



Zagreb, Capraška 1

**Management Board interim report
for the temporary unaudited annual
financial statements for 2011
Medika d.d. Zagreb**

February 2012

Comment on temporary unaudited financial statements for fourth quarter of 2011

In accordance with the prescribed deadlines for submitting financial statements for fourth quarter of 2011, Medika d.d. has prepared temporary unaudited financial statements which present approximate balance sheet as at 31 December 2011, 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 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 2012.

With the above stated, Management Board does not comment financial statements, but only presents key events for the Company in 2011.

Key events

Pharmaceutical market has shown growth in 2011 comparing to the previous year. Despite of sales revenue loss in Gradska Ljekarna Zagreb, sales revenue shows growth comparing to the previous year. Since the percentage of sales revenue growth is identical as percentage of market growth, market share remains at the same level.

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 d.d.

Based on the General Assembly decision, legal reserves are increased in amount of HRK 4.5 million.

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. 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

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.

Appendix 1.

Reporting period:

1.1.2011.

do

31.12.2011.

Quarterly financial statements TFI-POD

Registration number (MB): 03209741

Identification number of company (MBS): 080027531

Personal identification number (OIB): 94818858923

Issuer: MEDIKA D.D.

Postal code and city: 10000

ZAGREB

Address: CAPRAŠKA 1

e-mail: medika.uprava@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: 356
(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.uprava@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.


 Medika
 ZAGREB, Capraška

(signature of authorised person)

BALANCE SHEET
balance as at 31.12.2011.

Issuer: MEDIKA d.d.			
Description	AOP mark	Previous period	Tekuće razdoblje
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	247.189.959	235.450.613
I. INTANGIBLE ASSETS (004 to 009)	003	30.743.977	26.212.397
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	18.664.278	14.164.717
3. Goodwill	006	11.929.586	11.929.586
4. Advances for intangible assets	007	150.113	118.094
5. Intangible assets under construction	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	154.116.332	148.382.613
1. Land	011	15.994.715	15.994.715
2. Buildings	012	116.653.874	113.099.346
3. Equipment and machinery	013	7.038.305	6.098.713
4. Furniture, fittings and vehicles	014	10.631.567	9.872.591
5. Biological assets	015		
6. Advances for tangible assets	016	62.705	3.911
7. Tangible assets under construction	017	2.957.815	2.584.587
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	60.398.725
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	398.725
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	503.123	456.878
C) CURRENT ASSETS (035+043+050+058)	034	1.369.616.652	1.522.694.119
I. INVENTORY (036 To 042)	035	220.337.784	185.941.455
1. Raw material	036	209.553	114.635
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	216.328.084	183.227.276
5. Advances for inventories	040	3.800.147	2.599.544
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.083.124.463	1.260.732.723
1. Receivables from related parties	044	118.328.129	160.729.031
2. Trade receivables	045	959.570.333	1.094.643.690
3. Receivables from participating parties	046		
4. Receivables from employees	047	117.316	50.740
5. Receivables from the state and other institutions	048	3.954.251	3.327.374
6. Other receivables	049	1.154.434	1.981.888
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	39.585.807	40.442.582
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	39.360.000
6. Loans given, deposits and similar	056	2.170.413	1.082.582
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	26.568.598	35.577.359
D) PREAPID EXPENSES AND ACCRUED INCOME	059	850.196	608.660
E) TOTAL ASSETS (001+002+034+059)	060	1.617.656.807	1.758.753.392
G) OFF BALANCE SHEET ITEMS	061	127.975.856	152.322.674

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	303.281.707	309.400.744
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	83.398.115
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	15.676.088
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	12.443.996
1. Profit for the period	076	18.439.144	12.443.996
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	402.284	420.100
1. Provisions for retirement, severance payment and similar	080	402.284	420.100
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	193.545.079	11.150.740
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	193.545.079	11.150.740
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	1.434.866.863
1. Liabilities to related parties	094	1.190.344	291.556
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	86.834.434	310.480.067
4. Liabilities for advances received	097	1.867.124	646.152
5. Trade payables	098	977.925.289	1.070.620.610
6. Liabilities for securities	099	35.482.060	38.010.000
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	5.259.383	6.518.126
9. Liabilities for taxes and contributions	102	2.445.982	3.688.245
10. Dividend payables	103	84.977	1.034
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	5.699.635	4.611.073
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	3.638.509	2.914.945
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.617.656.807	1.758.753.392
G) OFF BALANCE SHEET ITEMS	108	127.975.856	152.322.674
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
for period from 01.01.2011. to 31.12.2011.

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	1.994.516.132	530.447.198	2.096.936.394	526.084.274
1. Revenues from sale	112	1.969.362.862	510.792.611	2.075.049.149	511.714.340
2. Other operating revenues	113	25.163.270	19.654.587	21.887.245	14.369.934
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.941.939.469	507.690.078	2.049.478.389	511.556.836
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	1.818.777.514	470.963.386	1.936.664.183	479.126.137
a) Raw materials	117	8.489.728	2.703.198	9.093.336	2.876.120
b) Cost of goods sold	118	1.789.142.293	461.539.534	1.906.922.530	470.431.766
c) Other expenses	119	21.145.493	6.720.654	20.648.317	5.818.251
3. Employee expenses (121 to 123)	120	51.643.126	12.822.064	50.589.573	12.540.177
a) Net salaries	121	28.760.782	7.354.340	28.922.419	7.219.652
b) Tax and contributions from salaries	122	15.320.237	3.588.227	14.244.212	3.480.140
c) Contributions on salaries	123	7.562.107	1.879.497	7.422.942	1.840.385
4. Depreciation and amortization	124	15.413.018	3.873.760	14.561.843	3.481.165
5. Other expenses	125	36.480.143	11.222.596	34.058.014	12.692.252
6. Impairment (127+128)	126	18.072.990	7.707.214	13.570.219	3.682.548
a) of non-current assets (financial assets excluded)	127				
b) of current assets (financial assets excluded)	128	18.072.990	7.707.214	13.570.219	3.682.548
7. Provisions	129	1.552.678	1.101.058	34.557	34.557
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	13.953.226	4.408.921	3.309.340	62.194
1. Interests, foreign exchanges and dividend from related parties	132	121.984	39.866	18.157	0
2. Interests, foreign exchanges and dividend from non-related parties	133	13.831.242	4.369.055	3.291.183	62.194
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137	40.594.239	14.636.765	32.994.885	8.272.602
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	40.594.239	14.636.765	32.994.885	8.272.602
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	2.008.469.358	534.856.119	2.100.245.734	526.146.468
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.982.533.708	522.326.843	2.082.473.274	519.829.438
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	25.935.650	12.529.276	17.772.460	6.317.030
1. Profit before tax (146-147)	149	25.935.650	12.529.276	17.772.460	6.317.030
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	7.496.506	3.474.594	5.328.464	1.891.835
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	18.439.144	9.054.682	12.443.996	4.425.195
1. Profit for the period (149-151)	153	18.439.144	9.054.682	12.443.996	4.425.195
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	18.439.144	9.054.682	12.443.996	4.425.195
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	18.439.144	9.054.682	12.443.996	4.425.195
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
for period from 01.01.2011. to 31.12.2011.

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	25.935.650	17.772.460
2. Depreciation and amortisation	002	15.413.019	14.561.843
3. Increase of current liabilities	003		91.904.062
4. Decrease of current receivables	004	21.429.819	
5. Decrease of inventories	005	1.189.021	34.396.329
6. Other increase of cash flow	006		4.541.234
I. Total increase of cash flow from operating activities (001 to 006)	007	63.967.509	163.175.928
1. Decrease of current liabilities	008	881.789	
2. Increase of current receivables	009		177.608.260
3. Increase of inventories	010	28.334.223	
4. Other decrease of cash flow	011		
II. Total decrease of cash flow from operating activities (008 to 011)	012	29.216.012	177.608.260
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	34.751.497	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	14.432.332
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	886.890	601.521
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	2.687.361	311.449
4. Dividends received	018		
5. Other proceeds from investing activities	019		
III. Total proceeds from investing activities (015 to 019)	020	3.574.251	912.970
1. Purchase of tangible and intangible assets	021	10.790.536	4.414.982
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	10.790.536	4.414.982
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	7.216.285	3.502.012
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	193.099.041	174.137.021
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	193.099.041	174.137.021
1. Repayments of borrowings	031	233.786.680	136.492.017
2. Dividends paid	032	103.068	377.013
3. Repayments of finance lease	033	2.169.595	2.299.276
4. Purchase of treasury shares	034		8.025.610
5. Other purchases resulting from financing activities	035		
VI. Ukupno novčani izdaci od finansijskih aktivnosti (031 to 035)	036	236.059.343	147.193.916
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	26.943.105
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	42.960.302	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	9.008.761
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	15.425.090	0
Cash and cash equivalents at beginning of the period	041	41.993.688	26.568.598
Increase of cash and cash equivalents	042		9.008.761
Decrease of cash and cash equivalents	043	15.425.090	
Cash and cash equivalents at end of the period	044	26.568.598	35.577.359

STATEMENT OF CHANGES IN EQUITY

for period from 1.1.2011. to 31.12.2011.

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	83.398.115
4. Retained earnings or accumulated loss	004	146.436.891	160.033.917
5. Profit or loss for the period	005	18.439.144	12.443.996
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	309.400.744
11. Foreign exchanges from the foreign investments	011		
12. Current and deferred 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

Zagreb, 14 February 2012

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 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 temporary unaudited financial statements for the period 01 January to 31 December 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.


Medika d.d.
Jasminko Herceg
Management Board member