



Medika d.d.

Zagreb, Capraška 1

**INTERIM REPORT
for H1 2012
Medika Group**

July 2012

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

Comment on the result for the first six months of 2012

As at 30 June 2012 Medika Group consists of Medika d.d., mother company, subsidiaries are Primus Nekretnine d.o.o., registered in Zagreb and Zdravstvena ustanova Ljekarne Prima Pharme, registered in Split. Both subsidiaries are wholly owned by Medika d.d.

Zdravstvena ustanova Ljekarne Prima Pharme has subsidiaries: Zdravstvena ustanova Ljekarne Delonga, Zdravstvena ustanova Ljekarne Ines Škoko and Zdravstvena ustanova Ljekarne Atalić. These subsidiaries are wholly owned by ZU Ljekarne Prima Pharme.

Zdravstvena ustanova Ljekarne Jagatić (Zagreb) is 49% owned by ZU Ljekarne Prima Pharme.

Sales revenue of Medika in the first six months of 2012 is by 4,28% higher comparing to the same period of previous year. Increase in sales is partially influenced by increased number of pharmacies in Prima Pharme Group. Total number of pharmacies across Croatia as at 30 June 2012 is 63, while as at 30 June 2011 there were 61 pharmacies. Although the total number of pharmacies is as at 30 June 2012 by 2 larger comparing to the same date of previous year, one should take into consideration that ZU Ljekarne Ines Škoko with 6 pharmacies entered the Group Prima Pharme in March 2011 and ZU Ljekarne Atalić with 3 pharmacies entered the Group Prima Pharme in June 2011 so this 9 pharmacies did not operate throughout all first six months in 2011 and in 2012 they did. Associate ZU Ljekarne Jagatić as at 30 June has 7 pharmacies and the number of pharmacies has not changed comparing to 30 June 2011.

The operative profit rate EBIT amounts to HRK 24.0 million or 2.10% and EBITDA amounts to HRK 32.2 million or 2.83%. The realized net profit amounts to HRK 10.6 million.

Key indicators	I-VI 2012	I-VI 2011	Change I-VI 2012 / I-VI 2011
Sales revenue (000 HRK)	1,127,716	1,081,427	4.28%
EBITDA margin	2.83%	3.04%	-0.21%
EBIT margin	2.10%	2.20%	-0.10%
Net profit (000 HRK)	10,638	11,063	-3.84%

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. On that ground 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.

In January Ljekarna Dragica Blagus Vičanović was merged to ZU Ljekarne Prima Pharme.

Balance sheet

Total assets show growth of 1.9% comparing to beginning of the year. Increase is result of increased short-term receivables.

Long term assets are at the same level comparing to 31.12.2011. In April of 2012 Medika purchased land and building at the current location of distributive and warehouse centre Osijek. On that ground long term assets were increased by HRK 7.0 million.

Inventory balance is higher for HRK 10.4 million or 4.9% comparing to beginning of the year due to increased procurement due to sales growth

Short-term assets amount to HRK 1 billion 526 million, whereof HRK 1 billion 264 million relate to total receivables. Trade receivables and receivables from related parties increased by 5.3% comparing to the beginning of the year as a result of increased sales and slower collectability of receivables.

A short-term financial assets amount to HRK 12.1 million whereof HRK 11.7 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 28.3 million.

In capital and reserves there is a change in treasury shares and capital reserves since 252 treasury shares were granted to the key management.

There is no change in long term liabilities comparing to 31.12.2011 and they relate to long term debt and long term finance lease.

Short-term liabilities amount to HRK 1 billion 450 million whereof HRK 1 billion 202 million relates to the liabilities to suppliers and liabilities to related parties, HRK 267.3 million to debt (HRK 266.2 million relates to short term loans and HRK 1.1 million relates to finance lease),) and HRK 11.7 million to liabilities for securities, as explained earlier.

Other short term liabilities amount to HRK 6.2 million and are lower for HRK 13.9 million or 69.0% comparing to the beginning of the year. Decrease is result of lower liabilities for factoring and lower liabilities for purchase of pharmacies.

Appendix 1.

Reporting period:

1.1.2012

to

30.6.2012

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: 709
(end of reporting period)

Consolidated statements: YES

Code of NKD: 4646

Consolidating entities (according to IFRS):

Headquarters:

MB:

ZU Ljekarne Prima Pharme

Split

0694975

Primus nekretnine d.o.o.

Zagreb

2534983

ZU Ljekarne Delonga

Okrug Gornji

1605747

ZU Ljekarne Ines Škoko

Zagreb

02708396

ZU Ljekarne Atalić

Osijek

0845124

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.

Medika d.o.o.
ZAGREB, Capraška

M.P.

(signature of authorised person)

BALANCE SHEET
balance as at 30.06.2012

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	363.198.101	367.160.129
I. INTANGIBLE ASSETS (004 to 009)	003	175.081.644	176.384.076
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	113.457.278	111.207.147
3. Goodwill	006	61.372.626	61.479.521
4. Advances for intangible assets	007		
5. Intangible assets under construction	008	118.094	1.882.804
6. Other intangible assets	009	133.646	1.814.604
II. TANGIBLE ASSETS (011 to 019)	010	166.756.138	168.991.611
1. Land	011	16.515.477	16.515.477
2. Buildings	012	126.967.274	124.656.310
3. Equipment and machinery	013	7.058.733	6.264.540
4. Furniture, fittings and vehicles	014	12.695.623	11.773.713
5. Biological assets	015		
6. Advances for tangible assets	016	24.379	518.039
7. Tangible assets under construction	017	2.724.179	8.534.782
8. Other tangible assets	018	770.473	728.750
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	18.694.282	19.154.638
1. Investment in subsidiaries and associates	021	17.709.261	17.136.739
2. Loans to related parties	022		996.244
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	985.021	1.021.655
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	2.666.037	2.629.804
C) CURRENT ASSETS (035+043+050+058)	034	1.495.639.019	1.525.997.632
I. INVENTORY (036 To 042)	035	213.858.036	224.272.370
1. Raw material	036	400.456	428.760
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	210.858.036	221.726.607
5. Advances for inventories	040	2.599.544	2.117.003
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.200.052.644	1.264.001.084
1. Receivables from related parties	044	13.880.396	16.457.528
2. Trade receivables	045	1.177.692.844	1.238.524.661
3. Receivables from participating parties	046		
4. Receivables from employees	047	603.088	527.186
5. Receivables from the state and other institutions	048	4.010.314	5.500.563
6. Other receivables	049	3.866.002	2.991.146
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	41.149.518	12.103.310
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	11.700.503
6. Loans given, deposits and similar	056	1.789.518	402.807
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	40.578.821	25.620.868
D) PREAPID EXPENSES AND ACCRUED INCOME	059	781.642	1.062.491
E) TOTAL ASSETS (001+002+034+059)	060	1.859.618.762	1.894.220.252
G) OFF BALANCE SHEET ITEMS	061	152.322.674	169.762.051

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	327,443,355	339,895,323
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	85,892,038
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	13,182,165
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	172,129,009	190,520,523
1. Retained earnings	073	172,129,009	190,520,523
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	18,391,515	10,637,569
1. Profit for the period	076	18,391,515	10,637,569
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	420,100	420,100
1. Provisions for retirement, severance payment and similar	080	420,100	420,100
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	51,555,505	51,466,750
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	36,421,275	36,332,520
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	15,134,230	15,134,230
D) CURRENT LIABILITIES (094 to 105)	093	1,477,001,857	1,499,748,198
1. Liabilities to related parties	094	129,012,759	154,212,195
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	325,097,796	267,269,243
4. Liabilities for advances received	097	651,356	13,311
5. Trade payables	098	948,625,278	1,048,758,125
6. Liabilities for securities	099	38,010,000	11,700,000
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	9,436,040	7,557,482
9. Liabilities for taxes and contributions	102	6,029,089	3,991,344
10. Dividend payables	103	1,034	1,034
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	20,138,505	6,245,464
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	3,194,945	2,689,881
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1,859,615,762	1,894,220,252
G) OFF BALANCE SHEET ITEMS	108	152,322,674	169,762,051
SUPPLEMENT TO BALANCE SHEET (for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders	109	327,443,355	339,895,323
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 30.06.2012

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	1.087.570.524	556.406.462	1.138.500.991	562.229.432
1. Revenues from sale	112	1.081.427.438	552.211.720	1.127.716.164	554.694.567
2. Other operating revenues	113	6.143.086	4.194.742	10.784.827	7.534.865
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.063.630.743	548.196.519	1.114.964.263	548.146.831
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	983.537.242	505.050.222	1.036.486.291	507.568.813
a) Raw materials	117	5.282.128	2.490.375	6.015.100	2.905.417
b) Cost of goods sold	118	962.208.197	494.238.105	1.013.859.385	496.055.128
c) Other expenses	119	16.046.917	8.321.742	16.611.806	8.608.268
3. Employee expenses (121 to 123)	120	43.107.328	21.957.784	46.164.974	23.094.814
a) Net salaries	121	24.865.303	12.666.340	26.590.108	13.344.732
b) Tax and contributions from salaries	122	11.956.456	6.088.858	13.073.299	6.608.282
c) Contributions on salaries	123	6.285.569	3.202.586	6.501.567	3.141.800
4. Depreciation and amortization	124	9.145.724	4.497.736	8.227.220	4.043.605
5. Other expenses	125	17.952.778	11.746.941	15.185.778	8.739.599
6. Impairment (127+128)	126	9.887.671	4.943.836	8.900.000	4.700.000
a) of non-current assets (financial assets excluded)	127				
b) of current assets (financial assets excluded)	128	9.887.671	4.943.836	8.900.000	4.700.000
7. Provisions	129				
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	3.933.380	2.937.919	3.952.594	1.794.403
1. Interests, foreign exchanges and dividend from related parties	132				
2. Interests, foreign exchanges and dividend from non-related parties	133	3.933.380	2.937.919	3.528.874	1.370.683
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136			423.720	423.720
IV. FINANCE EXPENSES (138 to 141)	137	12.422.610	7.118.561	12.484.257	6.753.095
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	12.422.610	7.118.561	12.484.257	6.753.095
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	1.091.503.904	559.344.381	1.142.453.585	564.023.835
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.076.053.353	555.315.080	1.127.448.520	554.899.926
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	15.450.551	4.029.301	15.005.065	9.123.909
1. Profit before tax (146-147)	149	15.450.551	4.029.301	15.005.065	9.123.909
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	4.387.998	1.042.556	4.367.406	2.603.959
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	11.062.553	2.986.745	10.637.569	6.519.950
1. Profit for the period (149-151)	153	11.062.553	2.986.745	10.637.569	6.519.950
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	11.062.553	2.986.745	10.637.569	6.519.950
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	11.062.553	2.986.745	10.637.569	6.519.950
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 30.06.2012

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	15.450.551	15.005.065
2. Depreciation and amortisation	002	9.145.724	8.227.220
3. Increase of current liabilities	003	89.427.182	106.884.894
4. Decrease of current receivables	004		
5. Decrease of inventories	005	15.893.106	
6. Other increase of cash flow	006		
I. Total increase of cash flow from operating activities (001 to 006)	007	129.916.563	130.117.179
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	118.285.877	63.951.440
3. Increase of inventories	010		10.414.333
4. Other decrease of cash flow	011	6.486.621	1.274.485
II. Total decrease of cash flow from operating activities (008 to 011)	012	124.772.498	75.640.258
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	5.144.065	54.476.921
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	101.016	170.670
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	179.116	186.273
4. Dividends received	018		
5. Other proceeds from investing activities	019		
III. Total proceeds from investing activities (015 to 019)	020	280.132	356.943
1. Purchase of tangible and intangible assets	021	48.556.611	11.765.126
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	48.556.611	11.765.126
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	48.276.479	11.408.183
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	102.545.740	102.638.808
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	102.545.740	102.638.808
1. Repayments of borrowings	031	68.269.207	159.582.407
2. Dividends paid	032	82.235	
3. Repayments of finance lease	033	1.136.804	1.083.092
4. Purchase of treasury shares	034		
5. Other purchases resulting from financing activities	035		
VI. Ukupno novčani izdaci od finansijskih aktivnosti (031 to 035)	036	69.488.246	160.665.499
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	33.057.494	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	58.026.691
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	10.074.920	14.957.953
Cash and cash equivalents at beginning of the period	041	31.250.302	40.578.821
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	10.074.920	14.957.953
Cash and cash equivalents at end of the period	044	21.175.382	25.620.868

STATEMENT OF CHANGES IN EQUITY
for period from **1.1.2012** to **30.6.2012**

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	-7.542.807
3. Reserves from retained earnings	003	83.398.115	85.892.038
4. Retained earnings or accumulated loss	004	172.129.009	190.520.523
5. Profit or loss for the period	005	18.391.515	10.637.569
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	327.443.355	339.895.323
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

Zagreb, 31 July 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

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 from 01 January 2012 to 30 June 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 period ended 30 June 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.


Medika G
ZAGREB
Jasminko Herceg
Management Board member