



Zagreb, Capraška 1

**Management Board interim report
for the temporary unaudited annual
financial statements for 2012
Medika d.d. Zagreb**

February 2013

Comment on temporary unaudited financial statements for fourth quarter of 2012

In accordance with the prescribed deadlines for submitting financial statements for fourth quarter of 2012, Medika d.d. has prepared temporary unaudited financial statements which present approximate balance sheet as at 31 December 2012, 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 2013.

With the above stated, Management Board does not comment financial statements, but only presents key events for the Company in 2012.

Key events

Temporarily financing of new Government resulted in lower collection of trade receivables in the first quarter of 2012 so the Company increased its indebtedness at business banks to maintain liquidity.

In April of 2012 Medika purchased land and building at the current location of distributive and warehouse centre Osijek so long term assets were increased by HRK 7.0 million.

In May of 2012 partial financial recovery of health system was made and received funds were partially used to lower indebtedness.

In June 2012 Company granted 252 treasury shares to key management.

Based on the Contract on incorporation of limited liability company Litmus d.o.o., Medika transferred into newly founded company its share into Primus nekretnine d.o.o. and has paid in HRK 450 thousand by which it gained share of 41.53% in Litmus d.o.o.. Company Litmus d.o.o. is inscribed into Trade Court Register as at 06 August 2012.

During September restructuring of borrowings was made by which borrowings in foreign currency were converted in borrowings in kuna (by which currency exposure risk was eliminated) with lower interest rate and the maturity was changed (part of the short-term loans was converted into long-term loan).

In the last quarter, due to the lower collection of trade receivables, the Company increased its indebtedness for the current liquidity purposes.

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:

1.1.2012.

to

31.12.2012.

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

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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.

2 Medika d.d.

(signature of authorised person)

BALANCE SHEET
balance as at 31.12.2012.

Issuer: MEDIKA d.d.

Description 1	AOP mark 2	Previous period 3	Current period 4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	235.450.613	244.667.548
I. INTANGIBLE ASSETS (004 to 009)	003	26.212.397	23.748.923
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	14.164.717	10.387.862
3. Goodwill	006	11.929.586	11.929.586
4. Advances for intangible assets	007		
5. Intangible assets under construction	008	118.094	1.431.475
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	148.382.613	151.251.035
1. Land	011	15.994.715	15.994.715
2. Buildings	012	113.099.346	109.089.986
3. Equipment and machinery	013	6.098.713	5.638.800
4. Furniture, fittings and vehicles	014	9.872.591	10.821.748
5. Biological assets	015		
6. Advances for tangible assets	016	3.911	75.911
7. Tangible assets under construction	017	2.584.587	8.901.125
8. Other tangible assets	018	728.750	728.750
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	60.398.725	69.110.928
1. Investment in subsidiaries and associates	021	60.000.000	59.148.400
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	398.725	9.962.528
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	456.878	556.662
C) CURRENT ASSETS (035+043+050+058)	034	1.522.695.393	1.631.438.230
I. INVENTORY (036 To 042)	035	185.941.455	187.014.493
1. Raw material	036	114.635	98.701
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	183.227.276	185.229.886
5. Advances for inventories	040	2.599.544	1.685.906
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.260.733.997	1.428.613.853
1. Receivables from related parties	044	174.609.427	209.946.778
2. Trade receivables	045	1.080.763.294	1.211.391.151
3. Receivables from participating parties	046		
4. Receivables from employees	047	50.740	42.690
5. Receivables from the state and other institutions	048	3.328.648	5.457.652
6. Other receivables	049	1.981.888	1.775.582
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	40.442.582	466.717
1. Investment in subsidiaries and associates	051		
2. Loans to related parties	052		
3. Equity investments	053		
4. Loans given to participating parties	054		
5. Investment in securities	055	39.360.000	
6. Loans given, deposits and similar	056	1.082.582	466.717
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	35.577.359	15.343.167
D) PREAPID EXPENSES AND ACCRUED INCOME	059	608.660	917.505
E) TOTAL ASSETS (001+002+034+059)	060	1.758.754.666	1.877.023.283
G) OFF BALANCE SHEET ITEMS	061	152.322.674	191.982.318

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	309,402,019	343,448,330
I. SHARE CAPITAL	063	60,388,000	60,388,000
II. CAPITAL RESERVES	064	-6,863,284	-7,542,807
III. RESERVES FROM RETAINED EARNINGS (066+067-068+069+070)	065	83,398,115	83,667,810
1. Legal reserves	066	7,277,713	7,277,713
2. Reserves for treasury shares	067	60,000,000	60,000,000
3. Treasury shares	068	15,676,088	15,406,393
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	160,033,917	172,479,188
1. Retained earnings	073	160,033,917	172,479,188
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	12,445,271	34,456,139
1. Profit for the period	076	12,445,271	34,456,139
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	420,100	441,422
1. Provisions for retirement, severance payment and similar	080	420,100	441,422
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	11,150,740	127,935,334
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	11,150,740	127,935,334
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	1,434,866,863	1,403,979,587
1. Liabilities to related parties	094	129,304,315	165,232,750
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	310,480,067	138,532,738
4. Liabilities for advances received	097	646,152	800,429
5. Trade payables	098	941,607,851	1,085,751,403
6. Liabilities for securities	099	38,010,000	
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	6,518,126	7,307,470
9. Liabilities for taxes and contributions	102	3,688,245	3,644,847
10. Dividend payables	103	1,034	1,034
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	4,611,073	2,708,916
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	2,914,944	1,218,610
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1,758,754,666	1,877,023,283
G) OFF BALANCE SHEET ITEMS	108	152,322,674	191,982,318
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 01.01.2012. to 31.12.2012.

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	2.096.936.394	526.084.274	2.169.480.439	536.028.646
1. Revenues from sale	112	2.075.049.149	511.714.340	2.139.176.450	518.155.900
2. Other operating revenues	113	21.887.245	14.369.934	30.303.989	17.872.746
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.049.478.389	511.556.836	2.117.063.690	512.737.216
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	1.936.664.183	479.126.137	2.004.076.131	480.225.217
a) Raw materials	117	9.093.336	2.876.120	9.579.431	2.780.817
b) Cost of goods sold	118	1.906.922.530	470.431.766	1.972.538.220	471.185.835
c) Other expenses	119	20.648.317	5.818.251	21.958.480	6.258.565
3. Employee expenses (121 to 123)	120	50.589.573	12.540.177	49.701.109	12.320.019
a) Net salaries	121	28.922.419	7.219.652	28.669.722	7.226.926
b) Tax and contributions from salaries	122	14.244.212	3.480.140	14.226.883	3.467.589
c) Contributions on salaries	123	7.422.942	1.840.385	6.804.504	1.625.504
4. Depreciation and amortization	124	14.561.843	3.481.165	13.181.794	3.344.410
5. Other expenses	125	34.058.014	12.692.252	32.452.742	14.095.656
6. Impairment (127+128)	126	13.570.219	3.682.548	17.604.266	2.704.266
a) of non-current assets (financial assets excluded)	127			240.095	240.095
b) of current assets (financial assets excluded)	128	13.570.219	3.682.548	17.364.171	2.464.171
7. Provisions	129	34.557	34.557	47.648	47.648
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	3.309.340	62.194	6.164.649	-2.408.750
1. Interests, foreign exchanges and dividend from related parties	132	18.157			
2. Interests, foreign exchanges and dividend from non-related parties	133	3.291.183	62.194	6.164.649	-2.408.750
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137	32.994.885	8.272.602	22.111.767	5.885.088
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	32.994.885	8.272.602	22.111.767	5.885.088
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	2.100.245.734	526.146.468	2.175.645.088	533.619.896
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.082.473.274	519.829.438	2.139.175.457	518.622.304
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	17.772.460	6.317.030	36.469.631	14.997.592
1. Profit before tax (146-147)	149	17.772.460	6.317.030	36.469.631	14.997.592
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	5.327.189	1.890.560	2.013.492	-4.428.120
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	12.445.271	4.426.470	34.456.139	19.425.712
1. Profit for the period (149-151)	153	12.445.271	4.426.470	34.456.139	19.425.712
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	12.445.271	4.426.470	34.456.139	19.425.712
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	12.445.271	4.426.470	34.456.139	19.425.712
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 01.01.2012. to 31.12.2012.

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	17.772.460	36.469.631
2. Depreciation and amortisation	002	14.561.843	13.181.794
3. Increase of current liabilities	003	91.904.062	179.070.053
4. Decrease of current receivables	004		
5. Decrease of inventories	005	34.396.329	
6. Other increase of cash flow	006		
I. Total increase of cash flow from operating activities (001 to 006)	007	158.634.694	228.721.478
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	177.609.534	167.879.855
3. Increase of inventories	010		1.073.038
4. Other decrease of cash flow	011	14.352.526	7.862.546
II. Total decrease of cash flow from operating activities (008 to 011)	012	191.962.060	176.815.439
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	51.906.039
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	33.327.366	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	430.521	1.092.109
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	311.449	533.222
4. Dividends received	018		
5. Other proceeds from investing activities	019	1.573.438	
III. Total proceeds from investing activities (015 to 019)	020	2.315.408	1.625.331
1. Purchase of tangible and intangible assets	021	1.876.982	14.183.131
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	1.876.982	14.183.131
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	438.426	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	0	12.557.800
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	210.583.452	342.500.000
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	210.583.452	342.500.000
1. Repayments of borrowings	031	157.930.852	397.687.564
2. Dividends paid	032	377.013	
3. Repayments of finance lease	033	2.352.276	2.170.639
4. Purchase of treasury shares	034	8.025.610	2.224.228
5. Other purchases resulting from financing activities	035		
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 to 035)	036	168.685.751	402.082.431
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	41.897.701	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	59.582.431
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	9.008.761	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	20.234.192
Cash and cash equivalents at beginning of the period	041	26.568.598	35.577.359
Increase of cash and cash equivalents	042	9.008.761	
Decrease of cash and cash equivalents	043		20.234.192
Cash and cash equivalents at end of the period	044	35.577.359	15.343.167

STATEMENT OF CHANGES IN EQUITY
for period from 1.1.2012. to 31.12.2012.

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	-6.863.284	-7.242.807
3. Reserves from retained earnings	003	83.398.115	83.667.810
4. Retained earnings or accumulated loss	004	160.033.917	172.479.188
5. Profit or loss for the period	005	12.445.271	34.456.139
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	309.402.019	343.748.330
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 2013

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 2012 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 2012 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

Medika d.d.
ZAGREB, Capraška