



Medika d.d.

Zagreb, Capraška 1

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

February 2016

Report Submitted by Director

Comment on temporary unaudited unconsolidated 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 financial statements which present approximate balance sheet as at 31 December 2015, approximate profit and loss statement for the fourth quarter of 2015, approximate statement of changes in equity 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 2016.

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

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.

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

The Company does not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure. However, the Company 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 Company 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 Company'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 1

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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

Code and county name: 21 GRAD ZAGREB

Number of employees: 399
(end of reporting period)

Consolidated statements: NO

NKD code: 4646

Consolidated entities (according to IFRS):

Headquarters:

MB:

Bookkeeping service:

Contact person: RADMILOVIĆ DIJANA

(only name of the 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.

³ Medika d.d.
ZAGREB, Capraška

M.P.

(signature of authorised person)

BALANCE SHEET
balance as at 31.12.2015

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	244.906.254	251.520.971
I. INTANGIBLE ASSETS (004 to 009)	003	17.634.786	16.464.979
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	3.799.079	4.086.583
3. Goodwill	006	11.929.586	11.929.586
4. Advances for intangible assets	007	43.035	
5. Intangible assets under construction	008	1.863.086	448.810
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	160.984.034	166.797.758
1. Land	011	15.994.715	18.232.855
2. Buildings	012	99.198.609	121.776.192
3. Equipment and machinery	013	4.327.186	11.674.075
4. Furniture, fittings and vehicles	014	7.233.750	12.107.472
5. Biological assets	015		
6. Advances for tangible assets	016	839.804	
7. Tangible assets under construction	017	32.571.220	2.196.914
8. Other tangible assets	018	818.750	810.250
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	65.755.234	67.529.127
1. Investment in subsidiaries and associates	021	59.353.400	59.249.330
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	6.401.834	8.279.797
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	532.200	729.107
C) CURRENT ASSETS (035+043+050+058)	034	1.551.604.566	1.590.894.940
I. INVENTORY (036 To 042)	035	229.320.141	233.706.799
1. Raw material	036	127.534	143.025
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	224.504.490	229.309.681
5. Advances for inventories	040	4.688.117	4.254.093
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.108.901.197	1.120.266.134
1. Receivables from related parties	044	225.132.479	194.232.229
2. Trade receivables	045	872.355.337	920.527.020
3. Receivables from participating parties	046		
4. Receivables from employees	047	40.214	26.245
5. Receivables from the state and other institutions	048	9.228.075	3.393.594
6. Other receivables	049	2.145.092	2.087.046
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	148.273.952	187.834.250
1. Investment in subsidiaries and associates	051		
2. Loans to related parties	052		160.000
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	65.109.276	49.087.757
D) PREAPID EXPENSES AND ACCRUED INCOME	059	2.140.099	2.691.376
E) TOTAL ASSETS (001+002+034+059)	060	1.798.650.919	1.845.107.287
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	449,518.920	419,161.170
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	88,587.744	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	10,486.459	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	173,738.701	96,642.006
1. Retained earnings	073	173,738.701	96,642.006
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	61,468.475	45,233.600
1. Profit for the period	076	61,468.475	45,233.600
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	562.715	802.829
1. Provisions for retirement, severance oayment and similar	080	562.715	802.829
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	17,464.937	19,452.682
1. Liabilites to related parties	084		
2. Borrowings and deposits	085		
3. Liabilites to banks and other financial institutions	086	17,464.937	19,452.682
4. Liabilites for advances received	087		
5. Trade payables	088		
6. Liabilitis 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	1,329,643.375	1,405,566.921
1. Liabilities to related parties	094	121,317.815	114,785.187
2. Borrowings and deposits	095		
3. Liabilites to banks and other financial institutions	096	257,184.099	319,957.233
4. Liabilites for advances received	097	1,296.785	3,137.925
5. Trade payables	098	933,176.663	948,422.908
6. Liabilitis for securities	099		
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	7,022.980	6,434.707
9. Liabilites for taxes and contributions	102	6,466.811	9,314.729
10. Dividend payables	103	1,034	11,564
11. Liabilites for non-current assets available for sale	104		
12. Other current liabilities	105	3,177.188	3,502.668
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	1,460.972	123.685
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1,798,650.919	1,845,107.287
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		
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	2.219.090.131	571.344.201	2.398.872.126	625.488.058
1. Revenues from sale	112	2.186.425.888	550.286.374	2.374.831.967	616.559.253
2. Other operating revenues	113	32.664.243	21.057.827	24.240.159	8.928.805
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.151.113.021	536.875.008	2.345.739.475	609.972.282
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	2.055.883.949	509.952.223	2.247.777.562	583.362.608
a) Raw materials	117	10.151.389	2.745.162	10.384.358	2.671.500
b) Cost of goods sold	118	2.023.973.466	500.849.705	2.215.089.235	574.112.694
c) Other expenses	119	21.759.094	6.357.356	22.303.969	6.578.414
3. Employee expenses (121 to 123)	120	49.841.952	12.572.872	51.729.602	13.274.111
a) Net salaries	121	28.621.896	7.327.563	30.580.223	7.913.423
b) Tax and contributions from salaries	122	14.126.053	3.424.543	13.862.793	3.523.912
c) Contributions on salaries	123	7.094.003	1.820.766	7.286.586	1.836.776
4. Depreciation and amortization	124	9.736.465	2.231.365	9.847.698	2.544.769
5. Other expenses	125	30.269.561	12.624.823	32.952.419	13.169.613
6. Impairment (127+128)	126	5.331.911	-555.458	3.186.982	-2.624.031
a) of non-current assets (financial assets excluded)	127	1.840.163	1.840.163		
b) of current assets (financial assets excluded)	128	3.491.748	-2.395.621	3.186.982	-2.624.031
7. Provisions	129	49.183	49.183	245.212	245.212
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	10.781.566	3.681.747	19.784.419	4.528.173
1. Interests, foreign exchanges and dividend from related parties	132			3.714	3.714
2. Interests, foreign exchanges and dividend from non-related parties	133	10.781.566	3.681.747	19.780.705	4.524.459
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137	15.586.695	3.918.855	17.283.684	4.162.330
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	15.586.695	3.918.855	17.283.684	4.162.330
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	2.229.871.697	575.025.948	2.418.656.545	630.016.231
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.166.699.716	540.793.863	2.363.023.159	614.134.612
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	63.171.981	34.232.085	55.633.386	15.881.619
1. Profit before tax (146-147)	149	63.171.981	34.232.085	55.633.386	15.881.619
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	1.703.506	-5.531.468	10.399.786	461.844
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	61.468.475	39.763.553	45.233.600	15.419.775
1. Profit for the period (149-151)	153	61.468.475	39.763.553	45.233.600	15.419.775
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	61,468,475	39,763,553	45,233,600	15,419,775
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	61,468,475	39,763,553	45,233,600	15,419,775
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 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	63.171.981	55.633.386
2. Depreciation and amortisation	002	9.736.465	9.847.698
3. Increase of current liabilities	003		13.150.412
4. Decrease of current receivables	004	203.273.985	
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	276.182.431	78.631.496
1. Decrease of current liabilities	008	84.481.791	
2. Increase of current receivables	009		11.364.938
3. Increase of inventories	010	18.076.576	4.388.658
4. Other decrease of cash flow	011	10.932.850	60.056.043
II. Total decrease of cash flow from operating activities (008 to 011)	012	113.491.217	75.809.639
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	162.691.214	2.821.857
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	354.927	588.527
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	4.228.805	14.813.199
4. Dividends received	018		
5. Other proceeds from investing activities	019		
III. Total proceeds from investing activities (015 to 019)	020	4.583.732	15.401.726
1. Purchase of tangible and intangible assets	021	23.915.146	15.428.753
2. Purchase of equity and debt securities	022	205.000	
3. Other purchases resulting from investing activities	023	88.147.821	
IV. Total purchases resulting from investing activities (021 to 023)	024	112.267.967	15.428.753
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	107.684.235	27.027
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	298.666.667	157.964.583
2. Dividends paid	032		77.260.820
3. Repayments of finance lease	033	1.774.039	1.705.697
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	300.440.706	236.931.100
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	41.555.457	18.816.349
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	13.451.522	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	16.021.519
Cash and cash equivalents at beginning of the period	041	51.657.754	65.109.276
Increase of cash and cash equivalents	042	13.451.522	
Decrease of cash and cash equivalents	043		16.021.519
Cash and cash equivalents at end of the period	044	65.109.276	49.087.757

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	88.587.744	89.677.247
4. Retained earnings or accumulated loss	004	173.738.701	96.642.006
5. Profit or loss for the period	005	61.468.475	45.233.600
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	449.518.920	419.161.170
11. Foreign exchanges from the foreign investments	011		
12. Current and defferd tax (part)	012		
13. Cash flow hedge	013		
14. Cghanges 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