

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: **368**
(at the end of period)

Consolidated financial statements: **NO** Code of NKD-a: **4646**

Consolidating entities (according IFRS): _____ Headquarters: _____ MB: _____

Bookkeeping servs: _____

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.

Medika d.d.
ZAGREB, Capraška

(signature of authorised person)



BALANCE SHEET

as at

31 MARCH 2010

amounts in thousands of HRK

Description	Code	31 MARCH 2010	31 MARCH 2009
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS	002	251.328	252.469
I. INTANGIBLE ASSETS	003	35.020	33.973
II. TANGIBLE ASSETS	004	154.456	156.617
III. NON-CURRENT FINANCIAL ASSETS	005	60.882	60.909
IV. RECEIVABLES	006		
V. DEFERRED TAX ASSETS	007	970	970
C) CURRENT ASSETS	008	1.346.965	1.397.638
I. INVENTORIES	009	192.004	186.080
II. RECEIVABLES	010	1.104.554	1.185.285
III. CURRENT FINANCIAL ASSETS	011	8.414	8.414
IV. CASH AND CASH EQUIVALENTS	012	41.993	17.857
D) ACCRUED INCOME	013	573	789
E) LOSS ABOVE CAPITAL	014		
F) TOTAL ASSETS	015	1.598.866	1.650.894
G) OFF BALANCE SHEET ITEMS	016	20.436	140.199
EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES	017	283.034	288.390
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	136.203	151.690
VI. LOSS CARRIED FORWARD	023		
VII. PROFIT FOR THE PERIOD	024	15.487	5.356
VIII. LOSS FOR THE PERIOD	025		
IX. MINORITY INTERESTS	026		
B) PROVISIONS	027	514	514
C) NON-CURRENT LIABILITIES	028	202.705	206.026
D) CURRENT LIABILITIES	029	1.108.545	1.151.117
E) DEFERRED INCOME AND ACCRUED EXPENSES	030	4.068	4.847
F) TOTAL EQUITY AND LIABILITIES	031	1.598.866	1.650.894
G) OFF BALANCE SHEET ITEMS	032	20.436	140.199
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 31.3.2010

amounts in thousands of HRK

		2010	2009	2008	2007
I. OPERATING REVENUES	035	479.271	479.271	481.014	481.014
1. Sales revenues	036	477.547	477.547	479.444	479.444
2. Revenues from use of own goods and services	037				
3. Other operating revenues	038	1.724	1.724	1.570	1.570
II. OPERATING EXPENSES	039	467.424	467.424	470.764	470.764
1. Decrease of finished goods and work in progress	040				
2. Increase of finished goods and work in progress	041				
3. Material expenses	042	442.108	442.108	444.026	444.026
4. Staff costs	043	13.849	13.849	12.820	12.820
5. Depreciation and amortization	044	2.834	2.834	3.762	3.762
6. Other expenses	045	8.033	8.033	7.156	7.156
7. Impairment charge	046	600	600	3.000	3.000
8. Provisions	047				
9. Other operating expenses	048				
III. FINANCE INCOME	049	1.493	1.493	4.647	4.647
1. Interests, foreign exchanges and dividend from related parties	050				
2. Interests, foreign exchanges and dividend from non-related parties	051	1.493	1.493	4.647	4.647
3. Share of profit from associates	052				
4. Unrealised gains	053				
5. Other finance income	054				
IV. FINANCE EXPENSES	055	9.364	9.364	7.246	7.246
1. Interests and foreign exchanges from related parties	056				
2. Interests and foreign exchanges from non-related parties	057	9.364	9.364	7.246	7.246
3. Unrealised losses	058				
4. Other finance expenses	059				
V. EXTRAORDINARY INCOME	060				
VI. EXTRAORDINARY EXPENSES	061				
VII. TOTAL INCOME	062	480.764	480.764	485.661	485.661
VIII. TOTAL EXPENSES	063	476.788	476.788	478.010	478.010
IX. PROFIT BEFORE TAX	064	3.976	3.976	7.651	7.651
X. LOSS BEFORE TAX	065				
XI. INCOME TAX	066	795	795	2.295	2.295
XII. PROFIT FOR THE PERIOD	067	3.181	3.181	5.356	5.356
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

Description	2010	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	3.976	7.651
2. Depreciation and amortisation	074	2.834	3.762
3. Increase of current liabilities	075		36.515
4. Decrease of current assets	076	106.697	
5. Decrease of inventories	077	13.378	5.923
6. Other increase of cash flow	078	619	
I. Total increase of cash flow from operating activities	079	127.504	53.851
1. Decrease of current liabilities	080	125.513	
2. Increase of current assets	081		80.730
3. Increase of inventories	082		
4. Other decrease of cash flow	083	599	2.295
II. Total decrease of cash flow from operating activities	084	126.112	83.025
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	1.392	
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		29.174
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	1.692	5.358
2. Purchase of equity and debt securities	094		
3. Other purchases resulting from investing activities	095	218	
IV. Total purchases resulting from investing activities	096	1.910	5.358
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	770	4.582
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuing of equity and debt securities	099		
2. Proceeds from borrowings	100	12.264	56.323
3. Other proceeds from financing activities	101		4.204
V. Total proceeds from financing activities	102	12.264	60.527
1. Repayment of borrowings	103	34.390	50.437
2. Dividends paid	104		
3. Repayment of finance lease	105	452	470
4. Purchase of treasury shares	106		
5. Other purchases resulting from financing activities	107	1.160	
VI. Total purchases resulting from financing activities	108	36.002	50.907
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109		9.620
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	23.737	
Total increase of cash flow	111		
Total decrease of cash flow	112	23.115	24.136
Cash and cash equivalents at the beginning of the period	113	28.106	41.993
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	23.115	24.136
Cash and cash equivalents at the end of the period	116	4.991	17.857

CHANGES OF CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 31.3.2010

amounts in thousands of HRK

	1.1.2010	31.3.2010	Increase	Decrease	Total
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	136.203	15.487		151.690
5. Profit for the period	121	15.487	5.356	15.487	5.356
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	20.843	15.487	288.390
16a. Attributable to equity holders	133				
16b. Attributable to minority interests	134				

**BOARD'S REPORT
for the first quarter 2010
Medika d.d. Zagreb**

April 2010

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

Comment on the result for the first quarter of 2010

Total sales of Medika increased in the first quarter of 2010 by 0.4% in comparison to the same period last year, in spite of the strong impact of economic crisis at the beginning of 2010.

The operative profit rate EBIT amounts to HRK 10.2 mil or 2.1 %, and of EBITDA HRK 14.0 mil or 2.9 %.

The realized net profit amounts to HRK 5.3 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 first quarter of 2010 comparing to the same period of prior year.

Key indicators	I-III 2010.	I-III 2009.	Change I-III 2010/ I-III 2009
Sales revenue (000 HRK)	479,4	477,5	0,40%
EBITDA margin	2,91	3,06	-13,8%
EBIT margin	2,13	2,47	-4,9%
Net profit (000 HRK)	5.356	3.181	68,37%

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

Tangible assets increased for HRK 2.2 mil comparing to 31 December 2009 and is due to the purchase of new transportation vehicles and IT equipment.

Intangible assets, 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 5.9 mil or 3.1% comparing to December 31, 2009.

Trade receivables amount to HRK 1 billion 185 million and have increased for HRK 80.7 million 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 3.3 mil comparing to beginning of the year. Increase relates to long-term finance lease as a result of purchase of new transportation vehicles.

Short-term liabilities amount to HRK 1 billion 151 thousand whereof HRK 1 billion 20 million relates to the liabilities to suppliers, HRK 118.5 million to debt (HRK 74.7 million relates to short term loans and HRK 43.8 million relates to commercial bills and 922.6 million relates to finance leasing), and HRK 12.5 million on other short-term liabilities.

Short-term liabilities increased by HRK 42.6 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 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 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. 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.

Jasminko Herceg, B.Econ.

Board member


Medika
ZAGREB, Capraška

Zagreb, 27 April 2010

Pursuant to the article 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 31 March 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 31 March 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, Croatia

