

**Management Board interim report
for the temporary unaudited annual
consolidated financial statements for 2015
Medika d.d. Zagreb
Group Medika**

February 2016

Report Submitted by Director

Comment on temporary unaudited consolidated financial statements for the fourth quarter of 2015

In accordance with the prescribed deadlines for submitting financial statements for the fourth quarter of 2015, Medika d.d. has prepared temporary unaudited consolidated financial statements which present approximate consolidated balance sheet as at 31 December 2015, approximate consolidated profit and loss statement for the fourth quarter of 2015, approximate consolidated statement of changes in equity 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 2016.

With the above stated, Management Board does not comment financial statements, but only presents key events for the Group in 2015.

Key events

Total pharmaceutical market in 2015 has increased comparing to the previous year. At the same time, sales of Medika have increased more comparing to the market increase, which resulted in higher market share in 2015.

With the changes at List of medicinal products sales prices were lowered which resulted in lower sales margin comparing to the same period of the previous year.

In April the new business centre in Osijek started operating and the investment was activated.

In equity there was change in treasury shares and capital reserves due to the granting of treasury shares to the management. At the Regular General Assembly held on 30 June 2015, decision was passed to redistribute amount of HRK 2.0 million from the reserves for treasury shares to legal reserves, which resulted in changes in the balance sheet positions.

Also, decision was passed to pay out the dividend to the shareholders in the amount of HRK 77.3 million. Dividend was paid out from the retained earnings of the Company realised in the period until 31.12.2000.

Expected future development of the Group

The Company will continue with its core business: distribution of medicinal products and medical devices 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.

Treasury shares

At 31 December 2015, Medika holds 1,035 treasury shares.

Subsidiaries and associates

The Company has 100% of ownership in subsidiary Zdravstvena ustanova Ljekarne Prima Pharme and Put stinica d.o.o.

ZU Ljekarne Prima Pharme has 100% of ownership ZU Ljekarne Delonga, ZU Ljekarne Ines Škoko, ZU Ljekarne Atalić, Pharmacy Mirela Klunić and associate ZU Ljekarne Jagatić in which it holds 49% of ownership.

During 2015 Pharmacy Mira Kožul was acquired and merged with ZU Ljekarne Prima Pharme.

Related parties

The company with major voting rights or a parent company Mavota d.o.o. owns 47.38% of the Company and has 49.06% of shares with voting rights.

Pliva Hrvatska d.o.o., Zagreb owns 25.32% of the Company and has 26.22% of the voting rights. Given the share in the ownership and business transactions with the Company, Pliva Hrvatska has significant influence on the Company's operations.

Financial risks and exposure to price risk, credit risk, liquidity and cash flow risk

Within financial risks, foreign exchange risk is significant. The Company's purchase of goods is partly realised on the foreign market. The Company is therefore exposed to foreign exchange risk arising from various changes in foreign exchange rates mainly linked to the EUR.

The Company has part of assets which are interest-bearing so the Company's income and operating cash flows are dependent of changes in market interest rates.

The Group's interest rate risk arises from the borrowings with variable interest rates. Borrowings with fixed interest rates expose the Group to the fair value interest rate risk exposure.

The Group does not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure. However, the Group continuously monitors changes in interest rates. Various scenarios are simulated taking into account refinancing, renewal of existing positions and alternative financing.

Price risk arises from a continuous decrease in the price of HZZO's List of medicinal products and administrative approach in determining prices and margins of medicinal products. To lower this risk, the Group focused on increase of variety of products which are not limited by law in respect of the price of the product.

Majority of the credit risk relates to trade receivables. Credit risk is higher when dealing with pharmacies, which have potential going concern issue. However, hospitals which have longer collection period do not have a going concern issue and collection issue.

The most significant risk 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 the Group's liabilities.

As these receivables are directly or indirectly related to the receivables from the State institutions, the collection of these receivables should not be classified as a risk. This increases the need for additional financing, which increases finance expenses.

Jasminko Herceg, dipl.oec.
Director


3 **Medika** d.d.
Z A G R E B, Capraška 4



Appendix 1.

Reporting period:

1.1.2015

to

31.12.2015

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: 800
(end of reporting period)

Consolidated statements: YES

NKD code: 4646

Consolidated entities (according to IFRS):

Headquarters:

MB:

ZU Ljekarne Prima Pharme

Split

0694975

ZU Ljekarne Delonga

Okrug Gornji

1605747

ZU Ljekarne Ines Škoko

Zagreb

02708396

ZU Ljekarne Atalić

Osijek

0845124

Ljekarna Klunić

Pula

80072372

Bookkeeping service:

Contact person: **RADMILOVIĆ DIJANA**

(only name of the contact person)

Telephone number: 01242551

Telefaks: 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.

³ **Medika d.d.**
 ZAGREB
 (signature of authorised person)

BALANCE SHEET
balance as at 31.12.2015

Issuer: MEDIKA d.d.			
Description	AOP mark	Previous period	Current period
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	406.526.335	417.976.865
I. INTANGIBLE ASSETS (004 to 009)	003	187.874.734	193.205.667
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	113.742.190	121.806.977
3. Goodwill	006	72.226.423	69.520.289
4. Advances for intangible assets	007	43.035	
5. Intangible assets under construction	008	1.863.086	1.878.401
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	169.412.366	191.254.440
1. Land	011	15.994.715	25.226.916
2. Buildings	012	104.745.502	136.672.721
3. Equipment and machinery	013	5.404.669	12.802.474
4. Furniture, fittings and vehicles	014	9.017.507	13.518.410
5. Biological assets	015	839.803	6.555
6. Advances for tangible assets	016	32.571.220	2.196.914
7. Tangible assets under construction	017		
8. Other tangible assets	018	838.950	830.450
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	46.542.142	29.820.352
1. Investment in subsidiaries and associates	021	39.441.483	21.120.401
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	7.100.659	8.699.951
7. Other non-current financial assets	027		
8. Investments at equity method	028		
IV. RECEIVABLES (030 to 032)	029	1.529.977	1.196.963
1. Receivables from related parties	030		
2. Receivables for credit sales	031		
3. Other receivables	032	1.529.977	1.196.963
V. DEFFERED TAX ASSET	033	1.167.116	2.499.443
C) CURRENT ASSETS (035+043+050+058)	034	1.479.737.976	1.518.171.671
I. INVENTORY (036 To 042)	035	262.314.166	266.292.251
1. Raw material	036	537.117	559.931
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	257.051.444	261.478.227
5. Advances for inventories	040	4.725.605	4.254.093
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	988.048.781	1.009.302.621
1. Receivables from related parties	044	15.442.355	13.347.799
2. Trade receivables	045	959.727.442	987.749.144
3. Receivables from participating parties	046		
4. Receivables from employees	047	367.900	1.799.110
5. Receivables from the state and other institutions	048	10.008.876	3.884.222
6. Other receivables	049	2.502.208	2.522.346
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	148.273.952	187.674.250
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		
6. Loans given, deposits and similar	056	148.273.952	187.674.250
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	81.101.077	54.902.549
D) PREAPID EXPENSES AND ACCRUED INCOME	059	2.396.802	2.777.795
E) TOTAL ASSETS (001+002+034+059)	060	1.888.661.113	1.938.926.331
G) OFF BALANCE SHEET ITEMS	061	161.014.153	131.451.416

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	482.569.941	452.788.291
I. SHARE CAPITAL	063	134.967.180	196.261.000
II. CAPITAL RESERVES	064	-9.243.180	-8.652.683
III. RESERVES FROM RETAINED EARNINGS (066+067-068+069+070)	065	88.587.743	89.677.247
1. Legal reserves	066	13.953.444	15.991.539
2. Reserves for treasury shares	067	53.324.269	51.286.174
3. Treasury shares	068	10.486.460	9.396.956
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	206.911.336	129.693.028
1. Retained earnings	073	206.911.336	129.693.028
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	61.346.862	45.809.699
1. Profit for the period	076	61.346.862	45.809.699
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	891.108	1.216.759
1. Provisions for retirement, severance payment and similar	080	891.108	1.216.759
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	36.098.052	36.927.624
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	20.097.696	19.452.682
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	16.000.356	17.474.942
D) CURRENT LIABILITIES (094 to 105)	093	1.366.916.173	1.447.068.677
1. Liabilities to related parties	094	121.317.815	114.785.187
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	281.723.365	342.580.912
4. Liabilities for advances received	097	1.431.050	3.144.574
5. Trade payables	098	939.641.174	958.479.423
6. Liabilities for securities	099		
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	10.053.469	9.531.537
9. Liabilities for taxes and contributions	102	9.496.028	12.726.327
10. Dividend payables	103	1.034	11.564
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	3.252.238	5.809.153
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	2.185.839	924.980
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.888.661.113	1.938.926.331
G) OFF BALANCE SHEET ITEMS	108	161.014.153	131.451.416
SUPPLEMENT TO BALANCE SHEET (for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders	109	482.569.941	452.788.291
2. Attributable to minority interest	110		

Note 1.: Supplement to balance sheet is filled for consolidated financial statements.

PROFIT AND LOSS
for period from 1.1.2015 to 31.12.2015

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	2.307.879.632	601.235.479	2.495.837.911	654.822.796
1. Revenues from sale	112	2.272.856.101	578.593.254	2.468.225.581	645.116.766
2. Other operating revenues	113	35.023.531	22.642.225	27.612.330	9.706.030
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.238.983.821	566.246.966	2.443.711.774	643.360.020
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	2.083.927.041	521.775.625	2.284.180.185	596.739.051
a) Raw materials	117	13.239.625	3.480.623	13.388.977	3.581.903
b) Cost of goods sold	118	2.035.339.291	508.348.782	2.235.199.405	583.067.320
c) Other expenses	119	35.348.125	9.946.220	35.591.803	10.089.828
3. Employee expenses (121 to 123)	120	96.944.535	24.187.954	98.896.391	25.338.607
a) Net salaries	121	56.073.888	14.151.225	58.666.050	15.147.269
b) Tax and contributions from salaries	122	27.067.131	6.510.218	26.153.117	6.636.385
c) Contributions on salaries	123	13.803.516	3.526.511	14.077.224	3.554.953
4. Depreciation and amortization	124	12.029.578	2.432.028	12.098.654	3.228.296
5. Other expenses	125	37.013.737	14.675.918	39.107.497	14.442.641
6. Impairment (127+128)	126	8.599.347	2.705.658	9.032.338	3.214.716
a) of non-current assets (financial assets excluded)	127	4.710.687	4.710.687	5.793.311	-24.311
b) of current assets (financial assets excluded)	128	3.888.660	-2.004.829	3.239.027	3.239.027
7. Provisions	129	469.583	469.583	396.709	396.709
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	12.003.305	4.077.980	22.574.222	6.443.237
1. Interests, foreign exchanges and dividend from related parties	132			2.040.335	1.246.770
2. Interests, foreign exchanges and dividend from non-related parties	133	10.936.756	3.752.230	19.894.839	4.557.419
3. Share of profit from associate	134	1.066.549	325.750		
4. Unrealised gains	135			31.412	31.412
5. Other financial income	136			607.636	607.636
IV. FINANCE EXPENSES (138 to 141)	137	17.208.551	4.295.129	18.507.049	4.358.342
1. Interests, foreign exchanges and dividend from related parties	138	307.910	74.112	257.583	0
2. Interests, foreign exchanges and dividend from non-related parties	139	16.900.641	4.221.017	18.249.466	4.358.342
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	2.319.882.937	605.313.459	2.518.412.133	661.266.033
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.256.192.372	570.542.095	2.462.218.823	647.718.362
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	63.690.565	34.771.364	56.193.310	13.547.671
1. Profit before tax (146-147)	149	63.690.565	34.771.364	56.193.310	13.547.671
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	2.343.703	-4.951.013	10.383.611	-290.448
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	61.346.862	39.722.377	45.809.699	13.838.119
1. Profit for the period (149-151)	153	61.346.862	39.722.377	45.809.699	13.838.119
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	61.346.862	39.722.377	45.809.699	13.838.119
2. Attributable to minority interest	156				

OTHER COMPREHENSIVE INCOME REPORT (for IFRS reporting)

I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	61.346.862	39.722.377	45.809.699	13.838.119
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	61.346.862	39.722.377	45.809.699	13.838.119

APPENDIX to Other comprehensive income report (to be filled for consolidated financial statements)

VI. COMPREHENSIVE PROFIT OR LOSS

1. Attributable to equity holders	169	61.346.862	39.722.377	45.809.699	13.838.119
2. Attributable to minority interest	170				

STATEMENT OF CASH FLOW - Indirect method
for period from 1.1.2015 to 31.12.2015

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	63.690.565	56.193.310
2. Depreciation and amortisation	002	12.029.578	12.098.654
3. Increase of current liabilities	003		19.297.957
4. Decrease of current receivables	004	213.373.880	
5. Decrease of inventories	005		
6. Other increase of cash flow	006		
I. Total increase of cash flow from operating activities (001 to 006)	007	289.094.023	87.589.921
1. Decrease of current liabilities	008	83.829.705	
2. Increase of current receivables	009		21.253.840
3. Increase of inventories	010	23.017.229	3.978.085
4. Other decrease of cash flow	011	11.291.089	58.212.181
II. Total decrease of cash flow from operating activities (008 to 011)	012	118.138.023	83.444.106
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	170.956.000	4.145.815
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	363.784	647.367
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	6.691.780	14.883.126
4. Dividends received	018		
5. Other proceeds from investing activities	019		16.721.790
III. Total proceeds from investing activities (015 to 019)	020	7.055.564	32.252.283
1. Purchase of tangible and intangible assets	021	25.757.997	
2. Purchase of equity and debt securities	022	205.000	
3. Other purchases resulting from investing activities	023	90.864.954	
IV. Total purchases resulting from investing activities (021 to 023)	024	116.827.951	0
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	32.252.283
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	109.772.387	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	258.885.249	218.114.751
3. Other proceeds from financing activities	029		
V. Total proceeds from financing activities (027 to 029)	030	258.885.249	218.114.751
1. Repayments of borrowings	031	303.736.579	162.447.336
2. Dividends paid	032		77.260.820
3. Repayments of finance lease	033	1.825.233	1.731.560
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	305.561.812	241.439.716
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	46.676.563	23.324.965
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	14.507.050	13.073.133
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at beginning of the period	041	66.594.027	81.101.077
Increase of cash and cash equivalents	042	14.507.050	
Decrease of cash and cash equivalents	043		26.198.528
Cash and cash equivalents at end of the period	044	81.101.077	54.902.549

STATEMENT OF CHANGES IN EQUITY
for period from **1.1.2015** to **31.12.2015**

Description 1	AOP mark 2	Previous period 3	Current period 4
1. Share capital	001	134.967.180	196.261.000
2. Capital reserves	002	-9.243.180	-8.652.683
3. Reserves from retained earnings	003	88.587.743	89.677.247
4. Retained earnings or accumulated loss	004	206.911.336	129.693.028
5. Profit or loss for the period	005	61.346.862	45.809.699
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	482.569.941	452.788.291
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		

Balances that decrease equity are presented with the minus

Data in AOP 001 to 009 are presented as the balance as at balance sheet date

Zagreb, 29 February 2016


Pursuant to the articles 401. to 410. of the Capital market Law (Official Gazette 88/08, 146/08, 74/09, 54/13, 159/13, 18/15 and 110/15) Director Jasminko Herceg provides

STATEMENT OF LIABILITY FOR PREPARING FINANCIAL STATEMENTS OF ISSUER

Temporary unaudited unconsolidated and consolidated financial statements of Medika d.d. have been prepared pursuant to the International Financial Reporting Standards (IFRS) and Croatian Accounting Law.

Temporary unaudited unconsolidated and consolidated financial statements for the period 01 January to 31 December 2015 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 2015 presents true and fair presentation of development and results of the operations and position of the Company and the Group with description of significant risks and uncertainties for the Company and the Group.



Jasminko Herceg
Director

3 Medika d.d.
ZAGREB, Capraška 1