Attachment 1.

Period: **1.1.2012** **to** **31.12.2012**

Yearly financial report GFI-POD

Registration number (MB):	**03715957**
Registration number (MBS):	**040004561**
Personal identification number (OIB):	**20950636972**
Company:	**JGL d.d.**
Postal code and city:	**51000** **Rijeka**
Adress:	**Pulac bb**
e-mail:	jgl@jgl.hr
Internet adress:	www.jgl.hr
Code and name of city:	**373** **Rijeka**
Code and name of county:	**8** **Primorsko-goranska**
Number of employees (at the end of the period)	**571**
Consolidated report:	**NO**
NKD code:	**2120**

Companies in consolidation (in acc. with IFRS):	Headquarters:	MB:

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.hr

Surname 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)

BALANCE SHEET
on 31st December 2012

JGL d.d.			
Position	ADP mark	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SHAREHOLDERS EQUITY, NON-PAID	**001**		
B) LONG TERM ASSETS (003+010+020+029+033)	**002**	262.878.873	314.735.475
I. INTANGIBLE ASSETS (004 - 009)	**003**	23.148.510	29.394.507
1. Expenditure for research and development	**004**	4.706.120	6.893.445
2. Patents, licences, concessions, trademarks, software and other rights	**005**	10.932.123	13.553.297
3. Goodwill	**006**		
4. Advances on intangible assets	**007**		
5. Intangible assets-construction in progress	**008**	7.510.267	8.947.765
6. Other intangible assets	**009**		
II. TANGIBLE ASSETS (011 - 019)	**010**	208.104.148	253.892.329
1. Land	**011**	3.569.729	4.897.532
2. Buildings	**012**	60.389.274	61.396.253
3. Equipment and machinery	**013**	92.331.158	94.655.200
4. Tools, power stock and transportation means	**014**	10.871.331	11.663.277
5. Biological assets	**015**		
6. Advances on tangible assets	**016**	827.683	837.270
7. Tangible assets-construction in progress	**017**	8.412.021	77.347.261
8. Other tangible assets	**018**	605.480	605.480
9. Investments in real estate	**019**	31.097.472	2.490.056
III. LONG TERM FINANCIAL ASSETS (021 - 028)	**020**	31.626.215	31.448.639
1. Shares in affiliated companies	**021**	30.157.987	30.157.987
2. Loans to affiliated companies	**022**		
3. Participating interest	**023**	1.140.147	1.140.147
4. Loans to companies with participating interest	**024**		
5. Securities investments	**025**		
6. Given loans, deposits	**026**		
7. Other long term financial assets	**027**		
8. Investments (equity method)	**028**	328.081	150.505
IV. RECEIVABLES (030 - 032)	**029**	0	0
1. Receivables from affiliated companies	**030**		
2. Receivables from sales on credit	**031**		
3. Other receivables	**032**		
V. DEFERRED TAX ASSETS	**033**		
C) SHORT TERM ASSETS (035+043+050+058)	**034**	449.025.287	512.085.845
I. INVENTORIES (036 - 042)	**035**	124.717.793	143.073.305
1. Raw and other material	**036**	60.094.204	55.221.013
2. Production in progress	**037**		
3. Finished products	**038**	63.266.635	60.506.685
4. Trade goods	**039**	1.356.954	1.318.310
5. Advances on inventories	**040**		
6. Long term assets for sale	**041**		26.027.297
7. Biological assets	**042**		
II. RECEIVABLES (044 - 049)	**043**	281.783.302	357.349.854
1. Receivables from affiliated companies	**044**	30.772.774	55.335.653
2. Receivables from buyers	**045**	231.773.167	281.796.259
3. Receivables from participating companies	**046**	1.221	0
4. Receivables from employees and subsidiaries	**047**	8.680	26.207
5. Receivables from government and other institutions	**048**	17.548.562	18.341.686
6. Other receivables	**049**	1.678.898	1.850.049
III. SHORT TERM FINANCIAL ASSETS (051 - 057)	**050**	40.868.849	1.069.172
1. Shares in affiliated companies	**051**		
2. Loans to affiliated companies	**052**	13.600.000	278.000
3. Participating interest	**053**		
4. Loans given to companies with participating interest	**054**	116.521	0
5. Securities investment	**055**	3.300.000	600.000
6. Given loans, deposits	**056**	23.852.328	191.172
7. Other short term financial assets	**057**		
IV. CASH AT BANKS AND IN HAND	**058**	1.655.343	10.593.514
D) PREPAYMENTS AND ACCRUED INCOME	**059**	4.503.520	6.018.272
E) TOTAL ASSETS (001+002+034+059)	**060**	716.407.680	832.839.592
F) OFF BALANCE SHEET ITEMS	**061**	84.168.259	110.313.814

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	262.436.684	315.335.685
I. CALLED UP CAPITAL	**063**	5.625.000	5.625.000
II. CAPITAL RESERVES	**064**	102.964	1.926.364
III. INCOME RESERVES (066+067-068+069+070)	**065**	2.914.390	3.470.416
1. Compulsory reserves	**066**	420.819	420.819
2. Reserves for treasury shares	**067**	362.892	928.818
3. Treasury shares (deductible)	**068**	10.100	20.000
4. Statutory reserves	**069**		
5. Other reserves	**070**	2.140.779	2.140.779
IV. REVALUATION RESERVES	**071**		
V. RETAINED PROFIT OR TRANSFERRED LOSS (073-074)	**072**	189.555.047	236.383.705
1. Retained profit	**073**	189.555.047	236.383.705
2. Loss for current year	**074**		
VI. PROFIT/LOSS FOR CURRENT YEAR (076-077)	**075**	64.239.283	67.930.200
1. Profit for current year	**076**	64.239.283	67.930.200
2. Loss for current year	**077**		
VII. MINORITY INTEREST	**078**		
B) PROVISIONS (080 - 082)	**079**	0	917.341
1. Provisions for retirement and similar expenditures	**080**		917.341
2. Provisions for taxes and contributions	**081**		
3. Other provisions	**082**		
C) LONG TERM LIABILITES (084 - 092)	**083**	217.186.461	285.175.751
1. Liabilities for affiliated companies	**084**		
2. Liabilities for loans, deposits	**085**		
3. Liabilities for bank loans and other financial institutions	**086**	77.909.794	145.731.084
4. Liabilities for advances	**087**		
5. Accounts payables	**088**		
6. Securities payables	**089**	139.276.667	139.444.667
7. Liabilities for companies with participating interest	**090**		
8. Other long-term liabilities	**091**		
9. Deferred tax liability	**092**		
D) SHORT-TERM LIABILITIES (094 - 105)	**093**	227.355.854	222.413.750
1. Liabilities for affiliated companies	**094**	1.973.042	5.011.156
2. Liabilities for loans, deposits	**095**	7.308.909	5.335.973
3. Liabilities for bank loans and other financial institutions	**096**	22.719.205	99.291.491
4. Liabilities for advances	**097**	625.115	493.847
5. Accounts payables	**098**	119.898.866	82.628.261
6. Securities payables	**099**	50.062.817	1.200.000
7. Liabilities for companies with participating interest	**100**	24.037	11.333
8. Liabilities for employees	**101**	9.460.974	10.220.416
9. Liabilities for taxes, contributions and other	**102**	14.660.578	15.526.001
10. Liabilities for shares in result	**103**	16.920	18.000
11. Liabilities for short term assets intended for sale	**104**		
12. Other short term liabilities	**105**	605.391	2.677.272
E) ACCRUALS AND DEFERRED INCOME	**106**	9.428.681	8.997.065
F) TOTAL LIABILITIES (062+079+083+093+106)	**107**	716.407.680	832.839.592
G) OFF BALANCE SHEET ITEMS	**108**	84.168.259	110.313.814
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**		
2. Assigned to minority interest	**110**		

Note 1.: Appendix to the balance sheet is to be filled by the company drafting the annual consolidated financial statement

INCOME STATEMENT

from 1st January 2012 and 31st December 2012

JGL d.d.

Position	ADP mark	Previous period	Current period
1	2	3	4
I. BUSINESS REVENUE (112+113)	111	508.156.235	597.968.459
1. Sales revenue	112	498.353.944	586.064.659
2. Other operational revenue	113	9.802.291	11.903.800
II. BUSINESS EXPENSE (115+116+120+124+125+126+129+130)	114	419.148.652	509.391.205
1. Change in value of inventories for production and goods	115	-43.873.565	2.759.950
2. Operating expense(117 - 119)	116	302.903.578	319.903.535
a) Cost of raw material	117	177.311.959	165.451.098
b) Costs of goods sold	118	1.173.484	3.669.347
c) Other external costs	119	124.418.135	150.783.090
3. Expense for employees (121 - 123)	120	109.227.110	124.042.668
a) Net salaries and wages	121	65.723.230	75.096.719
b) Taxes, social and pension funds	122	27.356.594	30.984.092
c) Contributions for salaries	123	16.147.286	17.961.857
4. Depreciation	124	17.534.556	22.084.666
5. Other expense	125	23.628.071	29.908.394
6. Revalorisation (127+128)	126	1.075.710	469.292
a) of long term assets (excluding financial assets)	127		
b) of short term assets (excluding financial assets)	128	1.075.710	469.292
7. Provisions	129	2.454.034	1.212.201
8. Other operational expenses	130	6.199.158	9.010.499
III. FINANCIAL REVENUE (132 - 136)	131	9.262.755	20.472.037
1. Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies	132	1.583.297	1.115.716
2. Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons	133	7.581.445	19.329.086
3. Revenue from participating interest and subsidiaries	134	8.387	19.562
4. Non-realized revenue	135	89.626	7.673
5. Other financial revenue	136		
IV. FINANCIAL EXPENSE (138 - 141)	137	28.623.261	39.397.343
1. Interests, exchange rate differentials, dividends and similar expenses from relations	138	1.608.876	854.417
2. Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons	139	23.980.767	38.118.472
4. Non-realized loss from financial assets	140	3.033.618	424.454
5. Other financial expenses	141		
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES	142	139.387	97.177
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES	143		
VII. EXTRAORDINARY REVENUE	144		
VIII. EXTRAORDINARY EXPENSE	145		
IX. TOTAL REVENUE (111+131+142 + 144)	146	517.558.377	618.537.673
X. TOTAL EXPENSES (114+137+143 + 145)	147	447.771.913	548.788.548
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	69.786.464	69.749.125
1. Profit before tax (146-147)	149	69.786.464	69.749.125
2. Loss before tax (147-146)	150	0	0
XII. INCOME TAX	151	5.547.181	1.818.925
XIII. PROFIT OR LOSS OF THE PERIOD (148-151)	152	64.239.283	67.930.200
1. Profit of the period (149-151)	153	64.239.283	67.930.200
2. Loss of the period (151-148)	154	0	0
APPENDIX TO INCOME STATEMENT Form (to be filled by the company drafting the annual consolidated financial statement)			
XIV. PROFIT OR LOSS OF THE PERIOD			
1. Assigned to holders of the capital of the parent company	155		
2. Assigned to minority interest	156		
REPORT OF OTHER COMPREHENSIVE INCOME (to be filled by the company in accordance with the IFRS)			
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	64.239.283	67.930.200
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (159 do 165)	158	0	0
1. Exchange rate differentials from foreign business calculations	159		
2. Changes in revalorisation reserves for long term tangible and intangible assets	160		
3. Profit or loss from revalorisation of financial assets intended for sale	161		
4. Profit or loss from efficient cash flow protection	162		
5. Profit or loss from efficient investment protection	163		
6. Share in comprehensive profit/loss of affiliated companies	164		
7. Actuarial profit/loss according to planed income	165		
III. TAX ON OTHER COMPREHENSIVE PROFIT OF THE PERIOD	166		
IV. OTHER NET COMPREHENSIVE PROFIT/LOSS OF THE PERIOD	167	0	0
V. COMPREHENSIVE PROFIT/LOSS OF THE PERIOD (157+167)	168	64.239.283	67.930.200
APPENDIX TO REPORT OF OTHER COMPREHENSIVE INCOME Form (to be filled by the company drafting the annual			
VI. COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD			
1. Assigned to holders of the capital of the parent company	169		
2. Assigned to minority interest	170		

CASH FLOW STATEMENT - Indirect method

for the period from __.__.____. to __.__.____.

____

Position	ADP mark	Previous period	Current period
1	2	3	4
CASH FLOW FROM BUSINESS ACTIVITIES			
1. Profit before tax	**001**	0	
2. Depreciation	**002**	0	
3. Increase in short term liabilities	**003**	0	
4. Decrease in short term liabilities	**004**	0	
5. Decrease in inventories	**005**	0	
6. Other increase of cash flow	**006**	0	
I. Total increase of cash flow from business activities (001 do 006)	**007**	0	0
1. Decrease in short term liabilities	**008**	0	
2. Increase in short term liabilities	**009**	0	
3. Increase in inventories	**010**	0	
4. Other decrease in cash flow	**011**	0	
II. Total decrease of cash flow from operating activities (008 - 011)	**012**	0	0
A1) NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES (007-012)	**013**	0	0
A2) NET DECREASE OF CASH FLOW FROM BUSINESS ACTIVITIES (012-007)	**014**	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of long terms intangible and tangible assets	**015**	0	
2. Cash proceeds from sale of equity and debt security instruments	**016**	0	
3. Cash proceeds from interest payment	**017**	0	
4. Cash proceeds of dividend payment	**018**	0	
5. Other cash proceeds from investing activities	**019**		
III. Total cash inflow from investing activities (015 - 019)	**020**	0	0
1. Cash outflow for acquisition of long term tangible and intangible assets	**021**	0	
2. Cash outflow for acquisition of equity and debt security instruments	**022**		
3. Other cash outflows from investing activities	**023**		
IV. Total cash outflow from investing activities (021 - 023)	**024**	0	0
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)	**025**	0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)	**026**	0	0
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	**027**		
2. Cash inflow from loan principals, debentures, credits and other borrowings	**028**	0	
3. Other cash inflows from finance activities	**029**		
V. Total cash inflow from finance activities (027 - 029)	**030**	0	0
1. Cash outflow for repayment of loan principal and bonds	**031**	0	
2. Cash outflow for dividend payment	**032**	0	
3. Cash outflow for finance lease	**033**	0	
4. Cash outflow for buyback of own shares	**034**	0	
5. Other cash outflow from finance activities	**035**	0	
VI. Total cash outflow for finance activities (031 - 035)	**036**	0	0
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)	**037**	0	0
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)	**038**	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	**039**	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	**040**	0	0
Cash and cash equivalents at the beginning of the period	**041**	0	
Increase of cash and cash equivalents	**042**	0	
Decrease of cash and cash equivalents	**043**	0	
Cash and cash equivalents at the end of the period	**044**	0	0

CASH FLOW STATEMENT - Direct method

For the period from 1st January 2012 till 31st December 2012

JGL d.d.			
Position	**ADP mark**	**Previous period**	**Current period**
1	2	3	4
CASH FLOW FROM BUSINESS ACTIVITIES			
1. Cash proceeds from buyers	**001**	465.504.931	531.022.129
2. Cash proceeds from royalties, fees, commissions, etc	**002**		274.754
3. Cash proceeds from insurance claims	**003**	307.282	804.716
4. Cash proceeds from tax return	**004**	52.265.114	52.955.256
5. Other cash proceeds	**005**	4.527.646	6.702.368
I. Total increase of cash flow from operating activities (001 - 005)	**006**	522.604.973	591.759.223
1. Novčani izdaci dobavljačima	**007**	350.313.896	433.678.755
2. Novčani izdaci za zaposlene	**008**	65.116.483	76.522.524
3. Novčani izdaci za osiguranje za naknade šteta	**009**		
4. Novčani izdaci za kamate	**010**	13.316.705	19.081.721
5. Novčani izdaci za poreze	**011**	52.776.268	69.436.490
6. Ostali novčani izdaci	**012**	6.365.476	6.814.936
II. Ukupno novčani izdaci od poslovnih aktivnosti (007 do 012)	**013**	487.888.828	605.534.426
A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH	**014**	34.716.145	0
A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH	**015**	0	13.775.203
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash proceeds from sale of long terms intangible and tangible assets	**016**	902.563	703.426
2. Cash proceeds from sale of equity and debt security instruments	**017**		
3. Cash proceeds from interest payment	**018**	1.046.166	267.546
4. Cash proceeds of dividend payment	**019**		
5. Other cash proceeds from investing activities	**020**	39.967.954	13.716.521
III. Total cash inflow from investing activities (015 - 019)	**021**	41.916.683	14.687.493
1. Cash outflow for acquisition of long term tangible and intangible assets	**022**	66.136.557	83.284.091
2. Cash outflow for acquisition of equity and debt security instruments	**023**	104.460	0
3. Other cash outflows from investing activities	**024**	47.200.000	278.000
IV. Total cash outflow from investing activities (021 - 023)	**025**	113.441.017	83.562.091
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)	**026**	0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)	**027**	71.524.334	68.874.598
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	**028**	140.000.000	0
2. Cash inflow from loan principals, debentures, credits and other borrowings	**029**		223.403.136
3. Other cash inflows from finance activities	**030**	17.046.290	35.369.827
V. Total cash inflow from finance activities (027 - 029)	**031**	157.046.290	258.772.963
1. Cash outflow for repayment of loan principal and bonds	**032**	32.971.775	79.303.707
2. Cash outflow for dividend payment	**033**	4.777.170	16.835.700
3. Cash outflow for finance lease	**034**	11.432.273	10.336.645
4. Cash outflow for buyback of own shares	**035**	377.848	914.446
5. Other cash outflow from finance activities	**036**	87.111.096	59.794.493
VI. Total cash outflow for finance activities (031 - 035)	**037**	136.670.162	167.184.991
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)	**038**	20.376.128	91.587.972
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)	**039**	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	**040**	0	8.938.171
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	**041**	16.432.061	0
Cash and cash equivalents at the beginning of the period	**042**	18.087.404	1.655.343
Increase of cash and cash equivalents	**043**		8.938.171
Decrease of cash and cash equivalents	**044**	16.432.061	0
Cash and cash equivalents at the end of the period	**045**	1.655.343	10.593.514

CHANGES IN EQUITY

for the period from 1.1.2011 to 31.12.2011

Position	ADP mark	Previous period	Current period
1	2	3	4
1. Called up capital	001	5.625.000	5.625.000
2. Capital reserves	002	102.964	1.926.364
3. Reserves from equity	003	2.914.390	3.470.416
4. Retained profit or transferred loss	004	189.555.047	236.383.705
5. Profit or loss of the period	005	64.239.283	67.930.200
6. Revalorisation of long term tangible assets	006		
7. Revalorisation of long term intangible assets	007		
8. Revalorisation of financial assets for sale	008		
9. Other revalorisation	009		
10. Total capital and reserves (ADP 001 - 009)	010	262.436.684	315.335.685
11. Exchange rate differentials from foreign net investments	011		
12. Current and deffered tax	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of errors from past periods	015		
16. Other changes in equity	016	60.330.404	52.899.001
17. Total increase or decrease of equity (ADP 011 - 016)	017	60.330.404	52.899.001
17.a Assigned to holders of the capital of the parent company	018		
17. b Assigned to minority interest	019		

Positions that reduce capital are entered with a negative sign

Information from ADP 001 - 009 are situations on the date of the balance sheet

Notes

(1) Notes contain additional and supplemental information that is not presented in the balance sheet, income statement, cash flow statement and statement of changes in equity in accordance with the provisions of the relevant financial reporting standards. (2) Notes with annual financial reports are published in full according to the Standards in financial reporting.

JGL, joint-stock company, Rijeka

AUDIT REPORT
OF ANNUAL FINANCIAL REPORTS
FOR 2012

RIJEKA, APRIL 2013.

TABLE OF CONTENT

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 it's financial results for the given period.

Following the audit's completion, the Management duly expects the Company 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 Company will continue its business in not applicable.

The Management Board is responsible for managing relevant accounting records, which shows the financial position of the Company 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 Company's assets and undertaking justified actions for preventing and revealing fraud and other faults.

Rijeka, dated 23rd April 2013

For and on behalf of the Management Board

Ivo Usmiani, MPharm. spec.

JGL d.d.
Pulac bb Rijeka
Hrvatska

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

We have performed an audit on the attached financial reports of JGL, a joint stock company, Rijeka, including the Balance Sheet as of 31 December 2012, Income statement with a report of other comprehensive income, Cash Flow Statement, Statement of Changes in Owners' Equity for 2011, as well as a summary of important accounting policies and other notes, incl. explanations (enclosed on pages 5 to 32).

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 weather 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 JGL, a joint stock company, Rijeka, as of 31 December 2012, its business results, cash flow and changes in equity for 2012 to the financial reporting standards.

Issues stated

/i/ Without influence on stated opinion we draw attention to Note 5. b., in which is stated that according to regular life assessment of intangible assets in 2012, a part of this intangible assets (linences and a part of internaly developed intangible assets) is depreciated with a new revalorisation rate of 6.67%. Revalorisation rate for this intangible assets islower because of the contract lifetime of licences and planned production of products which are internaly developed.

Effect of this change and lower revalorisation rate for licences and internaly developed intangible assets in 2012 is visible in HRK 1,335,378 decreased depreciation amount in comparison to the 2011.

/ii/ We draw attention to Note 6. in which is stated that in year 2012 started investments in a new project called Svilno 2 – construction of a new production facility in Svilno, Rijeka.

/iii/ As stated in Notes 6. b i 7. at the end of 2012 by the Decision of the Management Board on active sale of a part of companies property the property in question is in the balance sheet shown as Short-term assets – Long-term assets for sale.

/iv/ We draw attention to Note 22. in which is stated that the Company will reinvest a part of the profit from 2012 for increase of share capital in 2013.

/v/ Furthermore, in Note 28. – Events after date of balance sheet, the Company stated:

- 7.1.2013 the Company submited an application to the Ministry of economy for use of state incentives for investment in project Svilno 2.
- 29.1.2013 on Commercial Court in Rijeka Company recorded an increase in share capital in total amount of HRK 51,000 and from that date share capital is HRK 5,676,000.
- 26.3.2013 on Commercial Court in Rijeka Company recorded an increase in share capital in total amount of HRK 155,000 and from that date share capital is HRK 5,831,000
- in March 2013 JGL signed a contract with Croatian bank for Reconstruction and Development (HBOR) for financing the investment in project Svilno 2 and for current assets in total amount of HRK 248,332,463.

In Rijeka, Rijeka, 23rd of April 2013

„REV-RI“ d.o.o. Rijeka
Užarska 17/II

Authorized auditor | Management

Jadranka Vezmar, dipl. oec.

BALANCE SHEET
as of 31 December 2012

Title	Note	Previous year (net)	Current year (net)
ASSETS			
A) RECEIVABLES FOR SHAREHOLDERS EQUITY, NON-PAID			
B) LONG TERM ASSETS	**6**	262.878.873	314.735.475
I. INTANGIBLE ASSETS	**6a**	23.148.510	29.394.507
1 Expenditure for research and development		4.706.120	6.893.445
2 Patents, licences, concessions, trademarks, software and other rights		10.932.123	13.553.297
3 Goodwill			
4 Advances on intangible assets			
5 Intangible assets-construction in progress		7.510.267	8.947.765
6 Other intangible assets			
II. TANGIBLE ASSETS	**6a,b,c**	208.104.148	253.892.329
1 Land		3.569.729	4.897.532
2 Buildings		60.389.274	61.396.253
3 Equipment and machinery		92.331.158	94.655.200
4 Tools, power stock and transportation means		10.871.331	11.663.277
5 Biological assets			
6 Advances on tangible assets		827.683	837.270
7 Tangible assets-construction in progress		8.412.021	77.347.261
8 Other tangible assets		605.480	605.480
9 Investments in real estate		31.097.472	2.490.056
III. LONG TERM FINANCIAL ASSETS	**6d**	31.626.215	31.448.639
1 Shares in affiliated companies		30.157.987	30.157.987
2 Loans to affiliated companies			
3 Participating interest		1.140.147	1.140.147
4 Loans to companies with participating interest			
5 Securities investments			
6 Given loans, deposits			
7 Other long term financial assets			
8 Investments (equity method)		328.081	150.505
IV. RECEIVABLES	**6e**	0	0
1 Receivables from affiliated companies			
2 Receivables from sales on credit			
3 Other receivables			
V. DEFERRED TAX ASSETS			
C) SHORT TERM ASSETS	**7**	449.025.287	512.085.845
I. INVENTORIES	**7a**	124.717.793	143.073.305
1 Raw and other material		60.094.204	55.221.013
2 Production in progress			
3 Finished products		63.266.635	60.506.685
4 Trade goods		262.878.873	314.735.475

5 Advances on inventories		1.356.954	1.318.310
6 Long term assets for sale			
7 Biological assets			26.027.297
II. RECEIVABLES	**7b**		
1 Receivables from affiliated companies		281.783.302	357.349.854
2 Receivables from buyers		30.772.774	55.335.653
3 Receivables from participating companies		231.773.167	281.796.259
4 Receivables from employees and subsidiaries		1.221	0
5 Receivables from government and other institutions		8.680	26.207
6 Other receivables		17.548.562	18.341.686
III. SHORT TERM FINANCIAL ASSETS	**7c**	1.678.898	1.850.049
1 Shares in affiliated companies		40.868.849	1.069.172
2 Loans to affiliated companies			
3 Participating interest		13.600.000	278.000
4 Loans given to companies with participating interest			
5 Securities investment		116.521	0
6 Given loans, deposits		3.300.000	600.000
7 Other short term financial assets		23.852.328	191.172
IV. CASH AT BANKS AND IN HAND	**7d**		
D) PREPAYMENTS AND ACCRUED INCOME	**8**	1.655.343	10.593.514
E) TOTAL ASSETS		4.503.520	6.018.272
F) OFF BALANCE SHEET ITEMS		716.407.680	832.839.592
LIABILITIES			
A) CAPITAL AND RESERVES	**9**	262.436.684	315.335.685
I. CALLED UP CAPITAL		5.625.000	5.625.000
II. CAPITAL RESERVES		102.964	1.926.364
III. INCOME RESERVES		2.914.390	3.470.416
1 Compulsory reserves		420.819	420.819
2 Reserves for treasury shares		362.892	928.818
3 Treasury shares (deductible)		10.100	20.000
4 Statutory reserves			
5 Other reserves		2.140.779	2.140.779
IV. REVALUATION RESERVES			
V. RETAINED PROFIT OR TRANSFERRED LOSS		189.555.047	236.383.705
1 Retained profit		189.555.047	236.383.705
2 Transferred loss			
VI. PROFIT (LOSS) FOR CURRENT YEAR		64.239.283	67.930.200
1 Profit for current year		64.239.283	67.930.200
2 Loss for current year			
VII. MINORITY INTEREST			
B) PROVISIONS		0	917.341
1 Provisions for retirement and similar expenditures			917.341
2 Provisions for taxes and contributions			
3 Other provisions		262.436.684	315.335.685

C) LONG TERM LIABILITES	**10**		
1 Liabilities for affiliated companies		217.186.461	285.175.751
2 Liabilities for loans, deposits			
3 Liabilities for bank loans and other financial institutions	**10a**		
4 Liabilities for advances		77.909.794	145.731.084
5 Accounts payables			
6 Securities payables	**10b**		
7 Liabilities for companies with participating interest		139.276.667	139.444.667
8 Other long-term liabilities			
9 Deferred tax liability			
D) SHORT-TERM LIABILITIES	**11**		
1 Liabilities for affiliated companies	**11a**	227.355.854	222.413.750
2 Liabilities for loans, deposits		1.973.042	5.011.156
3 Liabilities for bank loans and other financial institutions	**11b**	7.308.909	5.335.973
4 Liabilities for advances	**11e**	22.719.205	99.291.491
5 Accounts payables	**11c**	625.115	493.847
6 Securities payables	**11d**	119.898.866	82.628.261
7 Liabilities for companies with participating interest	**11c**	50.062.817	1.200.000
8 Liabilities for employees	**11e,12**	24.037	11.333
9 Liabilities for taxes, contributions and other	**11e**	9.460.974	10.220.416
10 Liabilities for shares in result	**11e**	14.660.578	15.526.001
11 Liabilities for short term assets intended for sale		16.920	18.000
12 Other short term liabilities	**11e**		
E) ACCRUALS AND DEFERRED INCOME	**13**	605.391	2.677.272
F) TOTAL LIABILITIES		9.428.681	8.997.065
G) OFF BALANCE SHEET ITEMS		716.407.680	832.839.592

INCOME STATEMENT WITH A REPORT OF OTHER COMPREHENSIVE INCOME
For the period from 1st December 2012 till 31st December 2012

Title	Note	Previous year (net)	Current year (net)
I. BUSINESS REVENUE	14	508.156.235	597.968.459
1 Sales revenue		498.353.944	586.064.659
2 Other operational revenue		9.802.291	11.903.800
II. BUSINESS EXPENSE	15	419.148.652	509.391.205
1 Change in value of inventories for production and goods		-43.873.565	2.759.950
2 Operating expense		302.903.578	319.903.535
a) Cost of raw material		177.311.959	165.451.098
b) Costs of goods sold		1.173.484	3.669.347
c) Other external costs		124.418.135	150.783.090
3 Expense for employees		109.227.110	124.042.668
a) Net salaries and wages		65.723.230	75.096.719
b) Taxes, social and pension funds		27.356.594	30.984.092
c) Contributions for salaries		16.147.286	17.961.857
4 Depreciation		17.534.556	22.084.666
5 Other expense		23.628.071	29.908.394
6 Revalorisation		1.075.710	469.292
a) of long term assets (excluding financial assets)			
b) of short term assets (excluding financial assets)		1.075.710	469.292
7 Provisions		2.454.034	1.212.201
8 Other operational expenses		6.199.158	9.010.499
III. FINANCIAL REVENUE	16	9.262.755	20.472.037
1 Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies		1.583.297	1.115.716
2 Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons		7.581.445	19.329.086
3 Revenue from participating interest and subsidiaries		8.387	19.562
4 Non-realized revenue		89.626	7.673
5 Other financial revenue			
IV. FINANCIAL EXPENSE	17	28.623.261	39.397.343
1 Interests, exchange rate differentials, dividends and similar expenses from relations with affiliated companies		1.608.876	854.417
2 Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons		23.980.767	38.118.472
3 Non-realized loss (expenses) of financial assets		3.033.618	424.454
4 Other financial expenses			
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES		139.387	97.177
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES			
VII. EXTRAORDINARY REVENUE			
VIII. EXTRAORDINARY EXPENSE			

IX. TOTAL REVENUE		517.558.377	618.537.673
X. TOTAL EXPENSES		447.771.913	548.788.548
XI. PROFIT OR LOSS BEFORE TAX		69.786.464	69.749.125
1 Profit before tax		69.786.464	69.749.125
2 Loss before tax		0	0
XII. INCOME TAX	**19**	5.547.181	1.818.925
XII. PROFIT OR LOSS OF THE PERIOD		64.239.283	67.930.200
1 Profit of the period		64.239.283	67.930.200
2 Loss of the period		0	0
REPORT OF OTHER COMPREHENSIVE INCOME			
I. PROFIT OR LOSS OF THE PERIOD		64.239.283	67.930.200
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 planed 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	**20**	64.239.283	67.930.200

CASH FLOW STATEMENT FOR 2011
For the period from 1st January 2011 till 31st December 2011

Title	Note	Previous year (net)	Current year (net)
CASH FLOW FROM BUSINESS ACTIVITIES			
1 Cash inflow from buyers		465.504.931	531.022.129
2 Cash inflow from charge, fee and royalty			274.754
3 Cash inflow from insurance for indemnification of damage		307.282	804.716
4 Cash inflow from tax refund		52.265.114	52.955.256
5 Other cash inflow		4.527.646	6.702.368
I. Total cash inflow from operating activities		522.604.973	591.759.223
1 Cash outflow for liabilities		350.313.896	433.678.755
2 Cash outflow for employees		65.116.483	76.522.524
3 Cash outflow to insurance for indemnification of damage			
4 Cash outflow for interests		13.316.705	19.081.721
5 Cash outflow for taxes		52.776.268	69.436.490
6 Other cash outflow		6.365.476	6.814.936
II. Total cash outflow from business activities		487.888.828	605.534.426
A1) NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES	**21**	34.716.145	0
A2) NET DECREASE OF CASH FLOW FROM BUSINESS ACTIVITIES		0	13.775.203
CASH FLOW FROM INVESTING ACTIVITIES			
1 Cash inflow from sale of long terms intangible and tangible assets		902.563	703.426
2 Cash inflow from sale of equity and debt security instruments			
3 Cash inflow from interests		1.046.166	267.546
4 Cash inflow of dividends			
5 Other cash inflow from investing activities		39.967.954	13.716.521
III. Total cash inflow from investing activities		41.916.683	14.687.493
1 Cash outflow for acquisition of long term tangible and intangible assets		66.136.557	83.284.091
2 Cash outflow for acquisition of equity and debt security instruments		104.460	0
3 Other cash outflows from investing activities		47.200.000	278.000
IV. Total cash outflow from investing activities		113.441.017	83.562.091
B1) NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**21**	71.524.334	68.874.598
CASH FLOW FROM FINANCE ACTIVITIES			
1 Cash inflow from issuing equity and debt financial instruments		140.000.000	0
2 Cash inflow from loan principals, debentures, credits and other borrowings			223.403.136
3 Other cash inflows from finance activities		17.046.290	35.369.827
V. Total cash inflow from finance activities		157.046.290	258.772.963
1 Cash outflow for repayment of loan principal and bonds		32.971.775	79.303.707

2 Cash outflow for dividend payment		4.777.170	16.835.700
3 Cash outflow for finance lease		11.432.273	10.336.645
4 Cash outflow for buyback of own shares		377.848	914.446
5 Other cash outflow from finance activities		87.111.096	59.794.493
VI. Total cash outflow for finance activities		136.670.162	167.184.991
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES	**21**	20.376.128	91.587.972
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES		0	0
Total increase of cash flow		0	8.938.171
Total decrease of cash flow		16.432.061	0
Cash and cash equivalents at the beginning of the period		18.087.404	1.655.343
Increase of cash and cash equivalents			8.938.171
Decrease of cash and cash equivalents	**21**	16.432.061	0
Cash and cash equivalents at the end of the period		1.655.343	10.593.514

CHANGES IN EQUITY
as of 31st of December 2011

Position	Called up capital	Capital reserves	Reserves from profit	Retained profit or transferred loss	Profit or loss of the period	Total capital and reserves
Note						**25**
31.12. previous year	5,625,000	102,964	2,914,390	189,555,047	64,239,283	**262,436,684**
Profit from business year	0	0	0	64,239,283	0	**64,239,283**
Result from business year	0	0	0	0	67,930,200	**67,930,200**
Payment of unregistered capital	0	2,379,425	0	0	0	**2,379,425**
Sale of own shares	0	338,821	924,146	348,521	0	**1,611,488**
Total increase	0	2,718,246	924,146	64,587,804	67,930,200	**136,160,396**
Transfer to retained profit	0	0	0	0	64,239,283	**64,239,283**
Transfer to dividend liability	0	0	0	16,844,700	0	**16,844,700**
Purchase of own shares	0	894,846	368,120	914,446	0	**2,177,412**
Total decrease	0	894,846	368,120	17,759,146	64,239,283	**83,261,395**
Current period	5,625,000	1,926,364	3,470,416	236,383,705	67,930,200	**315,335,685**

NOTES

1. GENERAL DATA

JADRAN – GALENSKI LABORATORIJ, a joint stock company for production and traffic of pharmaceuticals and cosmetics with headquarters in Rijeka, Pulac bb, was registered in the Commercial court of Rijeka on the 2nd of May 1991 under the registration number 040004561 and the VAT number 20950636972. On the 24th of October 2011 the company changed its short name to JGL, joint stock company. On the 10th od February the company changed its long name to JADRAN – GALENSKI LABORATORIJ, a joint stock company.

Most important activities of the company are: production of pharmaceuticals and basic raw materials used in production of pharmaceuticals, production of other chemical products, perfumes and cosmetics.

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, 120/10, 58/11, 140/11, 15/12 and 118/12.

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 Usmiani, MPharm. spec.

By the Decision of the General Assembly made 2nd June 2011, under business number OU 89/2011 Supervisory Board members were chosen for a period from 27th October 2011 till 26th October 2015.

Supervisory Board Members from 27th of October 2011:

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

4. COMPANIES WITHIN JADRAN - GALENSKI LABORATORIJ D.D. RIJEKA

COMPANY	COUNTRY	% SHARE
Farmis d.o.o. Sarajevo	Bosnia i Herzegovina	100
Jadran-Galenski laboratorij Ljubljana d.o.o.	Slovenia	100
Jadran-Galenski laboratorij Beograd d.o.o.	Serbia	100
Pablo d.o.o. - Ljekarna Pablo - Poliklinika Pablo - Studio Omega d.o.o.	Croatia	100
JGL Nort America LLC	USA	100

5. SUMMARY OF BASIC ACCOUNTING POLICIES APPLIED WHILE DRAFTING THE FINANCIAL STATEMENTS FOR 2011.

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

a) <u>Long-term intangible and tangible assets (basic means)</u>

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

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.

Items of property, plant and equipment expressed per procurement expense or estimated amount reduced by accumulated depreciation. 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.

Additional expenses are acknowledged in the accounting amounts of property, plant and equipment only if they increase the future economic use connected to the means, and if the same will inflow into the Company. All other expenses represent the expenses in the income statement in the period of their occurrence.

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.

b) Depreciation

Depreciation of long-term tangible and intangible assets is calculated according to the rates which are no higher than the rates prescribed by the Profit Act, determined in such a manner that purchase and revaluation value of basic assets is depreciated in equal annual amounts during the foreseen term of use of the basic asset. Depreciation rates, which are applied, are as follows:

	2011	2012
Buildings	2,5-10%	2,5-10%
Equipment and machinery	10 %	10 %
Tools, power stock and transportation means	5-50%	5-50%
Intangible asset	20 %	6,67 -20 %

According to regular life assessment of intangible assets in 2012, a part of this intangible assets (linences and a part of internaly developed intangible assets) is depreciated with a new revalorisation rate of 6.67%. Revalorisation rate for this intangible assets islower because of the contract lifetime of licences and planned production of products which are internaly developed.

Effect of this change and lower revalorisation rate for licences and internaly developed intangible assets in 2012 is visible in HRK 1,335,378 decreased depreciation amount in comparison to the 2011.

Calculation of depreciation is performed according to individual basic assets until they are fully written-off.

Land is not depreciated, since it is considered to have an unlimited lifetime.

Property in preparation is not depreciated since it has not been activated.

c) 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.

d) Investing in long-term financial assets

The Company owns shares in dependent companies for which, pursuant to revised International Accounting Standard 27 -"Consolidated and Separate Financial Statements" it drafts consolidated financial statements, stating the shares in business records and financial reports as shares in subsidiaries according to the acquisition cost, while profit is expressed in the Income statement only in the amount of the received dividends.

Shares where company owns between 20 and 50 % is 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.

e) Inventories

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

Cost of inventories is calculated based on the method of weighted average cost.

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.

Long-term assets for sale is stated per fair value minus costs of sale according to ISFR 5 Long-term assets for sale and Discontinued operations.

f) Receivables from sales

Receivables are formed on the basis of regular business relations with customers in Croatia and abroad for the sale of the goods, services performed, the state of the paid taxes, contributions and other duties, the employees on the basis of services used or items of property of the Company which are payable within one year and other receivables that are payable within one year.

Receivables from sales are stated according to credible bookkeeping document that contains information about the type and date of accrual, the value of the resulting receivable and time in which the claim is mature.

For receivables from sales in foreign customers, in addition to stating the receivable in national currencies of customers, it is stated in the Croatian monetary unit calculated on the base of the middle exchange rate of the Croatian National Bank.

g) Decrease in value of receivables

Assessment of irrecoverable amount of product sales, goods and services is made on the date of the balance sheet based on the estimated probability to collect receivables. Each client is evaluated separately.

h) Short-term financial assets

Short-term financial assets are investments and money or other valuables placed with the purpose of generating earnings or profit whose maturity (realization) of up to one year.

i) Policy of showing cash at banks and in hand

Assets in the form of cash is stated at nominal value expressed in monetary unit of Croatia (Kuna). Accounts in banks, denominated in foreign currencies, as well as those in office (foreign money) in addition to showing in foreign currencies are recognized in the Croatian currency, it is calculated at a middle rate of the Croatian National Bank on the balance sheet date.

j) Prepayments and accrued income

Costs that are paid or invoiced, and relate to future periods are recorded in the values reported in the transaction bookkeeping document. This is done when invoiced or paid cost does does not coincide with the onset of the cost and this cost will be calculated in the following period as compared to the balance sheet.

k) Capital stating policy

In the business books and financial statements, equity is expressed as:
1. Basic (subscribed) capital
2. Capital reserves
3. Reserves from profit
    - Statutory reserves
    - Reserve for own shares

- Treasury shares and shares (-)
- Statutory reserves
- Other reserves

4. Revaluation reserves
5. Retained earnings or accumulated losses
6. Profit or loss for the financial year

l) Reservations

Reservations are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources to settle the obligation will occur, and a reliable estimate of the obligation can be made.

m) Long-term liabilities

Long-term liabilities are stated in the business books at nominal value, based on the proven authentic documents and agreements for obligations. As long-term liabilities are stated those whose maturity period is longer than one year from the balance sheet date.

The obligation which was initially presented as a long-term liability, but on the balance sheet date is in part or in full due within one year, is recorded as a short-term liability.

n) Short-term liabilities

Short-term liabilities are stated separately from long-term liabilities, and within are included liabilities whose maturity, in relation to their formation or the balance sheet date, is within a year. Short-term liabilities are stated at their nominal value of bookkeeping documents, which passed inspection and on the basis of which it can be concluded that the business change has been made.

o) Accruals and deferred income

Within the deferred payment of the costs incurred are included expenses that are not due for payment.

Government grants relating to the purchase of fixed assets are included in liabilities as deferred income from government subsidies and recognized in the income statement with the depreciation of assets that support compensates.

p) 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.

q) 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.

r) 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.

s) 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.

t) Interest expenditures

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

If the company has a long-term asset that meets the criteria of a qualifying asset under IAS 23 - Borrowing Costs, then the associated interest costs are not stated as expenses in the period but increase the value of a qualifying asset.

u) 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.

v) Income tax

Income tax for the period comprises current and deferred tax.

Income tax for the year is calculated on the basis of the tax laws in effect at the date of the balance in the Republic of Croatia.

6. LONG-TERM ASSETS

a) <u>Long-term intangible and tangible assets (basic means)</u>

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

	Real estate (land and building)	Equipment and machinery, tools, power stock and transportation 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
Purchase or revaluation value						
Situation on 1st January 2012	81,273,409	155,613,859	605,480	8,412,021	245,904,769	33,37,848
Increase		845,148		93,455,764	94,300,912	18,658,113
Transfer from assets in progress	6,556,923	17,963,601	0	-24,520,524	0	-8,650,264
Expenses and carry-over	-1,391,859	-2,311,173	0	0	-3,703,032	
Situation on 31st December 2012	86,438,473	172,111,435	605,480	77,347,261	336,502,649	46,355,697
Write-off						
Situation on 1st January 2012	17,314,406	52,411,370	0	0	69,725,776	10,199,338
Correction of the initial situation	23,716	22,106			45,822	0
Depreciation for 2011	2,852,388	15,430,470	0	0	18,282,858	3,801,808
Expenses and carry-over	-45,822	-2,070,988	0	0	-2,116,810	-39,956
Situation on 31st December 2012	20,144,688	65,792,958	0	0	85,937,646	13,961,190
Current value of basic assets as of 31 December 2012	66,293,785	106,318,477	605,480	77,347,261	250,565,003	29,394,507
Current value of basic assets as of 31 December 2011	63,959,003	103,202,489	605,480	8,412,021	176,178,993	23,148,510

Increase in long-term tangible and intangible assets in 2012 refers to investments in objects Svilno, Pulac and Osječka, and for purchase of machines for production of drugs, laboratory equipment, office equipment, personal and transport vehicles, furniture and other, as well as investments into the computer software and development projects.

In 2012 began investments in project Svilno 2 – construction of a new production facility on location Svilno. Therefore, all significant increases in long-term assets are related to this project.

The most significant amounts invested in a new production facility are related to land and buildings in preparation. Investment in land amounts to HRK 32,232,592 and the investment in buildings amounts to HRK 39,287,738.

Reduction in equipment and machinery largely concerns expenses and sales of personal vehicles.

b) Investments in Property

Investments in property as of 31 December 2012 amount to HRK 2,490,056 (HRK 31,097,472 in 2011). At the end of 2012 by the management decision to sell part of the real estates the real estates in question are stated in the balance sheet as Short-term assets (Note 7) – long-term assets for sale. During the 2012 the these assets are actively advertised. No real estate was sold.

During 2012, value estimation was executed on the stated real estate by the independent evaluator. Increase of value in the amount of HRK 7,673 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 424,454 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 2012 amount to HRK 837,270 (HRK 827,683 in 2011), 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 are shares in associates and participating interests.

Shares with associates relate to:

	2011	2012
	in HRK	in HRK
Farmis Sarajevo	170,228	170,228
Jadran-Galenski laboratorij, Ljubljana	963,101	963,101
Jadran-Galenski laboratorij, Belgrade	151,670	151,670
Pablo d.o.o. Zagreb	28,768,528	28,768,528
JGL North America LLC	104,460	104,460
Situation on 31 December	30,157,987	30,157,987

Investment in joint company Galena d.o.o. is noted using the equity method on the 31st of December 2012 in amount of HRK 150,505 (HRK 328,081 in 2011). JGL has 49% share in equity of the company Galena d.o.o. The decrease in value of investment is a result of payment of share in profit amounting to HRK 274,753 in February 2012. The increase in investment is a result of share in profit from 2012 in amount of HRK 97,177.

Participating interests are investments in:

	2011	2012
	in HRK	in HRK
Kanal RI	785,000	785,000
Kvarner Vienna Insurance Group d.d.	337,575	337,575
Menadžer d.o.o.	7,572	7,572
Ri-Novine d.o.o.	10,000	10,000
Situation on 31st December	1,140,147	1,140,147

7. SHORT-TERM ASSETS

a) <u>Inventories</u>

The inventories are:

	2011	2012
	in HRK	in HRK
Raw material and consumables	60,094,204	55,221,013
Finished products	63,266,635	60,506,685
Goods	1,356,954	1,318,310
Long-term assets for sale	0	26,027,297
Situation on 31st December	124,717,793	143,073,305

Long-term assets for sale are stated in accordance with ISFR-5 Long-term assets for sale and discontinued operations (Note 6 b.)

b) <u>Receivables</u>

Receivables are: receivables from associates, receivables from buyers, receivables from employees, receivables from the government and other institutions, and other receivables

Receivables from subsidiaries are expressed in the amount of HRK 55,335,653 kuna (HRK 30,772,774 in 2011).

	Source	2011 u kn	2012 u kn
Pablo d.o.o.(group)	Cession	5,860,486	25,125,384
Pablo d.o.o.(group)	Sale	156,315	0
Farmis d.o.o. Sarajevo	Sale	15,669,893	18,386,412
Jadran Galenski laboratorij d.o.o. Belgrade	Sale	9,086,080	11,003,524
Jadran Galenski laboratorij d.o.o. Ljubljana	Sale	0	815,428
Galena d.o.o.	Interest	0	4,906
Total		30,772,774	55,335,653

Receivables from buyers relate to:

	2011 in HRK	2012 in HRK
Buyers in the country	78,438,397	74,275,640
Buyers abroad	153,334,770	207,520,619
Situation on 31 December	231,773,167	281,796,259

Total amount of receivables from buyers in the country in 2012 are corrected in total amount of HRK -27,487 (HRK -38,080 in 2011). Receivables from buyers in the country in 2012 are corrected in total amount of HRK -988,135 (HRK -764,459 in 2011).

Receivables from participating companies in 2012 are expressed in the amount of HRK 0 (HRK 1,221 in 2011).

Receivables from employees are expressed in the amount of HRK 26,207 (HRK 8,680 in 2011).

Receivables from government and other institutions are expressed in the amount of HRK 18,341,686 (HRK 17,548,562 in 2011).

Other receivables are:

	2011 in HRK	2012 in HRK
Receivables on advances	1,132,081	1,838,464
Other receivables (cession, assignment and assuming of debt)	0	8,687
Receivables on indemnification of damage	546,817	2,898
Situation on 31 December	1,678,898	1,850,049

c) <u>Short-term financial asset</u>

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 affiliated companies relate to:

	2011	2012
	in HRK	in HRK
Ljekarna Pablo	13,600,000	0
Galena d.o.o.	0	278,000
Situation on 31 December	13,600,000	278,000

During the 2012 affiliated company Ljekarna Pablo paid back the loan.

Loans provided to companies with participating interest are expressed in the amount of HRK 0. In 2011 loans refered to the loan given to company Kanal Ri d.o.o. in amount of HRK 116,521.

Receivables for all received securities are expressed in the amount of HRK 600,000 (HRK 3,300,000 in 2011).

Provided loans and deposits relate to:

	2011	2012
	in HRK	in HRK
Erste & Steiermarkische bank	19,701,833	0
Hypo alpe adria bank	3,957,890	0
Town of Komiža	100,000	100,000
Petrović Branko	17,592	16,008
Erste& steiermarkische s-Leasing	75,013	75,164
Situation on 31 December	23,852,328	191,172

All deposits in 2011 matured in 2012.

d) <u>Cash at banks and in hand</u>

	2011	2012
	in HRK	in HRK
Business account	558,315	1,747,221
Cash register	12,065	7,960
Foreign currency account and non-residential account	1,062,447	8,815,342
Foreign currency cash register	22,516	22,991
Situation on 31 December	1,655,343	10,593,514

8. PREPAYMENTS AND ACCRUED INCOME

Prepayments in the amount of HRK 6,018,272 (HRK 4,503,520 in 2011) relate to interest on leasing calculated beforehand, registration and advertising expenses paid beforehand, and other paid expenses for future period.

9. CAPITAL AND RESERVES

Share capital of JGL, 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, thereof 7,500 of series A, 30,000 of series B and 18,000 shares of series C.

27th December 2012 an amount of HRK 2,379,425 was paid and 510 new shares were issued all according to the Decision of General Assembly of the Company. Until the new shares are stated on the Commercial Court, this amount is stated as Capital Reserves.

Ownership structure

NAME AND SURNAME	NUMBER OF SHARES	% IN CAPITAL
Ivo Usmiani	16,671	29.64
Zdravko Saršon	11,625	20.67
Marina Pulišić	2,570	4.57
Grozdana Božić	1,400	2.49
Vesna Črnjarić	1,150	2.04
Sanja Vujić Šmaguc	1135	2.02
Đurđica Miletović Forempoher	990	1.76
Majid Hejja	730	1.29
Radmila Načeta	600	1.07
Jasmin Huljaj	572	1.02
Ostali	18,807	33.43
UKUPNO	56,250	100.00

Source: JGL

On the beginning of the period the Company owned 101 of own shares. During 2012 the Company acquired 196 and sold 97 of own shares. Portfolio of the Company amounts to 200 own shares.

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

The Company, pursuant to the provisions of the Companies Act, formed reserves for owned shares which on 31 December 2012 amounted to HRK 928,818 (HRK 362,892 in 2011).

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 16,844,700 on behalf of the dividend to the holders of regular shares in series "A", "B" and "C" in the amount of HRK 300 per share with the right to a dividend.

Pursuant to the Decision of the General Assembly of the Company a member of Executive Board received, without compensation, 97 shares. (229 shares in 2011).

Profit of current year is HRK 67,930,200 (HRK 1.212 per share) and represents the profit according to the Income statement and is expressed in nominal value.

Dividends are acknowledged in the report on changes of the principal, and expressed as liability in the period in which they have been elected by voting.

10. RESERVATIONS

Reservations for costs of awards and severance pays are HRK 917,341.

11. LONG-TERM LIABILITIES

Long-term liabilities are measured by depreciated expense using the effective interest rate method.

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

Long-term liabilities towards banks and other financial institutions amount to HRK 145,731,084 (HRK 77,909,794 in 2011), and relate to the liability towards Erste & Steiermarkische Bank S-Leasing d.o.o., Zagreb, in the amount of HRK 12,581,564 (HRK 12,360,234 in 2011), 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. Liability toward banks in amount of HRK 133,149,520 refer to long-term credit agreements called Credit program for exporters and Government credit program funded by Croatian bank for Reconstruction and Development. The credit debt that is due in 2013 in total amount of HRK 27,172,714 (HRK 29,222,351 in 2011) is expressed in the short-term liabilities (Note 12.b).

Overview of company's debt regarding Credit program for exporters and Government credit program funded by Croatian bank for Reconstruction and Development

	2011	2012
	in HRK	in HRK
Erste & Steiermarkische Bank	38,711,374	50,685,923
SocieteGenerale-Splitska banka	14,498,807	33,537,822
Privredna banka Zagreb	12,339,379	48,925,775
Situation 31st of December	65,549,560	133,149,520

There is a mortgage on Company's real estate as insurance for credit return.

b) Liabilities for securities

Liabilities for securities on 31st of December 2012 amount to HRK 139,444,667 relating to liabilities for issued long-term securities . (HRK 139,276,667 in 2011).

Croatian Financial Services Supervisory Agency (hereinafter referred to as CFSSA) brought on 17th of May 2007 a Decree (Class: UP/1-451-04/07-11/5, Reg. No.: 326-111/(07-3) by means of which it 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 11th of June 2007.

JGL joint stock company issued registered bonds on 11th of June 2007, in non-materialized form, in the total amount of HRK 125,000,000 in denomination of HRK 1, with maturity 8th June 2012.

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

Determined interest rate for the period from 11th June 2010 till 11th June 2011 amounts to 6.1125% annually. 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 10,122,875 (HRK 8,116,054 in 2011) for accrued interest.

12. SHORT-TERM LIABILITIES

a) Liabilities towards associates

Liabilities towards associates are expressed in the amount of HRK 5,011,156 (HRK 1,973,042 in 2011).

	2011	2012
	in HRK	in HRK
Pablo d.o.o. (grupa)	39,236	100,585
Farmis d.o.o. Sarajevo	0	51,030
Jadran Galenski laboratorij d.o.o. Belgrade	1,591,916	2,885,703
Jadran Galenski laboratorij d.o.o. Ljubljana	171,075	604,950
JGL North America	170,815	1,368,887
Situation on 31st of December	1,973,042	5,011,156

b) Liabilities for loans and banks and other financial institutions

	2011	2012
	in HRK	in HRK
Hypo Alpe-Adria Bank d.d.	0	56,522,202
Privredna banka d.d.	0	9,977,685
Raiffeisen bank d.d.	0	9,975,226
Current immediate long-term liabilities (Note 10.a.)	29,222,351	27,172,714
Liabilities for interests and fees	805,763	979,637
Situation on 31st of December	30,028,114	104,627,464

Stated liabilities relate to acquisition of tangible and working assets, for crediting of preparing and charging for exporting activities. There is a mortgage on Company's real estate as insurance for credit return.

c) Liabilities towards suppliers

Liabilities towards suppliers relate to:

	2011	2012
	in HRK	in HRK
Suppliers in the country	53,144,749	48,116,345
Suppliers/participating interest	24,037	11,333
Suppliers abroad	66,730,080	34,511,916
Situation on 31st of December	119,898,866	82,639,594

Liabilities toward companies with participating interest in amount of HRK 11,333

(HRK 24,037 in 2011) refers to the liability toward the company Kanal Ri d.o.o.

d) Liabilities for securities

Liabilities for securities amount to HRK 1,200,000 (HRK 50,062,817 in 2011). During the 2012 the Company paid HRK 50,150,000 to owners of securities that matured in June 2012.

e) Other short-term liabilities

Other short-term liabilities relate to the following:

	2011	2012
	in HRK	in HRK
Received advances	625,115	493,847
Liabilities for employees	9,460,974	10,220,416
Liabilities for taxes, contributions and other duties	14,660,578	15,526,001
Liabilities for shares in result	16,920	18,000
Other liabilities	605,391	2,677,272
Situation on 31 December	25,368,978	28,935,536

Liabilities for employees are for salaries for December 2012 which are paid in January 2013 and for bonuses that are paid in 2013.

13. 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.

14. ACCRUALS AND DEFERRED INCOME

Accruals and deferred income amounts to HRK 8,997,065 (HRK 9,428,681 in 2011) out of which HRK 5,439,246 (HRK 5,940,822 in 2011) relates to outstanding interests on bonds and bank loans, HRK 44,876 on accruals, HRK 764,050 (HRK 1,033,825 in 2011) refers to deferred income from the government and HRK 2,748,894 (HRK 2,454,034 in 2011) relates to unused vacation expenses.

15. NOTES THAT ARE NOT IN THE BALANCE SHEET

Notes that are not in the balance sheet in 2012 amount of HRK 110,313,814 (HRK 84,168,259 in 2011) and are related to received letters of credit from customers, given letters of credit to suppliers, bank guarantees, short-term line of credit and short-term loans that are taken from the short-term line of credit.

16. BUSINESS REVENUE

Business revenue is:

	2011	2012
	in HRK	in HRK
Revenue from sales in domestic market	145,027,686	146,124,726
Revenue from sales in foreign market	353,326,258	439,939,933
Revenue from donations and subsidies	600,940	269,775
Other revenue	9,201,351	11,634,025
Total	508,156,235	597,968,459

a) Revenue by business programmes

	2011	2012
	in HRK	in HRK
Prescription programme	125,156,544	147,614,162
Non-prescription programme	124,018,895	139,294,472
Aqua Maris programme	228,897,098	264,391,794
Contractual production and licencing out	17,608,135	30,797,511
Services and retail	2,674,262	3,966,720
Total	498,354,934	586,064,659

Revenue from donations and subsidies relate to the revenue from the revalorisation of long-term equipment purchased with subsidies from the government and it amounts to HRK 269,775 (HRK 600,940 in 2011).

Changes regarding content and structure of financial reports published in the “Official Gazette” No. 130/2010 cancel revenues from use of own products so they are shown like Other revenue in amount of HRK 4,157,451 (HRK 4,186,728 in 2011).

HRK 19,474,870 (HRK 18,966,388 in 2011) relate to revenue from associates.

17. OPERATIONAL EXPENDITURES

Operational expenditures are:

	2011	2012
	in HRK	in HRK
Cost of material, energy and small inventory	177,311,959	165,451,098
Costs of goods sold	1,173,484	3,669,347
Costs of services	124,418,135	150,783,090
Expenses for employees	109,227,110	124,042,668
Depreciation	17,534,556	22,084,666
Value adjustment of short-term assets	1,075,710	469,292
Other expenses	29,827,229	38,918,893
Reservations	2,454,034	1,212,201
Increase/decrease of value of goods inventory	-43,873,565	2,759,950
Total	419,148,652	509,391,205

Cost of material made by associated companies amount to HRK 38,307 (HRK 17,092 in 2011). Costs of services made with associated companies amount to HRK 5,263,213 (HRK 4,427,227 in 2011). Other expenses related with associated companies amounts to HRK 1,374,175 (HRK 12,749 in 2011).

18. FINANCIAL REVENUES

Financial revenues are:

	2011	2011
	in HRK	in HRK
Interest revenues	1,130,923	85,969
Revenues from exchange rate differences	6,359,157	19,243,117
Revenues from participating interests	8,387	19,562
Revenues from financing affiliates	1,583,297	1,115,716
Revenues from increase of value of property investments	89,626	7,673
Revenues from shares in Investment Funds	91,365	0
Total	9,262,755	20,472,037

19. FINANCIAL EXPENDITURES

Financial expenditures are:

	2011	2012
	in HRK	in HRK
Interest expenditures	15,709,297	17,417,954
Expenditures from exchange rate differences	8,271,470	20,700,518
Expenditures from financing affiliates	1,608,876	854,417
Expenditures from decrease in value of investment in real estate	3,033,618	424,454
Total	28,623,261	39,397,343

20. SHARE IN PROFIT FROM ASSOCIATED COMPANIES

In 2012 the Company had a share in profit of associated companies in total amount of HRK 97,177 (HRK 139,387 in 2011).

21. AUDIT AND TAX CONSULTATION EXPENSES

The Company in 2012 had tax consultation expenses in total amount of HRK 71,281 (in 2011 HRK 90,113) and HRK 115,000 of audit expenses (in 2011 HRK 115,000).

22. PROFIT TAX

Profit tax is calculated in accordance with the regulations of the Republic of Croatia. The principal is the profit, calculated as the difference between the income and expenditures, increased i.e. decreased pursuant to the provisions of the Profit Tax Act.

The current tax represents the expected tax liability charged on the taxable amount of profit for the year, using the tax rate valid on the balance sheet date, tax benefits and all adjustments of tax liability from previous periods.

In 2012, JGL, a joint-stock company from Rijeka, realized profit before tax in the amount of HRK 69,749,125 (HRK 69,786,283 in 2011).

In 2009 the Company received the status of a holder of incentive measures pursuant to the Investment Incentives Act, and it uses the tax benefits pursuant to that Act. The tax benefit is reduced profit tax rate of 7%. While calculating the profit tax for 2012 JGL completely used the remaining amount of tax stimulus in amount of HRK 6,634,937 (HRK 10,301,908 in 2011)

The Company will reinvest part of the profit from 2012 with an intention to increase signed up capital in 2013. According to art. 6 it. 1 p. 6 of Profit tax Act and art. 12. a

Regulation on amount of reinvested profit decreases the tax base for calculating profit tax in 2012.

The determined tax liability amounts to HRK 1,818,925 (HRK 5,547,181 in 2011).

23. REPORT ON OTHER COMPREHENSIVE INCOME

Profit of the period and other comprehensive profit are the same and amount to HRK 67,930,200 (in 2011 profit of the period amounts to HRK 64,239,283).

24. 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 decrease in the amount of HRK 13,775,203

The cash flow from investing activities shows a decrease in the amount of HRK 68,874,598.

The cash flow from financing activities shows a increase in the amount of HRK 91,587,972.

The total cash flow for 2012 shows a increase in the amount of HRK 8,938,171.

25. REPORT ON CHANGES OF EQUITY

Report on changes of equity for 2012 displays the total increase of equity in the amount of HRK 52,899,001.

26. POTENTIAL LIABILITIES

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

27. 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. The Company is trying to protect itself by obtaining payment insurance instruments and selection of buyers based on the creditworthiness assessment. For large buyers on the Russian territory, the Company has insurance policies issued by the Croatian Bank for Reconstruction and Development. Receivables from larger buyers from Ukraine and Kazahstan are insured by Croatian Credit Insurance.

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, and the Company protects itself by concluding agreements concluded with business banks where the annual credit limits have been contracted in advance.

28. EVENTS AFTER THE DATE OF THE BALANCE SHEET

On the 7th of January 2013 the Company submitted an application for the use of incentives to invest in the project Svilno 2 to the Ministry of Economy. With the enactment of the Regulation on the Investment Promotion follows the official application of JGL on all prescribed forms based on the expected allocation status of the incentive measures. The planned amount of investment of about HRK 300 million would provide a tax incentive to the Company in the coming period, with the rate of corporate income tax of 0%.

On the 29th of January 2013 on the Commercial Court of Rijeka JGL registered share capital increase in the amount of HRK 51,000 and the capital of this date amounts to HRK 5,676,000.

On the 29th of January 2013 on the Commercial Court in Rijeka JGL registered share capital increase in the amount of HRK 155,000, and the share capital as of that date amounted to HRK 5.831 million.

In March 2013 a contract was signed with CBRD for credit investments in the project Svilno 2 in current assets HRK 248,332,463. Disbursement of the loan is two years, with a grace period of three years beginning repayment in September 2018 was followed by paying for 9 years. The interest rate on the credit for investment in the project amounts to 3%, while the interest on the loan for working capital amounts to 4.09%.

YEARLY REPORT FOR
JADRAN – GALENSKI LABORATORIJ,
joint stock company
2012.

Company JADRAN-GALENSKI LABORATORIJ d.d. ("Jadran" - Galenski Laboratorij" or "JGL" or "Issuer" or "Company") accepts responsibility for the content of this Financial Report. Given the belief and all discoveries and data available to JGL, data in this annual report present a complete and truthful display of assets and liabilities, of loss and gain and the financial position of JGL, and to the best knowledge of JGL, no fact has been left out that can affect the completeness and truthfulness of this annual report.

Numbers in the annual report are rounded, therefore, numbers shown for the same type of data can differ and the sums may not be arithmetic aggregates. In this document "EUR" indicates euro, "USD" American Dollar, while "HRK" or "kuna" indicates Croatian kuna.

CONTENT

1. INTRODUCTION BY THE BOARD OF DIRECTORS

After a very successfull year 2011, a year marked by strong increase rates on the foreign markets and completed a significant investment cycle in production facilities and equipment, year 2012 was marked by extraordinary business ruslts and 25% of growth in export which is key for our success. In 2012 JGL Group made more than 100 million euro of revenue, which is another great step in growth of the company.

With the help of team work and dedicated work, continuous investment in development of inovative products and expansion of sales network, we managed to achieve great results in many segments. Carefully listening to the reactions of our users, who every time have more complicated demands, we continued to provide customized solutions and increase the availability of our products through international expansion and new markets.

Total revenue of the JGL Group went up with the increase rate of 14% and amounted to HRK 778,212,279, while total revenue of the company JGL went up with the increase rate of 19.50% and amounted to HRK 618,537,673 of which HRK 439,939,933 was generated on the foreign markets. These results confirm JGL as a growing company of the international nature. Apart from already established markets, we have intensified the contacts and initial cooperation with markets we want to win over in the next cycle of internationalization. Apart from the UK market, where we realized our first Aqua Maris export in November, numerous contacts and cooperation was mad on the following markets: Hungary, Romania, Gvatemala, Malta, Latvia, Brazil, Turkey, Egipt, Kuvajt and Nigeria.

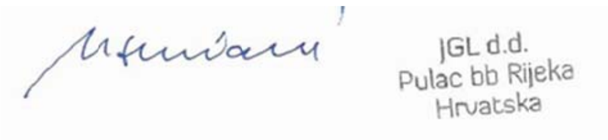
Year 2012 was also a year of significant projects that were the result of a redefined strategy and of strategic map of the company. Certainly one of the greatest achievements is the purchase of 78,000 square meters of land for the future business facility Svilno 2 ("Pharma valley") which will be an extension to the current production facility on Svilno and will insure new sizeable capacity in development, production and warehousing and at the same time insure key resources for realization of planned sustainable, profitable growth for the next 5 years and more. In January 2012 ten new and modern rooms were finished on location Svilno. These rooms are now new workplaces for employees of the Quality insurance department, IT department, Technical support department, Production Maintanance department, Material preparation department, Procurement department and Packaging preparation department. In July 2012 part of Developmental Analytic department (laboratory for chromatography) moved to a renewed building where Quality control used to be, and by the end of August Microbiology department expanded in several rooms in the Developmental Analytic's building. This way employees of both departments have better work environment and the work space is now closer to the GLP standards which are welcomed by the inspections at the end of the year 2012. We finished the implementation and integration of new software for chromatography (HPLC and UPLC). During the year 2012 there were 15 very demanding and chalenging inspections made by State authorities and partners who audited us regarding realization of products, GMP compliance and other requests for quality. What is most important, we announciate with pleasure that all the inspections passed with positive outcome. Production department had a sort of anniversary, 30 millionth product was produced. Exceptional efforts were made to reinforce the quality assurance system in accordance with EU GMP and ISO standards, as well as to develop an environment managing system. All activated projects, as well as those yet to be launched, represent a very important step towards establishing a modern and developed business system; they increase the company's competitiveness and lead to achieving new ambitious objectives we have set out to achieve by 2017.

Our plans for the future are ambitious, we strive towards intenationalization, in some segments even globalization. With 45 million euro investment on lokation Svilno 2 we will increase our production capacity in key technologies and consolidate all business content on one location and make prerequisite for new business.

In total, I consider the year 2012 as a very successful year. I thank our employees without whose dedication and enthusiasm these results would not be possible. I also thank all our stockholders, financial institutions and business partners for their support and trust and present this report on the state and results of the Company's business with pleasure.

JADRAN – GALENSKI LABORATORIJ, joint stock company

Ivo Usmiani,
CEO



2. CORPORATIVE MANAGING

2.1 Organization

Basic elements of JGL's organization or business system are: strategy management system (BSC), process map, organization structure, information system and internal and external system delivery. Development and management of JGL's business system includes the development and management of all mentioned elements. In between mentioned elements of the business system there exists a co-dependence, as well as a causal conditioning of their evaluation.

Strategy management system is a foundation of the business system. In accordance with the long term business goals, strategy defines values and the way a business system should deliver them in the long run. That is why development objectives of the JGL's business system are defined within the strategic plan, alongside the long-term planning of business objectives. This kind of demand of the business system is formed through JGL's BSC system, which consists of strategic maps and BSC scorecards of related strategic objectives.

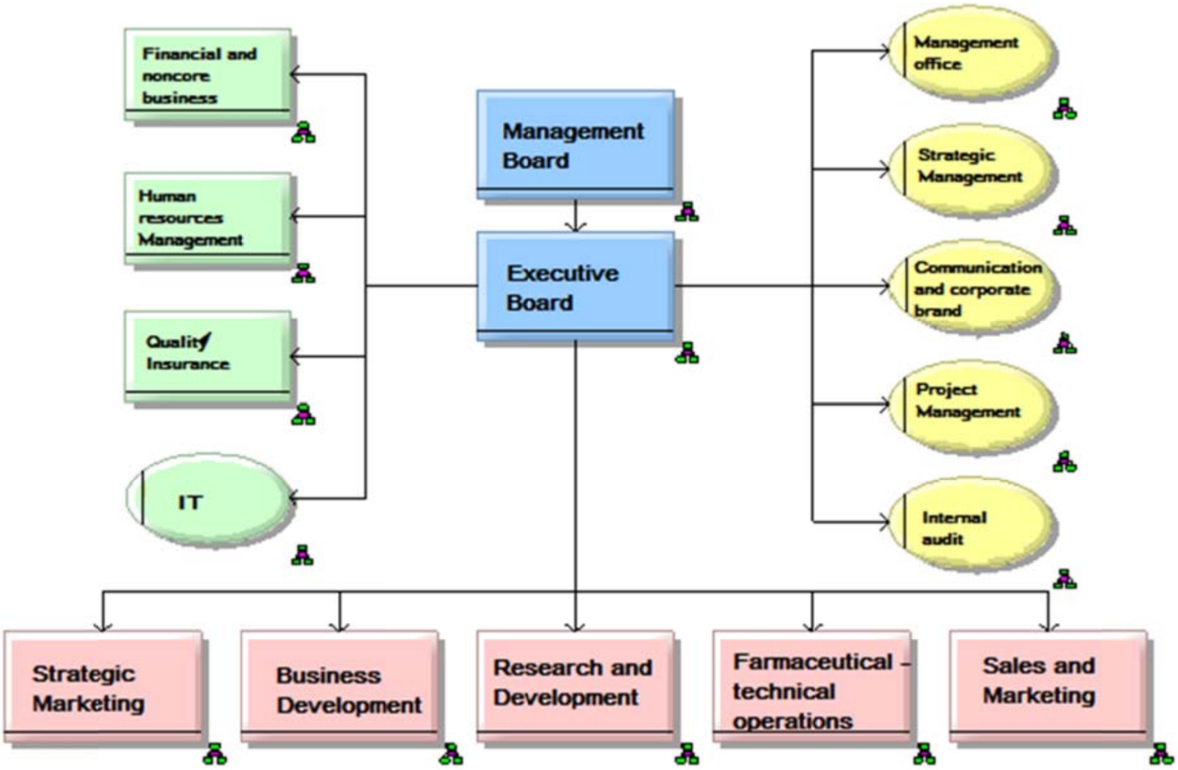
All values planned by the JGL's strategy, are delivered by the processes. Due to that fact, process map of the company occupies a central position within the JGL's business system. Processes present a dynamic perspective on the business system, while other elements of the business system present a static perspective. Processes are supported by the adequate organization structure, that is, by the optimal organization of human resources. A rule is applied that organization structure must be oriented towards company's processes as much as possible, in order to ensure their utmost efficiency.

Just as organizations' structure, architecture of JGL's information system directly stems from the request for company's processes support. That is why a display of information flow is obligatory in the process description, alongside organization roles for making demands placed on the IT system (infrastructure and applications) easier to define.

2.2 Structure

The change of corporative strategy from business diversification, organizationally expressed through the existence of more strategic business units, to concentration and expansion (market and product) with a focus on key segments, caused the need to implement certain changes in the organization structure of the company for the year 2011.

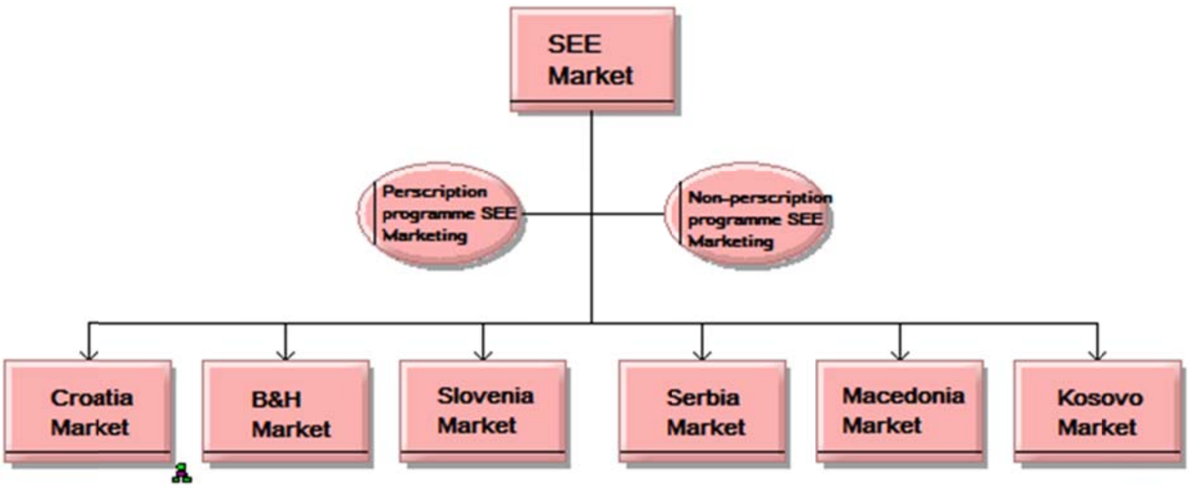
Graph 1.: Organizational structure of company JGL in 2012



Source: JGL, ARIS Enterprise Architecture

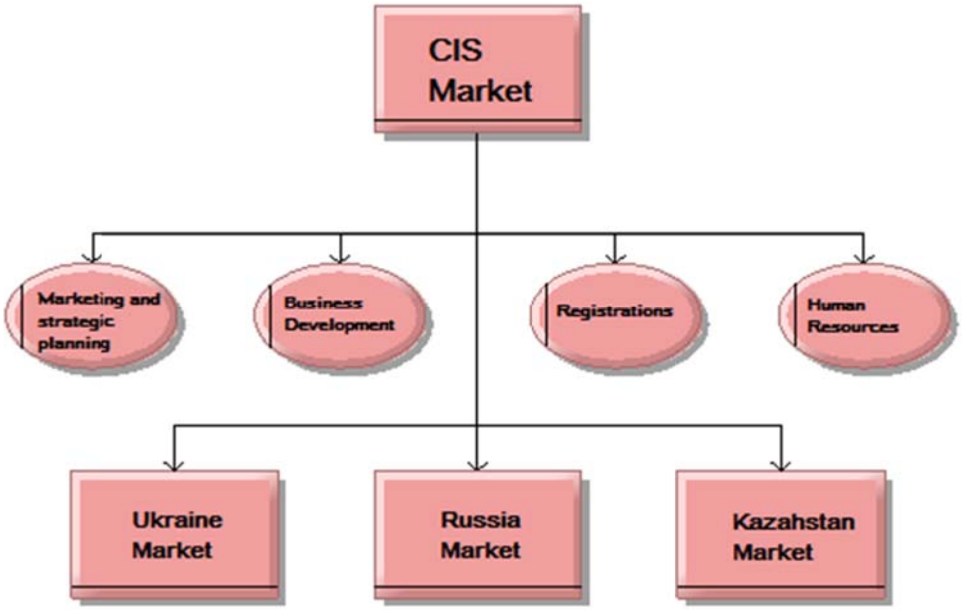
Although it is of a typical functional form at the executive level, at lower levels, within strategic business functions, and given the special character of the processes they support, other forms of organizational structure are present as well: business function "Research and Development" implements project organization structure to some extent, supply chain processes are supported by the process oriented functional organizational structure of the business function "Pharmaceutical technical operations", while the organization structure of the business function "Operative marketing" and "Sales" is territorial.

Graph 2.: Organizational structure of SEE Market in 2012



Source: JGL, ARIS Enterprise Architecture

Graph 3.: Organizational structure of CIS Market in 2012



Source: JGL, ARIS Enterprise Architecture

2.3 Organization development

Speed, service, solutions fully adapted to customer needs and flexibility are the key terms which JGL considers in relation to further development of the company, which must succeed in new market conditions. The dynamics of change within the business environment leads to the need for new and more flexible organizational models.

In that context in the future JGL will turn even more to so called *cross-functional* organization formed around so called *end to end* process. Such approach, called horizontal or process organization, is to be applied to organization of resources which support company's Central (Core) processes, while functional or vertical management is to be retained for the organization of resources in support processes, requiring functional specialisation.

2.4 Management system

JGL develops integrated management system which connects strategic planning and operative realisation through six stages:

- strategy development
- strategy planning
- organization alignment
- operation planning
- strategy realisation monitoring
- strategy revision

In the first stage, strategy team reviews the existing or develops the new strategy using the standard strategy tools. What follows is the second stage or strategy planning by developing strategic maps and scorecards of strategic objectives.

After strategic maps and related scorecards have been created at the higher organization level, strategic team performs the strategic alignment in the third stage, by cascading strategic maps and scorecards according to other strategically relevant organization segments. What follows is the alignment of employees through formal communication process and through connecting their personal business goals with the strategic objectives of the company. After aligning organizational units and employees with the strategy, in the fourth stage JGL's management, in accordance with strategic inputs, creates operative plan through its basic components: planning of the improvements of strategically relevant processes, detailed prognosis of sales, resources capacity plan, creation of the budget for the operative expenses and capital expenditures.

During the execution of strategic and operative plan, or the fifth stage which stretches throughout the entire business year, management is engaged in the monitoring and learning about the problems, barriers, and other challenges that have arisen within the business system. This process integrates information on operations and strategy through realization of separate operative and strategic meetings for reporting.

Finally, strategic team uses internal operative data and the new data on external environment and competition to evaluate and adapt the existing strategy, thereby instigating a new loop of strategic planning and operative realization within an integrated management system.

2.5 Directing, managing, supervisory bodies and higher management

The Board of Directors manages the company, through its chief executive officer, appointed by the Supervisory Board. The Board of Directors is accountable to the Supervisory Board. At annual shareholders' meetings, the Supervisory Board presents the operation of the company from the previous period and informs stockholders about all matters crucial for the company's business, in accordance with the pre-determined agenda.

At the shareholders' meeting, company's CEO presents the company's annual report to stockholders, while all decisions and amendments, delivered to stockholders prior to the meeting, are discussed and determined. If necessary, stockholders are also provided information in writing or at a special meeting, should a specific situation require it.

The company consists of the Executive Board, Portfolio Management Board and Strategic Board whose members are appointed by the company's Board of Directors by a special decision.

Executive Board of the company is a multifunctional authority, encompassing directors of key business functions with adequate authority and executive power. It convenes on a determined basis and reviews pre-defined topics. The Board discusses vital strategic and operational corporate issues.

The Executive Board's primary role is to analyse business operations and to participate in decision making related to current company operation, as well as to define high-priority projects and activities. Key responsibilities include responsibility for business results, supervision of strategic plans, coordination and organizational units conflict handling, as well as making key decisions. Members of the Executive Board answer to the company's Board of Directors with regards the operation of organizational units under their direct management, as well as organizational units assigned to them based on a special decision of the Board of Directors.

The Strategic Board (SB) is responsible for defining the company's strategy, analysing the accomplishments and coordinating them with the annual strategic calendar, defining key objectives and performance indicators (KPI) in accordance with the defined method and tools, as well as for communicating the strategy to the entire company. It includes members of the Executive Board, the Corporate Branding Director, directors - business function managers, head of Strategic Management, and if necessary, managers of separate business units.

The Portfolio Management Board (PMB) has developed from an advisory, multifunctional and multidisciplinary expert authority, into a decision-making authority in charge of the company's portfolio. Based on the assessment of internal documents used to formally propose new topics, PMB reaches its decision through consensus on the launching of new development projects, portfolio expansion or termination of non-profitable products, by taking into account all relevant market and expert factors. The Board convenes on a determined basis, reviews pre-defined topics and informs the Executive Board and the Board of Directors about them.

2.6 Information on the management and the supervisory board

JGL's Board of Directors consists of one member. Ivo Usmiani performs the duty of the president of the Board of Directors. Supervisory Board consists of Zdravko Saršon - president and the members Grozdana Božić, Marina Pulišić and Eva Usmiani.

3. OVERVIEW OF THE BUSINESS RESULTS AND THE GENERAL STATE OF AFFAIRS OF THE COMPANY

3.1 Income statement for JGL

Position	Previous period	Current period	Index
BUSINESS REVENUE	**508.156.234.64**	**597.968.458.75**	**117.67**
Business revenue from domestic sales	**145.027.685.61**	**146.124.725.91**	**100.76**
Bussiness revenue from foreign sales	**353.326.257.98**	**439.939.933.03**	**124.51**
Revenue from compensation, subsidies and grants	**600.939.98**	**269.775.20**	**44.89**
Revenue from using own products	**4.186.728.15**	**4.157.451.47**	**99.30**
Other business revenue	**5.014.622.92**	**7.476.573.14**	**149.10**
BUSINESS EXPENSES	**419.148.651.65**	**509.391.204.89**	**121.53**
Increase in inventories	**-43.873.564.79**	**2.759.949.72**	**-6.29**
Material costs and services	**302.903.577.49**	**319.903.534.59**	**105.61**
Cost of raw material	177.311.958.66	165.451.098.23	93.31
Cost of sold goods	1.173.484.35	3.669.346.70	312.69
Cost of services	124.418.134.48	150.783.089.66	121.19
Staff costs	**109.227.110.40**	**124.042.669.03**	**113.56**
Net salaries	65.723.229.79	75.096.719.47	114.26
Income tax and contributions from salaries	43.503.880.61	48.945.949.56	112.51
Depreciation	**17.534.555.98**	**22.084.665.81**	**125.95**
Other costs	**23.628.071.03**	**29.908.394.44**	**126.58**
Value adjustment	**1.075.709.61**	**469.291.93**	**43.63**
Provisions	**2.454.033.92**	**1.212.200.84**	**49.40**
Other business expenses	**6.199.158.01**	**9.010.498.53**	**145.35**
FINANCIAL INCOME	**9.402.142.24**	**20.569.214.25**	**218.77**
FINANCIAL EXPENSES	**28.623.261.04**	**39.397.343.06**	**137.64**
OTHER REVENUES	**0,00**	**0,00**	**0,00**
OTHER EXPENSES	**0,00**	**0,00**	**0,00**
TOTAL REVENUES	**517.558.376.88**	**618.537.673.00**	**119.51**
TOTAL EXPENSES	**447.771.912.69**	**548.788.547.95**	**122.56**
PROFIT / LOSS BEFORE TAXATION	**69.786.464.19**	**69.749.125.05**	**99.95**
Paid income tax	**5.547.181.29**	**1.818.924.59**	**32.79**
PROFIT / LOSS OF THE PERIOD	**64.239.282.90**	**67.930.200.46**	**105.75**

In the second half of the year 2012 trend of increased sales revenues continued as was in the first half of year 2012 and in year 2011. Business revenues in the year 2012 increased by 18% in comparison to the year 2011. Revenues from sales made abroad went up by 25%. Export share in total revenues of the company went up from 70% in 2011 to 75% in 2012, which is a result of further straightening of partnerships on the key markets and even stronger establishment of key brands and the launch of new products. The most significant sales were made in Russian market (19% increase in comparison to the year 2011), Ukraine market (27% increase in comparison to the year 2011), Kazahstan market (43% increase in comparison to the year 2011) and Switzerland market (80% increase in comparison to the year 2011). The mentioned markets are very big in total sales share of JGL and we can conclude that these growth rates have a positive trend and will have one in the future. On these markets JGL managed to establish it's brands and great partnerships. In 2012 on

Croatian market, as second largest market, JGL realized sales as in 2011 which indicates stagnation on the market that is still in financial crisis.

Financial revenues form the exchange rate differences and the revenues from interest marked an increase of 55% during 2012 in comparison to the previous year, from HRK 9.2 million (2011) to HRK 20.4 million (2012). At the same time, financial expenditures increased by 27% in comparison to the previous year.

Business expenditures in the year 2012 increased by 22% or HRK 90,242,553, mostly due to higher nett wages and higher service costs compared to the previous year. Total expenditures were HRK 548,788,547.95 while total revenues were HRK 618,537,673 which results in profit in amount of HRK 69,749,125.05.

Due to the fact that JGL exports more than 75% of it’s production, there is a natural exposure to currency risk. JGL has a natural hedge, where the assets and liabilities in euro are almost completly harmonized and this way the currency risk is in a big way eliminated. It’s important to state that the assets are still a little bit bigger than the liabilities in euro.

Except the natural hedge, JGL also uses insurance for recievables from customers in Russia, Ukraine, Kazahstan and other countries as protection from currency risk.

Additionaly, JGL also rewievs it’s customers based on creditworthiness reports.

For the purpose of additional insuranse from currency risk, JGL will use financial instruments such as „forwards” and other financial derivatives.

3.2 Balance sheet for JGL

Position	Previous period	Current period	Index
TOTAL ASSETS	717,726,158.11	834,586,387.95	116.28
LONG TERM ASSETS	262,878,873.01	314,735,475.02	119.73
Intangible assets	23,148,509.88	29,394,507.33	126.98
Tangible assets	208,104,147.91	253,892,329.03	122.00
Long term financial assets	31,626,215.22	31,448,638.66	99.44
SHORT TERM ASSETS	449,025,287.59	512,085,844.09	114.04
Inventories	124,717,793.17	143,073,305.24	114.72
Receivables	281,783,302.79	357,349,852.86	126.82
Short term financial assets	40,868,848.99	1,069,171.99	2.62
Cash at banks and in hand	1,655,342.64	10,593,514.00	639.96
PREPAID EXPENSES AND ACCRUED INCOME	5,821,997.51	7,765,068.84	133.37
TOTAL CAPITAL AND LIABILITIES	717,726,158.11	834,586,387.95	116.28
CAPITAL AND RESERVES	262,436,683.95	315,335,684.97	120.16
Called up capital	5,625,000.00	5,625,000.00	100.00
Premium on issued shares	102,963.62	1,926,364.18	1,870.92
Treasury shares	-10,100.00	-20,000.00	198.02
Reserves	2,924,490.66	3,490,415.50	119.35
Retained profit + undistributed profits of last year	189,555,046.77	236,383,704.83	124.70
PROFIT / LOSS OF THE PERIOD	64,239,282.90	67,930,200.46	105.75
LONG TERM PROVISIONS	0,00	917,341.00	0,00
LONG TERM LIABILITES	218,287,781.31	286,684,534.58	131.33
Liabilities for bonds	140,000,000.00	140,000,000.00	100.00
Other long term liabilities	78,287,781.31	146,684,534.58	187.37
SHORT TERM LIABILITIES	227,573,011.28	222,651,762.06	97.84
Liabilities towards related parties	1,973,041.75	5,011,155.88	253.98
Short term financial liabilities	30,158,087.62	104,865,476.44	347.72
Liabilities for securities	50,150,000.00	1,200,000.00	2.39
Trade payables	120,548,018.67	85,497,040.78	70.92
Liabilities towards employees	9,460,973.70	10,220,415.82	108.03
Liabilities for taxes and contributions	14,660,578.21	15,526,001.36	105.90
Liabilities due to share in result	16,920.00	18,000.00	106.38
Other short term liabilities	605,391.33	313,671.78	51.81
DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	9,428,681.57	8,997,065.34	95.42

Increase in total assets in comparison to the previous period was 16%, but changes in the structure of the assets are much more evident. Total increase in longterm assets in comparison to the previous year is 20%. Tangible assets had the biggest increase in longterm assets – from HRK 208 million (2011) to HRK 254 million (2012) and the result is the investment in the new facility called Svilno 2.

Increase of intangible assets in comparison to the previous period is 27% and this is the result of investments in licences and software. Shortterm assets increased 14% in comparison to the previous period mostly because of the increase of receivables (27% increase when compared to 2011).

Changes in longterm and shortterm liabilities are a result of a need for financing through credit of tangible assets and increased receivables.

Return on equity (ROE) increased 18% in 2011 and 22% in 2012 mostly because of the significant increase of capital from HRK 260 million to HRK 317 million while return on assets (ROA) increased 9% in 2011 and 8,3% in 2012.

The ratio of total liabilities and capital is decreased in comparison to the previous year and it is 1,6:1. This ratio is still unfavorable because of the liabilities for bank loan increase of 77% when compared to the 2011.

Receivables increased by 16% in 2012, this increase is a result of increased domestic and international sales in the first half of 2012. Short-term liabilities increased significantly because of the short-term bank loans in total amount of HRK 100,000,000.

3.3 Income statement for JGL Group

Position	31.12.2011.	31.12.2012.	Index
TOTAL ASSETS	798,665,541.24	934,564,861.50	117
LONG TERM ASSETS	300,220,749.44	355,250,218.10	118
Intangible assets	74,083,882.19	80,761,582.21	109
Tangible assets	224,297,211.30	272,840,524.71	122
Long term financial assets	1,839,655.95	1,648,121.18	90
SHORT TERM ASSETS	493,502,099.64	572,134,678.04	116
Inventories	144,653,540.06	164,082,257.77	113
Receivables	309,142,528.61	386,187,916.00	125
Short term financial assets	30,647,570.89	3,370,343.58	11
Cash at banks and in hand	9,058,460.08	18,494,160.69	204
PREPAID EXPENSES AND ACCRUED INCOME	4,942,692.16	7,179,965.36	145
TOTAL CAPITAL AND LIABILITIES	798,665,541.24	934,564,861.50	117
CAPITAL AND RESERVES	260,538,683.94	314,783,513.75	121
Called up capital	5,625,000.00	5,625,000.00	100
Premium on issued shares	102,963.62	1,926,364.18	1871
Treasury shares	-10,100.00	-20,000.00	198
Reserves	2,924,490.66	3,490,415.50	119
Retained profit + undistributed profits of last year	188,556,483.89	236,333,938.56	125
PROFIT / LOSS OF THE PERIOD	63,339,845.77	67,427,795.51	106
LONG TERM PROVISIONS	-	917,341.00	0
LONG TERM LIABILITES	231,926,739.22	297,074,519.42	128
Liabilities for bonds	139,276,666.66	140,000,000.00	101
Other long term liabilities	92,650,072.56	157,074,519.42	170
SHORT TERM LIABILITIES	296,470,751.27	313,211,021.59	106
Liabilities towards related parties	-	-	0
Short term financial liabilities	34,466,601.96	129,365,497.11	375
Liabilities for securities	50,062,816.70	1,200,000.00	2
Trade payables	176,296,542.62	149,878,772.89	85
Liabilities towards employees	10,949,434.77	11,589,387.14	106
Liabilities for taxes and contributions	16,433,356.65	16,480,800.68	100
Liabilities due to share in result	16,920.00	18,000.00	106
Other short term liabilities	8,245,078.57	4,678,563.77	57
DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	9,729,366.81	8,578,465.74	88

Business revenues in the year 2012 increased by 14% in comparison to the year 2011. Revenues from sales made abroad went up by 25%, CIS market is the most responsible for the growth company realized in 2012.

Export share in total revenues of the JGL Group went up from 49% in 2011 to 54% in 2012. Financial revenues in 2012 are realised at 242% of revenues from the year 2011.

Business expenditures of the JGL Group in the year 2012 amount to HRK 687,737,702.15 and are bigger by 15% in comparison to the year 2011. The biggest increase in cost are in service costs which increased by 18% in comparison to the year 2011, employee costs which grew by 11% which is realistic considering th JGL Group hired 79 new employees. There is a significant decrease in material costs which is an indication of better management and better conditions given by our suppliers. Financial expenditures are bigger by 49% in comparison to the year 2011 while the increase of total expenditures of JGL Group was 17% bigger in 2011 than in 2012 which is 2% more than the revenue increase in the same period.

Even though total expenditures increased more than the total revenues, the positive ratio continued and resulted in the increase of net income from HRK 63,339,846 to 67,427,795, which represents an increase of 6%.

In 2012 number of JGL Group employees increased by 11% and JGL Group has a total of 781 employees. The revenue per employee is HRK 1,023,757, which is higher by 3.52% compared to 2010 when it was HRK 988,873. Income per employee in 2012 was 88,664 which is a slight decrease in comparison to the 2011 when it was 90,227.

3.4 Balance sheet for JGL Group

Position	31.12.2011.	31.12.2012.	Index
BUSINESS REVENUE	**685,379,510.84**	**778,212,279.26**	**114**
Business revenue from domestic sales	**322,263,337.60**	**329,579,545.42**	**102**
Bussiness revenue from foreign sales	**336,026,415.21**	**421,411,203.02**	**125**
Revenue from using own products	**4,227,268.73**	**4,236,246.26**	**100**
Other business revenue	**22,862,489.30**	**22,985,284.56**	**101**
BUSINESS EXPENSES	**596,225,711.06**	**687,737,702.15**	**115**
Increase in inventories	**43,873,564.79**	**-2,759,949.72**	**0**
Material costs and services	**445,726,632.35**	**460,237,490.77**	**103**
Cost of raw material	179,565,432.46	167,635,887.73	93
Cost of sold goods	136,819,089.17	140,006,930.62	102
Cost of services	129,342,110.72	152,594,672.42	118
Staff costs	**133,893,759.00**	**148,578,046.96**	**111**
Net salaries	79,960,153.04	89,211,185.08	112
Income tax and contributions from salaries	53,933,605.96	59,366,861.88	110
Depreciation	**19,779,414.49**	**24,295,916.30**	**123**
Other costs	**28,550,123.20**	**39,522,092.48**	**138**
Value adjustment	**1,306,245.43**	**893,951.77**	**68**
Provisions	**2,454,033.92**	**1,212,200.84**	**49**
Other business expenses	**8,389,067.46**	**10,238,053.31**	**122**
FINANCIAL INCOME	**8,809,959.96**	**21,342,324.85**	**242**
FINANCIAL EXPENSES	**28,359,974.19**	**42,342,999.96**	**149**
OTHER REVENUES	**-**	**-**	**0**
OTHER EXPENSES	**-**	**-**	**0**
TOTAL REVENUES	**694,189,470.80**	**799,554,604.11**	**115**
TOTAL EXPENSES	**624,585,685.25**	**730,080,702.11**	**117**
PROFIT / LOSS BEFORE TAXATION	**6,960,785.55**	**69,743,902.00**	**1002**
Paid income tax	**6,263,939.78**	**2,046,106.49**	**33**
PROFIT / LOSS OF THE PERIOD	**63,339,845.77**	**67,427,795.51**	**106**
NUMBER OF EMPLOYEES	**702**	**781**	**111**

Increase in total assets in comparison to the previous period was 17%, but changes in the structure of the assets are much more evident. The biggest increase of the long-term assets of JGL Group is visible in the items of intangible assets which increased 22% in 2012.

Inventory position increased 13% in comparison to the previous year which is mostly the result of bigger sales volume. Receivables significantly increased in comparison to the previous year (25%). More significant changes are also visible in relation to financial assets of the Group, which decreased almost HRK 27 million, while money in the bank and on hand doubled on 31.12.2012 in comparison to 31.12.2011 and amount to HRK 18,494,160.00.

Capital went up by 21% in comparison to the previous period and finances almost 34% of total assets, which is more by 1% that in 2011.
The position of short term liabilities of the Group show an increase of 6% in comparison to the year 2011. This is a result of increase of short-term financial liabilities and increase of long term liabilities by 28%, in order to insure liquidity of the Group.

3.5 Overview of financial results per production programme

Prescription drug programme

The prescription programme, that has generic drugs in its portfolio, made net sales in the amount of approximately HRK 146,5 million in 2012. That is 17,27% more than in the previous year. When compared to the plan, it is a setback of 0.69%, while in comparison with the previous year, it is a setback of 6.72%.

In this programme, sale on domestic market is dominant, and it makes 71.06% of realized sales. In comparison to the previous year, realized sales are higher by 19.09%. On the RBU SEE market outside Croatia, HRK 9,5 million was realized, which is a smaller decrease in comparison to the realization in the previous year.

Prescription drug programme is also present on RBU CIS market with realization surpassing the previous year by as much as 89%. High growth rates are recorded especially in Russia, Ukraine and Kazahstan.

Given the structure of the programme, these three groups are most common ones in the prescription programme:

B - *Preparations which affect the blood and the blood forming organs - share 24.61%*
C - Preparations which affect the cardiovascular system- share 16.75%
A - Preparations which affect the digestive system and the metabolism- share 14.30%
D - Preparations which affect the skin- share 18.22%
S - Preparations which affect the senses- share 7.04%

Given the growth trends, these groups achieved the biggest success:

D- Medications which affect the skin - growth of 66%
R- Preparations which affect the respiratory system - growth of 18%
N- Preparations which affect the nerv system - growth of 17%
S - Preparations which affect the senses - growth of 14%

JGL ranks 16th among all producers (of both generic and original drugs) on the Croatian market, assuming 5th place among the generic drug producers. JGL's share in the in the overall Croatian pharmaceutical market amounted to 2.70% in 2012.

JGL's portfolio consisting of around 300 products on the Croatian market is largely focused on drugs. In 2012 JGL participated with a share of 2.27% in the overall market of HRK 5.04 billion (covering prescription drugs given at pharmacies and drugs used in health institutions), which is an increase of 0,81% compared to 2011.

If one takes into account an even narrower segment - only prescription drugs issued in pharmacies (consumption in hospitals excluded), JGL's share among its competitors in this segment is even bigger and amounted to 3.02% in 2012. In that segment JGL holds 13th position among producers.

Non-prescription programme

Non-prescription programme covers products of different purposes and registration categories. The non-proscription programme system includes OTC drugs, medical products, food for special purposes, dietetics, biocides, special purpose cosmetics, and cosmetics.

Non-proscription programme products are distributed via wholesale drug stores and merchant network.

The greatest non-proscription programme sale is being realized in CIS and SEE region with 99,40%, while other regions realise only 0.60% of sale.

Non-proscription programme in 2012 realised HRK 139,294,472 sales, that is 95% of the plan for the year 2012. In comparison to the previous year, that is a increase of 12%. The mentioned implementation of the plan for the year 2012 was satisfactory, given the macroeconomic conditions of SEE and CIS regions, as dominant markets for the non-proscription programme portfolio, and the fact sales realization is done solely at the expense of users.

Sales on CIS market exceeded the plan with 108% and generated growth of 24% in comparison with year 2011. SEE reagion realized 89% of their plan and was equal to the last years realisation.

Regarding the programme structure, the greatest success, in terms of growth and the realisation over the plan for the 2012, were in OTC preparations and probiotics.OTC preparations exceeded the plan by 124,10%, in comparison with 2011. it's a growth by 124,11%. Realisation was achieved by the sale of products Dramina and Pantexol on the Russian market. JGL probiotics realizes 90,93% of the plan, but their growts in comparison with the year 2011 was 126.79%, mostly thanks to Lactogyn brand on the Russian, Ukrainian and Kazahstanian market.

Aqua Maris programme

In year 2012 Aqua Maris programme realizes growth by 16% and total nett sales in amount of HRK 264 million, which is 46% of total JGL sales. This is the reason why the Aqua Maris programme is separated as a special strategic unit. 98% of sales of the Aqua Maris programme are realized in Russian, Ukrainian and Kazahstanian market. New markets realize growth by 50% in comparison to the last year and are expected to reach it's full potential in next few years. During the year 2012. two very demanding projects are realized: introducing the product into United Kingdom and USA.

Successfull sale of the Aqua Maris and Meralys brand guaranteed JGL a spot within the 10 biggest manufacturers of nazal decongestants (non-perscription preparations for nose decongestion) in the world. The greatest JGL brand, Aqua Maris, is a world leader in sea preparations and holds 8% of the worlds market for nose solutions.

Contractual production

The new contractual production programme generated HRK 30,797,511, which is a significant increase of over 75% in comparison to the previous year.

4. INVESTMENTS AND INCENTIVES

Increase of long term tangible and intangible assets in 2012 amounts to HRK 1,856,602,01 and relates to the investments in Svilno and Pulac facilities and to the procurement of machines for the production of drugs, laboratory equipment, office supplies, personal and goods vehicles, furniture etc., and the investments in computer software and development projects.

In year 2012 began investments in project Svilno 2 – construction of new production facility on location Svilno and all the increases in assets are from this project. The most significant investments in the new production facility are investments in land and buildings. Investment in land amounted to HRK 32,232,592 and in buildings HRK 39,287,738.
Investments in real estate on 31 December 2011 amounted to HRK 2,490,056. In the end of year 2012, by the decision of the management about active sale of assets, the assets are classified as Short-term assets – Long-term assets for sale.

In accordance to the Investment promotion Act (OG 138/06, 61/11) JGL has recieved a stimulus for th projects „Development of manufacturing of products in semi-solid form, raw materials for cosmetics and pharmaceutical products, and the development and production solution Aqua Maris". For the perios from 2009 to 2012 total investment amounts to HRK 67,019,766, HRK 54,504,191 for investment in material assets, HRK 3,502,831 for investment in non-material assets and HRK 9,012,744 for opening 30 new workplaces.

During year 2012 realized investment in projects amounted to HRK 974,281.77. A request was sent to the Ministry of economy regarding the increase in justified investment costs and maximum government support. The maximum government support is increased from HRK 28,840,434 to HRK 29,892,013 – this amount is used in full in year 2012.

5. PURCHASE OF OWN SHARES

At the beginning of the period, the company owned 101 of its own shares. During 2012, the company acquired 196 of its own shares and sold 97 of them, after which there remained 200 of them in the portfolio. All changes incurred by buying and selling of own shares have not been recorded at Central Clearing Depository Company.

6. EMPLOYEES

In JGL we try to build a modern business system unburdened by prejudices and limitations and a corporative culture that can respond to the challenges of today's especially competitive environment. Our HR department constantly works on developing human resources and pays great attention in the hiring process to the thorough selection of candidates. When it comes to hiring, the positive employment trend of the year 2011, when JGL hired 49 new employees, was also achieved in the year 2012 when 79 new employees were hired in Croatia. On 31 January 2012, JGL employee count was 602 and JGL Group employee count was 781.

Of that number, 340 employees works in Croatia and more than 85% of them in the area of Rijeka, while other employees work in the areas of Zagreb, Slavonia, Dalmatia and Istria. In a company in which 73% of employees are females, it is a real challenge to reconcile personal and business commitments, to understand the social importance of a family, as well as the human dimension, both at work and in everyday life.

Most of the employees are younger than 30, which results in an average age of 38. This makes the company very dinamic, modern and enterprenurial.

Over 70% of the employees have a high education. 92% of the top management are in JGL for longer than 15 years. 80% of the top management advenced to their positions and grew with the company.

7. AWARDS AND RECOGNITIONS

In Febuary 2012 JGL recieved from Croatian Chamber of Commerce a was nominated for an award called „Golden kuna" in the category Best big company.

Company „Poslovna inteligencija d.o.o." on an IBM's bussines partners even called „Croatian Business Partner Meeting" recieved „Smart Industry Solution for MidMarket iz 2011" award for a project that was developed and realized in JGL.

JGL was in the 5 best graded employers according to the certificate „Employer Partner" recieved for the second time in year 2012.

In December 2012 JGL recieved a plaque „Golden kuna" in category big business for realized financial results in the year 2011 in region Primorsko – Goranska.

8. ENVIRONMENT PROTECTION

In 2012 JGL invested significant funds and efforts in environmental protection. As in previous years, we fulfilled all our obligations required by the regulations in force. By increasing engagement, consumption of funds and by making new investments, the company continued to reinforce the state of environment protection.

In 2009, JGL created an elaborate on the state of environment protection as a part of the procedure for determining integrated requirements and based on that an evaluation was acquired that the Company is not required to obtain the environmental licence under the Regulation on the procedure for determining integrated environmental protection requirements (OG 114/08).

The most important investments in 2012 relate to the expansion and reconstruction of the drainage system as a part of the new production facility construction, reconstruction and tightness testing of sewerage on both production locations, environment planning at Svilno facility, additional preparation of the instruments for the control of the waste water processing processes, construction of two solar water heating systems required for the production, project and the construction of noise barriers, that is the protection of neighbourhood from the noise emission. Mentioned investments were successfully implemented and carried out or are close to completion. Total amount of investments in the environment protection in 2012 exceeds HRK 250,000.

Significant efforts and funds were invested in the waste disposal and in the year 2012. So far the largest amount of waste was disposed and that took most of the funds. Disposal of waste was managed completely in accordance with regulations, in cooperation with authorised waste collectors and supported by the necessary documentation. All hazardous waste was disposed of paying great attention to it by engaging authorised waste collectors and was mostly exported abroad in order to be burned.

It is important to stress out that in 2012, in comparison to previous years, JGL did not increase the negative impact on the environment in a single segment.

Current expenditures of JGL for environment protection in 2011 exceeded one million kuna. All above mentioned was duly recorded, as were all other environmental indicators, all relevant reports were made and delivered to the competent bodies of the public administration and were thus made public and available to all interested parties.

9. WORK SAFETY

Our Work Safety Department (*Zaštita na radu* - ZNR) and our Fire Protection Department (*Zaštita od požara* - ZOP) operate in accordance with JGL's mission "to improve the quality of life through taking care of health." As safe work is the prerequisite to achieving that goal, just as safe environment is in 2012 numerous measures were taken and the pre-existing state of work safety was implemented. Construction of the new production facility, as well as the procurement of new machines and devices, is one of the important steps towards improvement of employee safety and care in JGL during 2012.

Employee safety and health care are managed in accordance with a number of heteronomic legislative regulations and autoimmune acts that JGL stipulated for the improvement and progress in terms of work safety and fire protection, and in terms of environment protection.

Through regular annual reports to the competent bodies (Croatian Work Safety Inspectorate, Environmental Protection Agency), JGL presented its real state of affairs which shows progress in comparison to the year 2011.

Employee safety and health care in JGL

In order to prevent work related injuries, professional diseases or any other diseases related to work, as well as to eliminate potential dangers in work areas, the following was established:

- Danger assessment revision for all jobs
  One of JGL's umbrella autoimmune acts in terms of work safety is Danger assessment revision for every job. Based on the analysis for all jobs, a plan of measures was made to decrease the danger level which includes implementation of basic and special work safety rules, as well as other measures JGL will implement, which will be in accordance with GMP principles.

- Work safety training
  Work safety related knowledge of all employees is constantly being evaluated. In 2011, in JGL 95 employees were educated in the theory and practice of how to work safely and 55 of them was educated on the fire protection. With the assistance of professional services of ZNR and ZOP, employer's authorised personnel (department managers) for the implementation of work safety measures, educated other employees on all possible dangers and hazards, as well as on preventive measures used to eliminate them, that is reduce them to the least possible level. Before starting a new job, new employees must sit through an initial work safety education through GMP programme. Second step of the education on the potential dangers and safe work was elaborated within GMP1. Final part of the work safety training, which is also stipulated by law, is an education under the programme approved by the Ministry of the Economy, Labour and Entrepreneurship, which consists of theoretical and practical part and is implemented by the professional service for the work safety.

Additional education is established for managers in order to convey how important health protection and work safety are to employees and to contribute to the business success of the company.
In 2011, activities of the Work Safety services were, among other things, directed towards expansion of autonomous acts related to work safety, participation in work groups during the construction of new and the reconstruction of old facilities, and the procurement of new machines and devices.

- Constant health surveillance
  JGL has a contractual relation with an expert team of occupational medicine specialists - they are engaged to monitor the health of employees on a regular basis through previous, periodic and extraordinary medical examinations and by participating in the danger assessment evaluation. Apart from engaging occupational medical specialists to monitor employees' health, JGL provided its employees with an annual physical examination covered by the Basler Insurance.

- Taking care of work tools
  In 2011, all necessary tastings of dangerous machinery and devices were performed, electric installations were tested, work environment was tested (noise, vibrations, lighting, microclimatic conditions), and all tastings related to fire protection were performed.

- Internal and external surveillance
  Regular internal surveillance was used to monitor the work safety conditions and to eliminate all irregularities in order to prevent unwanted events. In 2011, a number of targeted and complete surveillances were performed and where failures were noticed, instructions were given and deadlines established for their elimination.
  In terms of external surveillances performed by the Government Inspectorate for the Work Safety, two surveillances were performed in 2011 regarding the implementation of basic and special work safety measures. Surveillances were detailed and without objections.

- Fire and explosions protection
  In addition to regular (quarter) and periodic (annual) surveillances of fire protection equipment, in 2011 JGL organized a fire drill in accordance with to the existing SOP, and the education of newly employed on the fire protection.

10. DEVELOPMENT

In 2012, business function of the Research and Development was organizationally divided as follows:

1. BU (business unit) Research and Pre-formulation - 2 employees, full time
2. BU Technological Development - 6 employees, full time
3. BU Developmental Analytic - 12 employees, of which: 11 employed at full time, 1 on maternity leave
4. BU R&D Office - 7 employees, of which: 5 employed at full time, 2 via agency
5. BU Stability - 5 employees, of which: 4 employed at full time, 1 via agency

Total: 32 employees (plan for 2012 was 31 but the year ended with 35 because of the employees from project „SPOJ”.

Given their qualifications, the structure of mentioned employees was as follows:

B. Sc., PhD	1
MA, Pharm, spec	2
University degree	13 + 1 m.l.
Secondary education diploma	13
Post secondary school diploma	1
Basic qualification	1

On development and research activities, employees were allocated within the following work units:

Research and Pre-formulation	1
Technical Development	3
Developmental Analytic	4
Stability	1

Apart from taking place within the R&D BF, a part of research and/or developmental activities was taking place, either partially or in full, in other BU (*for example: for raw materials - Procurement, Quality Control; for primary packaging - Quality Control, Marketing; for technological processes - Production etc.).*

For all key developmental processes to be optimized (related both to the development of new products and to the existing production programme maintenance activities), the same were described and allocated to people responsible (process managers) and complementary transformed in the developmental projects reference models so that all new activities can be managed and monitored within projects. This is how all developmental projects are approached, regardless of the model (own development, co-dev, transfer).

Process area of R&D has total of 5 core processes + 3 support processes + control. Together they make 40 subprocesses in R&D and 3 smaller processes that occured outside this business unit.

Activities and jobs taking place within business units of R&D BF, were divided into groups under which they were planed and send off in the controlling.

<u>Main group activities in R&D in 2011:</u>

1. **project jobs** (pre-project jobs, project administration, strategic projects)
2. **research jobs** (procurement research - raw materials, suppliers, reference products; pre-formulation research - evaluation of raw materials, compatibility; research of analytical methods and technological processes)
3. **developmental analysis** (development of analytical methods, validation of analytical methods, regular analysis of stability)
4. **technological process development** (creation of laboratory batches, scale-up, validation of production procedure)
5. **professional administrative jobs** (documenting the development of analytical methods, stability formulation development, creation of production documentation, professional instructions etc.
6. **registration jobs** (preparation of dossier parts for the product registration and the preparation of accompanying documents)
7. **technical maintenance jobs** (calibration and qualification of equipment, systems and instruments)
8. **general jobs** (work area maintenance, general administration etc.)
9. **employee education and development** (internal and external mentoring of pupils, students colleagues; education)
10. losses (vacations, sick leaves, maternity leaves etc.).

In 2012 research and development jobs included a large number of various activities, mostly:

- development and optimization of new analytical methods in JGL (for example, in vitro release; in vitro pharmacokinetics; chiral analysis etc.) for the purposes of R&D, quality control and product monitoring,
- analytical methods development for: content of active ingredients, content of contamination, content of conservant, viscosity, release of an active ingredient from a finished sanative form and other, all related to the development of JGL's new product
- development of new product formulations form the drugs category, dietetic and medical products
- improvement of existing formulations based on new guidelines or legislative regulation CRO/EU
- raw materials research, development of analytical methods for their testing etc.

In 2012, some of the developmental projects from the previous period were finished, and intensive work was done on 7 projects of in-house development**,** 2 of these projects was successfully finished.

What all these projects had in common is the fact they all included research and developmental activities both in the narrow sense (for example, development of analytical methods and the formulation development) and in the broader sense (new technology development, new process development).

During 2012, apart from being used for the developmental projects, part of the resources was used for the modernization of JGL's product portfolio:

- new methods development for the existing portfolio
- improvement of production procedures
- process validation and optimization
- raising the level of registration dossiers

and a total percentage of work hours invested in these activities by the R&D employees was 60%.

In 2012 Development was distributed to:

Perscription programme	35%
Non-perscription programme	19%
Aqua Maris programme	12%
Other programmes	5%
Total portfolio	29%

By technological form (realization vs. plan) activities where:

Half-solid medications	10.20% / 12.70%
Solutions	31.10% / 59.60%
Dry-oral medications	24.70% / 25.10%

Total, activities were made on 66 different brands / products.

Strategic goal of R&D BF in the following period is to focus on new products in segment of sterile solutions (own development projects) and dry-oral medications (co-dev projects and trnsfer of knowledge in JGL).

New/old portfolio ratio, which was 40:60 in 2011, was changed in the activities plan for the 2012 to 55:45. This trend was fully sustained because of the large number of activities on the old portfolio.

Plan for year2013. is more research and laboratory activities and reduction of asministration activities.