | | | | | |
| XIV.* PROFIT ATTRIBUTABLE TO EQUITY HOLDERS | 069 | | | | |
| XV.* PROFIT ATTRIBUTABLE TO MINORITY INTERESTS | 070 | | | | |
| XVI.* LOSS ATTRIBUTABLE TO EQUITY HOLDERS | 071 | | | | |
| XVII.* LOSS ATTRIBUTABLE TO MINORITY INTERESTS | 072 | | | | |

CASH FLOW STATEMENT - Indirect method

from 1.1.2010 to 30.6.2010

amounts in thousands of HRK

| Description 1 | AOP tag 2 | Previous year 3 | Current year 4 |
|--|-----------------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| 1. Profit before tax | 073 | 7.630.421 | 10.864.230 |
| 2. Depreciation and amortisation | 074 | 6.356.205 | 7.675.140 |
| 3. Increase of current liabilities | 075 | | 85.164.287 |
| 4. Decrease of current assets | 076 | 62.566.324 | |
| 5. Decrease of inventories | 077 | 36.274.838 | 12.785.627 |
| 6. Other increase of cash flow | 078 | 3.130.838 | |
| I. Total increase of cash flow from operating activities | 079 | 115.958.626 | 116.489.284 |
| 1. Decrease of current liabilities | 080 | 74.390.052 | |
| 2. Increase of current assets | 081 | | 151.644.385 |
| 3. Increase of inventories | 082 | | |
| 4. Other decrease of cash flow | 083 | 2.587.357 | 3.266.303 |
| II. Total decrease of cash flow from operating activities | 084 | 76.977.409 | 154.910.688 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES | 085 | 38.981.217 | |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES | 086 | | 38.421.404 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Proceeds from sale of tangible and intangible assets | 087 | 17.000 | 482.453 |
| 2. Proceeds from sale of equity and debt securities | 088 | | |
| 3. Interest received | 089 | 1.243.000 | 207.317 |
| 4. Dividends received | 090 | | |
| 5. Other proceeds from investing activities | 091 | | 70.956 |
| III. Total proceeds from investing activities | 092 | 1.260.000 | 760.726 |
| 1. Purchase of tangible and intangible assets | 093 | 27.556.364 | 5.788.542 |
| 2. Purchase of equity and debt securities | 094 | | |
| 3. Other purchases resulting from investing activities | 095 | 2.464.685 | |
| IV. Total purchases resulting from investing activities | 096 | 30.021.049 | 5.788.542 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES | 097 | | |
| B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES | 098 | 28.761.049 | 5.027.816 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| 1. Proceeds from issuing of equity and debt securities | 099 | | |
| 2. Proceeds from borrowings | 100 | 27.473.506 | 94.453.997 |
| 3. Other proceeds from financing activities | 101 | | |
| V. Total proceeds from financing activities | 102 | 27.473.506 | 94.453.997 |
| 1. Repayment of borrowings | 103 | 34.390.301 | 85.537.827 |
| 2. Dividends paid | 104 | | |
| 3. Repayment of finance lease | 105 | 772.104 | 1.046.258 |
| 4. Purchase of treasury shares | 106 | | |
| 5. Other purchases resulting from financing activities | 107 | 896.052 | |
| VI. Total purchases resulting from financing activities | 108 | 36.058.457 | 86.584.085 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES | 109 | | 7.869.912 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES | 110 | 8.584.951 | |
| Total increase of cash flow | 111 | 38.981.217 | 7.869.912 |
| Total decrease of cash flow | 112 | 37.346.000 | 43.449.220 |
| Cash and cash equivalents at the beginning of the period | 113 | 28.106.732 | 41.993.688 |
| Increase of cash and cash equivalents | 114 | 1.635.217 | |
| Decrease of cash and cash equivalents | 115 | | 35.579.308 |
| Cash and cash equivalents at the end of the period | 116 | 29.741.949 | 6.414.380 |

CHANGES OF CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 30.6.2010

amounts in thousands of HRK

| Description | AOP tag | Previous year | Increase | Decrease | Current year |
|--|------------|----------------------|-------------------|-------------------|--------------------|
| 1 | 2 | 31.12. previous year | | 3 | 4 |
| 1. Share capital | 117 | 60.388.000 | | | 60.388.000 |
| 2. Capital reserves | 118 | 4.401.478 | | 2.540.310 | 1.861.168 |
| 3. Reserves from retained earnings | 119 | 66.555.382 | 4.535.410 | | 71.090.792 |
| 4. Retained earnings | 120 | 136.202.902 | 15.486.468 | | 151.689.370 |
| 5. Profit for the period | 121 | 15.486.468 | 7.604.961 | 15.486.468 | 7.604.961 |
| 6. Revaluation of tangible assets | 122 | | | | |
| 7. Revaluation of intangible assets | 123 | | | | |
| 8. Revaluation of available-for-sale financial assets | 124 | | | | |
| 9. Other revaluation | 125 | | | | |
| 10. Total capital and reserves | 126 | | | | |
| 11. Current and defferd tax (part) | 127 | | | | |
| 12. Cash flow hedge | 128 | | | | |
| 13. Changes of accounting policies | 129 | | | | |
| 14. Correction of material mistakes from previous period | 130 | | | | |
| 15. Other changes in equity | 131 | | | | |
| 16. Total increase or decrease of equity | 132 | 283.034.230 | 27.626.839 | 18.026.778 | 292.634.291 |
| 16a. Attributable to equity holders | 133 | | | | |
| 16b. Attributable to minority interests | 134 | | | | |



Zagreb, Capraška 1

**BOARD'S REPORT
for the first six months of 2010
Medika d.d. Zagreb**

July 2010

Report Submitted by the Board Member – Medika d.d.

Comment on the result for the first six months of 2010

In the first six months of 2010 Medika proceeded with strengthening of its market position in Croatia which resulted in larger market share of 29.36% which is by 1.21% higher than in the same period of previous year. At the same time, pharmaceutical market for the first six months of 2010 shows downfall of 4.0% comparing to the same period of previous year.

Total sales of Medika in the first six months of 2010 are at the same level comparing to the same period of previous year, in spite of the strong impact of economic crisis at the beginning of 2010.

The operative profit rate EBIT amounts to HRK 13.4 mil or 1.38% and EBITDA amounts to HRK 21.1 mil or 2.16 %.

The realized net profit amounts to HRK 7.6 mil. The lower net profit in relation to the operative net profit is result of net finance expense caused by the increase in interest expense. Increase in interest expense is result of increased debt in the first six months of 2010 comparing to the same period of prior year.

| Key indicators | I-VI 2010. | I-VI 2009. | Change I-VI 2010/ I-VI 2009 |
|-------------------------|------------|------------|-----------------------------------|
| Sales revenue (000 HRK) | 970,517 | 966,218 | +0.44% |
| EBITDA margin | 2.16% | 2.04% | +0.12% |
| EBIT margin | 1.38% | 1.38% | 0.00% |
| Net profit (000 HRK) | 7,605 | 5,341 | +42.39% |

Key events

In March 2010 Medika carried out early partial repurchase of commercial bills issued in September 2009. Repurchase was financed by bank loan, and repurchased amounts are as follows:

- 8th tranche – repurchased HRK 62,884 nominal value
- 9th tranche – repurchased EUR 719,103 nominal value

In June 2010 Medika repurchased in total upon maturity 8th and 9th tranche of commercial bills:

- 8th tranche – repurchased HRK 3,937,116 nominal value
- 9th tranche – repurchased EUR 280,897 nominal value

Current balance of commercial bills is as follows:

- 10th tranche nominal amount EUR 5,486,505 with maturity on 28 September 2010.

Balance sheet

There is no significant change in the long term assets.

Inventory balance is lower for HRK 12.8 mil or 6.7% comparing to December 31, 2009.

Trade receivables amount to HRK 1 billion 241 million and have increased for HRK 146.9 million comparing to the beginning of the year. Increase was caused by poor collectability in the first six months of this year. This was mainly caused by lower cash sales in pharmacies due to the economic crisis.

Long term liabilities do not show significant change comparing to 31 December 2009.

Short-term liabilities amount to HRK 1 billion 203 thousand whereof HRK 1 billion 70 million relates to the liabilities to suppliers, HRK 122.4 million to debt (HRK 83.3 million relates to short term loans and HRK 38.5 million relates to commercial bills and 597.8 million relates to finance leasing), and HRK 10.1 million on other short-term liabilities.

Short-term liabilities increased by HRK 93.2 million whereof major part relates to increase in liabilities to suppliers. Liabilities to suppliers increased significantly comparing to the beginning of the year as a result of poor collectability of trade receivables in the first six months of this year.

Risks

The most significant risk for Medika d.d. business within market risks is a long collection period of receivables, especially HZZO and HZZO related receivables. Therefore, a significant amount of working capital is not available what has an influence on cash flows and timely settlement of Medika d.d. liabilities.

As these receivables are either dependent from or owned by State, risk of collection is not high, but this increases the need for future financing, which increases finance expenses.

Significant risk for Medika d.d. business is a continuous decrease in the price of prescription medication on HZZO list and administrative approach in determining prices and margins of medication. To lower this risk, Medika d.d. focused on increase of variety of products which are not limited by law in respect of the price of the product.

Currency risk is a significant financial risk. Most of inventories are purchased from foreign suppliers in foreign currencies. Majority of borrowings from banks and 10th tranche of commercial bills, have exchange rate clauses. The Company does not use financial instruments to protect itself from currency risk.

Interest risk of the Company arises from received long term and short term borrowing, with a variable interest rate.

Majority of the credit risk relates to trade receivables. Credit risk is higher when dealing with pharmacies, which have potential going concern issue. Hospitals which have longer collection period do not have a going concern issue and collection issue.

Expectations

Medika d.d. business plan for 2010 stipulates annual growth of sales of 2% (with tendency of growth to 5% by 2013) that would result in increase of current market share from 28.66% to 28.75%. The Company will continue with its main activity: distribution of medications and medical products and develop operations with the products representing the Company's core business.


Jasminko Herceg, B.Econ.
Board member

Medika

Dioničko društvo za trgovinu lijekovima i sanitetskim materijalom

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Zagreb, 27 July 2010

Pursuant to the articles 407. to 410. of the Capital market Law (Official Gazette 88/08 and 146/08) Management Board member Jasminko Herceg provides

MANAGEMENT BOARD'S STATEMENT OF LIABILITY

Consolidated and unconsolidated financial statements of Medika d.d. have been prepared pursuant to the International Financial Reporting Standards (IFRS) and Croatian Accounting Law.

Consolidated and unconsolidated financial statements for the period ended 30 June 2010 present complete and fair view of assets and liabilities, profit and loss, financial position and operations of the Company and the Group.

The interim management report for the period ended 30 June 2010 presents true and fair presentation of development and results of the operations of the Company and the Group with description of significant risks and uncertainties for the Company and the Group.

Jasminko Herceg
Management Board member

3 Medika d.d.
ZAGREB, Capraška 1