



Medika d.d.

Zagreb, Capraška 1

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

October 2010

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

Comment on the result for the first nine months of 2010

Total sale of Medika in the first nine months of 2010 is by 1.1% lower comparing to the same period of previous year, the reason is the strong impact of economic crisis during 2010.

The operative profit rate EBIT amounts to HRK 29.8 mil or 2.0% and EBITDA amounts to HRK 41.4 mil or 2.8 %.

The realized net profit amounts to HRK 9.4 mil. The lower net profit comparing 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 2010 comparing to the same period of prior year.

Key indicators	I-IX 2010.	I-IX 2009.	Change I-IX 2010/ I-IX 2009
Sales revenue (000 HRK)	1,458,560	1,442,000	1.15%
EBITDA margin	2.82	2.27	+0.55
EBIT margin	2.04	1.59	+0.45
Net profit (000 HRK)	9,384	8,364	12.20%

Key events

In September Medika repurchased 10th tranche of commercial bills upon maturity. Repurchase was financed by long-term loan taken from commercial bank under more favourable conditions than the ones relating to commercial bills.

Balance sheet

There is no significant change in the long term assets and are at the same level comparing to the previous year.

Inventory balance is higher for HRK 1.4 mil or 0.75% comparing to December 31, 2009.

Short-term assets amount to HRK 1 billion 455 million, whereof HRK 1 billion 213 million trade receivables. Trade receivables increased by 10.4% comparing to the beginning of the year as a result of poor collectability. This was mainly caused by lower cash sales in pharmacies due to the economic crisis and lower collectability.

