

**INTERIM REPORT
for Q1 2011
Medika d.d. Zagreb**

April 2011

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

Comment on the result for the first quarter of 2011

Sales revenue of Medika in the first three months of 2011 is by 6.31% higher comparing to the same period of previous year.

The operative profit rate EBIT amounts to HRK 14.2 mil or 2.79% and EBITDA amounts to HRK 18.1 mil or 3.55 %.

The realized net profit amounts to HRK 7.0 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-III 2011	I-III 2010	Change I-III 2011 / I-III 2010
Sales revenue (000 HRK)	508,941	479,444	6.15%
EBITDA margin	3.55	2.91	+0.64%
EBIT margin	2.79	2.13	+0.66%
Net profit (000 HRK)	7,047	5,356	31.57%

Key events

Pharmaceutical market has shown growth in the first three months of 2011 comparing to the same period of previous year. Despite of growth of sales revenue in the first three months comparing to the same period of previous year, market share of Medika is lower due to the lower sales revenue in the pharmacies. Reason for lower sales revenue and market share in pharmacies is loss of sales in Gradska Ljekarna Zagreb.

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 3.5% comparing to previous year. Growth is caused by growth of 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.

Inventory balance is lower for HRK 5.7 million or 2.59% comparing to previous year due to increase in sales.

Short-term assets amount to HRK 1 billion 429 million, whereof HRK 1 billion 44 million relate to trade receivables. Trade receivables increased by 8,76% 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 25.7 million, whereof HRK 23.2 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 12.2 million.

Long term liabilities decreased for HRK 53.2 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 220 thousand whereof HRK 1 billion 38 million relates to the liabilities to suppliers, HRK 146.2 million to debt (HRK 144.7 million relates to short term loans and HRK 1.5 million relates to finance lease), and HRK 23.2 million on liabilities for securities, 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 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 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

31.3.2011

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: 350
(end of reporting period)

Consolidated statements: NO

Code of NKD: 4646

Consolidating entities (according to IFRS):

Headquarters:

MB:

Bookkeeping service:

Contact person: RADMILOVIĆ DIJANA

(only surname and name of contact person)

Telephone number: 012412551

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.

3 Medika d.d.
ZAGREB, Capraška
M.P.

(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	243.896.497
I. INTANGIBLE ASSETS (004 to 009)	003	30.743.977	29.620.636
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	18.664.278	17.575.126
3. Goodwill	006	11.929.586	11.929.586
4. Advances for intangible assets	007		
5. Intangible assets under construction	008	150.113	115.924
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	154.116.332	151.972.993
1. Land	011	15.994.716	15.994.716
2. Buildings	012	116.653.874	115.803.159
3. Equipment and machinery	013	7.038.304	7.029.251
4. Furniture, fittings and vehicles	014	10.631.567	9.754.024
5. Biological assets	015		
6. Advances for tangible assets	016	62.705	81.977
7. Tangible assets under construction	017	2.957.815	2.562.920
8. Other tangible assets	018	777.351	746.946
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	61.826.527	61.799.744
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. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	024		
5. Investment in securities	025		
6. Loans given, deposits and similar	026	1.826.527	1.799.744
7. Other non-current financial assets	027		
8. Investments at equity method	028		
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030		
2. Receivables for credit sales	031		
3. Other receivables	032		
V. DEFERRED TAX ASSET	033	503.124	503.124
C) CURRENT ASSETS (035+043+050+058)	034	1.369.616.651	1.429.263.411
I. INVENTORY (036 To 042)	035	220.337.783	214.628.080
1. Raw material	036	209.553	219.934
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	216.328.084	211.404.018
5. Advances for inventories	040	3.800.146	3.004.128
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.083.124.463	1.171.958.976
1. Receivables from related parties	044	118.328.129	123.861.891
2. Trade receivables	045	959.570.333	1.043.596.725
3. Receivables from participating parties	046		
4. Receivables from employees	047	117.316	115.633
5. Receivables from the state and other institutions	048	3.954.251	2.449.492
6. Other receivables	049	1.154.434	1.935.235
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	39.585.807	25.691.419
1. Investment in subsidiaries and associates	051		
2. Loans to related parties	052	1.333.334	333.334
3. Equity investments	053		
4. Loans given to participating parties Zajmovi dani poduzetnicima u kojima postoje sudjelujući	054		
5. Investment in securities	055	36.082.060	23.247.442
6. Loans given, deposits and similar	056	2.170.413	2.110.643
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	26.568.598	16.984.936
D) PREAPID EXPENSES AND ACCRUED INCOME	059	850.196	1.195.515
E) TOTAL ASSETS (001+002+034+059)	060	1.617.656.807	1.674.355.423
G) OFF BALANCE SHEET ITEMS	061	127.975.856	149.384.521

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	303.281.707	310.328.702
I. SHARE CAPITAL	063	60.388.000	60.388.000
II. CAPITAL RESERVES	064	-4.258.313	-4.258.313
III. RESERVES FROM RETAINED EARNINGS (066+067-068+069+070)	065	82.275.985	82.275.985
1. Legal reserves	066	2.729.945	2.729.945
2. Reserves for treasury shares	067	60.000.000	60.000.000
3. Treasury shares	068	12.250.450	12.250.450
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	164.876.035
1. Retained earnings	073	146.436.891	164.876.035
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	18.439.144	7.046.995
1. Profit for the period	076	18.439.144	7.046.995
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	402.284	402.284
1. Provisions for retirement	080	402.284	402.284
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	193.545.079	140.338.462
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	193.545.079	140.338.462
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	1.220.426.798
1. Liabilities to related parties	094	1.190.344	1.160.344
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	86.834.434	146.172.557
4. Liabilities for advances received	097	1.867.124	
5. Trade payables	098	977.925.289	1.038.429.687
6. Liabilities for securities	099	35.482.060	23.247.442
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	5.259.383	5.226.534
9. Liabilities for taxes and contributions	102	2.445.982	4.193.530
10. Dividend payables	103	84.977	10.234
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	5.699.635	1.986.470
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	3.638.509	2.859.177
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.617.656.807	1.674.355.423
G) OFF BALANCE SHEET ITEMS	108	127.975.856	149.384.521
SUPPLEMENT TO BALANCE SHEET (for consolidated financial statements)			
A) KAPITAL I REZERVA			
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 31.03.2011.

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	481.014.511	481.014.511	510.580.541	510.580.541
1. Revenues from sale	112	479.443.863	479.443.863	508.940.821	508.940.821
2. Other operating revenues	113	1.570.648	1.570.648	1.639.720	1.639.720
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	470.764.048	470.764.048	496.351.564	496.351.564
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	444.025.966	444.025.966	469.928.119	469.928.119
a) Raw materials	117	1.715.390	1.715.390	2.041.878	2.041.878
b) Cost of goods sold	118	438.453.878	438.453.878	463.036.957	463.036.957
c) Other expenses	119	3.856.698	3.856.698	4.849.284	4.849.284
3. Employee expenses (121 to 123)	120	12.819.494	12.819.494	12.564.433	12.564.433
a) Net salaries	121	7.002.828	7.002.828	7.167.271	7.167.271
b) Tax and contributions from salaries	122	3.940.132	3.940.132	3.554.719	3.554.719
c) Contributions on salaries	123	1.876.534	1.876.534	1.842.443	1.842.443
4. Depreciation and amortization	124	3.762.405	3.762.405	3.887.438	3.887.438
5. Other expenses	125	7.156.183	7.156.183	5.027.739	5.027.739
6. Impairment (127+128)	126	3.000.000	3.000.000	4.943.835	4.943.835
a) of non-current assets (financial assets excluded)	127				
b) of current assets (financial assets excluded)	128	3.000.000	3.000.000	4.943.835	4.943.835
7. Provisions	129				
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	4.646.734	4.646.734	951.578	951.578
1. Interests, foreign exchanges and dividend from related parties	132			16.325	16.325
2. Interests, foreign exchanges and dividend from non-related parties	133	4.646.734	4.646.734	935.253	935.253
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137	7.246.246	7.246.246	5.113.420	5.113.420
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	7.246.246	7.246.246	5.113.420	5.113.420
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	485.661.245	485.661.245	511.532.119	511.532.119
X. TOTAL EXPENSES (114+137+143 + 145)	147	478.010.294	478.010.294	501.464.984	501.464.984
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	7.650.951	7.650.951	10.067.135	10.067.135
1. Profit before tax (146-147)	149	7.650.951	7.650.951	10.067.135	10.067.135
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	2.295.285	2.295.285	3.020.140	3.020.140
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	5.355.666	5.355.666	7.046.995	7.046.995
1. Profit for the period (149-151)	153	5.355.666	5.355.666	7.046.995	7.046.995
2. Loss for the period (151-148)	154	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	5.355.666	5.355.666	7.046.995	7.046.995
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	5.355.666	5.355.666	7.046.995	7.046.995
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 31.03.2011.

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	7.650.951	10.067.135
2. Depreciation and amortisation	002	3.762.405	3.887.438
3. Increase of current liabilities	003	36.515.146	56.608.808
4. Decrease of current receivables	004		
5. Decrease of inventories	005		5.709.703
6. Other increase of cash flow	006	5.923.625	
I. Total increase of cash flow from operating activities (001 to 006)	007	53.852.127	76.273.084
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	80.730.348	88.834.513
3. Increase of inventories	010		
4. Other decrease of cash flow	011	2.295.285	2.434.575
II. Total decrease of cash flow from operating activities (008 to 011)	012	83.025.633	91.269.088
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	29.173.506	14.996.004
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	183.705	99.016
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	112.659	70.648
4. Dividends received	018		
5. Other proceeds from investing activities	019	481.620	
III. Total proceeds from investing activities (015 to 019)	020	777.984	169.664
1. Purchase of tangible and intangible assets	021	5.358.187	611
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	5.358.187	611.767
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	4.580.203	442.103
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	56.323.997	63.654.955
3. Other proceeds from financing activities	029	4.200.925	
V. Total proceeds from financing activities (027 to 029)	030	60.524.922	63.654.955
1. Repayments of borrowings	031	50.437.192	57.231.700
2. Dividends paid	032		74.743
3. Repayments of finance lease	033	470.446	494.067
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	50.907.638	57.800.510
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	9.617.284	5.854.445
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	24.136.425	9.583.662
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	24.136.425	9.583.662
Cash and cash equivalents at end of the period	044	17.857.263	16.984.936

STATEMENT OF CHANGES IN EQUITY
for period from 1.1.2011 to 31.3.2011

Description	AOP mark	Previous period	Current period
1	2	3	4
1. Share capital	001	60.388.000	60.388.000
2. Capital reserves	002	-4.258.313	-4.258.313
3. Reserves from retained earnings	003	82.275.985	82.275.985
4. Retained earnings or accumulated loss	004	146.436.891	164.876.035
5. Profit or loss for the period	005	18.439.144	7.046.995
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	310.328.702
11. Foreign exchanges from the foreign investments	011		
12. Current and deferred tax (part)	012		
13. Cash flow hedge	013		
14. Changes 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 April 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 31 March 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 31 March 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.
Z A G R E B Capraška