



Medika d.d.
Zagreb, Capraška 1

**INTERIM REPORT
for first six months of 2011
Medika d.d. Zagreb**

July 2011

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

Comment on the result for the first six months of 2011

Sales revenue of Medika in the first six months of 2011 is by 7.5% higher comparing to the same period of previous year.

The operative profit rate EBIT amounts to HRK 21.3 mil or 2.04% and EBITDA amounts to HRK 28.9 mil or 2.76 %.

The realized net profit amounts to HRK 9.1 mil. The lower net profit comparing to the operative profit is result of net finance expense.

Net finance expense are lower comparing to the same period of previous year due to the lower level of debt during the first quarter comparing to the same period of previous year and lower contracted interest rates.

Key indicators	I-VI 2011	I-VI 2010	Change I-VI 2011 / I-VI 2010
Sales revenue (000 HRK)	1,043,207	970,517	7.49%
EBITDA margin	2.76%	2.16%	+0.59%
EBIT margin	2.04%	1.38%	+0.66%
Net profit (000 HRK)	9,070	7,605	19.26%

Key events

Pharmaceutical market has shown growth in the first six months of 2011 comparing to the same period of previous year. Despite of sales revenue loss in Gradska Ljekarna Zagreb, sales revenue shows growth comparing to the same period of previous year. Since the percentage of sales revenue growth is higher than percentage of market growth, market share shows growth as well.

In February the long term loan in Medika d.d. in the amount of EUR 22.6 million was reprogrammed to a lower interest rate. At the same time, part of the loan in amount of EUR 6.7 million was converted to a short-term loan in Croatian kuna, which reduced currency risk exposure of Medika.

Balance sheet

Total assets have grown by 5.90% comparing to previous year. Growth is result of increased short term receivables.

There is no significant change in the long term assets and they are at the same level comparing to the previous year. Intangible assets are lower for HRK 2.2 million as a result of amortization for the first six months of 2011 in amount of HRK 2.4 million.

Inventory balance is lower for HRK 20.7 million or 9.40% comparing to previous year due to increase in sales.

Short-term assets amount to HRK 1 billion 470 million, whereof HRK 1 billion 60 million relate to trade receivables. Trade receivables increased by 10.51% comparing to the beginning of the year as a result of increase in sales and slower collection of receivables.

A short-term financial assets amount to HRK 44.8 million, whereof HRK 21.9 million relates to bills of exchange receivables and HRK 21.7 million relates to endorsed bills of exchange receivables. Bills of exchange as a payment instrument were endorsed to suppliers and one business bank. Given the fact that the risk of nonpayment is on the Company, at the same time, the Company recorded liability for endorsed bills of exchange in "Liabilities for securities". Comparing to the beginning of the year, receivables for endorsed bills of exchange are lower for HRK 13.8 million.

Treasury shares and capital reserves balances have changed. This is a result of release of 285 treasury shares in 2011 as employees' benefit program.

Legal reserves are increased for HRK 4.5 million in accordance with decision of General Assembly on distribution of profit.

Long term liabilities decreased for HRK 53.4 million comparing to beginning of the year. Decrease is result of reprogram of long term debt in euro. Part of the loan in amount of EUR 6.7 million was converted to a short-term loan in Croatian kuna at lower interest rate, which reduced currency risk exposure.

Short-term liabilities amount to HRK 1 billion 256 thousand whereof HRK 1 billion 53 million relates to the liabilities to suppliers, HRK 169.3 million to debt (HRK 168.4 million relates to short term loans and HRK 967 thousand relates to finance lease), and HRK 21.7 million on liabilities for securities (endorsed bills of exchange), as previously explained.

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. Additionally, part of borrowings from banks has 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 next 2011 stipulates annual growth of sales of 1%, with further growth potential in following years. In accordance with the growth of sales, a higher market share is expected. The Company will continue with its core business: distribution of medications and medical products and will strongly develop operations with products that make the core business of the firm.

Jasminko Herceg, B.Econ.

Board member

³ **Medika** d.d.
ZAGREB, Capraška 1

Appendix 1.

Reporting period:

1.1.2011

to

30.6.2011

Quarterly financial statements TFI-POD

Registration number (MB): 03209741

Identification number of
company (MBS): 080027531Personal identification
number (OIB): 94818858923

Issuer: MEDIKA D.D.

Postal code and city: 10000

ZAGREB

Address: CAPRAŠKA 1

e-mail: medika@medika.hr

web page: www.medika.hr

Code and name of
municipality/city: 133 ZAGREB

Code and county name: 21 GRAD ZAGREB

Number of employees: 352
(end of reporting period)

Consolidated statements: NO

Code of NKD: 4646

Consolidating entities (according to IFRS):

Headquarters:

MB:

Bookkeeping service:

Contact person: BOSNAR INES

(only surname and name of contact person)

Telephone number: 012412566

Fax: 012371441

e-mail: medika@medika.hr

Name: HERCEG JASMINKO

(authorised person)

Documentation for publishing:

1. Financial statements (Balance sheet, Profit and loss account, Cash flow statements, Statements of changes in equity and Notes to financial statements)
2. Interim report,
3. Statement of Liability.

M.P.

3 Medika d.d.
ZAGREB, Capraška 1
(signature of authorised person)

BALANCE SHEET
balance as at 31.03.2011

Issuer: **MEDIKA D.D.**

Description	AOP mark	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	247.189.960	242.129.454
I. INTANGIBLE ASSETS (004 to 009)	003	30.743.977	28.509.478
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	18.664.278	16.463.588
3. Goodwill	006	11.929.586	11.929.586
4. Advances for intangible assets	007		
5. Intangible assets under construction	008	150.113	116.304
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	154.116.332	152.282.119
1. Land	011	15.994.716	15.994.716
2. Buildings	012	116.653.874	114.968.459
3. Equipment and machinery	013	7.038.304	6.804.969
4. Furniture, fittings and vehicles	014	10.631.567	11.269.309
5. Biological assets	015		
6. Advances for tangible assets	016	62.705	3.911
7. Tangible assets under construction	017	2.957.815	2.512.005
8. Other tangible assets	018	777.351	728.750
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	61.826.527	60.834.734
1. Investment in subsidiaries and associates	021	60.000.000	60.000.000
2. Loans to related parties	022		
3. Loans given to minority interest	023		
4. Loans given to participating parties	024		
5. Investment in securities	025		
6. Loans given, deposits and similar	026	1.826.527	834.734
7. Other non-current financial assets	027		
8. Investments at equity method	028		
IV. RECEIVABLES (030 to 032)	029	503.124	503.123
1. Receivables from related parties	030		
2. Receivables for credit sales	031		
3. Other receivables	032	503.124	503.123
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	1.369.616.651	1.469.960.967
I. INVENTORY (036 To 042)	035	220.337.783	199.617.406
1. Raw material	036	209.553	194.595
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	216.328.084	197.367.068
5. Advances for inventories	040	3.800.146	2.055.743
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.083.124.463	1.210.953.523
1. Receivables from related parties	044	118.328.129	144.902.310
2. Trade receivables	045	959.570.333	1.060.410.139
3. Receivables from participating parties	046		
4. Receivables from employees	047	117.316	102.444
5. Receivables from the state and other institutions	048	3.954.251	2.194.179
6. Other receivables	049	1.154.434	3.344.451
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	39.585.807	44.768.977
1. Investment in subsidiaries and associates	051		
2. Loans to related parties	052	1.333.334	
3. Equity investments	053		
4. Loans given to participating parties	054		
5. Investment in securities	055	36.082.060	43.542.824
6. Loans given, deposits and similar	056	2.170.413	1.226.153
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	26.568.598	14.621.061
D) PREAPID EXPENSES AND ACCRUED INCOME	059	850.196	1.051.724
E) TOTAL ASSETS (001+002+034+059)	060	1.617.656.807	1.713.142.145
G) OFF BALANCE SHEET ITEMS	061	127.975.856	149.102.392

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	303.281.707	314.051.899
I. SHARE CAPITAL	063	60.388.000	60.388.000
II. CAPITAL RESERVES	064	-4.258.313	-6.863.284
III. RESERVES FROM RETAINED EARNINGS (066+067-068+069+070)	065	82.275.985	91.423.724
1. Legal reserves	066	2.729.945	7.277.713
2. Reserves for treasury shares	067	60.000.000	60.000.000
3. Treasury shares	068	12.250.450	7.650.479
4. Statutory reserves	069		
5. Other reserves	070	31.796.490	31.796.490
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	146.436.891	160.033.917
1. Retained earnings	073	146.436.891	160.033.917
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	18.439.144	9.069.542
1. Profit for the period	076	18.439.144	9.069.542
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	402.284	402.284
1. Provisions for retirement, severance payment and similar	080	402.284	402.284
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	193.545.079	139.193.870
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	193.545.079	139.193.870
4. Liabilities for advances received	087		
5. Trade payables	088		
6. Liabilities for securities	089		
7. Liabilities to participating parties	090		
8. Other non-current liabilities	091		
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 to 105)	093	1.116.789.228	1.256.487.311
1. Liabilities to related parties	094	1.190.344	1.337.868
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	86.834.434	169.323.973
4. Liabilities for advances received	097	1.867.124	
5. Trade payables	098	977.925.289	1.052.600.018
6. Liabilities for securities	099	35.482.060	21.652.824
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	5.259.383	4.392.828
9. Liabilities for taxes and contributions	102	2.445.982	3.461.604
10. Dividend payables	103	84.977	297.091
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	5.699.635	3.421.105
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	3.638.509	3.006.781
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.617.656.807	1.713.142.145
G) OFF BALANCE SHEET ITEMS	108	127.975.856	149.102.392
SUPPLEMENT TO BALANCE SHEET (for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders	109		
2. Attributable to minority interest	110		

Note 1.: Supplement to balance sheet is filled for consolidated financial statements.

PROFIT AND LOSS
in period 01.01.2011. to 30.06.2011.

Issuer: MEDIKA D.D.

Description	AOP mark	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111				
1. Revenues from sale	112	974.669.738	493.655.226	1.048.686.404	538.105.863
2. Other operating revenues	113	970.516.512	491.072.649	1.043.206.952	534.266.131
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114				
1. Change in value of work in progress and finished goods	115	4.153.226	2.582.577	5.479.452	3.839.732
2. Material expenses (117 to 119)	116	961.247.661	490.483.613	1.027.345.537	530.993.973
a) Raw materials	117				
b) Cost of goods sold	118	903.958.804	459.932.838	968.858.451	498.930.332
c) Other expenses	119	3.930.734	2.215.344	4.067.388	2.025.510
3. Employee expenses (121 to 123)	120	890.645.425	452.191.547	954.577.985	491.541.028
a) Net salaries	121	9.382.645	5.525.947	10.213.078	5.363.794
b) Tax and contributions from salaries	122	25.749.314	12.929.820	25.322.261	12.757.828
c) Contributions on salaries	123	14.119.615	7.116.787	14.446.042	7.278.771
4. Depreciation and amortization	124	7.860.308	3.920.176	7.161.467	3.606.748
5. Other expenses	125	3.769.391	1.892.857	3.714.752	1.872.309
6. Impairment (127+128)	126	7.675.140	3.912.735	7.575.950	3.688.512
a) of non-current assets (financial assets excluded)	127	17.864.403	10.708.220	15.701.204	10.673.465
b) of current assets (financial assets excluded)	128	6.000.000	3.000.000	9.887.671	4.943.836
7. Provisions	129				
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131				
1. Interests, foreign exchanges and dividend from related parties	132	11.596.900	6.950.167	3.688.186	2.736.608
2. Interests, foreign exchanges and dividend from non-related parties	133			18.157	1.832
3. Share of profit from associate	134	11.596.900	6.950.167	3.670.029	2.734.776
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137				
1. Interests, foreign exchanges and dividend from related parties	138	14.154.747	6.908.501	12.072.565	6.959.145
2. Interests, foreign exchanges and dividend from non-related parties	139	14.154.747	6.908.501	12.072.565	6.959.145
3. Unrealised losses	140				
4. Other finance expenses	141				
V. SHARE OF PROFIT FROM ASSOCIATE	142				
VI. SHARE OF LOSS FROM ASSOCIATE	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146				
X. TOTAL EXPENSES (114+137+143 + 145)	147	986.266.638	500.605.393	1.052.374.590	540.842.471
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	975.402.408	497.392.114	1.039.418.102	537.953.118
1. Profit before tax (146-147)	149	10.864.230	3.213.279	12.956.488	2.889.353
2. Loss before tax (147-146)	150				
XII. INCOME TAX	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	0	0	0	0
1. Profit for the period (149-151)	153	3.259.269	963.984	3.886.946	866.806
2. Loss for the period (151-148)	154	7.604.961	2.249.295	9.069.542	2.022.547
		7.604.961	2.249.295	9.069.542	2.022.547
		0	0	0	0

SUPPLEMENT TO PROFIT AND LOSS (for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to equity holders	155				
2. Attributable to minority interest	156				
OTHER COMPREHENSIVE INCOME REPORT (for IFRS reporting)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	7.604.961	2.249.295	9.069.542	2.022.547
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (159 to 165)	158	0	0	0	0
1. Exchange differences on translation of foreign operations	159				
2. Changes in revaluation reserves for non-current tangible and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Gains or losses from efficient cash flow hedging	162				
5. Gains or losses from efficient hedge of net investment abroad	163				
6. Share in other comprehensive profit/loss of associates	164				
7. Actuarial gains/losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (157+167)	168	7.604.961	2.249.295	9.069.542	2.022.547
APPENDIX to Other comprehensive income report (to be filled for consolidated financial statements)					
VI. COMPREHENSIVE PROFIT OR LOSS					
1. Attributable to equity holders	169				
2. Attributable to minority interest	170				

STATEMENT OF CASH FLOW - Indirect method
in period 01.01.2011. do 30.06.2011.

Issuer: _MEDIKA D.D._

Description	AOP mark	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	10.864.230	12.956.488
2. Depreciation and amortisation	002	7.675.140	7.575.950
3. Increase of current liabilities	003	85.164.287	57.208.544
4. Decrease of current receivables	004		
5. Decrease of inventories	005	12.785.627	20.720.378
6. Other increase of cash flow	006		
I. Total increase of cash flow from operating activities (001 to 006)	007	116.489.284	98.461.360
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	151.644.385	127.829.060
3. Increase of inventories	010		
4. Other decrease of cash flow	011	3.266.303	4.901.988
II. Total decrease of cash flow from operating activities (008 to 011)	012	154.910.688	132.731.048
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	38.421.404	34.269.688
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	482.453	101.016
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	207.317	179.116
4. Dividends received	018		
5. Other proceeds from investing activities	019	70.956	
III. Total proceeds from investing activities (015 to 019)	020	760.726	280.132
1. Purchase of tangible and intangible assets	021	5.788.542	3.581.870
2. Purchase of equity and debt securities	022		
3. Other purchases resulting from investing activities	023		
IV. Total purchases resulting from investing activities (021 to 023)	024	5.788.542	3.581.870
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	5.027.816	3.301.738
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	94.453.997	91.154.955
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	94.453.997	91.154.955
1. Repayments of borrowings	031	85.537.827	64.455.172
2. Dividends paid	032		82.236
3. Repayments of finance lease	033	1.046.258	993.658
4. Purchase of treasury shares	034		
5. Other purchases resulting from financing activities	035		
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 to 035)	036	86.584.085	65.531.066
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	7.869.912	25.623.889
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	35.579.308	11.947.537
Cash and cash equivalents at beginning of the period	041	41.993.688	26.568.598
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	35.579.308	11.947.537
Cash and cash equivalents at end of the period	044	6.414.380	14.621.061

STATEMENT OF CHANGES IN EQUITY
for period from 1.1.2011 to 30.6.2011

Description 1	AOP mark 2	Previous period 3	Current period 4
1. Share capital	001	60.388.000	60.388.000
2. Capital reserves	002	-4.258.313	-6.863.284
3. Reserves from retained earnings	003	82.275.985	91.423.724
4. Retained earnings or accumulated loss	004	146.436.891	160.033.917
5. Profit or loss for the period	005	18.439.144	9.069.542
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 to 009)	010	303.281.707	314.051.899
11. Foreign exchanges from the foreign investments	011		
12. Current and defferd tax (part)	012		
13. Cash flow hedge	013		
14. Cgchanges of accounting policies	014		
15. Correction of material mistakes from previous period	015		
16. Other changes of equity	016		
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to equity holders	018		
17 b. Attributable to minority interest	019		

Stavke koje umanjuju kapital upisuju se s negativnim predznakom

Podaci pod AOP oznakama 001 do 009 upisuju se kao stanje na datum bilance



Medika

Dioničko društvo za trgovinu lijekovima i sanitetskim materijalom

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Zagreb, 29 July 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

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 30 June 2011 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 30 June 2011 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