



Medika d.d.

Zagreb, Capraška 1

**INTERIM REPORT
for first quarter 2012
Medika Group**

April 2012

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

Comment on the result for first quarter of 2011

As at 31 March 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 quarter of 2012 is by 8.28% 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 31 March 2012 is 63, while as at 31 March 2010 there were 58 pharmacies. Associate ZU Ljekarne Jagatić as at 31 March has 7 pharmacies and the number of pharmacies has not changed comparing to 31 March 2011.

The operative profit rate EBIT amounts to HRK 9.5 mil or 1.64% and EBITDA amounts to HRK 13.6 mil or 2.37%. The realized net profit amounts to HRK 4.1 mil.

Key indicators	I-III 2012	I-III 2011	Change I-III 2012 / I-III 2011
Sales revenue (000 HRK)	573,022	529,195	8.28%
EBITDA margin	2.37	3.84	-1.47
EBIT margin	1.64	2.96	-1.32
Net profit (000 HRK)	4,118	8,076	-49.01%

Key events

Temporarily financing of new Government resulted in lower collection of trade receivables. Since the cash inflow was lower, the Company increased its indebtedness at business banks to maintain liquidity.

in the second quarter better collection of receivables is expected.

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

Balance sheet

Total assets show growth of 5.57% comparing to beginning of the year. Increase is result of increased short-term receivables.

There is no significant change in the long term assets comparing to 31.12.2011. Decrease of tangible assets is influenced by accumulated depreciation, while intangible assets show slight growth due to the new licenses for pharmacies..

Inventory balance is higher for HRK 15.6 million or 7.3% comparing to beginning of the year due to increased procurement due to sales growth

Short-term assets amount to HRK 1 billion 598 million, whereof HRK 1 billion 318 million relate to trade receivables. Trade receivables increased by 11.9% 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 24.6 million whereof HRK 23.9 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 14.2 million.

There is no change in capital and reserves.

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 576 million whereof HRK 1 billion 192 million relates to the liabilities to suppliers, HRK 335.3 million to debt (HRK 333.7 million relates to short term loans and HRK 1.6 million relates to finance lease,) and HRK 23.9 million to liabilities for securities, as explained earlier.

Other short term liabilities amount to HRK 11.0 million and are lower for HRK 9.1 million or 45.19% comparing to the beginning of the year. Decrease is result of lower liabilities for factoring and lower liabilities for purchase of pharmacies.

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 2012 stipulates growth of sales. 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.

Development strategy of Prima Pharme is to expand network of pharmacies on whole territory of Croatia.

Jasminko Herceg, B.Econ.

Board member



Appendix 1.

Reporting period:

1.1.2012

to

31.3.2012

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: 700
(end of reporting period)

Consolidated statements: YES

Code of NKD: 4646

Consolidating entities (according to IFRS):

Headquarters:

MB:

ZU Ljekarna Prima Pharma

Split

0694975

Primus nekretnine d.o.o.

Zagreb

2534983

ZU Ljekarna Delonga

Okrug Gornji

1605747

ZU Ljekarna Ines Škoko

Zagreb

02708396

ZU Ljekarna Atalić

Osijek

0845124

Bookkeeping service:

Contact person: RADMILOVIĆ DIJANA

(only surname and name of contact person)

Telephone number: 012412551

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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.



ZAGREB, Capraška

(signature of authorised person)

BALANCE SHEET
balance as at 31.03.2012

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	361.872.645
I. INTANGIBLE ASSETS (004 to 009)	003	175.081.644	175.586.437
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	113.457.278	113.860.145
3. Goodwill	006	61.372.626	61.479.521
4. Advances for intangible assets	007		
5. Intangible assets under construction	008	118.094	118.358
6. Other intangible assets	009	133.646	128.413
II. TANGIBLE ASSETS (011 to 019)	010	166.756.138	164.699.498
1. Land	011	16.515.477	16.515.477
2. Buildings	012	126.967.274	125.761.937
3. Equipment and machinery	013	7.058.733	6.703.893
4. Furniture, fittings and vehicles	014	12.695.623	12.003.603
5. Biological assets	015		
6. Advances for tangible assets	016	24.379	112.123
7. Tangible assets under construction	017	2.724.179	2.855.315
8. Other tangible assets	018	770.473	747.150
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	18.694.282	18.943.083
1. Investment in subsidiaries and associates	021	17.709.261	17.136.738
2. Loans to related parties	022		772.166
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	1.034.179
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	2.643.627
C) CURRENT ASSETS (035+043+050+058)	034	1.495.636.019	1.598.254.680
I. INVENTORY (036 To 042)	035	213.858.036	229.461.030
1. Raw material	036	400.456	419.950
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	210.858.036	227.288.139
5. Advances for inventories	040	2.599.544	1.752.941
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.200.049.644	1.326.072.391
1. Receivables from related parties	044	13.835.243	
2. Trade receivables	045	1.177.734.997	1.317.872.323
3. Receivables from participating parties	046		
4. Receivables from employees	047	603.088	546.418
5. Receivables from the state and other institutions	048	4.010.314	5.133.323
6. Other receivables	049	3.866.002	2.520.327
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	41.149.518	24.566.461
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	23.850.000
6. Loans given, deposits and similar	056	1.789.518	716.461
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	40.578.821	18.154.798
D) PREAPID EXPENSES AND ACCRUED INCOME	059	781.642	3.157.838
E) TOTAL ASSETS (001+002+034+059)	060	1.859.615.762	1.963.285.163
G) OFF BALANCE SHEET ITEMS	061	152.322.674	167.596.605

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	327.443.355	331.560.974
I. SHARE CAPITAL	063	60.388.000	60.388.000
	064	-6.863.284	-6.863.284
II. CAPITAL RESERVES			
III. RESERVES FROM RETAINED EARNINGS (066+067-068+069+070)	065	83.398.115	83.398.115
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	15.676.088
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	172.129.009	190.520.524
1. Retained earnings	073	172.129.009	190.520.524
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	18.391.515	4.117.619
1. Profit for the period	076	18.391.515	4.117.619
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	51.545.048
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	36.421.275	36.410.818
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	1.576.325.325
1. Liabilities to related parties	094		
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	325.097.796	335.301.549
4. Liabilities for advances received	097	651.356	13.311
5. Trade payables	098	1.077.638.037	1.192.211.457
6. Liabilities for securities	099	38.010.000	23.850.000
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	9.436.040	9.333.225
9. Liabilities for taxes and contributions	102	6.029.089	4.576.111
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	11.038.638
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	3.194.945	3.433.716
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.859.615.762	1.963.285.163
G) OFF BALANCE SHEET ITEMS	108	152.322.674	167.596.605
SUPPLEMENT TO BALANCE SHEET (for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders	109	327.443.355	331.560.974
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 31.03.2012

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	531.143.487	531.143.487	576.271.559	576.271.559
1. Revenues from sale	112	529.195.143	529.195.143	573.021.597	573.021.597
2. Other operating revenues	113	1.948.344	1.948.344	3.249.962	3.249.962
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	515.413.649	515.413.649	566.817.432	566.817.432
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	478.473.890	478.473.890	528.917.478	528.917.478
a) Raw materials	117	2.791.753	2.791.753	3.109.683	3.109.683
b) Cost of goods sold	118	467.956.962	467.956.962	517.804.257	517.804.257
c) Other expenses	119	7.725.175	7.725.175	8.003.538	8.003.538
3. Employee expenses (121 to 123)	120	21.149.544	21.149.544	23.070.160	23.070.160
a) Net salaries	121	12.198.963	12.198.963	13.245.376	13.245.376
b) Tax and contributions from salaries	122	5.867.598	5.867.598	6.465.017	6.465.017
c) Contributions on salaries	123	3.082.983	3.082.983	3.359.767	3.359.767
4. Depreciation and amortization	124	4.647.988	4.647.988	4.183.615	4.183.615
5. Other expenses	125	6.198.352	6.198.352	6.446.179	6.446.179
6. Impairment (127+128)	126	4.943.835	4.943.835	4.200.000	4.200.000
a) of non-current assets (financial assets excluded)	127				
b) of current assets (financial assets excluded)	128	4.943.835	4.943.835	4.200.000	4.200.000
7. Provisions	129				
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	995.461	995.461	2.158.191	2.158.191
1. Interests, foreign exchanges and dividend from related parties	132				
2. Interests, foreign exchanges and dividend from non-related parties	133	935.317	935.317	2.158.191	2.158.191
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136	60.144	60.144		
IV. FINANCE EXPENSES (138 to 141)	137	5.304.049	5.304.049	5.731.162	5.731.162
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	5.304.049	5.304.049	5.731.162	5.731.162
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	532.138.948	532.138.948	578.429.750	578.429.750
X. TOTAL EXPENSES (114+137+143 + 145)	147	520.717.698	520.717.698	572.548.594	572.548.594
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	11.421.250	11.421.250	5.881.156	5.881.156
1. Profit before tax (146-147)	149	11.421.250	11.421.250	5.881.156	5.881.156
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	3.345.442	3.345.442	1.763.537	1.763.537
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	8.075.808	8.075.808	4.117.619	4.117.619
1. Profit for the period (149-151)	153	8.075.808	8.075.808	4.117.619	4.117.619
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	8.075.808	8.075.808	4.117.619	4.117.619
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	8.075.808	8.075.808	4.117.619	4.117.619
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 31.03.2012

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	11.421.250	5.881.156
2. Depreciation and amortisation	002	4.647.988	4.183.615
3. Increase of current liabilities	003	72.146.841	103.279.718
4. Decrease of current receivables	004		
5. Decrease of inventories	005	4.705.034	
6. Other increase of cash flow	006		
I. Total increase of cash flow from operating activities (001 to 006)	007	92.921.113	113.344.489
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	87.264.869	126.022.747
3. Increase of inventories	010		15.602.994
4. Other decrease of cash flow	011	4.168.409	2.277.861
II. Total decrease of cash flow from operating activities (008 to 011)	012	91.433.278	143.903.602
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	1.487.835	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	30.559.113
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	99.016	17.622
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	101.362	89.918
4. Dividends received	018		
5. Other proceeds from investing activities	019		
III. Total proceeds from investing activities (015 to 019)	020	200.378	107.540
1. Purchase of tangible and intangible assets	021	18.438.614	2.631.769
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	18.438.614	2.631.769
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	18.238.236	2.524.229
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	66.489.874	83.138.808
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	66.489.874	83.138.808
1. Repayments of borrowings	031	58.574.314	71.926.031
2. Dividends paid	032	74.743	
3. Repayments of finance lease	033	570.407	553.458
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	59.219.464	72.479.489
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	7.270.410	10.659.319
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	9.479.991	22.424.023
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	9.479.991	22.424.023
Cash and cash equivalents at end of the period	044	21.770.311	18.154.798

STATEMENT OF CHANGES IN EQUITY
for period from **1.1.2012** to **31.3.2012**

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	-6.863.284
3. Reserves from retained earnings	003	83.398.115	83.398.115
4. Retained earnings or accumulated loss	004	172.129.009	190.520.524
5. Profit or loss for the period	005	18.391.515	4.117.619
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	331.560.974
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

90 GODINA

Zagreb, 26 April 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 31 March 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 31 March 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
ZAGREB