

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: 351

(at the end of period)

Consolidated financial statements: NO

Code of NKD-a: 4646

Consolidating entities (according IFRS):

Headquarters:

MB:

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.

M.P. E B Capraška

(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
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS	002	251.328.075	247.736.449
I. INTANGIBLE ASSETS	003	35.019.733	30.743.977
II. TANGIBLE ASSETS	004	154.456.059	154.116.332
III. NON-CURRENT FINANCIAL ASSETS	005	60.882.517	62.373.017
IV. RECEIVABLES	006		
V. DEFERRED TAX ASSETS	007	969.766	503.123
C) CURRENT ASSETS	008	1.346.965.286	1.333.636.989
I. INVENTORIES	009	192.003.561	220.337.784
II. RECEIVABLES	010	1.104.554.282	1.083.173.350
III. CURRENT FINANCIAL ASSETS	011	8.413.755	3.557.257
IV. CASH AND CASH EQUIVALENTS	012	41.993.688	26.568.598
D) ACCRUED INCOME	013	572.669	850.196
E) LOSS ABOVE CAPITAL	014		
F) TOTAL ASSETS	015	1.598.866.030	1.582.223.634
G) OFF BALANCE SHEET ITEMS	016	20.436.128	127.975.856
EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES	017	283.034.230	303.632.078
I. SHARE CAPITAL	018	60.388.000	60.388.000
II. CAPITAL RESERVES	019	4.401.478	-4.258.313
III. RESERVES FROM RETAINED EARNINGS	020	66.555.382	82.275.985
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022	136.202.902	146.436.892
VI. LOSS CARRIED FORWARD	023		
VII. PROFIT FOR THE PERIOD	024	15.486.468	18.789.514
VIII. LOSS FOR THE PERIOD	025		
IX. MINORITY INTERESTS	026		
B) PROVISIONS	027	513.883	169.722
C) NON-CURRENT LIABILITIES	028	202.704.856	193.545.079
D) CURRENT LIABILITIES	029	1.108.544.716	1.082.200.238
E) DEFERRED INCOME AND ACCRUED EXPENSES	030	4.068.345	2.676.517
F) TOTAL EQUITY AND LIABILITIES	031	1.598.866.030	1.582.223.634
G) OFF BALANCE SHEET ITEMS	032	20.436.128	127.975.856
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

31.12.2010

in HRK

Description	AOP tag	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUES	035	1.980.428.829	515.356.322	1.994.516.132	530.447.198
1. Sales revenues	036	1.941.361.372	499.360.940	1.969.352.862	510.792.611
2. Revenues from use of own goods and services	037				
3. Other operating revenues	038	39.067.457	15.995.382	25.163.270	19.654.587
II. OPERATING EXPENSES	039	1.940.650.121	498.861.589	1.940.928.589	506.679.198
1. Decrease of finished goods and work in progress	040				
2. Increase of finished goods and work in progress	041				
3. Material expenses	042	1.803.656.135	460.149.022	1.818.777.515	470.963.387
4. Staff costs	043	54.828.040	13.617.039	51.643.125	12.822.063
5. Depreciation and amortization	044	13.693.782	3.671.138	15.413.019	3.873.761
6. Other expenses	045	47.933.279	12.339.305	36.480.143	11.222.596
7. Impairment charge	046	20.034.287	8.580.487	18.024.102	7.658.326
8. Provisions	047	504.598	504.598	590.685	139.065
9. Other operating expenses	048				
III. FINANCE INCOME	049	15.778.152	2.952.311	13.953.226	4.408.921
1. Interests, foreign exchanges and dividend from related parties	050			121.984	39.866
2. Interests, foreign exchanges and dividend from non-related parties	051	15.778.152	2.952.311	13.831.242	4.369.055
3. Share of profit from associates	052				
4. Unrealised gains	053				
5. Other finance income	054				
IV. FINANCE EXPENSES	055	33.750.622	8.799.295	40.594.239	14.636.765
1. Interests and foreign exchanges from related parties	056				
2. Interests and foreign exchanges from non-related parties	057	33.750.622	8.799.295	40.594.239	14.636.765
3. Unrealised losses	058				
4. Other finance expenses	059				
V. EXTRAORDINARY INCOME	060				
VI. EXTRAORDINARY EXPENSES	061				
VII. TOTAL INCOME	062	1.996.206.981	518.308.633	2.008.469.358	534.856.119
VIII. TOTAL EXPENSES	063	1.974.400.743	507.660.884	1.981.522.828	521.315.963
IX. PROFIT BEFORE TAX	064	21.806.238	10.647.749	26.946.530	13.540.156
X. LOSS BEFORE TAX	065				
XI. INCOME TAX	066	6.319.770	3.525.382	8.157.016	4.135.104
XII. PROFIT FOR THE PERIOD	067	15.486.468	7.122.367	18.789.514	9.405.052
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
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	21.806.238	26.946.530
2. Depreciation and amortisation	074	13.693.782	15.413.019
3. Increase of current liabilities	075		265.959
4. Decrease of current assets	076	133.947.494	21.380.932
5. Decrease of inventories	077	12.917.477	
6. Other increase of cash flow	078		
I. Total increase of cash flow from operating activities	079	182.364.991	64.006.440
1. Decrease of current liabilities	080	148.450.862	
2. Increase of current assets	081		
3. Increase of inventories	082		28.334.223
4. Other decrease of cash flow	083	5.681.128	920.720
II. Total decrease of cash flow from operating activities	084	154.131.990	29.254.943
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	28.233.001	34.751.497
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	087	300.760	886.890
2. Proceeds from sale of equity and debt securities	088		
3. Interest received	089	1.502.326	2.687.361
4. Dividends received	090		
5. Other proceeds from investing activities	091	1.534.674	
III. Total proceeds from investing activities	092	3.337.760	3.574.251
1. Purchase of tangible and intangible assets	093	33.535.405	10.790.536
2. Purchase of equity and debt securities	094	165.000	
3. Other purchases resulting from investing activities	095	1.700.000	
IV. Total purchases resulting from investing activities	096	35.400.405	10.790.536
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	32.062.645	7.216.285
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuing of equity and debt securities	099		
2. Proceeds from borrowings	100	160.154.773	193.099.041
3. Other proceeds from financing activities	101		
V. Total proceeds from financing activities	102	160.154.773	193.099.041
1. Repayment of borrowings	103	140.956.692	233.786.680
2. Dividends paid	104		103.068
3. Repayment of finance lease	105	1.481.481	2.169.595
4. Purchase of treasury shares	106		
5. Other purchases resulting from financing activities	107		
VI. Total purchases resulting from financing activities	108	142.438.173	236.059.343
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	17.716.600	
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110		42.960.302
Total increase of cash flow	111	13.886.956	
Total decrease of cash flow	112		15.425.090
Cash and cash equivalents at the beginning of the period	113	28.106.732	41.993.688
Increase of cash and cash equivalents	114	13.886.956	
Decrease of cash and cash equivalents	115		15.425.090
Cash and cash equivalents at the end of the period	116	41.993.688	26.568.598

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	136.202.902	15.486.468	5.252.478	146.436.892
5. Profit for the period	121	15.486.468	18.789.514	15.486.468	18.789.514
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	283.034.230	49.996.585	29.398.737	303.632.078
16a. Attributable to equity holders	133				
16b. Attributable to minority interests	134				

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

February 2011

Comment on temporary unaudited financial statements for fourth quarter 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 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:

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

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

- 8th tranche – repurchased HRK 3,937,116 nominal value
- 9th 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.

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. 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 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.



Medika

Dioničko društvo za trgovinu lijekovima i sanitetskim materijalom

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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

³ Medika d.d.
ZAGREB, Capraška