



Medika d.d.

Zagreb, Capraška 1

**Management Board interim report
for the temporary unaudited annual
financial statements for 2017
Medika d.d. Zagreb**

February 2018

Management interim report

Comment on temporary unaudited unconsolidated financial statements for the fourth quarter of the year 2017

In accordance with the prescribed deadlines for submitting financial statements for the fourth quarter of the year 2017, Medika d.d. (the Company) has prepared temporary unaudited financial statements which present approximate balance sheet as at 31 December 2017, approximate profit and loss statement for the fourth quarter of 2017, approximate statement of changes in equity and approximate statement of cash flow.

We point 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 2018.

With the above stated, Management Board does not comment financial statements, but only presents key events for the Company in 2017.

Key events

Total pharmaceutical market in 2017 has increased comparing to the previous year. At the same time, sales of Medika d.d. have increased slightly slower comparing to the market increase, which has not significantly influenced market share.

At General Assembly meeting held as at 18.05.2017 decisions were passed that influenced equity.

In equity, there was change in treasury shares and capital reserves due to the granting of treasury shares to the management.

The Company paid out the dividend in amount of HRK 2,000.00 per share based on the decision passed at the General Assembly held as at 19.12.2017.

Total indebtedness has decreased for HRK 124.4 million compared to the beginning of the year.

Value adjustment of financial assets was made in amount of HRK 50.0 million.

Expected future development of the Company

The Company will continue with its core business: distribution of medicinal products and medical devices will strongly develop operations with products that make the core business of the firm.

Treasury shares

As at 31.12.2017, the Company holds 1,440 treasury shares.

Subsidiaries and associates

The Company has subsidiaries Zdravstvena ustanova Ljekarne Prima Pharme and Primus nekretnine d.o.o. Both subsidiaries are fully owned by the Company.

ZU Ljekarne Prima Pharme has 100% of ownership in subsidiaries ZU Ljekarne Delonga, ZU Ljekarne Ines Škoko and associate ZU Ljekarne Jagatić in which it holds 49% of ownership. During 2017 Ljekarna Ana Pantelić was acquired and was merged into ZU Ljekarne Prima Pharme.

Related parties

The company with major voting rights, Auctor d.o.o. owns 47.38% of the Company and has 49.75% of shares with voting rights.

Pliva Hrvatska d.o.o., Zagreb owns 25.32% of the Company and has 26.59% of the voting rights. Given the share in the ownership and business transactions with the Company, Pliva Hrvatska has significant influence on the current operations of the Company.

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

Within financial risks, foreign exchange risk is significant. The Company realizes majority of its revenue on domestic market in Croatian kuna. 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. All borrowings are in Croatian kuna so the Company is not exposed to foreign exchange risk from this part.

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 short term and long term given loans and borrowings with variable interest rates. Borrowings with variable interest rates expose the Company to cash flow interest rate risk. 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 Medika 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 collection of receivables risk. This increases the need for additional financing, which increases finance expenses.

Jasminko Herceg, dipl.oec.

Director


Medika d.d.
ZAGREB Capraška

Appendix 1.

Reporting period:

1.1.2017.

to

31.12.2017.

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: 419
(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

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, Capraška 1
(signature of authorised person)

h.d.

BALANCE SHEET
balance as at 31.12.2017.

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	249.535.377	311.426.456
I. INTANGIBLE ASSETS (004 to 009)	003	15.734.387	19.199.753
1. Research and development	004		
2. Concessions, patents, licences, trademarks, software and other rights	005	3.135.996	6.610.043
3. Goodwill	006	11.929.586	11.929.586
4. Advances for intangible assets	007		163.350
5. Intangible assets under construction	008	668.805	496.774
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	168.598.684	167.087.049
1. Land	011	18.232.855	18.232.855
2. Buildings	012	118.788.851	114.799.093
3. Equipment and machinery	013	11.847.614	11.719.588
4. Furniture, fittings and vehicles	014	9.873.677	12.267.312
5. Biological assets	015		
6. Advances for tangible assets	016	3.497.127	145.854
7. Tangible assets under construction	017	5.557.090	9.129.377
8. Other tangible assets	018	801.470	792.970
9. Investment property	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	64.756.529	109.814.616
1. Investment in subsidiaries and associates	021	59.999.330	99.999.330
2. Loans to related parties	022		
3. Equity investments	023		
4. Loans given to participating parties	024		
5. Investment in securities	025		
6. Loans given, deposits and similar	026	4.757.199	9.815.286
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	445.777	15.325.038
C) CURRENT ASSETS (035+043+050+058)	034	1.804.121.702	1.644.771.761
I. INVENTORY (036 To 042)	035	245.760.973	275.997.886
1. Raw material	036	93.445	96.453
2. Work in progress	037		
3. Finished products	038		
4. Trade goods	039	243.241.341	272.178.706
5. Advances for inventories	040	2.426.187	3.722.727
6. Non-current assets available for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	1.345.661.668	1.177.811.235
1. Receivables from related parties	044	193.159.498	136.200.111
2. Trade receivables	045	1.132.787.151	1.012.931.948
3. Receivables from participating parties	046	16.095.511	13.062.528
4. Receivables from employees	047	25.101	26.979
5. Receivables from the state and other institutions	048	1.698.717	6.197.895
6. Other receivables	049	1.895.690	9.391.774
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	132.605.132	52.759.803
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	132.605.132	52.759.803
7. Other financial assets	057		
IV. CASH IN BANK AND ON HAND	058	80.093.929	138.202.837
D) PREPAID EXPENSES AND ACCRUED INCOME	059	2.014.535	613.265
E) TOTAL ASSETS (001+002+034+059)	060	2.055.671.614	1.956.811.482
G) OFF BALANCE SHEET ITEMS	061	137.321.182	121.247.906

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	417,264,280	390,633,291
I. SHARE CAPITAL	063	204,715,320	209,244,420
II. CAPITAL RESERVES	064	-8,312,744	-7,657,921
III. RESERVES FROM RETAINED EARNINGS (066+067-068+069+070)	065	85,852,773	83,475,954
1. Legal reserves	066	18,465,733	18,548,510
2. Reserves for treasury shares	067	48,811,980	48,811,980
3. Treasury shares	068	13,221,430	15,598,249
4. Statutory reserves	069		
5. Other reserves	070	31,796,490	31,713,713
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	84,304,886	72,495,831
1. Retained earnings	073	84,304,886	72,495,831
2. Accumulated loss	074		
VI. PROFIT OR LOSS FOR THE PERIOD (076-077)	075	50,704,045	33,075,007
1. Profit for the period	076	50,704,045	33,075,007
2. Loss for the period	077		
VII. MAJORITY INTERESTS	078		
B) PROVISIONS (080 To 082)	079	684,497	642,547
1. Provisions for retirement, severance payment and similar	080	684,497	642,547
2. Tax provisions	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	12,500,488	5,785,260
1. Liabilities to related parties	084		
2. Borrowings and deposits	085		
3. Liabilities to banks and other financial institutions	086	12,500,488	5,785,260
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		
D) CURRENT LIABILITIES (094 to 105)	093	1,623,884,843	1,555,753,395
1. Liabilities to related parties	094	132,968,443	118,412,210
2. Borrowings and deposits	095		
3. Liabilities to banks and other financial institutions	096	475,220,354	359,479,333
4. Liabilities for advances received	097	1,220,850	2,414,190
5. Trade payables	098	994,359,267	1,044,912,968
6. Liabilities for securities	099		
7. Liabilities to participating parties	100		
8. Liabilities to employees	101	7,336,491	7,361,664
9. Liabilities for taxes and contributions	102	9,729,551	8,792,170
10. Dividend payables	103		12,030,000
11. Liabilities for non-current assets available for sale	104		
12. Other current liabilities	105	3,049,887	2,350,860
E) DEFERRED INCOME AND ACCRUED EXPENSES	106	1,337,506	3,996,989
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	2,055,671,614	1,956,811,482
G) OFF BALANCE SHEET ITEMS	108	137,321,182	121,247,906
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 1.1.2017. to 31.12.2017.

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	2.553.621.002	626.189.704	2.730.558.588	704.157.739
1. Revenues from sale	112	2.529.514.646	617.338.540	2.708.603.813	694.685.558
2. Other operating revenues	113	24.106.356	8.851.164	21.954.775	9.472.181
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.494.388.890	614.150.312	2.656.298.332	686.602.996
1. Change in value of work in progress and finished goods	115				
2. Material expenses (117 to 119)	116	2.386.066.794	581.928.499	2.542.336.528	653.753.256
a) Raw materials	117	9.476.529	2.561.134	9.240.204	2.665.413
b) Cost of goods sold	118	2.354.622.108	572.792.772	2.508.053.399	641.668.458
c) Other expenses	119	21.968.157	6.574.593	25.042.925	9.419.385
3. Employee expenses (121 to 123)	120	52.745.009	13.326.184	53.861.654	13.714.949
a) Net salaries	121	31.195.758	7.981.760	32.672.691	8.375.642
b) Tax and contributions from salaries	122	14.156.534	3.474.028	13.688.474	3.431.049
c) Contributions on salaries	123	7.392.717	1.870.396	7.500.488	1.908.258
4. Depreciation and amortization	124	11.288.372	2.707.264	11.058.524	2.759.176
5. Other expenses	125	35.166.919	13.608.805	44.233.664	18.316.130
6. Impairment (127+128)	126	8.023.700	1.481.464	4.708.145	-2.040.333
a) of non-current assets (financial assets excluded)	127				
b) of current assets (financial assets excluded)	128	8.023.700	1.481.464	4.708.145	-2.040.333
7. Provisions	129	1.098.096	1.098.096	99.818	99.818
8. Other operating expenses	130				
III. FINANCE INCOME (132 to 136)	131	21.923.991	1.875.612	17.456.394	9.918.147
1. Interests, foreign exchanges and dividend from related parties	132	17.827	8.124		
2. Interests, foreign exchanges and dividend from non-related parties	133	21.906.164	1.867.488	17.456.394	9.918.147
3. Share of profit from associate	134				
4. Unrealised gains	135				
5. Other financial income	136				
IV. FINANCE EXPENSES (138 to 141)	137	18.186.233	5.222.538	66.900.775	5.358.261
1. Interests, foreign exchanges and dividend from related parties	138				
2. Interests, foreign exchanges and dividend from non-related parties	139	18.186.233	5.222.538	16.900.775	5.358.261
3. Unrealised losses	140				
4. Other finance expenses	141			50.000.000	0
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	2.575.544.993	628.065.316	2.748.014.982	714.075.886
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.512.575.123	619.372.850	2.723.199.107	691.961.257
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	62.969.870	8.692.466	24.815.875	22.114.629
1. Profit before tax (146-147)	149	62.969.870	8.692.466	24.815.875	22.114.629
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX	151	12.265.825	161.964	-8.259.132	-8.799.381
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	50.704.045	8.530.502	33.075.007	30.914.010
1. Profit for the period (149-151)	153	50.704.045	8.530.502	33.075.007	30.914.010
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	50.704.045	8.530.502	33.075.007	30.914.010
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	50.704.045	8.530.502	33.075.007	30.914.010

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 the period from 1.1.2017. to 31.12.2017.

Description	AOP mark	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	62.969.870	24.815.875
2. Depreciation and amortisation	002	11.288.372	11.058.524
3. Increase of current liabilities	003	63.054.802	47.609.572
4. Decrease of current receivables	004		167.850.433
5. Decrease of inventories	005		
6. Other increase of cash flow	006		79.845.329
I. Total increase of cash flow from operating activities (001 to 006)	007	137.313.044	331.179.733
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	225.395.533	
3. Increase of inventories	010	12.054.174	30.236.913
4. Other decrease of cash flow	011	27.325.912	18.103.902
II. Total decrease of cash flow from operating activities (008 to 011)	012	264.775.619	48.340.815
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	282.838.918
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	127.462.575	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of tangible and intangible assets	015	808.517	1.219.138
2. Proceeds from sale of equity and debt securities	016		
3. Interest received	017	14.810.212	11.582.145
4. Dividends received	018		
5. Other proceeds from investing activities	019	60.392.354	
III. Total proceeds from investing activities (015 to 019)	020	76.011.083	12.801.283
1. Purchase of tangible and intangible assets	021	11.699.797	12.008.736
2. Purchase of equity and debt securities	022	100.000	
3. Other purchases resulting from investing activities	023		45.058.087
IV. Total purchases resulting from investing activities (021 to 023)	024	11.799.797	57.066.823
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	64.211.286	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	0	44.265.540
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt securities	027		
2. Proceeds from borrowings	028	587.000.000	59.700.000
3. Other proceeds from financing activities	029	1.039.998	
V. Total proceeds from financing activities (027 to 029)	030	588.039.998	59.700.000
1. Repayments of borrowings	031	437.660.417	184.108.333
2. Dividends paid	032	49.127.771	49.954.000
3. Repayments of finance lease	033	2.469.816	2.760.141
4. Purchase of treasury shares	034	4.524.533	3.341.996
5. Other purchases resulting from financing activities	035		
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 to 035)	036	493.782.537	240.164.470
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	94.257.461	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	180.464.470
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	31.006.172	58.108.908
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at beginning of the period	041	49.087.757	80.093.929
Increase of cash and cash equivalents	042	31.006.172	58.108.908
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at end of the period	044	80.093.929	138.202.837

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2017. to 31.12.2017.

Description	AOP mark	Previous period	Current period
1	2	3	4
1. Share capital	001	204.715.320	209.244.420
2. Capital reserves	002	-8.312.744	-7.657.921
3. Reserves from retained earnings	003	85.852.773	83.475.954
4. Retained earnings or accumulated loss	004	84.304.886	72.495.831
5. Profit or loss for the period	005	50.704.045	33.075.007
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	417.264.280	390.633.291
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, 21 February 2018

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, 110/15 and 123/16) 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 2017 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 2017 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



Medika
ZAGREB Capraška