



Zagreb, Capraška 1

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

February 2012.

Comment on temporary unaudited consolidated 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 consolidated financial statements which present approximate consolidated balance sheet as at 31 December 2011, approximate consolidated profit and loss statement for the fourth quarter and approximate consolidated statement of cash flow.

We stress out that these consolidated financial statements are temporary and as such are not approved by the Supervisory Board. Furthermore, consolidated 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 and the Group 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.

In March Ljekarna Ines Buhač was merged to ZU Ljekarne Prima Pharme and Ljekarna Mladenka Čobanov was merged in July. Group Prima Pharme was enlarged with ZU Ljekarne Ines Škoko which has 6 pharmacies, ZU Ljekarne Atalić which has 3 pharmacies and Ljekarna Blagus Vičanović which has one pharmacy.

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 which 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 inventory is purchased from foreign suppliers in foreign currencies. Part of borrowings from banks has exchange rate clauses. The Company and the Group do not use financial instruments to protect itself from currency risk.

Interest risk of the Company and the Group 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.

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

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: 697
(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 Ljekarna Delonga

Okrug gornji

1605747

ZU Ljekarna Ines Škoko

Požega

02708396

Zu Ljekarna Atalić

Osijek

0845124

Ljekarna Dragica Blagus Vičanović

Strahoninec

80005080

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 d.d.

Ulica u P. 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	328.468.502	358.746.148
I. INTANGIBLE ASSETS (004 to 009)	003	133.845.657	173.497.784
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	95.631.738	93.937.975
3. Goodwill	006	38.063.806	79.308.069
4. Advances for intangible assets	007		
5. Intangible assets under construction	008	150.113	118.094
6. Other intangible assets	009		133.646
II. TANGIBLE ASSETS (011 to 019)	010	172.600.037	166.756.138
1. Land	011	16.515.477	16.515.477
2. Buildings	012	131.117.126	126.967.274
3. Equipment and machinery	013	7.742.665	7.058.733
4. Furniture, fittings and vehicles	014	13.246.831	12.695.623
5. Biological assets	015		
6. Advances for tangible assets	016	84.780	24.379
7. Tangible assets under construction	017	3.097.407	2.724.179
8. Other tangible assets	018	795.751	770.473
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	19.290.772	15.801.101
1. Investment in subsidiaries and associates	021	17.267.223	14.816.080
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	2.023.549	985.021
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	2.732.036	2.691.125
C) CURRENT ASSETS (035+043+050+058)	034	1.354.266.652	1.495.634.744
I. INVENTORY (036 To 042)	035	243.283.950	213.858.036
1. Raw material	036	471.517	400.456
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	238.821.264	210.858.036
5. Advances for inventories	040	3.991.169	2.599.544
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.041.464.985	1.200.148.175
1. Receivables from related parties	044	11.333.959	
2. Trade receivables	045	1.019.981.026	1.191.570.240
3. Receivables from participating parties	046		
4. Receivables from employees	047	4.139.567	603.088
5. Receivables from the state and other institutions	048	4.139.880	4.009.039
6. Other receivables	049	1.870.553	3.965.808
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	38.266.870	41.151.041
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	36.096.257	39.361.523
6. Loans given, deposits and similar	056	2.170.413	1.789.518
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	31.251.047	40.477.492
D) PREAPID EXPENSES AND ACCRUED INCOME	059	1.217.043	781.642
E) TOTAL ASSETS (001+002+034+059)	060	1.683.952.197	1.855.162.534
G) OFF BALANCE SHEET ITEMS	061	124.975.856	152.322.674

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	315.376.800	327.473.987
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	152.232.994	172.129.009
1. Retained earnings	073	152.232.994	172.129.009
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	24.738.134	18.422.147
1. Profit for the period	076	24.738.134	18.422.147
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	605.321	420.100
1. Provisions for retirement, severance oayment and similar	080	605.321	420.100
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	210.976.855	47.071.645
1. Liabilites to related parties	084		
2. Borrowings and deposits	085		
3. Liabilites to banks and other financial institutions	086	200.326.490	36.421.275
4. Liabilites for advances received	087		
5. Trade payables	088		
6. Liabilites for securities	089		
7. Liabilites to participating parties	090		
8. Other non-current liabilites	091		
9. Deferred tax liability	092	10.650.365	10.650.370
D) CURRENT LIABILITIES (094 to 105)	093	1.153.175.184	1.477.001.857
1. Liabilites to related parties	094		
2. Borrowings and deposits	095		
3. Liabilites to banks and other financial institutions	096	92.771.459	325.097.796
4. Liabilites for advances received	097	1.867.125	651.356
5. Trade payables	098	984.568.130	1.077.638.037
6. Liabilites for securities	099	35.482.060	38.010.000
7. Liabilites to participating parties	100		
8. Liabilites to employees	101	7.592.790	9.436.040
9. Liabilites for taxes and contributions	102	4.701.840	6.029.089
10. Dividend payables	103	84.977	1.034
11. Liabilites for non-current assets available for sale	104		
12. Other current liabilites	105	26.116.803	20.138.505
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	3.818.037	3.194.945
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.683.952.197	1.855.162.534
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	315.376.800	327.473.987
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	2.073.512.313	551.557.684	2.186.353.856	553.162.111
1. Revenues from sale	112	2.048.249.491	532.652.507	2.162.199.457	537.475.329
2. Other operating revenues	113	25.262.822	18.905.177	24.154.399	15.686.782
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.012.246.266	524.842.249	2.129.500.084	533.397.597
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	1.849.068.163	478.081.488	1.969.575.790	487.776.158
a) Raw materials	117	10.958.160	3.470.147	11.812.087	3.741.544
b) Cost of goods sold	118	1.807.362.975	465.090.650	1.925.560.294	475.205.667
c) Other expenses	119	30.747.028	9.520.691	32.203.409	8.828.947
3. Employee expenses (121 to 123)	120	83.445.620	20.810.488	88.420.422	22.742.636
a) Net salaries	121	47.521.525	12.167.198	51.096.702	13.238.004
b) Tax and contributions from salaries	122	23.763.541	5.606.834	24.438.952	6.197.034
c) Contributions on salaries	123	12.160.554	3.036.456	12.884.768	3.307.598
4. Depreciation and amortization	124	18.946.125	4.999.880	17.773.673	4.313.890
5. Other expenses	125	40.929.984	11.911.415	40.063.509	14.785.894
6. Impairment (127+128)	126	18.126.504	7.760.728	13.632.133	3.744.462
a) of non-current assets (financial assets excluded)	127				
b) of current assets (financial assets excluded)	128	18.126.504	7.760.728	13.632.133	3.744.462
7. Provisions	129	1.729.870	1.278.250	34.557	34.557
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	14.169.089	4.385.977	3.410.937	82.667
1. Interests, foreign exchanges and dividend from related parties	132				
2. Interests, foreign exchanges and dividend from non-related parties	133	14.169.089	4.385.977	3.410.937	82.667
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137	41.673.620	14.875.611	35.056.426	9.218.190
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	41.673.620	14.875.611	35.056.426	9.218.190
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	2.087.681.402	555.943.661	2.189.764.793	553.244.778
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.053.919.886	539.717.860	2.164.556.510	542.615.787
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	33.761.516	16.225.801	25.208.283	10.628.991
1. Profit before tax (146-147)	149	33.761.516	16.225.801	25.208.283	10.628.991
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	9.023.382	4.213.738	6.786.136	2.630.669
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	24.738.134	12.012.063	18.422.147	7.998.322
1. Profit for the period (149-151)	153	24.738.134	12.012.063	18.422.147	7.998.322
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	24.738.134	12.012.063	18.422.147	7.998.322
2. Attributable to minority interest	156				

OTHER COMPREHENSIVE INCOME REPORT (for IFRS reporting)

I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	24.738.134	12.012.063	18.422.147	7.998.322
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	24.738.134	12.012.063	18.422.147	7.998.322

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	33.761.516	25.208.283
2. Depreciation and amortisation	002	18.946.125	17.773.673
3. Increase of current liabilities	003		89.056.339
4. Decrease of current receivables	004	65.207.008	
5. Decrease of inventories	005		29.425.914
6. Other increase of cash flow	006		
I. Total increase of cash flow from operating activities (001 to 006)	007	117.914.649	161.464.209
1. Decrease of current liabilities	008	13.938.900	
2. Increase of current receivables	009		158.683.180
3. Increase of inventories	010	31.585.295	
4. Other decrease of cash flow	011	31.618.105	9.419.925
II. Total decrease of cash flow from operating activities (008 to 011)	012	77.142.300	168.103.105
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	40.772.349	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	6.638.896
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	702.863	681.521
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	2.732.948	293.292
4. Dividends received	018		
5. Other proceeds from investing activities	019	3.923.136	
III. Total proceeds from investing activities (015 to 019)	020	7.358.947	974.813
1. Purchase of tangible and intangible assets	021	26.926.450	47.440.361
2. Purchase of equity and debt securities	022		
3. Other purchases resulting from investing activities	023	3.013.856	
IV. Total purchases resulting from investing activities (021 to 023)	024	29.940.306	47.440.361
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	22.581.359	46.465.548
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	220.585.345	209.617.239
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	220.585.345	209.617.239
1. Repayments of borrowings	031	254.652.602	144.367.020
2. Dividends paid	032	103.068	377.013
3. Repayments of finance lease	033	2.607.665	2.542.317
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	257.363.335	147.286.350
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	62.330.889
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	36.777.990	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	9.226.445
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	18.587.000	0
Cash and cash equivalents at beginning of the period	041	49.838.047	31.251.047
Increase of cash and cash equivalents	042		9.226.445
Decrease of cash and cash equivalents	043	18.587.000	
Cash and cash equivalents at end of the period	044	31.251.047	40.477.492

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	152.232.994	172.129.009
5. Profit or loss for the period	005	24.738.134	18.422.147
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	315.376.800	327.473.987
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



Medika

90 GODINA

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