

## APPENDIX 1.

period from:

1.1.2010

to

31.12.2010

## 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: 635

(at the end of period)

Consolidated financial statements: YES

Code of NKD-a: 4646

Consolidating entities (according IFRS):

Headquarters:

MB:

ZU Ijekarne Prima Pharme	Split	0694975
ZULjekarne Delonga	Okrug gornji	0605747
Ljekarna Ines Buhač	Zagreb	80027997
Primus nekretnine d.o.o.	Zagreb	2534983
Ljekarna Mladenka Čobanov	Šibenik	2912958388302

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.**  
ZAGREB, Capraška

M.P.

(signature of authorised person)



# BALANCE SHEET

as at

31.12.2010

in HRK

Description	AOP tag	Previous year (net)	Current year (net)
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	<b>313.099.434</b>	<b>329.041.084</b>
I. INTANGIBLE ASSETS	<b>003</b>	116.558.651	133.882.291
II. TANGIBLE ASSETS	<b>004</b>	173.358.297	172.563.403
III. NON-CURRENT FINANCIAL ASSETS	<b>005</b>	20.003.544	19.837.261
IV. RECEIVABLES	<b>006</b>		
V. DEFERRED TAX ASSETS	<b>007</b>	3.178.942	2.758.129
<b>C) CURRENT ASSETS</b>	<b>008</b>	<b>1.375.280.835</b>	<b>1.318.287.247</b>
I. INVENTORIES	<b>009</b>	211.698.654	243.283.950
II. RECEIVABLES	<b>010</b>	1.106.671.993	1.041.514.875
III. CURRENT FINANCIAL ASSETS	<b>011</b>	7.072.141	2.238.120
IV. CASH AND CASH EQUIVALENTS	<b>012</b>	49.838.047	31.250.302
<b>D) ACCRUED INCOME</b>	<b>013</b>	<b>927.765</b>	<b>1.217.043</b>
<b>E) LOSS ABOVE CAPITAL</b>	<b>014</b>		
<b>F) TOTAL ASSETS</b>	<b>015</b>	<b>1.689.308.034</b>	<b>1.648.545.374</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>016</b>	<b>20.436.127</b>	<b>127.975.856</b>
<b>EQUITY AND LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b>	<b>017</b>	<b>288.720.332</b>	<b>315.753.264</b>
I. SHARE CAPITAL	<b>018</b>	60.388.000	60.388.000
II. CAPITAL RESERVES	<b>019</b>	4.401.478	-4.258.313
III. RESERVES FROM RETAINED EARNINGS	<b>020</b>	66.555.382	82.275.985
IV. REVALUATION RESERVES	<b>021</b>		
V. RETAINED EARNINGS	<b>022</b>	140.633.899	152.232.994
VI. LOSS CARRIED FORWARD	<b>023</b>		
VII. PROFIT FOR THE PERIOD	<b>024</b>	16.851.573	25.114.598
VIII. LOSS FOR THE PERIOD	<b>025</b>		
IX. MINORITY INTERESTS	<b>026</b>		
<b>B) PROVISIONS</b>	<b>027</b>	<b>513.883</b>	<b>169.722</b>
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	<b>228.676.390</b>	<b>210.976.855</b>
<b>D) CURRENT LIABILITIES</b>	<b>029</b>	<b>1.167.114.084</b>	<b>1.118.789.489</b>
<b>E) DEFERRED INCOME AND ACCRUED EXPENSES</b>	<b>030</b>	<b>4.173.345</b>	<b>2.856.044</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b>	<b>031</b>	<b>1.689.308.034</b>	<b>1.648.545.374</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>032</b>	<b>20.436.127</b>	<b>127.975.856</b>
<b>30.L</b>			
<b>CAPITAL AND RESERVES</b>			
1. Attributable to equity holders	<b>033</b>		
2. Attributable to minority interests	<b>034</b>		



# PROFIT AND LOSS

from

1.1.2010

to

31.12.2010

in HRK

Description	AOP tag	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUES	035	2.039.207.951	556.584.568	2.073.512.312	551.557.683
1. Sales revenues	036	2.008.688.646	531.761.464	2.048.249.490	532.652.506
2. Revenues from use of own goods and services	037				
3. Other operating revenues	038	30.519.305	24.823.104	25.262.822	18.905.177
II. OPERATING EXPENSES	039	1.996.370.864	534.973.761	2.011.235.385	523.831.367
1. Decrease of finished goods and work in progress	040				
2. Increase of finished goods and work in progress	041				
3. Material expenses	042	1.828.252.240	467.479.016	1.849.068.163	478.081.487
4. Staff costs	043	82.156.344	21.063.930	83.445.620	20.810.488
5. Depreciation and amortization	044	17.023.043	4.531.315	18.946.125	4.999.880
6. Other expenses	045	48.100.632	32.564.205	40.929.983	11.911.414
7. Impairment charge	046	20.199.125	8.695.815	18.077.617	7.711.841
8. Provisions	047	639.480	639.480	767.877	316.257
9. Other operating expenses	048				
III. FINANCE INCOME	049	16.191.709	2.956.355	14.169.089	4.385.976
1. Interests, foreign exchanges and dividend from related parties	050				
2. Interests, foreign exchanges and dividend from non-related parties	051	16.191.709	2.956.355	14.169.089	4.385.976
3. Share of profit from associates	052				
4. Unrealised gains	053				
5. Other finance income	054				
IV. FINANCE EXPENSES	055	35.601.406	9.338.944	41.673.620	14.875.611
1. Interests and foreign exchanges from related parties	056				
2. Interests and foreign exchanges from non-related parties	057	35.601.406	9.338.944	41.673.620	14.875.611
3. Unrealised losses	058				
4. Other finance expenses	059				
V. EXTRAORDINARY INCOME	060	4.962	2.443		
VI. EXTRAORDINARY EXPENSES	061	26	14		
VII. TOTAL INCOME	062	2.055.404.622	559.543.366	2.087.681.401	555.943.659
VIII. TOTAL EXPENSES	063	2.031.972.296	544.312.719	2.052.909.005	538.706.978
IX. PROFIT BEFORE TAX	064	23.432.326	15.230.647	34.772.396	17.236.681
X. LOSS BEFORE TAX	065				
XI. INCOME TAX	066	6.580.753	3.112.611	9.657.798	4.848.154
XII. PROFIT FOR THE PERIOD	067	16.851.573	12.118.036	25.114.598	12.388.527
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 31.12.2010

in HRK

Description	AOP tag	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	23.432.326	34.722.396
2. Depreciation and amortisation	074	17.023.042	18.946.125
3. Increase of current liabilities	075		
4. Decrease of current assets	076	114.381.748	65.157.118
5. Decrease of inventories	077	11.657.966	
6. Other increase of cash flow	078	1.563.090	
<b>I. Total increase of cash flow from operating activities</b>	<b>079</b>	<b>168.058.172</b>	<b>118.825.639</b>
1. Decrease of current liabilities	080	161.174.787	21.913.583
2. Increase of current assets	081		
3. Increase of inventories	082		31.585.295
4. Other decrease of cash flow	083		1.869.541
<b>II. Total decrease of cash flow from operating activities</b>	<b>084</b>	<b>161.174.787</b>	<b>55.368.419</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>	<b>6.883.385</b>	<b>63.457.220</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of tangible and intangible assets	087	314.854	981.606
2. Proceeds from sale of equity and debt securities	088		
3. Interest received	089	1.646.326	2.713.758
4. Dividends received	090		
5. Other proceeds from investing activities	091	1.534.674	
<b>III. Total proceeds from investing activities</b>	<b>092</b>	<b>3.495.854</b>	<b>3.695.364</b>
1. Purchase of tangible and intangible assets	093	40.436.000	34.606.362
2. Purchase of equity and debt securities	094	1.310.320	
3. Other purchases resulting from investing activities	095	1.700.000	
<b>IV. Total purchases resulting from investing activities</b>	<b>096</b>	<b>43.446.320</b>	<b>34.606.362</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>		
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>39.950.466</b>	<b>30.910.998</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issuing of equity and debt securities	099		
2. Proceeds from borrowings	100	164.162.323	210.099.041
3. Other proceeds from financing activities	101		
<b>V. Total proceeds from financing activities</b>	<b>102</b>	<b>164.162.323</b>	<b>210.099.041</b>
1. Repayment of borrowings	103	143.813.968	258.633.445
2. Dividends paid	104		103.068
3. Repayment of finance lease	105	1.904.016	2.496.495
4. Purchase of treasury shares	106		
5. Other purchases resulting from financing activities	107		
<b>VI. Total purchases resulting from financing activities</b>	<b>108</b>	<b>145.717.984</b>	<b>261.233.008</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>109</b>	<b>18.444.339</b>	
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>110</b>		<b>51.133.967</b>
Total increase of cash flow	111		
Total decrease of cash flow	112	14.622.742	18.587.745
Cash and cash equivalents at the beginning of the period	113	64.460.789	49.838.047
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	14.622.742	18.587.745
Cash and cash equivalents at the end of the period	116	49.838.047	31.250.302



# CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 31.12.2010

in HRK

Description	AOP tag	Previous period	Increase	Decrease	Current period
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		8.659.791	-4.258.313
3. Reserves from retained earnings	119	66.555.382	15.720.603		82.275.985
4. Retained earnings	120	140.633.899	16.851.573	5.252.478	152.232.994
5. Profit for the period	121	16.851.573	25.114.598	16.851.573	25.114.598
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				
<b>10. Total capital and reserves</b>	<b>126</b>				
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				
<b>16. Total increase or decrease of equity</b>	<b>132</b>	<b>288.830.332</b>	<b>57.686.774</b>	<b>30.763.842</b>	<b>315.753.264</b>
16a. Attributable to equity holders	133				
16b. Attributable to minority interests	134				



**Management Board interim report  
for the temporary unaudited annual  
consolidated financial statements for 2010  
Medika d.d. Zagreb  
Group Medika**

**February 2011.**



### ***Comment on the results for the first nine months of 2010***

In accordance with the prescribed deadlines for submitting financial statements for fourth quarter of 2010, Medika d.d. has prepared temporary unaudited financial statements which present approximate balance sheet as at 31 December 2010, approximate profit and loss statement for the fourth quarter and approximate statement of cash flow.

We stress out that these financial statements are temporary and as such are not approved by the Management Board and Supervisory Board. Furthermore, financial statements are unaudited and investors should not take them as a basis for their investment decisions, but they should merely use them as approximate info until the publishing of the final results, since there may be differences between temporary and final results.

Publishing of the final results (annual audited financial statements) for the Company and the Group is expected by 31 March 2011.

With the above stated, Management Board does not comment financial statements, but only presents key events for the Company and the Group in 2010.

### ***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:

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

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

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

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 quarter entered one more business subject – pharmacy Mladenka Čobanov.



### ***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. Majority of borrowings from banks have exchange rate clauses. The Company does not use financial instruments to protect itself from currency risk.

Interest risk of the Company and the Group 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***

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.





# Medika

Dioničko društvo za trgovinu lijekovima i sanitetskim materijalom

A Capraška 1, HR - 10000 Zagreb  
T +385 1 2412 555  
E medika@medika.hr  
I www.medika.hr

Zagreb, 14 January 2011

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

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

Temporary unaudited consolidated and unconsolidated financial statements for the period ended 31 December 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 temporary unaudited financial statements for the period 01 January to 31 December 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

<sup>3</sup> **Medika** d.d.  
ZAGREB, Capraška