

APPENDIX 1.

period from:

1.1.2010

to

31.3.2010

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: 629 (at the end of period)

Consolidated financial statements: YES

Code of NKD-a: 4646

Consolidating entities (according IFRS):	Headquarters:	MB:
ZU Ljekarne Prima Pharme	Split	0694975
Zu Ljekarne Delonga	Okrug gornji	1605747
Ljekarna Ines Buhač	Zagreb	80027997
Ljekarna Irena Hanžek	Zagreb	1310955335077
Primus nekretnine d.o.o.	Zagreb	2534983

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

M.P.

3 **Medika**
ZAGREB, Capraška
(signature of authorised person)

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BALANCE SHEET

as at

31 MARCH 2010

amounts in thousands of HRK

Description	2010	2009	2008
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS	002	313.099	319.020
I. INTANGIBLE ASSETS	003	116.559	122.200
II. TANGIBLE ASSETS	004	173.358	175.160
III. NON-CURRENT FINANCIAL ASSETS	005	20.003	18.450
IV. RECEIVABLES	006		
V. DEFERRED TAX ASSETS	007	3.179	3.210
C) CURRENT ASSETS	008	1.375.281	1.428.652
I. INVENTORIES	009	211.699	205.015
II. RECEIVABLES	010	1.106.672	1.184.476
III. CURRENT FINANCIAL ASSETS	011	7.072	8.421
IV. CASH AND CASH EQUIVALENTS	012	49.838	30.740
D) ACCRUED INCOME	013	928	1.074
E) LOSS ABOVE CAPITAL	014		
F) TOTAL ASSETS	015	1.689.308	1.748.746
G) OFF BALANCE SHEET ITEMS	016	20.436	140.199
EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES	017	288.830	295.100
I. SHARE CAPITAL	018	60.388	60.388
II. CAPITAL RESERVES	019	4.401	4.401
III. RESERVES FROM RETAINED EARNINGS	020	66.555	66.555
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022	140.634	157.486
VI. ACUMULATED LOSS	023		
VII. PROFIT FOR THE PERIOD	024	16.852	6.270
VIII. LOSS FOR THE PERIOD	025		
IX. MINORITY INTERESTS	026		
B) PROVISIONS	027	514	514
C) NON-CURRENT LIABILITIES	028	228.676	232.409
D) CURRENT LIABILITIES	029	1.167.114	1.215.597
E) DEFERRED INCOME AND ACCRUED EXPENSES	030	4.174	5.126
F) TOTAL EQUITY AND LIABILITIES	031	1.689.308	1.748.746
G) OFF BALANCE SHEET ITEMS	032	20.436	140.199
30. CAPITAL AND RESERVES			
1. Attributable to equity holders	033		
2. Attributable to minority interests	034		

PROFIT AND LOSS

from 1.1.2009 to 30.9.2009

amounts in thousands of HRK

	2009	2008	2007	2006	2005
I. OPERATING REVENUES	035	498.804	498.804	500.893	500.893
1. Sales revenues	036	496.324	496.324	498.974	498.974
2. Revenues from use of own goods and services	037				
3. Other operating revenues	038	2.480	2.480	1.919	1.919
II. OPERATING EXPENSES	039	484.840	484.840	489.329	489.329
1. Decrease of finished goods and work in progress	040				
2. Increase of finished goods and work in progress	041				
3. Material expenses	042	450.767	450.767	452.866	452.866
4. Staff costs	043	20.595	20.595	20.513	20.513
5. Depreciations	044	3.728	3.728	4.694	4.694
6. Other expenses	045	9.084	9.084	8.256	8.256
7. Impairment charge	046	666	666	3.000	3.000
8. Provisions	047				
9. Other operating expenses	048				
III. FINANCE INCOME	049	1.681	1.681	4.904	4.904
1. Interests, foreign exchanges and dividend from related parties	050				
2. Interests, foreign exchanges and dividend from non-related parties	051	1.681	1.681	4.904	4.904
3. Share of profit from associates	052				
4. Unrealised gains	053				
5. Other finance income	054				
IV. FINANCE EXPENSES	055	10.025	10.025	7.246	7.246
1. Interests and foreign exchanges from related parties	056				
2. Interests and foreign exchanges from non-related parties	057	10.025	10.025	7.246	7.246
3. Unrealised losses	058				
4. Other finance expenses	059				
V. EXTRAORDINARY INCOME	060				
VI. EXTRAORDINARY EXPENSES	061			364	364
VII. TOTAL INCOME	062	500.485	500.485	506.797	505.797
VIII. TOTAL EXPENSES	063	494.865	494.865	496.939	496.939
IX. PROFIT BEFORE TAX	064	5.620	5.620	8.858	8.858
X. LOSS BEFORE TAX	065				
XI. INCOME TAX	066	1.102	1.102	2.588	2.588
XII. PROFIT FOR THE PERIOD	067	4.518	4.518	6.270	6.270
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 31.3.2010

amounts in thousands of HRK

	ADP	Prethodni god	Ovaj god
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	5.620	8.858
2. Depreciation and amortisation	074	3.728	4.694
3. Increase of current liabilities	075		43.937
4. Decrease of current assets	076	87.086	
5. Decrease of inventories	077	13.803	6.683
6. Other increase of cash flow	078	1.470	
I. Total increase of cash flow from operating activities	079	111.707	64.172
1. Decrease of current liabilities	080	127.998	
2. Increase of current assets	081		77.803
3. Increase of inventories	082		
4. Other decrease of cash flow	083	1.082	2.588
II. Total decrease of cash flow from operating activities	084	129.081	80.391
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085		
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	17.374	16.219
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	087	10	183
2. Proceeds from sale of equity and debt securities	088		
3. Interest received	089	1.130	112
4. Dividends received	090		
5. Other proceeds from investing activities	091		481
III. Total proceeds from investing activities	092	1.140	776
1. Purchase of tangible and intangible assets	093	3.366	12.619
2. Purchase of equity and debt securities	094		
3. Other purchases resulting from investing activities	095		
IV. Total purchases resulting from investing activities	096	3.366	12.619
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	2.226	11.843
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuing of equity and debt securities	099		
2. Proceeds from borrowings	100	12.265	56.323
3. Other proceeds from financing activities	101		4.588
V. Total proceeds from financing activities	102	12.265	60.911
1. Repayment of borrowings	103	35.917	51.387
2. Dividends paid	104		
3. Repayment of finance lease	105	452	560
4. Purchase of treasury shares	106		
5. Other purchases resulting from financing activities	107		
VI. Total purchases resulting from financing activities	108	36.369	51.947
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109		8.964
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	24.104	
Total increase of cash flow	111		
Total decrease of cash flow	112	43.704	19.098
Cash and cash equivalents at the beginning of the period	113	64.460	49.838
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	43.704	19.098
Cash and cash equivalents at the end of the period	116	20.756	30.740

CHANGES OF CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 31.3.2010

amounts in thousands of HRK

Description	1.1.2010	31.3.2010	1.1.2010	31.3.2010	31.3.2010
1. Share capital	117	60.388			60.388
2. Capital reserves	118	4.401			4.401
3. Reserves from retained earnings	119	66.555			66.555
4. Retained earnings	120	140.634	16.852		157.486
5. Profit for the period	121	16.852	6.270	16.852	6.270
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	288.830	23.122	16.852	295.100
16a. Attributable to equity holders	133				
16b. Attributable to minority interests	134				

**BOARD'S REPORT
for first quarter of 2010
Group Medika**

April 2010.

Memembr of the Board Report – Group Medika

Comment on the results for 2009

As of 31 March 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 Irena Hanžek – Ljekarna Irena Hanžek and Primus nekretnine d.o.o.. Share in the healthcare facilities Jagatić – ZU Jagatić is 49%.

Total sales of Group Medika in first quarter of 2010 increased by 0.53 % 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 31 March 2010 had 49 pharmacies across Croatia compared to 44 pharmacies as at 31 March 2009.

The operative profit rate EBIT amounts to HRK 11.5 mil or 2.3%, and of EBITDA HRK 16.2 mil or 3.2 % and showing tendency of growth comparing to previous periods. Net profit for the period is HRK 6.3 mil.

Key indicators	I-III 2010.	I-III 2009.	Change I-III 2010/ I-III 2009
Sales revenue (000 HRK)	499,0	496,3	0,53%
EBITDA margin	3,25	3,55	-8,87%
EBIT margin	2,31	2,80	-17,99%
Net profit (000 HRK)	6.270	4.518	38,78%

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

Current balance of commercial bills is as follows:

- 8th tranche nominal amount HRK 3,937,116
- 9th tranche nominal amount EUR 280,897
- 10th tranche nominal amount EUR 5,486,505

Tranches were issued with maturity between 274 and 365 day and discount rate from 9.76% to 10.40%. With these tranches 7th tranche of commercial bills was refinanced.

Balance sheet

Intangible assets of Group Medika amount to HRK 122.2 mil, whereof HRK 33.7 mil relates to goodwill. Increase of HRK 4.8 million relates to increased number of licenses in healthcare facilities of Prima Pharma as a result of higher number of pharmacies.

Tangible assets increased for HRK 1.8 mil comparing to 31 December 2009 and is due to the purchase of new transportation vehicles and IT equipment of Medika d.d.

Long term financial assets and long term receivables are at the same level as at the end of 2009.

Inventory balance is lower for HRK 6.7 mil or 3.2% comparing to December 31, 2009.

Trade receivables amount to HRK 1 billion 185 million and have increased for HRK 77.8 mil comparing to the beginning of the year. Increase was caused by weaker collectability in the first quarter of this year. This was mainly caused by lower cash sales in pharmacies due to the economic crisis.

Long term liabilities increased by HRK 3.7 mil comparing to beginning of the year. Increase mainly relates to long-term finance lease as a result of purchase of new transportation vehicles of Medika d.d..

Short-term liabilities amount to HRK 1 billion 215 thousand whereof HRK 1 billion 29 million relates to the liabilities to suppliers, HRK 123.7 mil to debt (HRK 78.8 mil relates to short term loans and HRK 43.8 mil relates to commercial bills and 1.1 million relates to finance leasing), and HR 63.1 mil on other short-term liabilities (major part relates to liabilities for purchase of pharmacies).

Short-term liabilities increased by HRK 48.5 million and major part relate to increase in liabilities to suppliers. Liabilities to suppliers increased significantly comparing to the beginning of the year as a result of weaker collectability of trade receivables in the first quarter 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 which 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 inventory is purchased from foreign suppliers in foreign currencies. Short term borrowings from banks, except for 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.

Development strategy of Prima Pharme is to expand network of pharmacies on whole territory of Croatia.

Jasminko Herceg, B.Econ.

Board member

Medika d.d.
Z. A. G. R. E. B., Capraška

