

**BOARD'S REPORT
for first nine months of 2010
Group Medika**

October 2010.

Memembr of the Board Report – Group Medika

Comment on the results for the first nine months of 2010

As of 30 September 2010 Group Medika consisted of the following legal entities: Medika d.d., healthcare facilities of Prima Pharma - Zdravstvene ustanove Prima Pharme, healthcare facilities of Delonga pharmacies - ZU Ljekarne Delonga, the pharmacy Ines Buhač - Ljekarna Ines Buhač, the pharmacy Mladenka Čobanov – Ljekarna Mladenka Čobanov and Primus nekretnine d.o.o.. Share in the healthcare facilities Jagatić – ZU Jagatić is 49%.

Total sales of Group Medika in first nine months of 2010 increased by 2.6 % in comparison to the same period of prior year, in spite of the strong impact of economic crisis at the beginning of 2010. Increase of total sales was also influenced by higher number of pharmacies in ZU Prima Pharma which as at 30 September 2010 had 52 pharmacies across Croatia compared to 47 pharmacies as at 30 September 2009. Associate ZU Ljekarne Jagatić as at 30 September 2010 has 6 pharmacies (1 pharmacy more than 30 September 2010).

The operative profit rate EBIT amounts to HRK 34.5 mil or 2,3%, and EBITDA amounts HRK 48.5 mil or 3.2%. Net profit for the period is HRK 12.7 mil.

Key indicators	I-IX 2010.	I-IX 2009.	Change I-IX 2010/ I-IX 2009
Sales revenue (000 HRK)	1,515,597	1,476,927	2.62%
EBITDA margin	3.19%	2.27%	+0.92
EBIT margin	2.27%	1.4%3	+0.84
Net profit (000 HRK)	12,726	4,734	168.85

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.

In Group Medika in third quartal entered one more business subject – pharmacy Mladenka Čobanov.

