

Attachment 1.

Period:

1.1.2011

to

31.12.2011

Yearly financial report GFI-PODRegistration number (MB): **03715957**Registration number (MBS): **040004561**Personal identification
number (OIB): **20950636972**Company: **JGL d.d.**Postal code and city: **51000****Rijeka**Address: **Pulac bb**e-mail: jgl@jgl.hrInternet address: www.jgl.hrCode and name of city: **373** **Rijeka**Code and name of county: **8** **Primorsko-goranska**Number of employees **665**

(at the end of the period)

Consolidated report: **YES**NKD code: **2120**

Companies in consolidation (in acc. with IFRS):

Headquarters:

MB:

Farmis d.o.o.**Sarajevo, BIH****Jadran-galenski laboratorij Beograd d.o.o.****Beograd, srbija****Jadran -galenski laboratorij Ljubljana d.o.o.****Ljubljana, Slovenija****Pablo d.o.o.****Zagreb****1162772****JGL North America LLC****New York, USA**

Accounting:

Contact: **Crnković Verica**

(enter surname and name of the contact person)

Phone: **051 660 710**Fax: **051 660 711**e-mail: verica.crnkovic@jgl.hrSurname and name: **Usmiani Ivo**

(Person authorized to represent)

Documents to be published:

1. Financial reports (balance sheet, income statement, cash flow statement, changes in equity statement and notes)
2. Management report,
3. Statement of Persons Responsible for drafting reports.
4. Decision of the competent administration authority on forming the yearly financial reports
5. Decision on distribution of profit or coverage of loss

M.P.

(Person authorized to represent - signature)

GROUP JGL, joint-stock company, Rijeka

*AUDIT REPORT
OF ANNUAL CONSOLIDATED FINANCIAL REPORTS
FOR 2011*

RIJEKA, APRIL 2012

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Report on Management Board responsibility

In accordance with the legal requests of the financial reporting framework, applicable in the Republic of Croatia, the Management Board is responsible for financial reports and their accordance with International Financial Reporting Standards (IFRS) as determined by the Financial Reporting Standards Committee. Financial reports provide a true and fair view of the Company and its financial results for the given period.

Following the audit's completion, the Management duly expects the Group to dispose of relevant resources, therefore, while drafting financial reports, further adopts the principle of dynamic transitional environment of business.

The Management Board's responsibility while drafting the financial reports is to:

- chose and apply consistent accounting policies*
- provide justified and reasonable judgements and estimations*
- Act in accordance with valid accounting standards, with publishing and explaining of all materially relevant deviations in financial reports and*
- draft financial reports under the presumption of dynamic transitional environment, unless the presumption that the Group will continue its business in not applicable.*

The Management Board is responsible for managing relevant accounting records, which shows the financial position of the Group in each moment with relevant punctuality. Also, the Management Board is obliged to ensure that the financial reports are in accordance with the Accounting Act. Besides that, the Management is responsible for keeping the Group's assets and undertaking justified actions for preventing and revealing fraud and other faults.

Rijeka, dated 20th April 2012

For and on behalf of the Management Board

Ivo Usmiani, MPharm. spec.

INDEPENDENT AUDITOR'S REPORT FOR THE SHAREHOLDERS OF GROUP JGL joint stock company, Rijeka

We have performed an audit on the attached financial reports of Group JGL, a joint stock company, Rijeka, including the Consolidated Balance Sheet as of 31 December 2011, Consolidated Income statement with a report of other comprehensive income, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Group's Equity for 2011, as well as a summary of important accounting policies and other notes, incl. explanations (enclosed on pages 5 to 26).

Responsibility of the Management Board for financial reports

The Management Board is responsible for compiling and objective presentation of these financial reports in accordance with the International Financial Reporting Standards (IFRS). Responsibility of the Management Board includes: determining, implementing and maintaining internal controls, relevant for compiling and fair presentation of financial reports where there will be no significant misstatement caused by fraud or fault; selecting and application of suitable accounting policies and creating reasonable accounting evaluations in given circumstances.

Auditor's responsibility

Our responsibility is to provide opinion on the financial reports based on the performed audit.

The audit was performed according to the International auditing standards. Those standards require the auditors to act in accordance with the ethical requirements and to plan and perform the audit in order to acquire reasonable belief whether the financial reports are without any serious misrepresentations.

The audit includes performing procedures for acquiring auditing evidence on amounts and announcements set forth in the financial reports. The chosen procedures depend on the auditors' judgement, including assessing the risk of significant misrepresentations in financial reports due to fraud or fault. When evaluating those risks, the auditor takes into consideration internal control of the Company, relevant to the preparation and accurate (fair) representation of financial reports, in order to determine suitable auditing procedures which are appropriate to the circumstances, and not to express opinion on successfulness of the internal control of the Company. The audit includes the evaluation of how appropriate the used accounting policies were, and how reasonable the accounting evaluations of the Management Board were, as well as evaluation of the complete representation of the financial statements.

We believe that the acquired auditing evidence is sufficient and reliable basis for our auditing opinion.

Opinion

In our opinion, the financial statement provides true and fair representation in all relevant determinants of the financial state of Group JGL, a joint stock company, Rijeka, as of 31 December 2011, its business results, cash flow and changes in shareholders equity for 2011 to the financial reporting standards.

Highlighting the issues

Without prejudice to the opinion expressed, we draw attention to the independent auditor's report for the affiliate company Jadran-Galenski Laboratorij d.o.o Beograd for 2011 in which a reserved opinion is expressed for this reason:

- Receivables on 31st of December 2011 in total amount of RSD 45.346 (HRK 3.324) include receivables older than one year and receivables from bankrupt companies in total amount od RSD 3.006 (HRK 220.000). Therefore receivables and result of the period are overestimated for that amount.

In Rijeka, 20th of April 2012

*„REV-RI“ d.o.o. Rijeka
Užarska 17/II*

Authorized auditor

Management

Jadranka Vezmar, dipl. oec.

CONSOLIDATED BALANCE SHEET
As of 31 December 2011

Title	Note	Previous year (net)	Current year (net)
ASSETS			
A) RECEIVABLES FOR SHAREHOLDERS EQUITY, NON-PAID		0	0
B) LONG TERM ASSETS	5a	238.550.145	300.220.749
I. INTANGIBLE ASSETS		57.485.529	74.083.882
1 Expenditure for research and development		920.491	4.706.120
2 Patents, licences, concessions, trademarks, software and other rights		18.370.893	22.020.173
3 Goodwill		21.561.122	36.268.650
4 Advances on intangible assets			
5 Intangible assets-construction in progress		12.724.894	7.510.267
6 Other intangible assets		3.908.129	3.578.672
II. TANGIBLE ASSETS		179.358.954	224.297.211
1 Land		3.326.747	4.206.842
2 Buildings		54.369.517	70.000.076
3 Equipment and machinery		65.105.685	92.331.158
4 Tools, power stock and transportation means		13.217.321	16.816.479
5 Biological assets			
6 Advances on tangible assets	5c	927.163	827.682
7 Tangible assets-construction in progress		7.765.576	8.412.021
8 Other tangible assets		605.481	605.481
9 Investments in real estate	5b	34.041.464	31.097.472
III. LONG TERM FINANCIAL ASSETS		1.668.841	1.818.228
1 Shares in affiliated companies			
2 Loans to affiliated companies			
3 Participating interest	5d	1.480.147	1.490.147
4 Loans to companies with participating interest			
5 Securities investments			
6 Given loans, deposits			
7 Other long term financial assets			
8 Investments (equity method)		188.694	328.081
IV. RECEIVABLES	5e	36.821	21.428
1 Receivables from affiliated companies			
2 Receivables from sales on credit			
3 Other receivables		36.821	21.428
V. DEFERRED TAX ASSETS			
C) SHORT TERM ASSETS	6	381.851.789	493.502.100
I. INVENTORIES	6a	71.243.931	144.653.540
1 Raw and other material		33.445.698	60.097.132
2 Production in progress			
3 Finished products		19.393.070	22.973.670
4 Trade goods		18.405.163	61.582.738
5 Advances on inventories			
6 Long term assets for sale			
7 Biological assets			
II. RECEIVABLES	6b	229.958.557	309.142.529
1 Receivables from affiliated companies			
2 Receivables from buyers		205.432.778	288.459.512

3 Receivables from participating companies		1.216	1.221
4 Receivables from employees and subsidiaries		78.550	41.768
5 Receivables from government and other institutions		15.694.722	18.786.696
6 Other receivables		8.751.291	1.853.332
III. SHORT TERM FINANCIAL ASSETS	6c	54.556.483	30.647.571
1 Shares in affiliated companies			
2 Loans to affiliated companies			
3 Participating interest			
4 Loans given to companies with participating interest		200.000	116.521
5 Securities investment		20.906.656	4.181.390
6 Given loans, deposits		27.445.931	26.349.660
7 Other short term financial assets		6.003.896	
IV. CASH AT BANKS AND IN HAND	6d	26.092.818	9.058.460
D) PREPAYMENTS AND ACCRUED INCOME	7	7.109.697	4.942.692
E) TOTAL ASSETS		627.511.631	798.665.541
F) OFF BALANCE SHEET ITEMS		0	0
LIABILITIES			
A) CAPITAL AND RESERVES	8	199.041.317	260.538.684
I. CALLED UP CAPITAL		5.625.000	5.625.000
II. CAPITAL RESERVES		-730.577	102.964
III. INCOME RESERVES		3.395.484	2.914.390
1 Compulsory reserves		420.819	420.819
2 Reserves for treasury shares		881.286	362.892
3 Treasury shares (deductible)		47.400	10.100
4 Statutory reserves			
5 Other reserves		2.140.779	2.140.779
IV. REVALUATION RESERVES			
V. RETAINED PROFIT OR TRANSFERRED LOSS		153.146.083	188.556.484
1 Retained profit		153.146.083	188.556.484
2 Transferred loss			
VI. PROFIT (LOSS) FOR CURRENT YEAR		37.605.327	63.339.846
1 Profit for current year		37.605.327	63.339.846
2 Loss for current year			
VII MINORITY INTEREST			
B) PROVISIONS		0	0
1 Provisions for retirement and similar expenditures			
2 Provisions for taxes and contributions			
3 Other provisions			
C) LONG TERM LIABILITES	9	219.941.464	231.926.739
1 Liabilities for affiliated companies			
2 Liabilities for loans, deposits			
3 Liabilities for bank loans and other financial institutions	9a	95.203.054	92.650.072
4 Liabilities for advances			
5 Accounts payables			
6 Securities payables	9b	124.738.410	139.276.667
7 Liabilities for companies with participating interest			
8 Other long-term liabilities			
9 Deferred tax liability			
D) SHORT-TERM LIABILITIES	10	204.265.767	296.470.751

1 Liabilities for affiliated companies			
2 Liabilities for loans, deposits	10a	8.054.488	7.347.397
3 Liabilities for bank loans and other financial institutions	10a	49.413.597	27.119.204
4 Liabilities for advances	10d	3.641.119	625.115
5 Accounts payables	10b	123.967.214	176.272.506
6 Securities payables	10c	1.100.000	50.062.817
7 Liabilities for companies with participating interest	10d	8.199	24.037
8 Liabilities for employees	10d	7.027.303	10.949.435
9 Liabilities for taxes, contributions and other	10d	11.019.537	16.433.357
10 Liabilities for shares in result	10d	14.370	16.920
11 Liabilities for short term assets intended for sale	10d		
12 Other short term liabilities	10d	19.940	7.619.963
E) ACCRUALS AND DEFERRED INCOME	11	4.263.083	9.729.367
F) TOTAL LIABILITIES		627.511.631	798.665.541
G) OFF BALANCE SHEET ITEMS		0	0
APPENDIX TO THE BALANCE SHEET (to be filled by the company drafting the annual consolidated financial statement)			
A) CAPITAL AND RESERVES			
1. Assigned to holders of the capital of the parent company	109	199.041.317	260.538.684
2. Assigned to minority interest	110	0	0

CONSOLIDATED INCOME STATEMENT WITH REPORT ON OTHER COMPREHENSIVE INCOME
from 1 January 2011 and 31 December 2011

Title	Note	Previous year (net)	Current year (net)
I. BUSINESS REVENUE	12	582.475.723	685.379.511
1 Sales revenue		562.597.417	658.289.753
2 Other operational revenue		19.878.306	27.089.758
II. BUSINESS EXPENSE	13	528.649.610	596.225.711
1 Change in value of inventories for production and goods		6.719.489	-43.873.565
2 Operating expense		355.426.930	445.726.632
a) Cost of raw material		121.334.496	179.565.432
b) Costs of goods sold		111.222.809	136.819.089
c) Other external costs		122.869.625	129.342.111
3 Expense for employees		105.612.051	133.893.759
a) Net salaries and wages		62.631.043	79.960.153
b) Taxes, social and pension funds		27.625.040	34.284.263
c) Contributions for salaries		15.355.968	19.649.343
4 Depreciation		15.890.393	19.779.415
5 Other expense		23.341.032	28.550.123
6 Revalorisation		15.645.305	1.306.245
a) of long term assets (excluding financial assets)			15.268
b) of short term assets (excluding financial assets)		15.645.305	1.290.977
7 Provisions			2.454.034
8 Other operational expenses		6.014.410	8.389.068
III. FINANCIAL REVENUE	14	10.437.868	8.809.960
1 Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies			
2 Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons		4.610.928	8.437.722
3 Revenue from participating interest and subsidiaries		704	282.612
4 Non-realized revenue		242.624	89.626
5 Other financial revenue		5.583.612	
IV. FINANCIAL EXPENSE	15	23.289.293	28.359.974
1 Interests, exchange rate differentials, dividends and similar expenses from relations with affiliated companies			
2 Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons		21.867.581	25.326.356
3 Non-realized loss (expenses) of financial assets		1.329.188	3.033.618
4 Other financial expenses		92.524	
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES			
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES			
VII. EXTRAORDINARY REVENUE	16		
VIII. EXTRAORDINARY EXPENSE	17		
IX. TOTAL REVENUE		592.913.591	694.189.471
X. TOTAL EXPENSES		551.938.903	624.585.685
XI. PROFIT OR LOSS BEFORE TAX		40.974.688	69.603.786
1 Profit before tax		40.974.688	69.603.786
2 Loss before tax		0	0
XII. INCOME TAX	18	3.369.361	6.263.940
XII. PROFIT OR LOSS OF THE PERIOD		37.605.327	63.339.846

1 Profit of the period		37.605.327	63.339.846
2 Loss of the period		0	0
APPENDIX TO RDG Form (to be filled by the company drafting the annual consolidated financial statement)			
VI. PROFIT OR LOSS OF THE PERIOD			
1 Assigned to holders of the capital of the parent company		37.605.327	63.339.846
2 Assigned to minority interest			
REPORT OF OTHER COMPREHENSIVE INCOME			
I. PROFIT OR LOSS OF THE PERIOD			
		37.605.327	63.339.846
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX			
		0	0
1. Exchange rate differentials from foreign business calculations			
2. Changes in revalorisation reserves for long term tangible and intangible assets			
3. Profit or loss from revalorisation of financial assets intended for sale			
4. Profit or loss from efficient cash flow protection			
5. Profit or loss from efficient investment protection			
6. Share in comprehensive profit/loss of affiliated companies			
7. Actuarial profit/loss according to planned income			
III. TAX ON OTHER COMPREHENSIVE PROFIT OF THE PERIOD			
IV. OTHER NET COMPREHENSIVE PROFIT/LOSS OF THE PERIOD			
		0	0
V. COMPREHENSIVE PROFIT/LOSS OF THE PERIOD			
	19	37.605.327	63.339.846
APPENDIX TO REPORT OF OTHER COMPREHENSIVE INCOME Form (to be filled by the company drafting the annual consolidated financial statement)			
VI. COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD			
1 Assigned to holders of the capital of the parent company		37.605.327	63.339.846
2 Assigned to minority interest			

CONSOLIDATED CASH FLOW STATEMENT
from 1st January 2011 to 31st December 2011

Title	Note	Previous year (net)	Current year (net)
NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI			
1 Cash inflow from buyers		591.406.823	640.189.253
2 Cash inflow from charge, fee and royalty			
3 Cash inflow from insurance for indemnification of damage		1.469.023	307.282
4 Cash inflow from tax refund		27.489.996	52.265.114
5 Other cash inflow		1.496.836	11.072.691
I. Total cash inflow from operating activities		621.862.678	703.834.340
1 Cash outflow for liabilities		384.415.400	507.266.544
2 Cash outflow for employees		33.468.778	87.238.147
3 Cash outflow to insurance for indemnification of damage		0	
4 Cash outflow for interests		16.975.728	14.217.720
5 Cash outflow for taxes		39.791.901	59.951.754
6 Other cash outflow		73.479.802	12.576.068
II. Total cash outflow from business activities		548.131.609	681.250.233
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	20	73.731.069	22.584.107
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES		0	0
CASH INFLOWS FROM INVESTING ACTIVITIES			
1 Cash inflow from sale of long terms intangible and tangible assets		1.086.524	902.563
2 Cash inflow from sale of equity and debt security instruments		1.217.700	
3 Cash inflow from interests		37.549	28.792
4 Cash inflow of dividends		704	
5 Other cash inflow from investing activities		91.890	33.378.741
III. Total cash inflow from investing activities		2.434.367	34.310.096
1 Cash outflow for acquisition of long term tangible and intangible assets		31.624.278	67.707.744
2 Cash outflow for acquisition of equity and debt security instruments			
3 Other cash outflows from investing activities		1.314.921	27.200.000
IV. Total cash outflow from investing activities		32.939.199	94.907.744
B1) NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	20	30.504.832	60.597.648
CASH FLOW FROM FINANCE ACTIVITIES			
1 Cash inflow from issuing equity and debt financial instruments		90.648.010	140.000.000
2 Cash inflow from loan principals, debentures, credits and other borrowings		12.591.733	22.000.000
3 Other cash inflows from finance activities			17.046.290
V. Total cash inflow from finance activities		103.239.743	179.046.290
1 Cash outflow for repayment of loan principal and bonds		83.092.583	53.213.720
2 Cash outflow for dividend payment		4.185.150	4.777.170
3 Cash outflow for finance lease		9.408.823	11.432.273
4 Cash outflow for buyback of own shares		681.996	377.848
5 Other cash outflow from finance activities		36.399.008	88.266.096
VI. Total cash outflow for finance activities		133.767.560	158.067.107
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES		0	20.979.183

C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES	20	30.527.817	0
Total increase of cash flow		12.698.420	0
Total decrease of cash flow		0	17.034.358
Cash and cash equivalents at the beginning of the period		13.394.398	26.092.818
Increase of cash and cash equivalents	20	12.698.420	
Decrease of cash and cash equivalents			17.034.358
Cash and cash equivalents at the end of the period		26.092.818	9.058.460

CONSOLIDATED CHANGES IN EQUITY
as of 31st of December 2011

Position	Note	31 December 2010	Increase	Decrease	Net change	31 december 2011
Called up capital		5.625.000	0	0	0	5.625.000
Capital reserves		-730.577	1.200.788	367.247	833.541	102.964
Reserves		3.442.884	377.848	896.242	-518.394	2.924.490
Treasury shares		-47.400	-10.600	-47.900	37.300	-10.100
Retained profit or transferred loss		153.146.083	38.501.569	3.091.168	35.410.401	188.556.484
Profit or loss of the period		37.605.327	63.339.846	37.605.327	25.734.519	63.339.846
Dividends		0	4.779.720	4.779.720	0	0
Revalorisation reserves		0	0	0	0	0
a) Revalorisation of real estate, equipment and machinery		0	0	0	0	0
b) Revalorisation of investment		0	0	0	0	0
c) Other revalorisation		0	0	0	0	0
Correction of errors		0	0	0	0	0
Exchange rate differentials from foreign net investments		0	0	0	0	0
Changes in accounting politics		0	0	0	0	0
Total capital and reserves	21	199.041.317	108.189.171	46.691.804	61.497.367	260.538.684

JGL, a joint stock company, Rijeka

NOTES

1. ACTIVITY

Group JGL, a joint stock company, Rijeka, Pulac bb, deals with production of pharmaceuticals and basic raw materials used in production of pharmaceuticals, production of other chemical products, perfumes and cosmetics.

The Group consists of:

Parent- JGL, a joint stock company, Rijeka

Daughter companies:

- *"Farmis" d.o.o. Sarajevo*
- *"Jadran" Galenski laboratorij Ljubljana d.o.o.*
- *"Jadran" Galenski laboratorij Belgrade d.o.o.*
- *"Pablo" d.o.o. Zagreb*
- *JGL North America LLC ,New York, USA*

Granddaughter companies:

- *Ljekarna Pablo, Rijeka*
- *Ljekarne Farmapharm, Zagreb*
- *Ljekarna Jukić , Žrnovnica*
- *Studio Omega d.o.o. Rijeka*
- *Poliklinika Pablo, Solin*

2. STATEMENTS ON COMPLIANCE

Financial reports of the Company have been compiled in accordance with the legal requests of the financial reporting framework, applicable in the Republic of Croatia, for large entrepreneurs and entrepreneurs whose shares or debtor's securities were included, or are about to be included, in the organized securities market, that is and will be, until the date of the accession of the Republic of Croatia into the European Union, based on the International Financial Reporting Standards, the amendments thereof and accompanying interpretations, as determined by the Financial Reporting Standards Committee (hereinafter referred to as: the "Committee"), which have been published in the "Official Gazette".

The Financial Reporting Standards Committee published in the "Official Gazette" No. 136/09 a "Decision of publishing IFRS" which determined that the financial reports regarding the periods from 1st January 2010 onward have to be presented in accordance with IFRS. All later changes of published standards of financial reporting and changes regarding compilation of financial reports for periods from 1st January 2010 onward are published in the "Official Gazette" No. 8/10, 18/10, 27/10, 65/10 and 120/10.

3. COMPANY MANAGEMENT SYSTEM

The Company is managed by the Company Management Board, by the General Director. The Company Management Board is responsible to the Supervisory Board for its work. The Company Management Board chooses the Supervisory Board. The Management Board is responsible for managing, strategies, administration and harmonized organization of all business processes and organizational units of management. Duties of the President of the Management Board are performed by Ivo Usmani, MPharm. spec.

Supervisory Board Members till 26th of October 2011:

<i>Name and surname</i>	<i>Duties within the Supervisory Board</i>
<i>Zdravko Saršon, MPharm.</i>	<i>President</i>
<i>Marina Pavasović, MPharm.</i>	<i>Vice-president</i>
<i>Majid Hejja, MPharm.</i>	<i>Member</i>
<i>Vesna Črnjarić, econ.</i>	<i>Member</i>

By the Decision OU89/2011 of the General Assembly from 2nd of June 2011 new Supervisory Board members were appointed for the period from 27th of October 2011 to 26th of October 2015.

Supervisory Board Members from 27th of October 2011:

<i>Name and surname</i>	<i>Duties within the Supervisory Board</i>
<i>Zdravko Saršon, MPharm.</i>	<i>President</i>
<i>Eva Usmiani Capobianco, mr.spec.</i>	<i>Vice-president</i>
<i>Marina Pulišić, mag. pharm.</i>	<i>Member</i>
<i>Grozdana Božić, dipl.iur.</i>	<i>Member</i>

4. SUMMARY OF BASIC ACCOUNTING POLICIES APPLIED WHILE DRAFTING THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2010.

While drafting the consolidated financial statements for 2011 the Group changed its accounting policies based on International Financial Reporting Standards (IFRS) and the Accounting Act.

Consolidated financial statements are in Croatian kuna (HRK), in local functional currency.

Basic accounting policies applied in drafting of the financial statements for 2011 are as follows:

a) Basics of consolidation

Consolidated financial statements include financial statements of the Parent company and its subsidiaries. Control is necessary if the Parent company has the power of financial and business management of subject policies in a way that can be of benefit to the Parent. Consolidated financial statements include financial statements of these companies:

COMPANY	COUNTRY	% SHARE in 2010	% SHARE in 2011
<i>Farmis d.o.o. Sarajevo</i>	<i>Bosnia and Herzegovina</i>	<i>100</i>	<i>100</i>
<i>Jadran-Galenski laboratorij Ljubljana d.o.o.</i>	<i>Slovenia</i>	<i>100</i>	<i>100</i>
<i>Jadran-Galenski laboratorij Belgrade d.o.o.</i>	<i>Serbia</i>	<i>100</i>	<i>100</i>
<i>Pablo d.o.o. Zagreb</i>	<i>Croatia</i>	<i>100</i>	<i>100</i>
<i>ZU Pablo Rijeka</i>	<i>Croatia</i>	<i>100</i>	<i>100</i>
<i>Ljekarne Farmapharm, Zagreb</i>	<i>Croatia</i>	<i>0</i>	<i>100</i>
<i>Ljekarna Jukić, Žrnovnica</i>	<i>Croatia</i>	<i>0</i>	<i>100</i>
<i>Studio Omega d.o.o. Rijeka</i>	<i>Croatia</i>	<i>100</i>	<i>100</i>
<i>Poliklinika Pablo Solin</i>	<i>Croatia</i>	<i>100</i>	<i>100</i>

JGLNorth America LLC,New York	USA	0	100
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By the Decision 65 made by the Supervisory Board of the Company on the 29th of March 2011 a JGL North America was founded with a starter capital in the total amount of USD 20.000.

All transactions within the Group, all situations and all revenues and expenses were eliminated in consolidation. Non-realized profit and losses were eliminated as well.

b) Long-term intangible and tangible assets (basic means)

Long-term intangible assets consist of internally developed intangible asset, investments in foreign assets, investments in computer programmes, licences and goodwill.

Expenses for internally developed intangible assets are represented as intangible assets if they comply with the conditions under item 57 of International accounting standard 38 -"Intangible assets".

Long-term intangible assets include land, buildings, plants and equipment, tools, power stock and office supplies, furniture and transportation means.

Acquisition of long-term tangible assets during the year is registered according to the purchase value. Purchase value is the invoicing value of the acquired assets increased by the expenses arising up to their placing in use.

Equipment is represented as long-term tangible assets if at the time of acquisition its time of use exceeded one year, while individual purchase price exceeds HRK 2.000, or 3.500 HRK.

c) Depreciation

Depreciation of long-term tangible and intangible assets is calculated according to the regulations of the country the Company is registered.

Depreciation is calculated for each asset till its complete write-off.

d) Investments in Property

Property that is kept with the purpose of realizing profit from lease or due to the increase of capital assets value, or both, is expressed as property investment pursuant to International Accounting Standard 40 - "Investment in Property".

Investing in property is measured in procurement expenses, while subsequent measurement is implemented according to the method of fair value.

Profit or loss arising from changes of fair values of property investment is accounted for in the Income statement in the period it occurred.

e) Investing in long-term financial assets

Shares in companies owned by JGL between 20% and 50 % are expressed in accordance with the International Accounting Standard 28 "Investing in Associates" in business records separately by the method of shares, where initial investment is registered in the amount of investment expenses and is revalorized for subsequent changes of the investor's shares in net assets of the company which have received

the investment, and the profit statement represents the investor's share in the operating results of the company being invested in.

The company classifies its investments into bank shares and insurance companies shares, and investments into other non-related companies according to the International accounting standard 39 - "Financial Instruments: Recognition and Measurement" as investments "available for sales" and is shown in business records and financial reports per fair value or acquisition costs.

f) Inventories

Inventories are expressed by the price of cost/acquisition or net sales value depending on the lower value.

The price of cost of final products includes all direct costs of production, a part of general production costs and non-production general costs.

Petty inventory is written-off per rate of 100% when placed in use.

Commercial goods in wholesale are expressed in purchase value, while in retail they are expressed in sales value.

g) Real Estate for sale

According to the International accounting standard 5 – "Long-term assets intended for sale" real estate intended for sale are shown separately from its book values.

h) Receivables from sales

Receivables from sales include all receivables for sold products, goods, and services rendered in the country and abroad.

i) Income

Income is a gross increase of economic benefit during a period, arising from Company's regular activities, when this increase causes the principal to increase, as well as the increases regarding the owner's investments.

In accordance with the regulations, operational income is recognized according to the delivery of the product, i.e. services being completed according to invoicing value, reduced in the amount of given rebates and taxes.

j) Expenditures

Expenditures are reduction of economic benefit in the given period in the form of assets outflow or assets depletion or increase of liabilities with the result of decrease in principal, except for the decreases regarding the principal allocation to the participants in the principal.

Operating expenses which are within realized services, i.e. delivered goods, are constituted by all expenses occurring in relation to invoiced realization.

k) Continuing and investing maintenance

Continuing and investing maintenance expenses of tangible assets are reimbursed from the income of the current fiscal year. Reconstructions and adaptations which change the capacity or purpose of basic assets are recorded, i.e. expressed as increase in the value of tangible assets.

l) Interest income

Interests occurring on the basis of receivables from business relations are expressed in the Income statement as financial income in the period of their occurrence.

m) Interest expenditures

Interests arising from liabilities, calculated until the date of the Balance sheet, are expressed in the Income statement as financial expenditures.

n) Conversion of foreign means of payment and accounting principle of currency differences

All means and liabilities in foreign means of payment are converted according to the mean exchange rate of the Croatian National Bank valid on the date of the Balance Sheet.

Negative currency differences, i.e. positive currency differences arising from conversion of all liabilities and receivables from foreign currency into HRK equivalent are expressed in the Income statement within the financial profit and expenditures.

o) Financial instruments

Non-derivative financial instruments are investments in the principal, receivables towards buyers and other receivables, cash and cash equivalent, loans and credits, liabilities towards suppliers and other liabilities.

Non-derivative financial instruments have initial value as per fair value.

p) Goodwill and excess of acquirer's interest in the net fair value of assets (negative goodwill)

Goodwill arising on consolidation represents the excess of cost of acquisition over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary, the subsidiary or jointly controlled entity at the acquisition date. Goodwill is included in intangible assets.

Negative goodwill arising on consolidation represents the excess of the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary, the subsidiary or jointly controlled entity over the cost of acquisition. Negative goodwill is included in retained earnings.

5. LONG-TERM ASSETS

a) Long-term intangible and tangible assets (basic means)

Long-term intangible and tangible assets is presented as follows:

	Real estate (land and building)	Equipment and machinery, tools, power stock and transportatio n means	Other tangible assets	Tangible assets- construction in progress	Total tangible assets	Intangible assets
	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK
Current value of basic assets as of 31 December 201	74.206.918	109.147.637	605.481	8.412.021	192.372.057	74.083.882
Current value of basic assets as of 31 December 2010	57.696.264	78.323.006	605.481	7.765.576	144.390.327	57.485.529

Within intangible assets is goodwill in the amount of HRK 36.268.650 (in 2010 HRK 21.561.122). Changes in equity of Group are eliminated in retained profit.

b) Investments in Property

Investments in property as of 31 December 2011 amount to HRK 31.097.472 (HRK 34.041.464 in 2010).

During 2010, value estimation was executed on the stated real estate by the independent evaluator. Increase of value in the amount of HRK 89.626 is shown in the Income statement on behalf of income pursuant to International Accounting Standard 40 - "Investments in Property". The decrease in the amount of HRK 3.033.618 is shown as expenses for non-realized loss in accordance with International Accounting Standard 40 - "Investments in Property".

c) Advances on long-term tangible asset

Advances on long-term tangible assets as of 31st December 2011 amount to HRK 827.682 (HRK 927.163 in 2010), and relate to the advances paid according to the Leasing Agreements for equipment and machinery in production.

d) Long-term financial assets

Long-term financial assets consist of participating interests.

Participating interest are investments in:

	2010	2011
	in HRK	in HRK
Kanal RI d.o.o.	785.000	785.000
Kvarner Vienna Insurance Group d.d., Rijeka	337.575	337.575
Menadžer d.o.o.	7.572	7.572
Andros d.o.o.	350.000	350.000
Ri Novine d.o.o.	0	10.000
Situation on 31 st December	1.480.147	1.490.147

Investment in joint company Galena d.o.o. is noted using the equity method on the 31st of December 2011 in amount of HRK 328.081 (HRK 188.694 in 2010). JGL has 49% share in equity of the company Galena d.o.o.

d) Long-term financial assets

Long-term financial assets amount to HRK 21.428 (in 2010 HRK 36.821), and are in reference to advance payment for vehicle rent in respect for long term leases in the period 2010 – 2014.

6. SHORT-TERM ASSETS

a) Inventories

The inventories are:	2010	2011
	in HRK	in HRK
Raw material and consumables	33.445.698	60.097.132
Finished products	19.393.070	22.973.670
Goods	18.405.163	61.582.738
Situation on 31 st December	71.243.931	144.653.540

b) Receivables

Receivables are: receivables from buyers, receivables from companies with participating interest, receivables from employees, receivables from the government and other institutions, and other receivables

Receivables from buyers are:

	2010	2011
	in HRK	in HRK
Buyers in the country	108.198.471	134.980.296
Buyers abroad	97.234.307	153.479.216
Situation on 31 December	205.432.778	288.459.512

Receivables from participating companies in 2011 are expressed in the amount of HRK 1.221 (HRK 1.216 in 2010).

Receivables from employees are expressed in the amount of HRK 41.768 (HRK 78.550 in 2010).

Receivables from government and other institutions are expressed in the amount of HRK 18.786.696 (HRK 15.694.722 in 2010).

Other receivables are:

	2010	2011
	in HRK	in HRK
Receivables on advances	8.495.799	1.132.081
Receivables on interests	0	89.916
Receivables from indemnification of damage	0	546.817
Other receivables (cession, assignment and assuming of debt)	255.492	84.518
Situation on 31 December	8.751.291	1.853.332

c) Short-term financial asset

Short-term financial assets are: loans provided to associates, loans provided to companies with participating interest, receivables for received securities, provided loans and deposits and other financial assets.

Loans provided to companies with participating interest are expressed in the amount of HRK 116.521 and refer to the loan given to company Kanal Ri d.o.o.

Receivables for all received securities are expressed in the amount of HRK 4.181.390 (HRK 20.906.656 in 2010) and are referring to bills of exchange, card operations in retail and financial bills.

Given loans and deposits are expressed in total amount of HRK 26.349.660 (in 2010 HRK 27.445.931).

Other financial assets are expressed in total amount of HRK 0 and refer to investment in Erste Money fond (in 2010 HRK 6.003.896).

d) Cash at banks and in hand

Cash at banks and in hand on 31st of December 2011 amounts to HRK 9.058.460 (in 2010 HRK 26.092.818) and refers to the funds in bank accounts and foreign currency, non-resident accounts and foreign currency in cash and cash.

7. PREPAYMENTS AND ACCRUED INCOME

Prepayments in the amount of HRK 4.942.692 (HRK 7.109.697 in 2010) relate to interest on leasing calculated beforehand, registration and advertising expenses paid beforehand, and other paid expenses for future period.

8. CAPITAL AND RESERVES

Share capital of JADRAN - GALENSKI LABORATORIJ, a joint stock company from Rijeka amounts to HRK 5.625.000 and is divided into 56,250 shares of nominal value in the amount of HRK 100 per each share.

Ownership structure

<i>NAME AND SURNAME</i>	<i>NUMBER OF SHARES</i>	<i>% IN CAPITAL</i>
<i>Ivo Usmiani</i>	<i>16571</i>	<i>29,46</i>
<i>Zdravko Saršon</i>	<i>11625</i>	<i>20,67</i>
<i>Marina Pulišić</i>	<i>2570</i>	<i>4,57</i>
<i>Grozdana Božić</i>	<i>1400</i>	<i>2,49</i>
<i>Vesna Črnjarić</i>	<i>1180</i>	<i>2,10</i>
<i>Sanja Vujić Šmaguc</i>	<i>1135</i>	<i>2,02</i>
<i>Đurđica Miletović Forempoher</i>	<i>990</i>	<i>1,76</i>
<i>Majid Hejja</i>	<i>730</i>	<i>1,29</i>
<i>Radmila Načeta</i>	<i>600</i>	<i>1,07</i>
<i>Gordana Špoljarić</i>	<i>510</i>	<i>0,90</i>
<i>Ostali</i>	<i>18939</i>	<i>33,67</i>
<i>UKUPNO</i>	<i>56250</i>	<i>100,00</i>

Source: JGL

On the beginning of the period the Company owned 474 of own shares. During 2011 the Company acquired 106 and sold 479 of own shares. Portfolio of the Company amounts to 101 own shares.

Changes occurring in purchase and sales of owned shares were not recorded with the Central Clearing Depository Company.

The Company, pursuant to the provisions of the Companies Act, formed reserves for owned shares which on 31st of December 2011 amounted to HRK 362.892.

Legal and other reserves are formed pursuant to the Companies Act and the Statute of JGL, joint stock company, Rijeka.

Pursuant to the Decision of the General Assembly of the Company, retained profit achieved after 2005 was reduced by HRK 4.779.720 on behalf of the dividend to the holders of regular shares in series "A", "B" and "C" in the amount of HRK 85 per share with the right to a dividend.

Pursuant to the Decision of the General Assembly of the Company and Managers Contracts, the member of the Management Board, Executive Board members and the president of the Supervisory Board received, without compensation, 229 shares. (747 shares in 2010).

Profit of current year is HRK 64.239.283 and represents the profit according to the Income statement and is expressed in nominal value.

9. LONG-TERM LIABILITIES

a) Long-term liabilities towards banks and other financial institutions.

	2010	2011
	in HRK	in HRK
Erste & Steiermarkische Bank, d.d. Rijeka-IBRD	50.538.815	38.711.374
Raiffeisenbank Austria d.d. Podružnica Rijeka	923.125	0
Privredna banka Zagreb d.d., Podružnica Riadria, Rijeka	0	14.666.513
Societe Generale-Splitska banka -HBOR	19.885.896	14.498.807
Privredna banka Zagreb-HBOR	15.121.750	12.339.379
Erste & Steiermarkische S-Leasing d.o.o., Zagreb	8.733.468	12.433.999
Situation 31st of December	95.203.054	92.650.072

Long term liabilities toward IBRD and CBRD (HBOR) are loans for purchase of repro-materials with repayment period till year 2015.

Long term liabilities toward Erste & Steiermarkische S-Leasing d.o.o., Zagreb are based on several financial leasing agreement with the subject of leasing being personal and transport vehicles, system of clean rooms, machines for production and packaging of medicines, analytic equipment, laser code reader, system for developing eye drops, sterilizer.

Long term liabilities toward Privredna banka Zagreb d.d., affiliate Riadria, Rijeka is a loan used to refund resources invested in long-term assets and working assets. The loan is due on the 30th of April 2016.

To ensure payment, right of ownership to the Company's property is given to the creditor.

b) Liabilities for securities

Liabilities for securities on 31st of December 2011 amount to HRK 139.276.667, relating to liabilities for issued long-term bonds (HRK 124.738.410 in 2010).

Croatian Financial Services Supervisory Agency (hereinafter referred to as CFSSA) brought on 17 May 2007 a Decree (Class: UP/1-451-04/07-11/5, Reg. No.: 326-111/(07-3) by means of which JGL approves a brochure on issuing the corporate bonds by public procurement and publishing data while bonds are enlisted for the first listing, after CFSSA, within seven days from the expiration date for payment of bonds, delivers the notification on number and percentage of listed and paid bonds and persons who have registered and paid for the bonds. Notification on results of issuing of bonds of JGL was delivered by CFSSA on 11 June 2007.

JGL, joint stock company issued registered bonds on 11. June 2007, in non-materialized form, in the total amount of HRK 125,000,000, in denomination of HRK 1, with maturity in 2012.

Bonds have been listed into Zagreb Stock Exchange pursuant to Agreement on listing of securities as of 12 June 2007.

JGL joint stock company on 20th of April 2011 issued bonds in total amount of HRK 140.000.000 on the base of informational memorandum. Informational memorandum was not approved by CFSSA because according to the Capital Market Act (article 351.) there is no such obligation if the bonds are offered and bought by investors for at least EUR 50.000.

On the 3rd of November 2011 CFSSA brought a Decree (Class: UP/1-451-04/11-12/5, Reg. No.: 326-111/(11-8) by means of which it approves a brochure on issuing bonds JDGL-O-166A of total amount HRK 140.000.000. The bonds are issued on the active market by the name and dematerialised, denominated on HRK 1 with variable interest rate and with due date on 10th of June 2016.

Part of the bonds issued on the 11th of June 2007 (HRK 74.850.000) were exchanged with new bonds issued on the 20th of April 2011.

Determined interest rate for the period from 11th June 2009 till 11th June 2011 amounts to 9,80% annually and 6,1125% for the period 11th June 2010 – 11th June 2011. Determined interest rate for the period from 11th June 2011 till 11th June 2012 for the exchanged bonds (HRK 74.850.000) is 5,25%. Determined interest rate for the new bonds for the period from 11th June 2011 till 11th June 2012 is 5,35%. In 2011, the Company paid HRK 8.116.054 for accrued interest.

10. SHORT-TERM LIABILITIES

a) Liabilities for loans toward banks and other financial institutions

	<u>2010</u>	<u>2011</u>
	<i>in HRK</i>	<i>in HRK</i>
<i>Societe-Generale-Splitska banka (HBOR)</i>	33.646.656	0
<i>Raiffeisen bank</i>	7.385.173	0
<i>Current immediate long-term liabilities</i>	15.296.110	33.622.013
<i>Liabilities for interests</i>	1.140.146	844.588
<i>Situation on 31 December</i>	<u>57.468.085</u>	<u>34.466.601</u>

Stated liabilities relate to working assets loans, investments, for crediting, preparing and charging for exporting activities .

b) Liabilities towards suppliers

Liabilities towards suppliers relate to:

	2010	2011
	<i>in HRK</i>	<i>in HRK</i>
Suppliers in the country	80.321.296	108.806.141
Suppliers abroad	43.645.918	67.466.365
Situation on 31 st of December	<u>123.967.214</u>	<u>176.272.506</u>

c) Liabilities for securities

Liabilities for securities amount to HRK 50.062.817 (HRK 1.100.000 in 2010).

d) Other short-term liabilities

Other short-term liabilities relate to the following:

	2010	2011
	<i>in HRK</i>	<i>in HRK</i>
Received advances	3.641.119	625.115
Liabilities for employees	7.027.303	10.949.435
Liabilities toward companies with participating interest	8.199	24.037
Liabilities for taxes, contributions and other duties	11.019.537	16.433.357
Liabilities for shares in result	14.370	16.920
Other short-term liabilities	19.940	7.619.963
Situation on 31 st of December	<u>21.730.468</u>	<u>35.668.827</u>

11. ACCRUALS AND DEFERRED INCOME

Accruals and deferred income amounts to HRK 9.729.367 (HRK 4.263.083 in 2010) out of which HRK 6.241.508 relates to outstanding interests on bonds and bank loans, while HRK 1.033.825 refers to deferred income from the government and HRK 2.454.034 relates to unused vacation expenses.

12. OPERATIONAL REVENUE

Operational revenue is:

	2010	2011
	<i>in HRK</i>	<i>in HRK</i>
Revenue from sales	562.597.417	658.289.753
Other revenue	19.878.306	27.089.758
Total	<u>582.475.723</u>	<u>685.379.511</u>

13. OPERATIONAL EXPENDITURES

Operational expenditures are:

	2010	2011
	<i>in HRK</i>	<i>in HRK</i>
Cost of material, energy and small inventory	121.334.496	179.565.432
Costs of goods sold	111.222.809	136.819.089
Costs of services	122.869.625	129.342.111
Expenses for employees	105.612.051	133.893.759
Depreciation	15.890.393	19.779.415
Value adjustment of short-term assets	15.645.305	1.306.245
Other expenses	29.355.442	36.939.191
Increase of value of goods inventory	0	-43.873.565
Decrease of value of goods inventory	6.719.489	0
Reserves	0	2.454.034
<i>Total</i>	<u>528.649.610</u>	<u>596.225.711</u>

14. FINANCIAL REVENUES

Financial revenues are:

	2010	2011
	<i>in HRK</i>	<i>in HRK</i>
Interest revenues	402.094	1.232.597
Revenues from exchange rate differences	4.208.834	7.205.125
Revenues from participating interests	704	0
Revenues from shares in Investment Funds	3.896	143.225
Revenues from negative goodwill	5.291.716	0
Revenues from increase of value of property investments	242.624	89.626
Other financial revenues	288.000	139.387
<i>Total</i>	<u>10.437.868</u>	<u>8.809.960</u>

15. FINANCIAL EXPENDITURES

Financial expenditures are:

	2010	2011
	<i>in HRK</i>	<i>in HRK</i>
Interest expenditures	17.111.846	16.715.074
Expenditures from exchange rate differences	4.755.735	8.611.282
Expenditures from selling shares	92.524	0
Expenditures from decrease in value of investment in real estate	1.329.188	3.033.618
<i>Total</i>	<u>23.289.293</u>	<u>28.359.974</u>

16. OTHER REVENUES

Other revenues are HRK 0.

17. OTHER EXPENDITURES

Other expenditures are HRK 0.

18. PROFIT TAX

Profit tax is charged on the principal in accordance with the regulations of the country in which each company is registered, in Croatia the tax rate is 20%, in Slovenia 25%, in Serbia 10% and in Bosnia and Herzegovina 10%.

Total profit tax for the Group amounts to HRK 6.263.940.

19. REPORT ON OTHER COMPREHENSIVE INCOME

Profit of the period and other comprehensive profit are the same and amount to HRK 63.339.846 (in 2010 profit and comprehensive profit of the period amounted to HRK 37.605.327).

20. REPORT ON CASH FLOW

Report on cash flow is compiled according to the indirect method and it shows the cash flow from business, investing and financing activities.

The cash flow from business activities shows an increase in the amount of HRK 22.584.107.

The cash flow from investing activities shows a decrease in the amount of HRK 60.597.648.

The cash flow from financing activities shows a decrease in the amount of HRK 20.979.183.

The total cash flow for 2010 shows a decrease in the amount of HRK 17.034.358.

21. REPORT ON CHANGES OF EQUITY

Report on changes of equity for 2011 displays the total increase of equity in the amount of HRK 61.497.367.

22. POTENTIAL LIABILITIES

No procedures have been initiated against the Group, nor are there any indications that the procedure of a significant value might be initiated.

23. RISK MANAGEMENT

The Company is exposed to various financial risks connected to currency, interest, credit and liquidity risk. The Company monitors the said risks and is trying to reduce their potential influence on the financial exposition of the Company.

The Company is exposed to the risk of changes to foreign currency exchange rate during procurement and sales that are denominated in foreign currency. Currency risk is present due to possible changes to the foreign currency exchange rates.

Financial assets that may expose the Company to a credit risk are cash and receivables from buyers. The Credit risk concerning receivables from buyers is restricted due to the distribution of the receivables on various geographic areas and buyers.

Liquidity risk management implies maintaining the amount of money and providing availability of financial assets in the form of credit lines. Exposing the Company to credit, interest and currency exchange risks occurs during regular business activities of the Company.

Fair value of financial assets and financial liabilities on 31st December 2010 is no different than its book values.

24. SALARIES

During regular business operations, when paying salaries, the Company makes regular payments of contributions in the name of its employees in accordance with the law. Mandatory pension contributions to funds are expressed as a part of expenses on salaries when the same are charged. The obligations for non-taxable fees, allowances and rewards are acknowledged in the period they have been achieved in.

Total number of employees in the Group on 31st of December 2011 is 702.

25. RETROACTIVE CHANGE IN REPORTS FOR THE YEAR 2010

In 2010 annual financial reports some positions were reclassified in order to be comparable to 2011 annual financial reports. The changes made are:

Additional discounts – in 2010 additional discounts were noted as expenses and in 2011 they decrease the revenue. For the purpose of comparison the Income Statement positions Sales revenue and Other expenses were altered.

Internally developed intangible assets – in 2010 they generated revenue while in 2011 they decrease the expenses. For the purpose of comparison the Income Statement positions Other business revenue, Cost of raw material, Other external expenses, Employee expenses and Other expenses were altered.

Financial liability measurement – in 2010 additional financial liability was measured by cash flow, in 2011 it is measured by depreciated expense using the effective interest rate method. For the purpose of comparison the Balance sheet positions Prepayments, Long-term liabilities toward banks and other financial institutions, Long-term liabilities for securities and Short-term liabilities for securities were altered.

26. EVENTS AFTER THE DATE OF THE BALANCE SHEET

On the 20th of February 2012 on a public bidding the Municipal court in Rijeka brought a decision regarding the land and business building in favour of JGL joint stock company in total amount of EUR 8.558.158,60. JGL joint stock company will invest on a new production at this location.

Management

Rijeka, 4. April 2011

Report on Management Board responsibility

In accordance with the legal requests of the financial reporting framework, applicable in the Republic of Croatia, the Management Board is responsible for financial reports and their accordance with International Financial Reporting Standards (IFRS) as determined by the Financial Reporting Standards Committee. Financial reports provide a true and fair view of the Company and its financial results for the given period.

Following the audit's completion, the Management duly expects the Group to dispose of relevant resources, therefore, while drafting financial reports, further adopts the principle of dynamic transitional environment of business.

The Management Board's responsibility while drafting the financial reports is to:

- chose and apply consistent accounting policies*
- provide justified and reasonable judgements and estimations*
- Act in accordance with valid accounting standards, with publishing and explaining of all materially relevant deviations in financial reports and*
- draft financial reports under the presumption of dynamic transitional environment, unless the presumption that the Group will continue its business in not applicable.*

The Management Board is responsible for managing relevant accounting records, which shows the financial position of the Group in each moment with relevant punctuality. Also, the Management Board is obliged to ensure that the financial reports are in accordance with the Accounting Act. Besides that, the Management is responsible for keeping the Group's assets and undertaking justified actions for preventing and revealing fraud and other faults.

Rijeka, dated 20th April 2012

For and on behalf of the Management Board

Ivo Usmiani, MPharm. spec.