Attachment 1.

Period: **1.1.2013** **to** **31.12.2013**

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:	**Svilno 20**
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**
Consolidated report:	**NO**

Number of employees (at the end of the period): **636**

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 2013

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**	314.735.475	365.264.088
I. INTANGIBLE ASSETS (004 - 009)	**003**	29.394.507	31.874.941
1. Expenditure for research and development	**004**	6.893.445	7.770.077
2. Patents, licences, concessions, trademarks, software and other rights	**005**	13.553.297	12.075.295
3. Goodwill	**006**		
4. Advances on intangible assets	**007**		
5. Intangible assets-construction in progress	**008**	8.947.765	12.029.569
6. Other intangible assets	**009**		
II. TANGIBLE ASSETS (011 - 019)	**010**	253.892.329	291.991.522
1. Land	**011**	4.897.532	4.915.132
2. Buildings	**012**	61.396.253	58.571.901
3. Equipment and machinery	**013**	94.655.200	89.535.751
4. Tools, power stock and transportation means	**014**	11.663.277	11.358.721
5. Biological assets	**015**		
6. Advances on tangible assets	**016**	837.270	12.686.711
7. Tangible assets-construction in progress	**017**	77.347.261	111.829.170
8. Other tangible assets	**018**	605.480	604.080
9. Investments in real estate	**019**	2.490.056	2.490.056
III. LONG TERM FINANCIAL ASSETS (021 - 028)	**020**	31.448.639	36.633.939
1. Shares in affiliated companies	**021**	30.157.987	35.257.987
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**	150.505	235.805
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**		4.763.686
C) SHORT TERM ASSETS (035+043+050+058)	**034**	512.085.845	566.670.098
I. INVENTORIES (036 - 042)	**035**	143.073.305	150.026.836
1. Raw and other material	**036**	55.221.013	61.717.075
2. Production in progress	**037**		
3. Finished products	**038**	60.506.685	60.778.388
4. Trade goods	**039**	1.318.310	1.504.076
5. Advances on inventories	**040**		
6. Long term assets for sale	**041**	26.027.297	26.027.297
7. Biological assets	**042**		
II. RECEIVABLES (044 - 049)	**043**	357.349.854	407.613.831
1. Receivables from affiliated companies	**044**	55.335.653	60.741.989
2. Receivables from buyers	**045**	281.796.259	337.588.922
3. Receivables from participating companies	**046**	0	
4. Receivables from employees and subsidiaries	**047**	26.207	22.150
5. Receivables from government and other institutions	**048**	18.341.686	7.968.178
6. Other receivables	**049**	1.850.049	1.292.592
III. SHORT TERM FINANCIAL ASSETS (051 - 057)	**050**	1.069.172	970.137
1. Shares in affiliated companies	**051**		
2. Loans to affiliated companies	**052**	278.000	278.000
3. Participating interest	**053**		
4. Loans given to companies with participating interest	**054**	0	
5. Securities investment	**055**	600.000	500.000
6. Given loans, deposits	**056**	191.172	192.137
7. Other short term financial assets	**057**		
IV. CASH AT BANKS AND IN HAND	**058**	10.593.514	8.059.294
D) PREPAYMENTS AND ACCRUED INCOME	**059**	6.018.272	7.697.728
E) TOTAL ASSETS (001+002+034+059)	**060**	832.839.592	939.631.914
F) OFF BALANCE SHEET ITEMS	**061**	110.313.814	83.670.947

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	315.335.685	387.613.592
I. CALLED UP CAPITAL	**063**	5.625.000	58.310.000
II. CAPITAL RESERVES	**064**	1.926.364	8.004.817
III. INCOME RESERVES (066+067-068+069+070)	**065**	3.470.416	6.996.731
1. Compulsory reserves	**066**	420.819	3.000.000
2. Reserves for treasury shares	**067**	928.818	2.269.752
3. Treasury shares (deductible)	**068**	20.000	413.800
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**	236.383.705	242.467.258
1. Retained profit	**073**	236.383.705	242.467.258
2. Loss for current year	**074**		
VI. PROFIT/LOSS FOR CURRENT YEAR (076-077)	**075**	67.930.200	71.834.786
1. Profit for current year	**076**	67.930.200	71.834.786
2. Loss for current year	**077**		
VII. MINORITY INTEREST	**078**		
B) PROVISIONS (080 - 082)	**079**	917.341	1.012.986
1. Provisions for retirement and similar expenditures	**080**	917.341	1.012.986
2. Provisions for taxes and contributions	**081**		
3. Other provisions	**082**		
C) LONG TERM LIABILITES (084 - 092)	**083**	285.175.751	320.665.943
1. Liabilities for affiliated companies	**084**		
2. Liabilities for loans, deposits	**085**		
3. Liabilities for bank loans and other financial institutions	**086**	145.731.084	181.053.276
4. Liabilities for advances	**087**		
5. Accounts payables	**088**		
6. Securities payables	**089**	139.444.667	139.612.667
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**	222.413.750	213.749.448
1. Liabilities for affiliated companies	**094**	5.011.156	6.129.168
2. Liabilities for loans, deposits	**095**	5.335.973	5.710.988
3. Liabilities for bank loans and other financial institutions	**096**	99.291.491	77.346.203
4. Liabilities for advances	**097**	493.847	644.719
5. Accounts payables	**098**	82.628.261	90.004.198
6. Securities payables	**099**	1.200.000	3.320.000
7. Liabilities for companies with participating interest	**100**	11.333	98.871
8. Liabilities for employees	**101**	10.220.416	13.046.189
9. Liabilities for taxes, contributions and other	**102**	15.526.001	17.183.683
10. Liabilities for shares in result	**103**	18.000	21.000
11. Liabilities for short term assets intended for sale	**104**		
12. Other short term liabilities	**105**	2.677.272	244.429
E) ACCRUALS AND DEFERRED INCOME	**106**	8.997.065	16.589.945
F) TOTAL LIABILITIES (062+079+083+093+106)	**107**	832.839.592	939.631.914
G) OFF BALANCE SHEET ITEMS	**108**	110.313.814	83.670.947
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 2013 and 31st December 2013

JGL d.d.

Position	ADP mark	Previous period	Current period
1	2	3	4
I. BUSINESS REVENUE (112+113)	111	597.968.459	663.354.058
1. Sales revenue	112	586.064.659	654.454.802
2. Other operational revenue	113	11.903.800	8.899.256
II. BUSINESS EXPENSE (115+116+120+124+125+126+129+130)	114	509.391.205	578.659.163
1. Change in value of inventories for production and goods	115	2.759.950	-271.703
2. Operating expense(117 - 119)	116	319.903.535	342.208.207
a) Cost of raw material	117	165.451.098	189.148.964
b) Costs of goods sold	118	3.669.347	2.992.978
c) Other external costs	119	150.783.090	150.066.265
3. Expense for employees (121 - 123)	120	124.042.668	149.225.757
a) Net salaries and wages	121	75.096.719	89.831.247
b) Taxes, social and pension funds	122	30.984.092	38.370.564
c) Contributions for salaries	123	17.961.857	21.023.946
4. Depreciation	124	22.084.666	23.755.370
5. Other expense	125	29.908.394	30.118.987
6. Revalorisation (127+128)	126	469.292	22.961.033
a) of long term assets (excluding financial assets)	127		
b) of short term assets (excluding financial assets)	128	469.292	22.961.033
7. Provisions	129	1.212.201	95.645
8. Other operational expenses	130	9.010.499	10.565.867
III. FINANCIAL REVENUE (132 - 136)	131	20.472.037	21.438.622
1. Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies	132	1.115.716	1.177.304
2. Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons	133	19.329.086	20.241.858
3. Revenue from participating interest and subsidiaries	134	19.562	19.460
4. Non-realized revenue	135	7.673	
5. Other financial revenue	136		
IV. FINANCIAL EXPENSE (138 - 141)	137	39.397.343	38.964.249
1. Interests, exchange rate differentials, dividends and similar expenses from relations	138	854.417	2.672.466
2. Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons	139	38.118.472	36.291.783
4. Non-realized loss from financial assets	140	424.454	
5. Other financial expenses	141		
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES	142	97.177	85.300
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES	143		
VII. EXTRAORDINARY REVENUE	144		0
VIII. EXTRAORDINARY EXPENSE	145		
IX. TOTAL REVENUE (111+131+142 + 144)	146	618.537.673	684.877.980
X. TOTAL EXPENSES (114+137+143 + 145)	147	548.788.548	617.623.412
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	69.749.125	67.254.568
1. Profit before tax (146-147)	149	69.749.125	67.254.568
2. Loss before tax (147-146)	150	0	0
XII. INCOME TAX	151	1.818.925	-4.580.218
XIII. PROFIT OR LOSS OF THE PERIOD (148-151)	152	67.930.200	71.834.786
1. Profit of the period (149-151)	153	67.930.200	71.834.786
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	67.930.200	71.834.786
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	67.930.200	71.834.786
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 2013 till 31st December 2013

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	531.022.129	590.423.366
2. Cash proceeds from royalties, fees, commissions, etc	002	274.754	1.085
3. Cash proceeds from insurance claims	003	804.716	198.700
4. Cash proceeds from tax return	004	52.955.256	49.635.886
5. Other cash proceeds	005	6.702.368	3.477.647
I. Total increase of cash flow from operating activities (001 - 005)	006	591.759.223	643.736.684
1. Novčani izdaci dobavljačima	007	433.678.755	426.311.097
2. Novčani izdaci za zaposlene	008	76.522.524	88.220.341
3. Novčani izdaci za osiguranje za naknade šteta	009		
4. Novčani izdaci za kamate	010	19.081.721	19.015.603
5. Novčani izdaci za poreze	011	69.436.490	69.371.782
6. Ostali novčani izdaci	012	6.814.936	5.068.641
II. Ukupno novčani izdaci od poslovnih aktivnosti (007 do 012)	013	605.534.426	607.987.464
A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH	014	0	35.749.220
A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH	015	13.775.203	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash proceeds from sale of long terms intangible and tangible assets	016	703.426	785.432
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment	018	267.546	122.095
4. Cash proceeds of dividend payment	019		
5. Other cash proceeds from investing activities	020	13.716.521	5.300.000
III. Total cash inflow from investing activities (015 - 019)	021	14.687.493	6.207.527
1. Cash outflow for acquisition of long term tangible and intangible assets	022	83.284.091	47.973.945
2. Cash outflow for acquisition of equity and debt security instruments	023	0	5.100.000
3. Other cash outflows from investing activities	024	278.000	5.300.000
IV. Total cash outflow from investing activities (021 - 023)	025	83.562.091	58.373.945
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)	026	0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)	027	68.874.598	52.166.418
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	028	0	7.231.587
2. Cash inflow from loan principals, debentures, credits and other borrowings	029	223.403.136	146.619.893
3. Other cash inflows from finance activities	030	35.369.827	11.424.492
V. Total cash inflow from finance activities (027 - 029)	031	258.772.963	165.275.972
1. Cash outflow for repayment of loan principal and bonds	032	79.303.707	125.548.751
2. Cash outflow for dividend payment	033	16.835.700	5.808.000
3. Cash outflow for finance lease	034	10.336.645	6.254.264
4. Cash outflow for buyback of own shares	035	914.446	2.518.434
5. Other cash outflow from finance activities	036	59.794.493	11.263.545
VI. Total cash outflow for finance activities (031 - 035)	037	167.184.991	151.392.994
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)	038	91.587.972	13.882.978
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	8.938.171	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	041	0	2.534.220
Cash and cash equivalents at the beginning of the period	042	1.655.343	10.593.514
Increase of cash and cash equivalents	043	8.938.171	
Decrease of cash and cash equivalents	044	0	2.534.220
Cash and cash equivalents at the end of the period	045	10.593.514	8.059.294

CHANGES IN EQUITY

for the period from 1.1.2013 to 31.12.2013

Position	ADP mark	Previous period	Current period
1	2	3	4
1. Called up capital	001	5.625.000	58.310.000
2. Capital reserves	002	1.926.364	8.004.817
3. Reserves from equity	003	3.470.416	6.996.731
4. Retained profit or transferred loss	004	236.383.705	242.467.258
5. Profit or loss of the period	005	67.930.200	71.834.786
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	315.335.685	387.613.592
11. Exchange rate differentials from foreign net investments	011		
12. Current and deffered tax	012	1.818.925	-4.580.218
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of errors from past periods	015		183.468
16. Other changes in equity	016	52.899.001	76.674.657
17. Total increase or decrease of equity (ADP 011 - 016)	017	54.717.926	72.277.907
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.

ANNUAL REPORT ON THE STATUS AND RESULTS OF OPERATIONS FOR 2013

RIJEKA, APRIL 2014

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.

Previous period is period from January 2012 till December 2012, while Current period refers to a period from January 2013 till December 2013.

CONTENT

INTRODUCTION BY THE BOARD OF DIRECTORS

Despite a five-year economic stagnation in Croatia, JGL in the same period experienced propulsive growth, increase in export of goods, increase in investments and employment. The company in the five years of crisis doubled total revenues!

After a very successful year 2012, a year marked by strong increase rates on the foreign markets and completed a significant investment cycle in production facilities and equipment, year 2013 was marked by extraordinary business results and 16% of growth in export which is key for our success. In 2013 JGL became second largest pharmaceutical company in Croatia, which is a significant step in the companies growth.

With the help of team work and dedicated work, continuous investment in development of innovative 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 Company JGL went up with the increase rate of 11% and amounted to HRK 684,877,980 of which HRK 510,113,767 was revenue from exported goods. Export has reached 77% of total revenues and is primarily made in the core market of the company, the CIS market. With these results JGL is once again confirmed as a growing company with prominent international prefix. Year 2013 ended with a record net profit of EUR 71,834,786.

Total revenue of the Group JGL went up with the increase rate of 9% and amounted to HRK 871,947,578. Year 2013 ended with a record net profit of EUR 71,113,857 which is a 5% increase in comparison to the year 2012.

We are extremely proud of our first registered medicaments in USA and approval of their regulatory agency FDA. In 2013 company JGL North America LLC started distribution and sales of JGL products on the USA market.

In this reporting period, we continued with a number of very important projects arising from the redefined strategy and the strategic map of the company. Certainly one of the significant achievements of the marks is the beginning of "Pharma Valley" project and future complex Svilno 2, extensions to our existing production site in Svilno 1, which will provide the company significant capacity in developing, manufacturing and storage. The new capacity will provide key resources for the realization of the planned sustainable, profitable growth for the next ten years and longer.

With our long-term active market, in accordance with the strategic goal of international expansion, communication-negotiation-business projects were active throughout the year. To realize mentioned projects company Booz & Co. was hired. Company Booz & Co. is one of the world’s best consultant company that helped us evaluate opportunities for JGL in Europe (Europe project started on 1 September 2013). Opportunities on the EU market were analyzed in great detail and many new contacts were made. At this moment JGL is in negotiation with 9 multinational companies that have yearly revenue over 20 billion euro. These companies are serious candidates for distribution od JGL’s products, sale of licenses and contractual production. The negotiations will end by the end of year 2014 and JGL will begin to actively engage the rest of the world.

During 2013, JGL was inspected by 13 external audits (regulatory institutions and partners). The company has passed all inspections which is a confirmation that the Company runs a successful operation. It is important to highlight that the company JGL passed six-day inspection of the Slovenian Agency JAZMP, which is a member of the PIC/S (The Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme) which adds to the GMP status of JGL. Thanks to the quality system, JGL has become a place of development, production and licensing of sterile pharmaceutical forms for many innovative and generic multinational companies. For JGL’s optimization of processes and costs it is important to mention that, joining the EU, JGL has become an approved place of control and batch release in the market for all EU Member States.

In 2013 JGL surpassed all year levels of produced units and produced nearly 33 million pieces of products. The most produced units came from Sterile 1 department (10,352,068 units), then comes Sterile 2 department with 8,994,546 pieces and Uhlmann line with 6,884,378 produced pieces. The warehouse of finished products also marked a record and reached as many as eight trucks in one day!

After the busy 2012 and harmonization of Croatian legislation with EU law and application of 41 medicaments to the Croatian Drug Agency, the Registration department exceeded all expectations and obtained 204 registrations in year 2013. This is a great result of the JGL team which processes new applications, renewal, amendment, findings, import licenses and other registration updates concurrently on the domestic market and on as many as 46 of the world markets.

Last year JGL realized an important acquisition in the neighboring Serbian market by taking over production facilities, intellectual property and equipment of a Serbian company BG-Pharm. By buying two dozen registered licenses JGL opened the prospects for a stronger step on the Serbian market. With this acquisition, JGL will compete on the list of government financed medicines in Serbia. Company JGL Serbia d.o.o. will produce solid forms and will continue the expansion of Prescription and OTC products while having the preferential customs treatment and incentives for new employment.

Given that the investment cycle Svilno 2 is intended to ensure the realization of the vision of JGL as a global leader in the field of nasal decongestant and differentiate core business focused on the development and manufacturing of medicines for the senses, last year JGL founded a new company - Adrialab, which will be focused on development and growth of traditional portfolios. In 2014 Adrialab will begin to compete with the production, sale and promotion of medicaments, medical devices, cosmetics and food supplements according to GMP standards. Adrialab will produce semi-solid forms and non-sterile solutions.

Recognizing the market potential of JGL products with a long tradition and reputation for exceptional quality, and in order to continue to provide a diverse range of products and choice to our customers, JGL has launched this powerful synergy model and formed another serious pharmaceutical company that will expand the domestic and foreign market sales of JGL Group.

All activated projects, as well as those who are still waiting to be launched, are very important steps towards the establishment of a modern and developed business system, they increase the competitiveness of companies and lead us towards achieving the ambitious goals we have set till year 2023. Our plans for the future are ambitious, we strive towards internationalization, in some segments even globalization.

In total, I consider the year 2012 as a very successful year. I thank our employees, without their 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

Usmiani

JGL d.d.
Pulac bb Rijeka
Hrvatska

CORPORATIVE MANAGING

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.

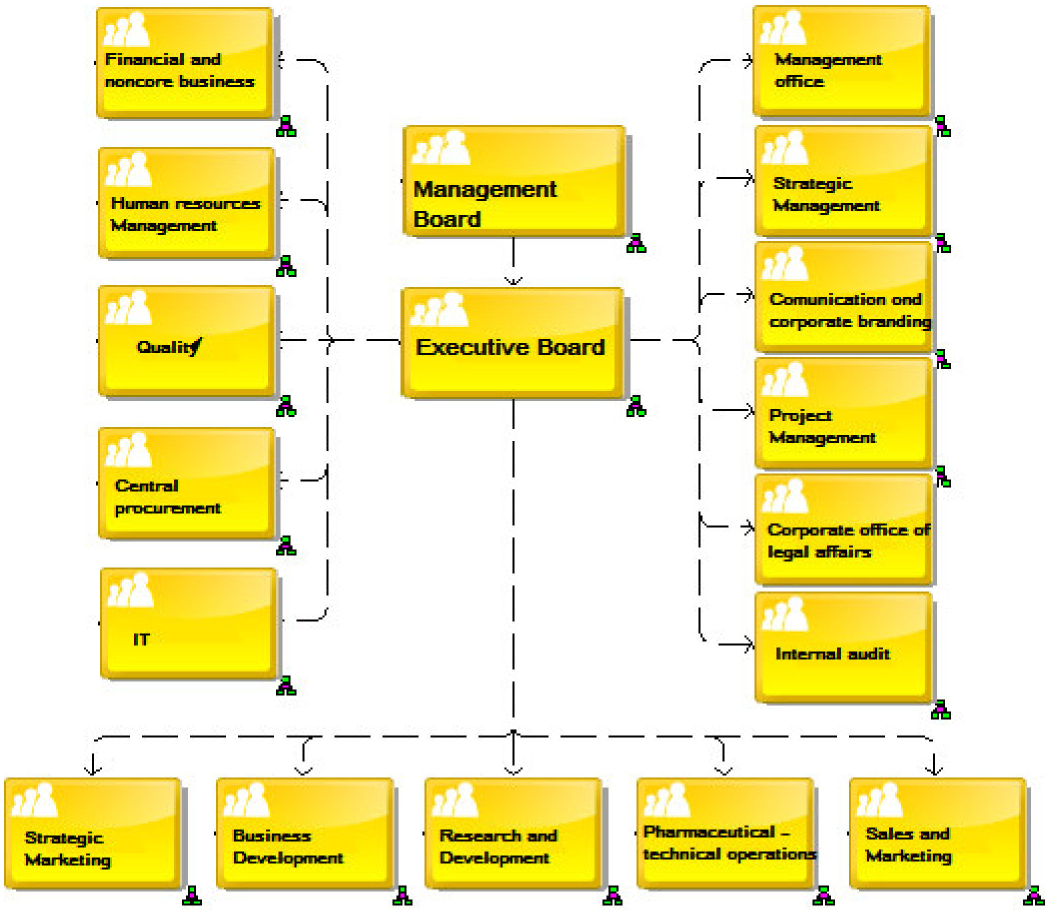
All values planned by the JGL's strategy, are delivered by the processes. Due to that fact, process map of the company occupies a central position within the JGL's business system. Processes present a dynamic perspective on the business system, while other elements of the business system present a static 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.

STRUCTURE

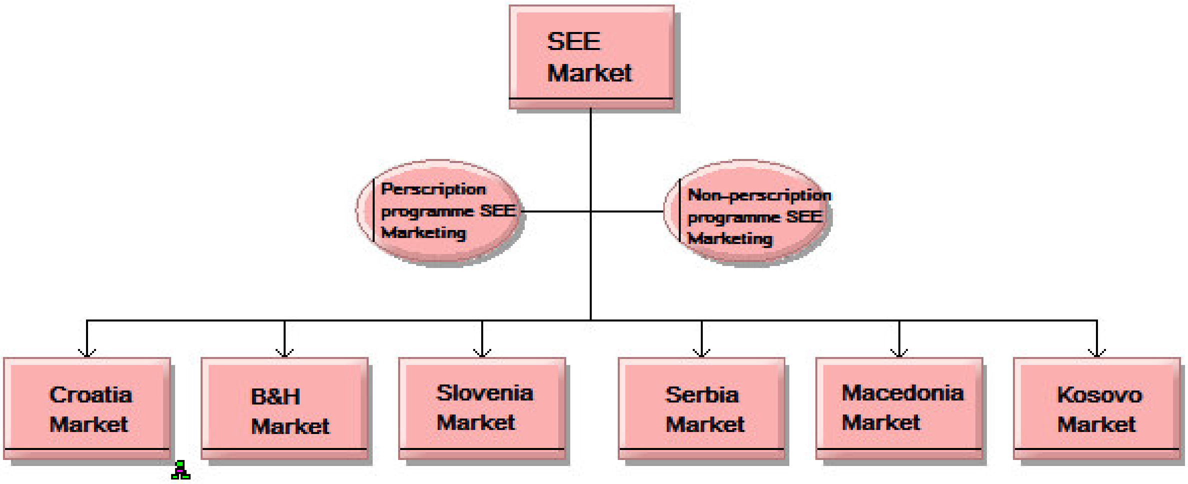
In 2013, there were no major structural changes within the organizational structure of the company. In accordance with the requirements of the relevant regulatory authorities in the function of assessing compliance with certain quality standards an integration of all departments in the function of quality (Quality Control and Quality Assurance) was made. All departments were integrated in the common corporate support function called Quality to ensure their complete control independence against the central management business functions in support of the operational processes of product realization.

Graph 1.: Organizational structure of company JGL in 2013



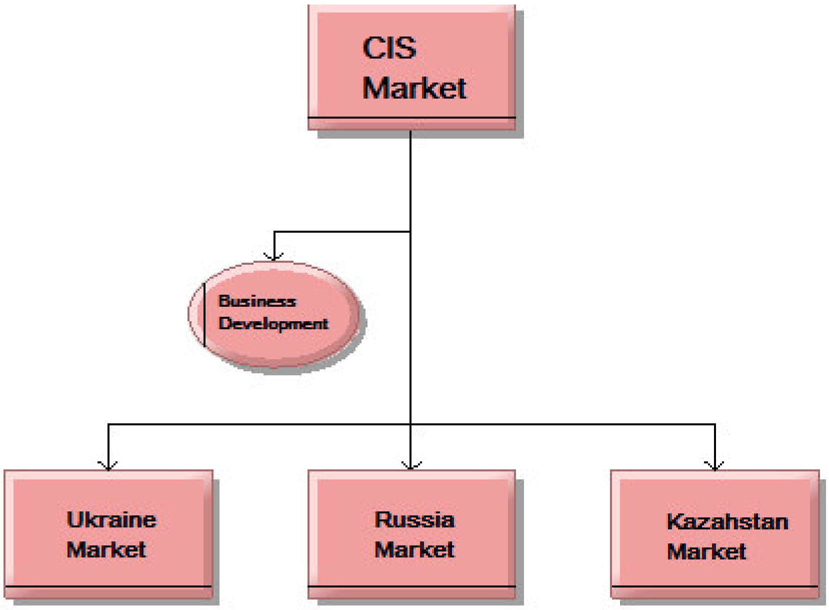
Source: JGL, ARIS Enterprise Architecture

Graph 2.: Organizational structure of SEE Market in 2013



Source: JGL, ARIS Enterprise Architecture

Graph 3.: Organizational structure of CIS Market in 2013



Source: JGL, ARIS Enterprise Architecture

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 specialization.

MANAGEMENT SYSTEM

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

- strategy development
- strategy planning
- organization alignment
- operation planning
- strategy realization 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.

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 analyze 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.

Strategic Board (SB) is a multifunctional and multidisciplinary expert body that consists of experts with appropriate qualifications and authority to propose and develop strategies companies. Key responsibilities are recommendations and review of corporate strategy, review of potential acquisitions and / or strategic alliances; monitoring of strategic development of industry in which the company competes: assessment of key investments, project / production decisions or write-off of a specific business process of JGL Group; evaluations and recommendations of strategic key Research and Development projects, as well as communicating the strategy throughout the company.

Members of the Strategic Board (SB) are:

- Members of the Executive board
- Directors of business functions,
- Key executives of business units, if necessary

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.

INFORMATION ON THE MANAGEMENT AND THE SUPERVISORY BOARD

Management Board's role in the Company is essential for achieving the goals and improving the quality system in accordance with the policies of quality. The Management Board with its work gives an example to other employees.

President of the Management Board is Ivo Usmiani, mr. Pharm. spec.

The Company's Supervisory Board consists of 5 members. Four members are appointed by the General Assembly, and one member is appointed by the employees in the manner and procedure prescribed by the Labour Act.

Members of the Supervisory Board, elected by the General Assembly are chosen from among experts in the fields relevant to the company's operations.

Members of the Supervisory Board from 27.10.2011 are:

- Zdravko Saršon, mr. pharm., president
- Eva Usmiani Capobianco, mr. spec., vice presidents
- Marina Pulišić, mag. pharm., member
- Grozdana Božić, dipl. iur., member

MEMBERS OF JGL GROUP

The consolidated financial statements include financial statements of the Parent company, companies controlled by the Parent Company and the affiliated companies listed below. The Parent company is in control of another company when it has the power to manage its financial and business policies in order to gain benefits from its activities. The consolidated financial statements incorporate the financial statements of the following companies:

Parent Company - JGL d.d. Rijeka
First-tier subsidiaries

- Farmis d.o.o. Sarajevo
- Jadran - Galenski laboratorij d.o.o., Ljubljana
- Jadran - Galenski laboratorij d.o.o., Beograd
- Pablo d.o.o., Zagreb
- JGL North America LLC ,New York, USA
- Adrialab d.o.o. Rijeka

Second-tier subsidiaries

- ZU Pablo, Rijeka
- Studio Omega d.o.o. Rijeka
- Poliklinika Pablo, Solin

TRADITIONAL JGL PORTFOLIO JGL IN ADRIALAB COMPANY

Recognizing the market potential of the product with a long tradition and reputation for exceptional quality and in order to continue to provide a diverse range of products and choice to the customers, in late 2013 a powerful synergy model was launched and a spin-off company in 100% ownership of JGL was established. The newly formed daughter company, pharmaceutical company Adrialab d.o.o. with headquarters in Pulac, Rijeka, in 2014 will begin to compete on the market with the production, sale and promotion of drugs, medical products, food supplements and products of general use, all according to the GMP standards. Adrialab will produce semi-solid forms and non-sterile solutions.

Adrialab will be focused on the traditional part of JGL's portfolio and will provide an excellent opportunity to employees who have worked on the key brands to continue their work and grow with the brand.

On the other hand, it is a chance for JGL to follow the vision of its leaders which is generic production of sterile drops for eyes and nose. The core processes of the company are "congested" with a broad portfolio of products of different categories of registration and regulatory requirements and the separation part of the product portfolio will significantly relieve capacity and provide space for development of Ophthalmological program.

In the first half of 2014 Adrialab will be promoting JGL's or third-party products, and in the second half the company will begin to produce, sell and promote their own and / or other products on the market.

PHARMACY PABLO

In 1999 JGL diversified its business by establishing a health institution for pharmacy services, pharmacy Pablo, Rijeka. Today Pablo is composed of 37 pharmacies, with 160 employed workers. It is a recognizable chain of pharmacies with expert employees that strive to provide better pharmaceutical care to all customers.

Business revenue of Pablo Pharmacies in 2013 were HRK 153,25,000 with realized profit of HRK 2,555,918. Over the last year Pablo Pharmacies opened one new pharmacy and started a comprehensive rebranding project whose aim is to differentiate services, increase the credibility and value of Pablo Pharmacies with existing and new customers.

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

Overview of the financial ratios in period of 2009 - 2013

000 HRK	2013	2012	2011	2010	2009
Business revenues	663,354	597,968	508,156	489,240	365,670
Croatia	144,341	146,125	145,028	165,502	164,023
Export	510,114	439,940	353,326	312,716	187,753
EBITDA	131,411	111,130	107,617	79,726	60,037
Normalized earnings before tax*	90,216	70,218	70,861	54,804	29,840
Earnings before tax[1]	67,255	69,749	69,786	39,192	29,403
Total assets	939,632	832,840	716,408	578,789	514,609
Capital and reserves	387,614	315,336	262,437	202,106	167,969
Investment	57,492	103,598	66,192	25,485	10,242
Ratios					
EBITDA	19.8%	18.6%	21.2%	16.3%	16.4%
Normalized gross margin*	13.6%	11.7%	13.9%	11.2%	8.2%
Gross margin	10.1%	11.7%	13.7%	8.0%	8.0%
ROE	17.4%	22.1%	26.6%	19.4%	17.5%
ROA	7.2%	8.4%	9.7%	6.8%	5.7%
Capital to asset ratio	41.3%	37.9%	36.6%	34.9%	32.6%
Number of employees					
On 31.12.2014	660	602	524	477	418

**Difference between normalized earnings before tax and earnings before tax are in write-off of receivables. In 2013 a write-off of receivables from Ukrainian customers was made (minus the insured amount with the insurance company HKO d.d.) in total amount of HRK 22.8 million. A similar situation was in 2010 when the Company had write-off of receivables in amount of HRK 15.6 million due to the world economic crisis and bankruptcy of several Russian wholesaler companies. In other years shown in the table, write-offs were less than 0.2% of revenue.*

[1] The Company has incentives and uses the tax benefits in terms of reduced income tax rates, therefore, for comparison purposes data on pre-tax profit and gross margin are used in this table

INCOME STATEMENT FOR JGL

Income statement of Company JGL for periods of 2012 and 2013

Position	Previous period	% UP	Current period	% UP	Index
OPERATING REVENUES	597,968,458.75	96.67	663,354,057.84	96.86	110.93
Revenues from domestic sales	146,124,725.91	23.62	144,341,035.00	21.08	98.78
Revenues from foreign sales	439,939,933.03	71.13	510,113,767.06	74.48	115.95
Revenues from refunds, grants, subventions and free receipts	269,775.20	0.04	333,383.80	0.05	123.58
Revenues from the use of own products	4,157,451.47	0.67	5,294,404.41	0.77	127.35
Other business revenues	7,476,573.14	1.21	3,271,467.57	0.48	43.76
OPERATING EXPENSES	509,391,204.89	82.35	578,659,162.40	84.49	113.60
Change of stock value	2,759,949.72	0.45	-271,703.03	-0.04	-9.84
Material costs and services	319,903,534.59	51.72	342,208,206.50	49.97	106.97
Costs of raw material	165,451,098.23	26.75	189,148,963.62	27.62	114.32
Costs of sold goods	3,669,346.70	0.59	2,992,978.34	0.44	81.57
Costs of services	150,783,089.66	24.38	150,066,264.54	21.91	99.52
Staff costs	124,042,669.03	20.05	149,225,757.05	21.79	120.30
Net salaries	75,096,719.47	12.14	89,831,247.19	13.12	119.62
Taxes, surtaxes and contributions from salaries	48,945,949.56	7.91	59,394,509.86	8.67	121.35
Depreciation	22,084,665.81	3.57	23,755,369.54	3.47	107.56
Other costs	29,908,394.44	4.84	30,118,987.21	4.40	100.70
Value adjustment of assets	469,291.93	0.08	22,961,033.42	3.35	4,892.70
Provisions for risks and costs	1,212,200.84	0.20	95,645.00	0.01	7.89
Other operating expenses	9,010,498.53	1.46	10,565,866.71	1.54	117.26
FINANCIAL REVENUES	20,472,036.98	3.31	21,438,621.77	3.13	104.72
FINANCIAL EXPENSES	39,397,343.06	6.37	38,964,249.42	5.69	98.90
SHARE IN PROFIT FROM AFFILIATED COMPANIES	97,177.27	0.02	85,300.69	0.01	87.78
OTHER REVENUES	0,00	0,00	0,00	0,00	0,00
OTHER EXPENSES	0,00	0,00	0,00	0,00	0,00
TOTAL REVENUES	618,537,673.00	100.00	684,877,980.30	100.00	110.73
TOTAL EXPENSES	548,788,547.95	88.72	617,623,411.82	90.18	112.54
RESULT BEFORE TAXATION	69,749,125.05	11.28	67,254,568.48	9.82	96.42
Income tax	1,818,924.59	0.29	-4,580,217.71	-0.67	-251.81
RESULT OF THE PERIOD	67,930,200.46	10.98	71,834,786.19	10.49	105.75

In the second half of the year 2013 trend of increased sales revenues continued as was in the first half of year 2013. Business revenues in the year 2013 increased by 11% in comparison to the year 2012. Revenues from sales made abroad went up by 16%. Export share in total revenues of the company went up from 73.57% in 2012 to 76.89% in 2013, which is a result of further strengthening 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 (24% increase in comparison to the year 2012) and Global market (22% increase in comparison to the year 2012). The Russian market generates 66.88% of all revenues, which is a big influence on total revenues. High growth ratios in the Russian market, that are visible throughout the years, are a sign that the company managed to establish its products on this large market.

In 2013 on Croatian market, as second largest market, JGL realized 99% of sales as in 2012 which indicates stagnation on the market that is still in financial crisis.

Business expenditures in the year 2013 increased by 13% (HRK 69 million) mostly due to 20% increase in costs for wages (HRK 25 million) and increased costs of impairment of short – term assets. The increase in cost of wages is due to increased employment for new production facility Svilno 2.

Due to the political situation in Ukraine, uncertainty in terms of further market development, lack of suitable basis for assessing future payments, the Company decided to take the conservative aproach and made a reservation of all recievables from Ukrainian customers in total amount of EUR 2,985,926.88 (HRK 22,805,443.53). Nevertheless, Ukrainian market is in Companies long-term plans and there is constant monitoring of the situation so any new information can be

Financial revenues form the exchange rate differences and the revenues from interest marked an increase of 3% during 2013 in comparison to the previous year, mainly because of lower interest cost. The biggest influence on decrease of interest cost had the decrease of treasury bonds from Ministry of finance that are a variable part of JGL's secusities interest.

BUSINESS RISKS

The Company has a large share of export in sales revenues which results in receivables in foreign currencies that expose the Company to currency risk. Almost all claims of foreign customers (over 99%) are expressed in EUR. Foreign Assets are greater than foreign currency liabilities, which is considered desirable due to the macroeconomic situation in the Republic of Croatia, as well as the possibility of more bank loans in EUR if needed.

Foreign currency risk exposure is continuously monitored and, if necessary, forward contracts are used. In case of significant invoicing in another foreign currency the Company will make a decision on protection from currency risk by futures or loans in the currency in question (depending on the costs of such arrangements).

Customer credit risk is managed in two ways. Internally, customer ratings are monitored and credit limits are determined for each customer. Externally, foreign customer receivables are insured with trade insurance companies HBOR and HKO. Insured amounts on 31.12.2013. are approximately 10 million euro, which represents 38% of the average level of receivables from foreign customers in 2013. JGL is continuously working to increase the share of insured receivables in the total amount of foreign receivables.

Balance sheet of Company JGL for periods of 2012 and 2013

Position	Previous period	% UA	Current period	% UA	Index
TOTAL ASSETS	**832,839,590.81**	**100.00**	**939,631,914.40**	**100.00**	**112.82**
LONG TERM ASSETS	**314,735,475.02**	**37.79**	**365,264,088.49**	**38.87**	**116.05**
Intangible assets	29,394,507.33	3.53	31,874,940.64	3.39	108.44
Tangible assets	253,892,329.03	30.49	291,991,522.59	31.08	115.01
Long term financial assets	31,448,638.66	3.78	36,633,939.35	3.90	116.49
DEFERRED TAX ASSETS	0,00	0,00	4,763,685.91	0.51	0,00
SHORT TERM ASSETS	**512,085,844.09**	**61.49**	**566,670,097.73**	**60.31**	**110.66**
Stock	143,073,305.24	17.18	150,026,836.75	15.97	104.86
Receivables	357,349,852.86	42.91	407,613,829.93	43.38	114.07
Short term financial assets	1,069,171.99	0.13	970,136.62	0.10	90.74
Cash at banks and in hand	10,593,514.00	1.27	8,059,294.43	0.86	76.08
PREPAID COSTS AND ACCRUED REVENUES	**6,018,271.70**	**0.72**	**7,697,728.18**	**0.82**	**127.91**
TOTAL CAPITAL AND LIABILITIES	**832,839,590.81**	**100.00**	**939,631,914.40**	**100.00**	**112.82**
CAPITAL AND RESERVES	**315,335,684.97**	**37.86**	**387,613,592.36**	**41.25**	**122.92**
Called up capital	5,625,000.00	0.68	58,310,000.00	6.21	1,036.62
Premium on issued shares	1,926,364.18	0.23	8,004,817.18	0.85	415.54
Treasury shares	-20,000.00	0.00	-413,800.00	-0.04	2,069.00
Reserves	3,490,415.50	0.42	7,410,530.46	0.79	212.31
Retained profit + undistributed profits of last year	236,383,704.83	28.38	242,467,258.53	25.80	102.57
RESULT OF THE PERIOD	**67,930,200.46**	**8.16**	**71,834,786.19**	**7.64**	**105.75**
LONG TERM PROVISIONS	**917,341.00**	**0.11**	**1,012,986.00**	**0.11**	**110.43**
LONG TERM LIABILITES	**285,175,749.94**	**34.24**	**320,665,942.76**	**34.13**	**112.45**
Liabilities for bonds	139,444,666.66	16.74	139,612,666.66	14.86	100.12
Other long term liabilities	145,731,083.28	17.50	181,053,276.10	19.27	124.24
SHORT TERM LIABILITIES	**222,413,749.56**	**26.71**	**213,749,448.01**	**22.75**	**96.10**
Liabilities for subsidiaries	5,011,155.88	0.60	6,129,168.09	0.65	122.31
Short term financial liabilities	104,627,463.94	12.56	83,057,191.35	8.84	79.38
Liabilities for securities	1,200,000.00	0.14	3,320,000.00	0.35	276.67
Trade payables	85,497,040.78	10.27	90,103,068.27	9.59	105.39
Liabilities towards employees	10,220,415.82	1.23	13,046,189.31	1.39	127.65
Liabilities for taxes and contributions	15,526,001.36	1.86	17,183,682.97	1.83	110.68
Liabilities due to share in result	18,000.00	0.00	21,000.00	0.00	116.67
Other short term liabilities	313,671.78	0.04	889,148.02	0.09	283.46
DEFERRED SETTLEMENTS OF COSTS AND REVENUE DEFERRED TO FUTURE PERIOD	**8,997,065.34**	**1.08**	**16,589,945.27**	**1.77**	**184.39**

Increase in total assets in comparison to the previous period was 13%. Tangible assets had the biggest increase (15%) in longterm assets because of the investment in new facility called Svilno 2.

Substantial growth of 16% can be seen in financial assets, this is a result of starting a new business Adrialab d.o.o., a daughter company 100% owned by JGL d.d., as well as in increase in capital of daughter company Pablo d.o.o.

Short-term assets increased 10% in comparison to the previous period mostly because of the increase of receivables (20% increase when compared to 2012). Deferred tax assets are income tax liabilities in the amount of temporary tax differences for reservation based on jubilee awards and as well as temporarily non-deductible value adjustment for reserved receivables from customers in the market of Ukraine.

The most significant change in capital and reserves is the increase of called up capital from 5.6 million to 58.3 million. This is due to the recapitalization of the Company from retained earnings carried out in June 2013. Increase in long-term liabilities is due to an increase in long-term bank loans from HRK 133 million to HRK 171 million. This growth is mostly related to the HBOR loan for investment Svilno 2.

Part of the withdrawn amount of the loan is used for closing the loan which financed the purchase of land which is evident in the reduction of current liabilities (the financial liabilities decreased from HRK 99 million to HRK 77 million).

The total level of interest-bearing liabilities increased by only 4% (from HRK 391 milion to HRK 407 million) which increased the share of self-financing from 37.9% in 2012 to 41.3% in 2013.

INCOME STATEMENT FOR JGL GROUP

Consolidated Income statement – JGL Group of 2012 and 2013

NAZIV POZICIJE	31.12.2012.	31.12.2013.	INDEX
OPERATING REVENUES	**778.212.279,26**	**849.958.676,06**	**109,22**
Revenues from domestic sales	**329.579.545,42**	**334.247.164,80**	**101,42**
Revenues from foreign sales	**421.411.203,02**	**489.220.419,78**	**116,09**
Revenues from refunds, grants, subventions and free receipts	**1.087.329,00**	**582.054,92**	**53,53**
Revenues from use of own products	**4.236.246,26**	**5.691.235,69**	**134,35**
Other business revenues	**21.897.955,56**	**20.217.800,87**	**92,33**
OPERATING EXPENSES	**687.737.702,15**	**765.061.090,35**	**111,24**
Change of stock value	**2.759.949,72**	**-271.703,03**	**-9,84**
Material costs and services	**460.237.490,77**	**492.248.579,79**	**106,96**
Cost of raw material	167.635.887,73	191.460.605,23	114,21
Cost of sold goods	140.006.930,62	144.214.419,91	103,01
Cost of services	152.594.672,42	156.573.554,65	102,61
Staff costs	**148.578.046,96**	**176.235.128,06**	**118,61**
Net salaries	89.211.185,08	105.567.385,75	118,33
Income tax and contributions from salaries	59.366.861,88	70.667.742,31	119,04
Depreciation	**24.295.916,30**	**26.081.355,11**	**107,35**
Other costs	**39.522.092,48**	**35.519.815,84**	**89,87**
Value adjustment	**893.951,77**	**23.655.058,16**	**2.646,12**
Provisions	**1.212.200,84**	**95.645,00**	**7,89**
Other business expenses	**10.238.053,31**	**11.497.211,42**	**112,30**
FINANCIAL INCOME	**21.245.147,58**	**21.903.601,41**	**103,10**
FINANCIAL EXPENSES	**42.342.999,96**	**39.576.220,48**	**93,47**

OTHER REVENUES	**97.177,27**	**85.300,69**	**87,78**
OTHER EXPENSES	**0,00**	**0,00**	**0**
TOTAL REVENUES	**0,00**	**0,00**	**0**
TOTAL EXPENSES	**799.554.604,11**	**871.947.578,16**	**109,05**
PROFIT / LOSS BEFORE TAXATION	**730.080.702,11**	**804.637.310,83**	**110,21**
Paid income tax	**69.473.902,00**	**67.310.267,33**	**96,89**
PROFIT / LOSS OF THE PERIOD	**2.046.106,49**	**-3.803.590,37**	**-185,89**
Cost of raw material	**67.427.795,51**	**71.113.857,70**	**105,47**

Business revenues in the year 2013 increased by 9% in comparison to the year 2012, mainly influenced by the export activities of the parent company (16% increase in sales abroad).

The most important export sales were realizes in the markets of Russia (24% increase compared to 2012) and in the Global markets region (22% increase compared to 2012). The Russian market still has a high share in operating revenues of the parent company (66.88%) and has a significant impact on the Group's total revenue and export performance.

High growth rates that are achieved from year to year on the Russian market indicate a positive trend in the future. The constant increase in revenue signalizes that the company established strong brands and partnerships on this market.

The Croatian market, as the second largest market, realized sales at the level of 101% compared to last year which indicates the relative stagnation and the fact that this market is still in a recessive period. The stagnation of the Croatian market is also the reason for the reduced contribution of local affiliate companies to the consolidated results of the Group JGL.

Business expenditures of the JGL Group in the year 2013 increased by 11% in comparison to the year 2012 and amount to HRK 77.3 million. The biggest increase is in staff costs (HRK 27.6 million), due to the increased employment in preparation for the new production facility Svilno 2. The second biggest increase is in costs of short-term assets value adjustment (HRK 22.7 million) realized by the parent company.

Financial revenues increased by 3% due to the foreign exchange gains, while the financial expenditures decreased due to the decreased interest costs. The greatest impact on the decrease of the interests had the decrease in value of treasury bonds of Ministry of Finance in Republic of Croatia which are used for calculation of the variable interest rate of issued bonds of the parent company.

Consolidated net profit in year 2013 amounts to HRK 71,113,857.70 which is an increase of 5.5% in comparison to the 2012.

BALANCE SHEET FOR JGL GROUP

Consolidated Balance sheet for JGL Group in 2012 and 2013

NAZIV POZICIJE	PRETHODNO RAZDOBLJE	TEKUĆE RAZDOBLJE	INDEX
TOTAL ASSETS	933.536.474,14	1.026.105.201,10	109,92
LONG TERM ASSETS	355.250.218,10	399.713.835,11	112,52
Intangible assets	80.761.572,21	83.551.992,32	103,46
Tangible assets	272.840.524,71	309.596.949,33	113,47
Long term financial assets	1.648.121,18	1.801.207,55	109,29
Deferred tax assets	0,00	4.763.685,91	0
SHORT TERM ASSETS	572.134.678,04	618.540.625,58	108,11
Inventories	164.082.257,77	172.896.851,49	105,37
Receivables	386.187.916,00	422.886.106,27	109,50
Short term financial assets	3.370.343,58	5.914.909,22	175,50
Cash at banks and in hand	18.494.160,69	16.842.758,60	91,07
PREPAID EXPENSES AND ACCRUED INCOME	6.151.578,00	7.850.740,41	127,62
TOTAL CAPITAL AND LIABILITIES	933.536.474,14	1.026.105.201,10	109,92
CAPITAL AND RESERVES	314.783.513,19	387.916.590,23	123,23
Called up capital	5.625.000,00	58.310.000,00	1.036,62
Premium on issued shares	1.926.364,18	8.004.817,18	415,54
Treasury shares	-20.000,00	-413.800,00	2.069,00
Reserves	3.490.415,50	7.410.530,46	212,31
Retained profit + undistributed profits of last year	263.333.938,00	243.491.184,89	103,03
PROFIT / LOSS OF THE PERIOD	67.427.795,51	71.113.857,70	105,47
LONG TERM PROVISIONS	917.341,00	1.012.986,00	110,43
LONG TERM LIABILITES	295.565.735,00	326.591.328,25	110,50
Liabilities for bonds	139.444.667,00	139.612.666,66	100,12
Other long term liabilities	156.121.068,00	186.978.661,59	119,77
SHORT TERM LIABILITIES	312.973.010,00	293.667.712,65	93,83
Liabilities towards related parties	0,00	0,00	0,00
Short term financial liabilities	129.127.485,52	117.742.345,92	91,18
Liabilities for securities	1.200.000,00	3.320.000,00	276,67
Trade payables	149.878.772,89	138.223.209,85	92,22
Liabilities towards employees	11.589.387,14	14.453.064,51	124,71
Liabilities for taxes and contributions	16.480.800,68	18.945.941,79	114,96
Liabilities due to share in result	18.000,00	21.000,00	116,67
Other short term liabilities	4.678.563,77	962.150,58	20,57
DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	9.296.874,95	16.916.583,97	181,96

Increase in total assets in comparison to the previous period was 10%, mostly due to the increase in fixed assets for new production facility Svilno 2.

Also, a significant increase of 9.2% is visible in the long-term financial assets, which is realized by founding of the company Adrialab Ltd., as well as an increase in equity in the company Pablo Ltd.

The increase in current assets of 8% was mostly due to the increase in the position of trade receivables which increased by 9.5% compared to the previous period due to the increase in foreign claims of the parent company.

Deferred tax assets are income tax liabilities in the amount of temporary tax differences for reservation based on jubilee awards and temporarily non-deductible value adjustment for reserved receivables from customers in the market of Ukraine in the parent company.

Capital of the Group increased from HRK 5.6 million to HRK 58.3 million due to the capitalization of the retained earnings of the parent company in June 2013. Increase in long-term liabilities is due to an increase in long-term bank loans from HRK 156 million to HRK 186 million. This growth is mostly related to the HBOR loan for investment in the new production facility Svilno 2.

Part of the HBOR loan was used for bridging the loan used for the purchase of land, which is evident in the reduction of current liabilities (he financial liabilities decreased from HRK 129 million to HRK 117 million).

OVERVIEW OF FINANCIAL RESULTS PER PRODUCTION PROGRAMME

The company JGL offers a wide portfolio of branded generic and OTC products, in almost all technological forms, which are classified into various categories, from fundamental and most demanding drugs and medical products to natural remedies, supplements and dermo-cosmetics for children and adults. The portfolio comprises almost 100 brands, 540 products and 1,100 variations that are sorted in the program units - Prescription Program, OTC program and Aqua Maris Programme. In the last few years these brands became strongest - Aqua Maris, Meralys, Pigrel, Ranix, Escontral, Latanox, Drama's, Pantexol, Lactogyn, Normie, Vitalia and Holyplant.

To maintain optimum adaptability to market needs and to shorten the release of its products on the market, JGL's strategy is to further develop Contractual production, especially in the production of sterile solutions and sprays.

In 2013 JGL realized net sales of approximately HRK 649.2 million, an increase of 12% when compared to the previous period. The CIS Market fully realized the sales plan for 2013 and even increased sales by 20% when compared to the previous period. The Global market region (all countries of the world that do not fall within the region of CIS and SEE) realized amounts are much lower than other regions, but when compared to the previous period this market grew 21%.

The second most important market after the Russian market, with a share of 20% in total sales for JGL is a Croatian market. Croatian market sales increased in quantity, but due to the fact that there are primarily prescription drugs and the fact that prices for prescription drugs decreased during the year 2013, the amount sold is lower than in 2012.

Among drug manufacturers (either original, or generic) on the Croatian market, JGL is in 14th place, and in the 5th place among manufacturers of generic drugs (behind Pliva, Belupo, Krka and Sandoz). Share of JGL in the total Croatian pharmaceutical market in 2013 was 2.48%.

PRESCRIPTION DRUG PROGRAMME

Prescription drugs market in 2013 suffered a financial decline of about 4%, and a natural growth of 1%. The natural growth of the market and JGL is visible through the pharmacy chain, while the financial growth is still in decline. JGL's loss triggered by lower prices is, as in other pharmaceutical companies, disproportionately large in relation to the total fall in prices. In the latest price cuts HZZO saved approximately HRK 230 million, Croatian drug manufacturers gathered within the group HUP-UPL, in participate with HRK 154.7 million.

The prescription program in 2013 realized net sales of approximately HRK 139.7 million, which is an increase of approximately 5% when compared to the previous year.

Prescription Drug Programme is mostly realized on Croatian market (64%). In 2013 the sales increased by approximately 13% when compared to the previous year.

The market SEE realized approximately HRK 8.9 million, which is a decrease compared to the realization of the previous year (approximately 6%). The reason for the decrease is the fall in prices on the market Croatian that is transferred to other markets in the region as well as delays in the registration procedure due to the unstable political environment, especially on the second largest market after the Croatian, Bosnian market.

This program has realization on the CIS markets, where there was an increase of 16% compared to the previous year. The plan was also exceeded at the same percentage.

These groups have had most success in 2013:

- **Medications for the treatment of systemic infections - growth of 48%**
- **Medications which affect the skin - growth of 40%**
- **Preparations which affect the genitourinary system and sex hormones - growth of 16%**
- **Preparations which affect the nerv system - growth of 5%**

NON-PRESCRIPTION PROGRAMME (OTC PROGRAMME)

Sales of products from the OTC program in 2013 were approximately HRK 155.6 million with an increase in the CIS region and Global markets region, when compared to the previous period. Product sales increased by 12% in comparison to the 2012 and the plan was realized in 103%.

In the Croatian market sales decreased by approximately 2% compared to the previous year, and only 89% of plan was realized. Similar results were in other countries of the SEE region, with a decrease of 2% compared to the previous year. The biggest reason for that is long-lasting economic crisis that has significantly reduced the purchasing power of citizens.

Unlike SEE, product sales on the CIS market increased by 21% in comparison to the 2012 and 116% of plan was realized. The program has a presence in the Global markets region where the plan is realized in 176%. The Global market sales are still very small.

These groups and brands have had most success in 2013:

- **Vitalia – growth of 34%**
- **OTC medicaments – growth of 17%**
- **Holyplant OTC – growth of 5%**
- **Probiotics – growth of 1%**

AQUA MARIS PROGRAMME

As in past years, The Aqua Maris recorded further growth in 2013. Product sales in 2013 were approximately HRK 319.8 million, representing an increase of 21% compared to the year 2012.

The program performed better compared to the previous period in all markets - the Croatian market increased by 11%, and the market SEE by 4%.

At the core region CIS, Aqua Maris sales in 2013 were great with an increase of 20% in sales. Especially important is the success of the program in the Region Global markets with an increase of 141%.

LICENSING OUT AND CONTRACTUAL PRODUCTION

The contractual production program generated HRK 36.2 which is a significant increase of 11% in comparison to the previous year.

The largest share (98%) of sales was realized in the regions of the global market which increased by 12% when compared to the previous year.

INVESTMENTS AND INCENTIVES

INVESTMENTS

Investments in long term assets in 2013 amount to HRK 57,492,196.28. Investments in non-tangible assets were HRK 6,972,280.09 of which HRK 3,286,630.50 are investments in computer programs and licenses and HRK 3,685,649.59 investment in development projects mostly involving Incentive program from Ministry of science, education and sports.

Investments in tangible assets were HRK 45,419,916.19 of which HRK 30,600,497.61 are investments in land, buildings and equipment for the new production facility Svilno 2 and HRK 9,750,067.36 are investments in production, transport and IT equipment. Investments in tangible assets include an amount of HRK 5,069,351.23 invested in land, building, equipment and licenses bought from a company in bankruptcy - BG-Pharm d.o.o. from Beograd, Serbia.

Investment in long term financial assets in amount of HRK 5,100,000.00 was for founding a new affiliate company Adrialab d.o.o. 100% owned by JGL and for capital increase of company Pablo d.o.o.

Stated investments do not include advances for long term assets for project Svilno 2 in amount of HRK 12,052,544.98.

INCENTIVES

In 2009 the company was the recipient of incentive measures based on the Investment Promotion Act (Official Gazette 138/06, 61/11) for investment projects under the general title "The development of the production of semi-solid forms, raw materials for the cosmetic and pharmaceutical products and the development of production and dosing solution of Aqua Maris", and earned the right to use state incentives in maximum amount of HRK 29,892,013. In the period from 2009 to 2013

JGL used the tax incentive in the amount of HRK 29,401,033, of which HRK 5,025,383 in 2013.

On 26.02.2014 the company was the recipient of incentive measures based on the Law on promotion of investment and improvement of investment environment (Official Gazette 111/12, 28/13) for project Svilno 2. JGL in 2013 reported investment in a new production facility in the amount of HRK 35,772,038, which will ensure the capacity for future global growth in existing and new markets. Ministry issued a decision on the maximum intensity of incentives in amount of 40% of investment amounting to HRK 103,098,382, which can be used for a period of 10 years in terms of reduced income tax rates, which is 0%. When calculating income tax for the year 2013 used the tax incentive on that account in the amount of HRK 2,705,975.

PURCHASE OF OWN SHARES

At the beginning of the period, the company owned 200 of its own shares. During the 2013, company increased the share capital by reinvestment of earnings which increased the number of own shares by 1,800 shares.

During 2013, the company acquired 4,638 of its own shares and sold 2,500, after which there remained 4,138 own shares in the portfolio.

EMPLOYEES

The strategy of human resource management in JGL is part of BSC (Balanced Score Card) strategy map. In order to secure that the strategic directions within the company are in place, JGL has to strengthen the perspective of learning and growth. This is a perspective which ensures that internal resources, especially human, but also informational and organizational, are in balance and have the ability to achieve set goals.

JGL develops encouraging and cooperative culture focused on success in a way that is targeted to develop leadership and management skills and ensures accountability and independence for all employees.

In all that is done, there is constant awareness of the importance of the dimensions of excellence and quality. The goal is to develop and keep motivated and effective employees through constant development of the system of rewards and performance management systems, as well as through efficient communication - cascading strategy to every employee understand their role in achieving strategic goals.

In 2013, the goal was the strategic alignment of human capital in order to provide more focused support to the implementation strategy of the company. Objectives are:

• develop leadership and culture based on traditional values of JGL,

• strategically align systems of performance management and rewards system,

• Develop strategic competencies of employees.

Total number of employees in JGL on 31 December 2013 was the 660.

383 employees worked in Croatia (HR), 161 in Russia (RU), 60 in Ukraine (UA), 39 in Kazakhstan (KZ) and 17 in the region of Southeast Europe (Bosnia and Herzegovina, Serbia, Macedonia, Kosovo).

The number of employees on the basis of realized working hours on 31 December 2013 was 639.

Total number of employees in JGL Group on 31 December 2013 was 852, and on the basis of realized working hours 831.

The two biggest markets are Croatia and Russia. Intensive employment trend of the previous years continued during the 2013. Compared to last year, a total of 58 new people were employed, which is an increase of 9%.

70,90% of employees are women, while 29.10% are men. The percentage of highly educated in JGL is 67%, while the average age of employees is 37 years old.

Number of employees by country in 2012 and 2013

	HR	BiH	SRB	MK	RKS	RU	KZ	UA	TOTAL
2012	340	8	3	3	1	161	32	55	**602**
2013	383	7	4	5	1	161	39	60	**660**

Number of employees by gender and education in 2012 and 2013

	2012	2012	2013	2013
	WOMEN	**MEN**	**WOMEN**	**MEN**
MR.SC.	5	0	5	2
MR.SPEC.	9	2	9	2
DR.SC.	4	0	4	0
VSS	275	113	315	119
MR	4	1	4	1
VŠS	14	8	14	6
SSS	90	51	95	56
VKV	1	2	2	2
KV	4	2	4	3
NSS	14	0	14	0
PK	1	0	1	0
NK	1	1	1	1
TOTAL	**422**	**180**	**468**	**192**

Number of employees by age in 2012 and 2013

	2012	2012	2013	2013
	WOMEN	MEN	WOMEN	MEN
0-24	7	5	11	13
25-29	60	36	83	42
30-34	93	46	102	41
35-39	92	39	93	42
40-44	74	22	79	24
45-49	47	14	51	13
50-54	23	8	24	7
55>	26	10	25	10
TOTAL	**422**	**180**	**468**	**192**

AWARDS AND RECOGNITIONS

Muniment of the Republic of Croatia

On the 25.7.2013, the National statehood day, President Ivo Josipović presented the state decorations and awards to individuals, companies and cultural institutions. JGL got the Muniment for outstanding contribution in the economy and encouraging social development of Croatia.

JGL among the Top 5 Employer Partners in Croatia

In April 2013, JGL has entered the Top 5 Employer Partners in Croatia at the discretion of the authorized certifier. Employer Partner undertook an analysis of the quality of human resource management in leading Croatian companies and ranked JGL alongside international companies. According to the certifier, the companies in the Top 5 Employer Partners apply world's best practices in human resource management.

Gold for Aqua Maris and Meralys

At the 28th edition of the exhibition of innovations and new products INPEX, which was held in Pittsburgh from 19 to 21 June 2013, JGL products have been awarded the gold medal. Aqua Maris system for flushing and innovative nasal spray Meralys have been recognized in the category of 1,800 exhibits from the US and 22 countries around the world.

DOP Index in the category of large companies

As part of the fifth national conference on corporate social responsibility held on 25.03.2014 and organized by HRPSOR, DOP Index awards were given. The purpose of this award is to enable reliable annual comparative assessment of the most successful Croatian companies with respect to their responsibility and the application of the principles of sustainable business. JGL was awarded in the category of large companies due to continuous investment in all areas covered by sustainable development.

ENVIRONMENT PROTECTION

In 2013 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 license under the Regulation on the procedure for determining integrated environmental protection requirements (OG 114/08). Regardless of that, JGL continuously improves its behavior towards the environment, trying to be as responsible and advanced as possible.

The most important investments in 2013 relate to the recognition and realization of all conditions for selecting and applying the best techniques in the design of production facility Svilno 2. Together with committed, domestic houses, JGL set up a good foundation for the new production, warehouse, laboratory and other facilities that are in compliance with current and future standards of environmental protection.

Another important area where JGL made an important first step towards the application of the principle of preventive environmental protection is the procedure of checking the workability of waste at an early stage of development and adoption of new products, starting from the theoretical evaluation of products to the phases of the pilot and validation series. In this way, JGL is prepared for the possible negative ecological potential and has prepared a "recipe" for the treatment of waste generated in the production process.

In 2013, JGL fully adopted and implemented the software solution (WasteControl) for record keeping and waste management processes. Also, JGL signed new contracts with service providers in the environmental protection and waste collectors and is thus expanding the circle of sub-contracting firms in the environmental field.

The total amount of direct investments in environmental protection in 2013 amounted to about HRK 150,000.00, excluding the value of uncompleted work on the construction of environmental infrastructure of the new plant Svilno 2. Current expenditures for environmental protection in 2012 reached the amount of almost HRK 1,440,000, without the cost of own human resources, energy consumption, or any other, own material cost or contribution through solutions, improvement or innovation.

All above stated, as well as other environmental indicators are recorded and all the relevant reports are submitted to the authorities of public administration and thereby are public and available to all interested parties. Absence of any complaint, complaints, fines or sanctions against JGL in the reporting period is proof of a successful application and compliance with laws and regulations on environmental protection.

In the next period JGL's priority is further resolving of the environmental dimension in the construction of the new production facility Svilno 2, as well as maintaining preventive approach in waste management.

WORK SAFETY

Protecting the health and safety of employees in the workplace is an important priority for JGL. Everyone's obligation is to promote every effort of the company in the implementation of operations in a safe manner. Responsibility towards employees requires the application of the best possible measures to prevent accidents, and refers to: technical planning of workplaces, equipment and processes; security management and personal behavior in the workplace. All are required to continually take account of safety at work.

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 2013 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 2013.

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 2012.

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:

- <u>Work safety training</u>
  Work safety related knowledge of all employees is constantly being evaluated. In 2013, in JGL 34 employees were educated in the theory and practice of how to work safely and 45 of them was educated on the fire protection. 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.

- <u>Constant health surveillance</u>
  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 2013, 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 2013, a number of targeted and complete surveillances were performed and where failures were noticed, instructions were given and deadlines established for their elimination.

- Fire and explosions protection
  In addition to regular (quarter) and periodic (annual) surveillances of fire protection equipment, in 2013 JGL organized a fire drill in accordance with to the existing SOP, and the education of newly employed on the fire protection in collaboration with fire department Vežica

During the last five years (2009 - 2013) there were a total of 23 accidents at work. In this period there were no cases of occupational disease.

Number of injuries according to the place in the past five years (2009 – 2013)

Year	Work place	On the way to or from the work place	Total
2009	6	0	**6**
2010	5	1	**6**
2011	3	0	**3**
2012	2	1	**3**
2013	**2**	**3**	**5**

The number of injuries is reduced compared to the number of employees. In 2013, 5 accidents at work were recorded of which 2 in the workplace and 3 on the regular way from home to the workplace and vice versa. All 5 injuries were classified as minor.

RESEARCH AND DEVELOPMENT

In 2013, business function of the Research and Development was organizationally divided as in year 2012.

Business units on 31.12.2013:

1. Research and Pre-formulation
2. Technological Development
3. Developmental Analytic
4. R&D Office
5. Stability

Main group activities in R&D in 2013:

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

In 2013 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 2013, some of the developmental projects from the previous period were finished, and intensive work was done on 12 projects of in-house development, 3 of these projects was successfully finished and 2 were closed because the planned goals were achieved and there was no further use for project management.

During 2013, 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

The department spent work hours on:

- non-portfolio activities – 41%
- improvement of products from the existing portfolio – 22%
- work on new products – 37%

In 2013 department was mostly distributed to:

- Perscription programme - 30%
- Non-perscription programme - 22%
- Aqua Maris programme - 12%

Total, activities were made on 60 different brands / products. Within technological forms, all pharmaceutical forms which JGL has in its portfolio were present with an emphasis on products in segment of sterile solutions (own development projects), dry-oral medications (co-development projects and transfer of knowledge in JGL) and semi-solid forms (activity upgrade).

Strategic goal of R&D BF in the following period is to focus on new products. New/old portfolio ratio, which was 40:60 in 2011 and 55:45 in 2012, should be more in favor of new products and this is the focus of the department for year 2014.

QUALITY

JGL's policy of quality and environment management is elaborated in the Quality Manual. During 2013, JGL applied eighth and most recent, ninth edition from 20 December 2013 (Chapter 3 highlights the commitment of the Board to develop, implement and improve the system of quality, environment, health and safety; Chapter 3.3. States the precisely defined organization of the company, as well as the powers and responsibilities of employees to all aspects of the system implemented effectively and appropriately), and a document entitled the Integrated environmental requirements.

The quality management system in JGL is based on eight key principles:

- focus on the customer - the company must understand the needs of customers and and meet or even exceed their requirements;
- leadership - ensures an environment in which there is a common focus on the strategic objectives of the company;
- the inclusion of people - all employees must be motivated and committed to fully involved in achieving the goals of the company;
- process approach - activities and resources are linked in processes in order to effectively realize desired results;
- a systematic approach to management - understanding the entire system, as well as the interdependence of individual processes, provides better control, and thus effectively achieving of desired results;
- continuous improvement - in order to achieve steady growth and progress of the company, it is necessary to continually improve all processes;
- factual approach to decision making - all decisions must be made on the basis of the data and credible information;
- mutually beneficial relationship with suppliers - the company and suppliers must be in a partnership that will result in mutual benefit.

JGL QUALITY APPLIES TO:

- safe, effective, health correct product in the period of validity;
- processes in accordance with the requirements of the regulations;
- products / processes in accordance with the specifications;
- constantly improve the quality system.

During 2013, JGL has been inspected by 13 external bodies (institutions and partners). The company has passed all inspections what is a confirmation of successful operation to everyone in the system. The most important inspection was a six-day inspection of the Slovenian Agency JAZMP, which since 2012 a member of the PIC / S (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme) which adds to the GMP status of JGL.

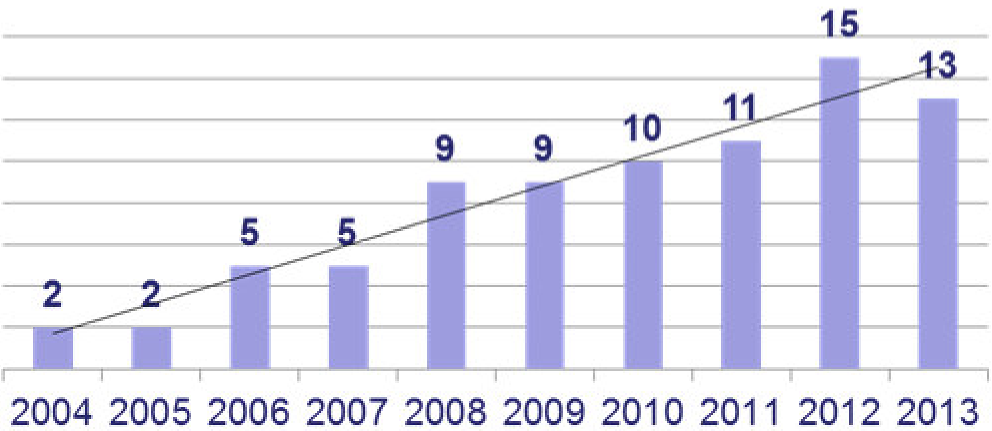
It is important to mention that one of the largest global companies assess the quality system JGL adequate and is in the final months of a signed contract on the quality of a manufacturing.

JGL has also started preparations for FDA inspection which is extremely important for the further improvement and strengthening of the quality system. Another important thing for process optimization and cost is certainly the fact that the company, joining the EU has become an approved place of control and batch release in the market for all Member States.

During the 2013, JGL was inspected by:

- Bureau Veritas Certification, ISO 22000
- Bureau Veritas Certification, ISO 9001
- Bureau Veritas Certification, ISO 13485
- Weifa, Norveška
- Pharmascience, Kanada
- Agency for drugs and medicinal products, Hrvatska, GMP
- Siegfried, Švicarska
- Agency for drugs and medicinal products, Slovenija, GMP
- Teva/Pliva Hrvatska for Ratiopharm
- Mylan, Poljska
- Federal service on surveillance in healthcare and social development, (Roszdravnadzor), Rusija
- Richter, Mađarska
- SIQ, Slovenija, Quality system for medicinal products

Number of audits from institutions and partners for the period from 2004 to 2013



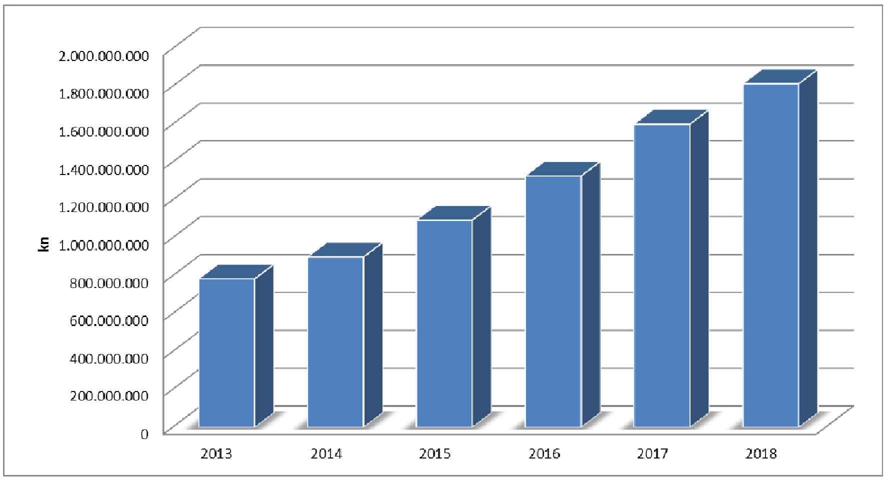
FUTURE DEVELOPMENT

JGLs focus is on the health and it is defined by its mission: "We improve the quality of life through taking care of your health" and a vision of the company to which JGL sees itself as "an international pharmaceutical company oriented to the development and production of drugs in targeted therapeutic areas with a focus on the senses, which wants be a global leader in the use of the benefits of sea water to health."

In accordance with the adopted corporate vision and mission of the company objectives are long-term development of the company based on the strategic portfolio analysis, and evaluation of development projects valued at an appropriate strategic and operational level. Projected sales of existing and future portfolio is made based on the market databases of targeted stakeholders while the project development portfolio is set and evaluated by the Committee for the management of the portfolio (Portfolio Management Board) of the company.

In perspective, by 2018 the company plans to increase gross sales by 230% compared to the sales in 2013, including all markets, through all the applications and different business models.

Planned gross sales growth from 2013 to 2018



Main strategic guidelines for the future development of the company are:

- internationalization,
- focus,
- sustainable growth,
- closeness to customers.

Internationalization

Business internationalization is one of the key strategic guidelines of JGL, either by selling of own brands to foreign markets, either through licensing, or through generating revenue by production for third parties (contractual production). The goal of internationalization as a strategic direction is greater recognition in foreign markets and reducing the risk. During the strategy revision it is estimated that the greatest potential in this regard have product lines Aqua Maris, Meralys and Vizol S, of which some have already proven to be extremely successful and competitive brands with a leading position in the markets of South East Europe and the CIS. In addition to the aforementioned, a number of products were nominated for internationalization and they will get a chance to expand into the international market.

Focus

Focus as a strategic guideline implies that JGL will focus its strengths and knowledge on areas that open up the possibility of differentiation and competitive advantage. Primarily, development and production of sterile pharmaceutical forms in the indication areas of products for the respiratory system and then on the development and manufacturing of ophthalmic products, sprays and aerosols in which JGL has key competences. The portfolio will be balanced in such a way as to ensure focus while minimizing risk of "dependence" on only a few products in certain markets. The growth will be achieved through its own development branded generic and OTC programs, as well as through cooperation and strategic alliances with partners in the development, production and marketing. JGL has defined key therapeutic areas where they see the opportunity for further growth, and is focused on expanding the portfolio of works in the respiratory, ophthalmic, gynecological and dermatological portfolio, as well as in probiotics, as one of the fastest growing segment.

Sustainable growth

JGL builds its strategy on elements of balanced growth that will not jeopardize the profitability and efficiency, and on the balance between investment and costs. The balance of investments and costs, with a slightly lower rate of growth, increases the likelihood of sustainable and long-term development of the company.

Closeness to customers

JGL is a company that puts the customer first, realizing that the customer has a wider range of needs and expectations of the product itself. In order to meet a broader range of customer needs through personalized, proactive service as value added to the product purchased, JGL adjusts and upgrades in a cultural, organizational and technological way. JGL strives to the customer’s partner and his first solution. JGL focuses on the following customers: the end consumer and pharmacy, general practitioners, pediatricians, gynecologists, ophthalmologists and dermatologists.

JGL, joint-stock company, Rijeka

AUDIT REPORT
OF ANNUAL FINANCIAL REPORTS
FOR 2013

RIJEKA, MARCH 2014

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 its 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 is 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, 20th March 2014

For and on behalf of the Management Board

Ivo Usmiani, MPharm. spec.

13 JGL d.d.
Svilno 20 Rijeka

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

Report on the financial reports

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 2013, Income statement with a report of other comprehensive income, Cash Flow Statement, Statement of Changes in Owners' Equity for 2013, as well as a summary of important accounting policies and other notes, incl. explanations (enclosed on pages 6 to 37).

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.

Furthermore, we read the Yearly report of company JGL, Rijeka for 2013, in order to express an opinion about the compliance between the Yearly report and financial reports for 2013.

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 2013, its business results, cash flow and changes in equity for 2013 to the financial reporting standards set by the European Committee and issued in the Official Gazette of the European Union.

Issues stated

Without influence on stated opinion we draw attention to:

/i/ Note 6, in which is stated that the Company in 2013 continued the construction of the new production facility „Svilno 2“ in amount of HRK 27.866.448. In addition to this amount, a significant amount of advances was paid for long term assets which on 31 December 2013 amounts to HRK 12.686.711.

/ii/ Notes 7.b and 28., it is stated that due to the political situation in Ukraine there is a high risk of nonpayment from our customers on the Ukrainian market. According to the article 8 in IFRS 18 – Revenue, and because of the high uncertainty regarding the further development of the political situation and lack of basis for risk assesment, the Company has decided to take the conservative approach and adjust the customer receivables in amount of total receivables from Ukrainian customers reduced for the amount insured by the Croatian Credit Inusrance. Value adjustment of receivables from Ukrainian customers in 2013 amounts to HRK 22.805.444.

/iii/ In Note 22 it is stated that the Company will reinvest the profit realized in 2013 in total amount of HRK 58.954.000 with an intent to increase the share capital. According to the article 6., paragraph 1., point 6. of the Law on Corporate Income Tax and article 12.a of Regulative act, the amount of reinvested profit decreases the income tax base for 2013.

/iv/ Furthermore, in note 28 – events after the balance sheet stated:

- 5.2.2014. the Company at the Commercial Court in Beograd, Serbia, registered a new affiliated company JGL d.o.o. Beograd – Sopot 100% owned by the Company. The shared capital amounts to HRK 378.488 paid up in cash and HRK 5.069.351 in rights and assets – land, buildings, equipment and licences.
- 26.2.2014. the Ministry of Economy of Croatia, in accordance with the Law on investment incentive, awarded the Company the incentive for the project Svilno 2. The Comapny applied for the state incentive with the investment in the new production facility worth EUR 35.722.038 which will ensure new capacity for further global growth of the Company on existing and new markets. The Ministry issued a Decision on the maximum incentive in the amount of HRK 103.098.382 which is 40% of the total investment. This incentive can be used in the period of 10 years in the form of 0% rate of income tax.

Report on other legal demands

Opinion on regulatory compliance

It is our opinion that the attached financial reports are in compliance with the regulations that regulate the business of JGL Rijeka, for which, according to the point 6.a MRevS 250 Auditors review of compliance with the Law and Regulations, it is generally accepted that they have a direct effect on determination of meaningful amounts and proclamations in financial reports. Nothing led us to believe that there is a possibility that the attached financial reports are not in compliance with other regulations that regulate the business of JGL, Rijeka.

Opinion on compliance of the Yearly report with the Financial reports

It is our opinion that the information in attached Yearly report is in compliance with the attached Financial reports of the company JGL, Rijeka.

In Rijeka, Rijeka, 20th of March 2014

REV-RI
d.o.o. Rijeka
2
„REV-RI" d.o.o. Rijeka
Užarska 17/II

Management

Authorized auditor

Jadranka Vezmar, dipl. oec.

BALANCE SHEET
as of 31 December 2013

Title	Note	Previous year (net)	Current year (net)
ASSETS			
A) RECEIVABLES FOR SHAREHOLDERS EQUITY, NON-PAID			
B) LONG TERM ASSETS	**6**	314.735.475	365.264.088
I. INTANGIBLE ASSETS	**6a**	29.394.507	31.874.941
1 Expenditure for research and development		6.893.445	7.770.077
2 Patents, licences, concessions, trademarks, software and other rights		13.553.297	12.075.295
3 Goodwill			
4 Advances on intangible assets			
5 Intangible assets-construction in progress		8.947.765	12.029.569
6 Other intangible assets			
II. TANGIBLE ASSETS	**6b,c,d**	253.892.329	291.991.522
1 Land		4.897.532	4.915.132
2 Buildings		61.396.253	58.571.901
3 Equipment and machinery		94.655.200	89.535.751
4 Tools, power stock and transportation means		11.663.277	11.358.721
5 Biological assets			
6 Advances on tangible assets		837.270	12.686.711
7 Tangible assets-construction in progress		77.347.261	111.829.170
8 Other tangible assets		605.480	604.080
9 Investments in real estate		2.490.056	2.490.056
III. LONG TERM FINANCIAL ASSETS	**6e**	31.448.639	36.633.939
1 Shares in affiliated companies		30.157.987	35.257.987
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)		150.505	235.805
IV. RECEIVABLES		0	0
1 Receivables from affiliated companies			
2 Receivables from sales on credit			
3 Other receivables			
V. DEFERRED TAX ASSETS	**6f**		4.763.686
C) SHORT TERM ASSETS	**7**	512.085.845	566.670.098
I. INVENTORIES	**7a**	143.073.305	150.026.836
1 Raw and other material		55.221.013	61.717.075
2 Production in progress			
3 Finished products		60.506.685	60.778.388
4 Trade goods		314.735.475	1.504.076

5 Advances on inventories		1.318.310	
6 Long term assets for sale			26.027.297
7 Biological assets		26.027.297	
II. RECEIVABLES	**7b**		407.613.831
1 Receivables from affiliated companies		357.349.854	60.741.989
2 Receivables from buyers		55.335.653	337.588.922
3 Receivables from participating companies		281.796.259	
4 Receivables from employees and subsidiaries		0	22.150
5 Receivables from government and other institutions		26.207	7.968.178
6 Other receivables		18.341.686	1.292.592
III. SHORT TERM FINANCIAL ASSETS	**7c**	1.850.049	970.137
1 Shares in affiliated companies		1.069.172	
2 Loans to affiliated companies			278.000
3 Participating interest		278.000	
4 Loans given to companies with participating interest			
5 Securities investment		0	500.000
6 Given loans, deposits		600.000	192.137
7 Other short term financial assets		191.172	
IV. CASH AT BANKS AND IN HAND	**7d**		8.059.294
D) PREPAYMENTS AND ACCRUED INCOME	**8**	10.593.514	7.697.728
E) TOTAL ASSETS		6.018.272	939.631.914
F) OFF BALANCE SHEET ITEMS	**15**	832.839.592	83.670.947
LIABILITIES			
A) CAPITAL AND RESERVES	**9**	315.335.685	387.613.592
I. CALLED UP CAPITAL		5.625.000	58.310.000
II. CAPITAL RESERVES		1.926.364	8.004.817
III. INCOME RESERVES		3.470.416	6.996.731
1 Compulsory reserves		420.819	3.000.000
2 Reserves for treasury shares		928.818	2.269.752
3 Treasury shares (deductible)		20.000	413.800
4 Statutory reserves			
5 Other reserves		2.140.779	2.140.779
IV. REVALUATION RESERVES			
V. RETAINED PROFIT OR TRANSFERRED LOSS		236.383.705	242.467.258
1 Retained profit		236.383.705	242.467.258
2 Transferred loss			
VI. PROFIT (LOSS) FOR CURRENT YEAR		67.930.200	71.834.786
1 Profit for current year		67.930.200	71.834.786
2 Loss for current year			
VII. MINORITY INTEREST			
B) PROVISIONS	**10**	917.341	1.012.986
1 Provisions for retirement and similar expenditures		917.341	1.012.986
2 Provisions for taxes and contributions			
3 Other provisions			

C) LONG TERM LIABILITES	**11**	285.175.751	320.665.943
1 Liabilities for affiliated companies			
2 Liabilities for loans, deposits			
3 Liabilities for bank loans and other financial institutions	**11a**	145.731.084	181.053.276
4 Liabilities for advances			
5 Accounts payables			
6 Securities payables	**11b**	139.444.667	139.612.667
7 Liabilities for companies with participating interest			
8 Other long-term liabilities			
9 Deferred tax liability			
D) SHORT-TERM LIABILITIES	**12**	222.413.750	213.749.448
1 Liabilities for affiliated companies	**12a**	5.011.156	6.129.168
2 Liabilities for loans, deposits	**12b**	5.335.973	5.710.988
3 Liabilities for bank loans and other financial institutions	**12c**	99.291.491	77.346.203
4 Liabilities for advances	**12d**	493.847	644.719
5 Accounts payables	**12e**	82.628.261	90.004.198
6 Securities payables	**12f**	1.200.000	3.320.000
7 Liabilities for companies with participating interest	**12e**	11.333	98.871
8 Liabilities for employees	**12g**	10.220.416	13.046.189
9 Liabilities for taxes, contributions and other	**12h**	15.526.001	17.183.683
10 Liabilities for shares in result	**12i**	18.000	21.000
11 Liabilities for short term assets intended for sale			
12 Other short term liabilities	**12j**	2.677.272	244.429
E) ACCRUALS AND DEFERRED INCOME	**14**	8.997.065	16.589.945
F) TOTAL LIABILITIES		832.839.592	939.631.914
G) OFF BALANCE SHEET ITEMS	**15**	110.313.814	83.670.947

Authorized representative

13 MP
JGL d.d.
Svilno 20 Rijeka

INCOME STATEMENT WITH A REPORT OF OTHER COMPREHENSIVE INCOME
For the period from 1st December 2013 till 31st December 2013

Title	Note	Previous year (net)	Current year (net)
I. BUSINESS REVENUE	16	597.968.459	663.354.058
1 Sales revenue		586.064.659	654.454.802
2 Other operational revenue		11.903.800	8.899.256
II. BUSINESS EXPENSE	17	509.391.205	578.659.163
1 Change in value of inventories for production and goods		2.759.950	-271.703
2 Operating expense		319.903.535	342.208.207
a) Cost of raw material		165.451.098	189.148.964
b) Costs of goods sold		3.669.347	2.992.978
c) Other external costs		150.783.090	150.066.265
3 Expense for employees		124.042.668	149.225.757
a) Net salaries and wages		75.096.719	89.831.247
b) Taxes, social and pension funds		30.984.092	38.370.564
c) Contributions for salaries		17.961.857	21.023.946
4 Depreciation		22.084.666	23.755.370
5 Other expense		29.908.394	30.118.987
6 Revalorisation		469.292	22.961.033
a) of long term assets (excluding financial assets)			
b) of short term assets (excluding financial assets)		469.292	22.961.033
7 Provisions		1.212.201	95.645
8 Other operational expenses		9.010.499	10.565.867
III. FINANCIAL REVENUE	18	20.472.037	21.438.622
1 Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies		1.115.716	1.177.304
2 Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons		19.329.086	20.241.858
3 Revenue from participating interest and subsidiaries		19.562	19.460
4 Non-realized revenue		7.673	
5 Other financial revenue			
IV. FINANCIAL EXPENSE	19	39.397.343	38.964.249
1 Interests, exchange rate differentials, dividends and similar expenses from relations with affiliated companies		854.417	2.672.466
2 Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons		38.118.472	36.291.783
3 Non-realized loss (expenses) of financial assets		424.454	
4 Other financial expenses			
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES	20	97.177	85.300
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES			
VII. EXTRAORDINARY REVENUE			0
VIII. EXTRAORDINARY EXPENSE			

IX. TOTAL REVENUE		618.537.673	684.877.980
X. TOTAL EXPENSES		548.788.548	617.623.412
XI. PROFIT OR LOSS BEFORE TAX	**22**	69.749.125	67.254.568
1 Profit before tax		69.749.125	67.254.568
2 Loss before tax		0	0
XII. INCOME TAX	**22**	1.818.925	-4.580.218
XII. PROFIT OR LOSS OF THE PERIOD	**22**	67.930.200	71.834.786
1 Profit of the period		67.930.200	71.834.786
2 Loss of the period		0	0
REPORT OF OTHER COMPREHENSIVE INCOME			
I. PROFIT OR LOSS OF THE PERIOD		67.930.200	71.834.786
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	**23**	67.930.200	71.834.786

13 MP
JGL d.d.
Svilno 20 Rijeka

Authorized representative

CASH FLOW STATEMENT FOR 2013
For the period from 1st January 2013 till 31st December 2013

Title	Note	Previous year (net)	Current year (net)
CASH FLOW FROM BUSINESS ACTIVITIES			
1 Cash inflow from buyers		531.022.129	590.423.366
2 Cash inflow from charge, fee and royalty		274.754	1.085
3 Cash inflow from insurance for indemnification of damage		804.716	198.700
4 Cash inflow from tax refund		52.955.256	49.635.886
5 Other cash inflow		6.702.368	3.477.647
I. Total cash inflow from operating activities		591.759.223	643.736.684
1 Cash outflow for liabilities		433.678.755	426.311.097
2 Cash outflow for employees		76.522.524	88.220.341
3 Cash outflow to insurance for indemnification of damage			
4 Cash outflow for interests		19.081.721	19.015.603
5 Cash outflow for taxes		69.436.490	69.371.782
6 Other cash outflow		6.814.936	5.068.641
II. Total cash outflow from business activities		605.534.426	607.987.464
A1) NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES	**24**	0	35.749.220
A2) NET DECREASE OF CASH FLOW FROM BUSINESS ACTIVITIES		13.775.203	0
CASH FLOW FROM INVESTING ACTIVITIES			
1 Cash inflow from sale of long terms intangible and tangible assets		703.426	785.432
2 Cash inflow from sale of equity and debt security instruments			
3 Cash inflow from interests		267.546	122.095
4 Cash inflow of dividends			
5 Other cash inflow from investing activities		13.716.521	5.300.000
III. Total cash inflow from investing activities		14.687.493	6.207.527
1 Cash outflow for acquisition of long term tangible and intangible assets		83.284.091	47.973.945
2 Cash outflow for acquisition of equity and debt security instruments		0	5.100.000
3 Other cash outflows from investing activities		278.000	5.300.000
IV. Total cash outflow from investing activities		83.562.091	58.373.945
B1) NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**24**	68.874.598	52.166.418
CASH FLOW FROM FINANCE ACTIVITIES			
1 Cash inflow from issuing equity and debt financial instruments		0	7.231.587
2 Cash inflow from loan principals, debentures, credits and other borrowings		223.403.136	146.619.893
3 Other cash inflows from finance activities		35.369.827	11.424.492
V. Total cash inflow from finance activities		258.772.963	165.275.972
1 Cash outflow for repayment of loan principal and bonds		79.303.707	125.548.751

2 Cash outflow for dividend payment		16.835.700	5.808.000
3 Cash outflow for finance lease		10.336.645	6.254.264
4 Cash outflow for buyback of own shares		914.446	2.518.434
5 Other cash outflow from finance activities		59.794.493	11.263.545
VI. Total cash outflow for finance activities		167.184.991	151.392.994
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES	**24**	91.587.972	13.882.978
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES		0	0
Total increase of cash flow		8.938.171	0
Total decrease of cash flow		0	2.534.220
Cash and cash equivalents at the beginning of the period		1.655.343	10.593.514
Increase of cash and cash equivalents		8.938.171	
Decrease of cash and cash equivalents	**24**	0	2.534.220
Cash and cash equivalents at the end of the period		10.593.514	8.059.294

13 MP
JGL d.d.
Svilno 20 Rijeka

Authorized representative

CHANGES IN EQUITY
as of 31st of December 2013

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	1.926.364	3.470.416	236.383.705	67.930.200	**315.335.685**
New shares	206.000	9.405.012				**9.611.012**
Reinvested profit	52.479.000					**52.479.000**
Increase in reserves			2.579.181			**2.579.181**
Transfer of profit of previous year				67.930.200		**67.930.200**
Transfer of result of business year					67.254.568	**67.254.568**
Correction of previous period				183.468		**183.468**
Profit of current year from temporary differences					4.580.218	**4.580.218**
Transactions with own shares		1.107.500	2.948.434	1.357.500		**5.413.434**
Total increase	**52.685.000**	**10.512.512**	**5.527.615**	**69.471.168**	**71.834.786**	**210.031.081**
Transfer to retained profit					67.930.200	**67.930.200**
Transfer to dividend liability				5.811.000		**5.811.000**
Transfer to reinvested profit				52.479.000		**52.479.000**
Transfer to called up capital		2.379.425				**2.379.425**
Transfer to reserves				2.579.181		**2.579.181**
Transactions with own shares		2.054.634	2.001.300	2.518.434		**6.574.368**
Total decrease	**0**	**4.434.059**	**2.001.300**	**63.387.615**	**67.930.200**	**137.753.174**
Change	**52.685.000**	**6.078.453**	**3.526.315**	**6.083.553**	**3.904.586**	**72.277.907**
Current period	58.310.000	8.004.817	6.996.731	242.467.258	71.834.786	**387.613.592**

MP
13
JGL d.d.
Svilno 20 Rijeka

Authorized representative

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. On 6th of November 2013 the Company changed the headquarters address to Svilno 20, Rijeka.

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. REPORTING FRAMEWORK

Financial reports of the Company have been compiled in accordance with the Accounting Law ("Official Gazette" No. 109/07 and 54/13) and International Financial Reporting Standards, as determined by the European Committee and published in the "Official Gazette" of the European Union.

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	Croatia	100
JGL North America LLC	USA	100
Adrialab d.o.o. Rijeka	Croatia	100

5. SUMMARY OF BASIC ACCOUNTING POLICIES APPLIED WHILE DRAFTING THE FINANCIAL STATEMENTS FOR 2013.

Basic accounting policies applied in drafting of the financial statements for 2013 are as follows:

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

Long-term intangible assets consist of internally developed intangible assets, 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 are 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 HRK 3.500.

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:

	2012	2013
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 %

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% are expressed in accordance with the International Accounting Standard 28 "Investing in Affiliate companies" 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.

Small valued 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 are 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, with the state for the paid taxes, contributions and other duties, with 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 with maturity (realization) of up to one year.

i) Policy of showing cash at banks and in hand

Assets in the form of cash are 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 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. Called up capital
2. Capital reserves
3. Reserves from profit
    - Statutory reserves
    - Reserves 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. Long-term liabilities are libilities 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.

v) 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.

w) 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.

z) Deferred tax assets

Deferred tax assets are recorded for temporary tax differences in valid tax rate for income tax in the reporting year.

6. LONG-TERM ASSETS

a) <u>Long-term intangible assets</u>

Long-term intangible assets are presented as follows:

	Founding expenses	Research and development expenses	Patents, licences, concessions and trademarks	Goodwill	Intangible assets construction in progress	Total intangible assets
	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK
Situation on 1st January 2013	-	9.121.413	25.286.519	-	8.947.765	43.355.697
Direct increase	-	-	-	-	6.972.280	6.972.280
Increase from transfer from assets in progress	-	1.854.565	1.772.773	-	-3.627.335	0
Other increases / decreases	-	-	-	-	-	-
Write off and sale	-	-	-1.024.994	-	-263.138	-1.288.132
Situation on 31st December 2013	-	10.975.978	26.034.298	-	12.029.569	49.039.845
Situation on 1st January 2013	-	2.227.968	11.733.222	-	-	13.961.190
Depreciation for 2013	-	977.933	3.250.775	-	-	4.228.708
Corrections in value of write off and sale of property	-	-	-1.024.994	-	-	-1.024.994
Situation on 31st December 2013	-	3.205.901	13.959.003	-	-	17.164.904
Current value of basic assets as of 31 December 2013	-	7.770.077	12.075.295	-	12.029.569	31.874.941
Current value of basic assets as of 31 December 2012	-	6.893.445	13.553.297	-	8.947.765	29.394.507

Increase in long-term intangible assets in 2013 amounts HRK 6.972.280 and refers to investments in computer software and purchase of licences, while HRK 3.685.650 were invested in development projects from which mostly in Incentive program of Ministry of Science, Education and Sports.

b) <u>Long-term tangible assets</u>

Long-term tangible assets are presented as follows:

	Land	Buildings	Equipment and machinery	Power tools and office inventory, transportation means	Tangible assets-construction in progress	Other tangible assets	Total tangible assets
	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK
Situation on 1st January 2013	4.897.532	81.540.941	139.992.263	32.189.049	605.480	77.347.261	336.572.526
Increase in 2013	-	-	-	-	-	45.824.313	45.824.313
Transfer from assets in progress	17.600	136.017	6.170.060	5.018.727	-	-11.342.404	-
Other increases / decreases	-	-	-	-	-	-	-
Write off and sale	-	-	-465.591	-1.984.007	-1.400	-	-2.450.998
Situation on 31st December 2013	4.915.132	81.676.958	145.696.732	35.223.769	604.080	111.829.170	379.945.841
Situation on 1st January 2013	-	20.144.688	45.267.186	20.525.772	-	-	85.937.646
Depreciation for 2013	-	2.960.369	11.344.294	5.221.998	-	-	19.526.661
Corrections in value of write off and sale of property	-	-	-450.499	-1.862.722	-	-	-2.333.221
Situation on 31st December 2013	-	23.105.057	56.160.981	23.865.048	-	-	103.131.086
Current value of basic assets as of 31 December 2013	4.915.132	58.571.901	89.535.751	11.358.721	604.080	111.829.170	276.814.755
Current value of basic assets as of 31 December 2012	4.897.532	61.396.253	94.655.200	11.663.277	605.480	77.347.261	250.565.003

Increase in long-term tangible assets in 2013 refers to investments in project Svilno 2, for purchase of land, building and equipment. Furthermore, increase in long-term tangible assets in 2013 also refers to investments in new company in Beograd for purchase of machines for production of medicaments, laboratory equipment, personal and transport vehicles and furniture.

In 2013 the most significant increase in long-term assets refers to investment in real estate. For building the new production facility HRK 27.866.448 were spent.

Decrease in value of machinery and equipment refer to sale and write off of personal vehicles and write off of worn out and unusable equipment.

In 2013, according to the International Accounting Standard 23 – “Borrowing costs” value of assets was increased for the amount of HRK 3.727.103 which is the cost of regular and preferential interest (in 2012 HRK 2.298.706) and for the amount of bank fees - HRK 187.180 (Note 19 and 17) from the HBOR loan for financing the new production facility Svilno 2.

c) <u>Investments in Property</u>

During 2013, value estimation was executed on the stated real estate according to the National Accounting Standard 40 - "Investments in Property" and it was established that there was no change in market value of the property when compared to the year 2012 (HRK 2.490.056).

At the end of 2012 the Decision of the Management board classified part of the real estate as “property for sale” and accordingly these assets are in the balance sheet presented under the Short-term assets (note 7) – Long-term assets for sale. No property was sold during the year 2013 and by the decision of the Management board the Company will continue to try and sell these assets in year 2014. The Company has started obtaining energy efficiency certificates for these real estates.

d) <u>Advances on long-term tangible asset</u>

Advances on long-term tangible assets as of 31st December 2013 amount to HRK 12.868.711 (HRK 837.270 in 2012), and relate to the advances paid for equipment, machinery and transportation means. According to the contract, 80% advance in amount of HRK 10.081.688 was paid to the company BAUSCH + STROBEL GmbH for production of equipment.

e) <u>Long-term financial assets</u>

Long-term financial assets are shares in affiliate companies and participating interests.

Shares in affiliate companies relate to:

	2012	2013
	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	33.768.528
JGL North America LLC	104.460	104.460
Adrialab d.o.o.	0	100.000
Situation on 31 December	30.157.987	35.257.987

During the year 2013 the Company invested in long-term financial assets through founding of Adrialab d.o.o. Rijeka, an affiliate company 100% owned by JGL. The amount invested in the form of called up capital is HRK 100.000,00. The affiliate company Pablo d.o.o. has increased the amount of called up capital by HRK 5.000.000.

Investment in joint company Galena d.o.o. is noted using the equity method on the 31st of December 2013 in amount of HRK 238.805 (HRK 150.505 in 2012). JGL has 49% share in equity of the company Galena d.o.o. The increase in investment is a result of share in profit from 2013 in amount of HRK 85.300.

Participating interests are investments in:

	2012	2013
	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

f) Deferred tax assets

Deferred tax assets are income tax liabilities on the amount of temporary tax differences for reservations for jubilee awards and severance pay and temporary unrecognized value adjustment for estimated uncollectible receivables in Ukraine (Note 7b).

Deferred tax assets for reservations for jubilee awards and severance pay in year 2012 amount to HRK 183.468 and are reported in year 2013. Error of previous period is not significant, so the retroactive correction of the previous period was not needed (IAS 8 – Accounting policy, change in accounting estimates and errors).

Deferred tax assets are:

	2012	2013
	in HRK	in HRK
Reservations for jubilee awards and severance pay in 2012	0	183.468
Reservations for jubilee awards and severance pay in 2013	0	19.129
Value adjustment of receivables from Ukrainian customers	0	4.561.089
Situation on 31st December	0	4.763.686

7. SHORT-TERM ASSETS

a) Inventories

The inventories are:

	2012	2013
	in HRK	in HRK
Raw material and consumables	55.221.013	61.717.075
Finished products	60.506.685	60.778.388
Goods	1.318.310	1.504.076
Long-term assets for sale	26.027.297	26.027.297
Situation on 31st December	143.073.305	150.026.836

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

b) Receivables

Receivables are: receivables from affiliate companies, 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 60.741.989 (HRK 55.335.653 in 2012).

		2012	2013
		in HRK	in HRK
Pablo d.o.o.(group)	Cession	25.125.384	25.782.836
Pablo d.o.o.(group)	Sale	0	15.588
Farmis d.o.o. Sarajevo	Sale	18.386.412	17.097.887
Jadran Galenski laboratorij d.o.o. Belgrade	Sale	11.003.524	13.692.680
Jadran Galenski laboratorij d.o.o. Ljubljana	Sale	815.428	3.258.000
JGL North America LLC	Sale	0	891.746
Galena d.o.o.	Interest	4.906	3.252
Total		55.335.653	60.741.989

Receivables from buyers relate to:

	2012	2013
	in HRK	in HRK
Buyers in the country	74.275.640	48.242.521
Buyers abroad	207.520.619	289.346.401
Situation on 31 December	281.796.259	337.588.922

Total amount of receivables from buyers in the country in 2013 are corrected in total amount of HRK -39.203 (HRK -27.487 in 2012), and a write off in amount of HRK 17.080 was made. Receivables from buyers abroad in 2013 are corrected in total amount of HRK 22.805.444 (HRK 988.135 in 2012).

Total value of value adjusted receivables in 2013 is HRK 36.720.736 (in 2012 HRK 14.812.754).

The analysis of the Ukrainian market showed great financial risk in the terms of collection from customers. According to the point 8 of IAS 10 – Events after the date of balance sheet and point 18 IAS 18 – Revenue, and because of the great uncertainty regarding the future development of the situation and lack of base for collection projection, the Company decided to act conservatively and adjusted the value of receivables in the amount of receivables from Ukrainian customers minus the amount insured with the Hrvatsko kreditno osiguranje d.d. The value adjustment of receivables from Ukrainian customers in 2013 amounts to HRK 22.805.444.

The value adjustment of receivables from Ukrainian customers in amount of HRK 22.805.444 is not tax deductible because the due dates are later than 1.11.2013. Tax liability (20%) from this temporary tax difference was reported as deferred tax asset in amount of HRK 4.561.089 (Note 6f and Note 22).

Receivables from employees are expressed in the amount of HRK 22.105 (HRK 26.207 in 2012).

Receivables from government and other institutions are expressed in the amount of HRK 7.968.178 (HRK 18.341.686 in 2012).

Other receivables are:

	2012 in HRK	2013 in HRK
Receivables on advances	1.838.464	585.693
Other receivables (cession, assignment and assuming of debt)	8.687	691.186
Receivables on indemnification of damage	2.898	15.713
Situation on 31 December	1.850.049	1.292.592

c) Short-term financial asset

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

Loans provided to affiliated companies relate to:

	2012 in HRK	2013 in HRK
Galena d.o.o.	278.000	278.000
Situation on 31 December	278.000	278.000

Receivables for all received securities are expressed in the amount of HRK 500.000 (HRK 600.000 in 2012).

Deposits relate to:

	2012	2012
	in HRK	in HRK
Town of Komiža	100.000	100.000
Petrović Branko	16.008	16.056
Erste& steiermarkische s-Leasing	75.164	76.081
Situation on 31 December	191.172	192.137

d) Cash at banks and in hand

	2012	2013
	in HRK	in HRK
Business account	1.747.221	1.142.803
Cash register	7.960	8.757
Foreign currency account and non-residential account	8.815.342	6.896.722
Foreign currency cash register	22.991	11.012
Situation on 31 December	10.593.514	8.059.294

8. PREPAYMENTS AND ACCRUED INCOME

Prepayments in the amount of HRK 7.697.728 (HRK 6.018.272 in 2012) 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 58.310.000 and is divided into 583.100 shares of nominal value in the amount of HRK 100 per each share, thereof 7.500 of series A, 30.000 of series B, 18.750 shares of series C, 2.060 of series D and 524.790 shares of series E.

On 16.1.2013 new shares were registered by the Commercial Court – 510 shares of series D (the shares were paid on 27.12.2012. in the amount of HRK 2.379.425) all according to the Decision of General Assembly of the Company.

On 26.3.2013 new shares were registered by the Commercial Court – an increase of 1.550 shares of series D (the shares were paid from 19.03.2013 – 22.03.2013 in the amount of HRK 7.231.587) all according to the Decision of General Assembly of the Company.

On 16.5.2013 new shares were registered by the Commercial Court – series E, an increase in called up capital from reinvested profit in amount of HRK 52.479.000. For each existing share 9 new shares were issued, all according to the Decision of General Assembly of the Company.

Ownership structure on 31.12.2013

NAME AND SURNAME	NUMBER OF SHARES	% IN CAPITAL
Ivo Usmiani	177.060	30,365
Zdravko Saršon	117.250	20,108
Marina Pulišić	26.200	4,493
Grozdana Božić	14.380	2,466
Sanja Vujić Šmaguc	12.250	2,101
Vesna Črnjarić	11.870	2,036
Đurđica Miletović Forempoher	9.900	1,698
Majid Hejja	7.300	1,252
Jasmin Huljaj	6.970	1,195
JGL	4.138	0,710
Small shareholders	195.782	33,576
UKUPNO	583.100	100,000

Source: JGL

At the beginning of the period the Company owned 200 of own shares. After the increase in number of shares from reinvested profit, the Company portfolio had 2.000 own shares (200 + 1.800 shares from reinvested profit). During the 2013 the Company acquired 4.638 own shares after which the Company portfolio had 6.638 own shares.

By the Decision of General Assembly of the Company the members of the Executive board were awarded with 2.500 shares without compensation (in 2012 97 shares). After this, the Company portfolio has 4.138 shares on 31.12.2013.

All changes occurring after 5.11.2013 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 2013 amounted to HRK 2.269.752 (HRK 928.818 in 2012).

Legal and other reserves are formed pursuant to the Companies Act and the Statute of JGL, Rijeka. Legal reserves on 31.12.2013 amount to HRK 3.000.000 (HRK 420.819 in 2012). Other reserves on 31.12.2013 amount to HRK 2.140.779 (HRK 2.140.779 in 2012).

Pursuant to the Decision of the General Assembly of the Company, retained profit achieved after 2005 was reduced by HRK 5.831.000 (HRK 16.844.700 in 2012) on behalf of the dividend to the holders of regular shares in series "A", "B", "C", “D” and “E” in the amount of HRK 10 per share with the right to a dividend.

Profit of current year is HRK 71.834.786 (HRK 124 per share) and represents the profit according to the Income statement and is expressed in nominal value.

The book value of one share on 31.12.2013 is HRK 670 (HRK 543 in 2012).

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 1.012.986 (HRK 917.341 in 2012).

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 181.053.276 (HRK 145.731.084 in 2012).

Long-term liabilities towards long-term financial leasing are based on several financial leasing agreements 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, etc.

Overview of company's debt regarding long-term lease

	2012	2013
	in HRK	in HRK
Erste & Steiermarkische S-leasing	4.132.620	1.929.367
PBZ leasing d.o.o.	8.448.944	6.762.286
Unicredit leasing Croatia d.o.o.	0	1.161.320
Situation 31st of December	12.581.564	9.852.973

Liability toward banks in amount of HRK 171.200.303 (HRK 133.149.520 in 2012) 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 2014 in total amount of HRK 58.605.236 (HRK 27.172.714 in 2013) is expressed in the short-term liabilities (Note 12.c).

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

	2012	2013
	in HRK	in HRK
Erste & Steiermarkische Bank	50.685.923	37.949.511
SocieteGenerale-Splitska banka	33.537.822	21.587.032
Croatian bank for Reconstruction and Development	0	75.517.595
Privredna banka Zagreb	48.925.775	36.146.165
Situation 31st of December	133.149.520	171.200.303

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

b) Liabilities for securities

Liabilities for securities on 31.12.2013 amount to HRK 139.612.667 relating to liabilities for issued long-term securities (HRK 139.444.667 in 2012).

JGL 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 2012 till 11th June 2013 amounts to 6.1725% annually. Determined interest rate for the period from 11th June 2013 till 11th June 2014 is 4,80%. In 2013, the Company paid HRK 8.641.500 (HRK 10.122.875 in 2012) for accrued interest.

12. SHORT-TERM LIABILITIES

a) Liabilities towards affiliate companies

Liabilities towards affiliate companies are expressed in the amount of HRK 6.129.168 (HRK 5.011.156 in 2012).

	2012	2013
	in HRK	in HRK
Adrialab d.o.o.	0	15.590
Pablo d.o.o. (grupa)	100.585	303.750
Farmis d.o.o. Sarajevo	51.030	323.244
Jadran Galenski laboratorij d.o.o. Belgrade	2.885.703	4.627.501
Jadran Galenski laboratorij d.o.o. Ljubljana	604.950	735.618
JGL North America	1.368.887	123.465
Situation on 31st of December	5.011.156	6.129.168

b) Liabilities for loans and deposits

Liabilities for financial lease on 31.12.2013 are liabilities that will mature in 2014.

	2012	2013
	in HRK	in HRK
Erste & Steiermarkische S-leasing	2.748.958	2.304.346
PBZ leasing d.o.o.	2.587.015	2.994.685
Unicredit leasing Croatia d.o.o.	0	411.957
Situation on 31st of December	5.335.973	5.710.988

c) Liabilities toward banks and other financial institutions

Liabilities toward banks and other financial institutions on 31.12.2013 are:

	2012	2013
Hypo Alpe – Adria bank d.d.	56.522.202	10.118.355
Privredna banka Zagreb	13.069.700	33.049.920
Raiffeisen bank d.d.	9.975.226	7.640.552
Erste & Steiermarkische Bank	12.933.870	13.431.586
SocieteGenerale-Splitska banka	5.810.856	12.123.730
Liabilities toward fees	979.637	982.060
Situation on 31st of December	99.291.491	77.346.203

Above stated liabilities are liabilities toward short-term bank loans for financing tangible assets, current assets, building in project Svilno 2 and for liquidity. The principals of long-term bank loans that mature in 2014 are transferred to short-term liabilities in amount of HRK 58.605.236. There is a mortgage on Company's real estate as insurance for credit return.

d) Liabilities towards advance payments

Liabilities towards advance payments on 31.12.2013 amount to HRK 644.719 (HRK 493.847 in 2012).

e) Liabilities towards suppliers

Liabilities towards suppliers relate to:

	2012	2013
	in HRK	in HRK
Suppliers in the country	48.116.345	42.378.990
Suppliers/participating interest	11.333	98.871
Suppliers abroad	34.511.916	47.625.208
Situation on 31st of December	82.639.594	90.103.069

Liabilities toward companies with participating interest in amount of HRK 98.871 (HRK 11.333 in 2012) refer to the liability toward the company Kanal Ri d.o.o.

f) Liabilities for securities

Liabilities for securities amount to HRK 3.320.000 (HRK 1.200.000 in 2012).

g) Liabilities toward employees

Liabilities toward employees on 31.12.2013 amount to HRK 13.046.189 (HRK 10.220.416 in 2012). Above stated liabilities refer to liabilities for net wages and reimbursement for December, reimbursement for transport, reimbursement for sick leave, reimbursement for separate life, bonuses for 2013 and suspension of wages.

h) Liabilities for taxes, contributions and other

Liabilities for taxes, contributions and other on 31.12.2013 amount to HRK 17.183.683 (HRK 15.526.001 in 2012). Above stated liabilities refer to liabilities for taxes and contributions from and on income and liabilities for withholding tax.

i) Liabilities for share in profit

Liabilities for share in profit on 31.12.2013 amount to HRK 21.000 (HRK 18.000 in 2012).

j) Other short-term liabilities

Other short-term liabilities relate to the following:

	2012	2013
	in HRK	in HRK
Liabilities for members of the Supervisory Board	29.340	29.787
Liabilities for cession, assignation and similar	2.633.332	196.542
Liabilities for the pension fund	14.600	18.100
Situation on 31 December	2.677.272	244.429

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 16.589.945 (HRK 8.997.065 in 2012) out of which HRK 4.266.178 (HRK 5.439.246 in 2012) relates to outstanding interests on bonds and bank loans, HRK 2.375.170 on accruals (HRK 44.876 in 2012), HRK 1.643.469 (HRK 764.050 in 2012) refers to deferred income from the government, HRK 5.661.348 refers to deferred income from the preferential interest and state incentives from the CBRD loan (there was no such income in 2012) and HRK 2.643.780 (HRK 2.748.894 in 2012) relates to unused vacation expenses.

15. NOTES THAT ARE NOT IN THE BALANCE SHEET

Notes that are not in the balance sheet in 2013 amount of HRK 83.670.947 (HRK 110.313.814 in 2012) 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:

	2012	2013
	in HRK	in HRK
Revenue from sales in domestic market	146.124.726	144.341.035
Revenue from sales in foreign market	439.939.933	510.113.767
Revenue from donations and subsidies	269.775	87.880
Other revenue	11.634.025	8.811.376
Total	597.968.459	663.354.058

Revenue by business programmes

	2012	2013
	in HRK	in HRK
Prescription programme	147.614.162	139.688.759
Non-prescription programme	139.294.472	155.530.168
Aqua Maris programme	264.391.794	319.781.621
Contractual production and licencing out	30.797.511	34.237.686
Services and retail	3.966.720	5.216.568
Total	586.064.659	654.454.802

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 87.880 (HRK 269.775 in 2012).

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 5.294.404 (HRK 4.157.451 in 2012).

HRK 21.113.487 (HRK 19.474.870 in 2011) relate to revenue from affiliate companies.

17. OPERATIONAL EXPENDITURES

Operational expenditures are:

	2012	2013
	in HRK	in HRK
Change in inventory	2.759.950	-271.703
Cost of material, energy and small inventory	165.451.098	189.148.964
Costs of goods sold	3.669.347	2.992.978
Costs of services	150.783.090	150.066.265
Expenses for employees	124.042.668	149.225.757
Depreciation	22.084.666	23.755.370
Value adjustment of short-term assets	29.908.394	30.118.987
Other expenses	469.292	22.961.033
Reservations	1.212.201	95.645
Other business expenditures	9.010.499	10.565.867
Total	509.391.205	578.659.163

Cost of material made by affiliate companies amount to HRK 15.808 (HRK 38.307 in 2012). Costs of services made by affiliate companies amount to HRK 4.972.452 (HRK 5.263.213 in 2012). Other expenses related with affiliate companies amount to HRK 558.843 (HRK 1.374.175 in 2012).

According to the IAS 23 costs from loan fees in amount of HRK 187.180 are transferred to qualified long-term assets (027 – real estate and buildings in preparation).

Value adjusted in 2013 is HRK 22.961.033 (HRK 469.292 in 2012) most of which refers to the value adjustment of receivables from Ukrainian customers in amount of HRK 22.805.444 (Note 7).

18. FINANCIAL REVENUES

Financial revenues are:

	2012 in HRK	2013 in HRK
Interest revenues	85.969	97.875
Revenues from exchange rate differences	19.243.117	20.142.898
Revenues from participating interests	19.562	1.085
Revenues from financing affiliates	1.115.716	19.460
Revenues from increase of value of property investments	7.673	1.177.304
Total	20.472.037	21.438.622

19. FINANCIAL EXPENDITURES

Financial expenditures are:

	2012 in HRK	2013 in HRK
Interest expenditures	17.417.954	15.722.634
Expenditures from exchange rate differences	20.700.518	20.569.149
Expenditures from financing affiliates	854.417	2.672.466
Expenditures from decrease in value of investment in real estate	424.454	
Total	39.397.343	38.964.249

According to the IAS 23 costs from regular and preferential interests in total amount of HRK 3.727.103 are transferred to qualified long-term assets (027 – real estate and buildings in preparation). The CBRD loan is for construction of new production facility Svilno 2.

20. SHARE IN PROFIT FROM AFFILIATE COMPANIES

In 2013 the Company had a share in profit of affiliate companies in total amount of HRK 85.300 (HRK 97.177 in 2012).

21. AUDIT AND TAX CONSULTATION EXPENSES

The Company in 2013 had tax consultation expenses in total amount of HRK 97.069 (in 2012 HRK 71.281) and HRK 175.000 of audit expenses (in 2012 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 2013, JGL, a joint-stock company from Rijeka, realized profit before tax in the amount of HRK 67.254.568 (HRK 69.749.125 in 2012).

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 2013 JGL completely used the remaining amount of tax stimulus in amount of HRK 5.025.383 (HRK 3.378.003 in 2012)

26.2.2014. the Ministry of Economy of Croatia, according to the Law on investment incentive, awarded the Company the incentive for the project Svilno 2. This incentive can be used in the period of 10 years in the form of 0% rate of income tax (Note 28) and in 2013 an incentive in amount of HRK 2.705.975 was used.

The Company will reinvest the profit gained in 2013 in amount of HRK 58.954.000 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 2013.

The determined tax liability amounts to HRK 0 (HRK 1.818.925 in 2012).

The Company reported deferred tax assets are income tax liabilities in the amount of HRK 4.580.218 and it refers to temporary tax differences for reservations for jubilee awards and severance pay and temporary unrecognized value adjustment for estimated uncollectible receivables in Ukraine (Note 6f and Note 7b).

The Company used the 0% income tax incentive in 2013, so the tax obligation in HRK 0 and the deferred tax assets in amount of HRK 4.580.218 increase the net profit.

23. REPORT ON OTHER COMPREHENSIVE INCOME

Profit of the period and other comprehensive profit are the same and amount to HRK 71.834.786 (in 2012 profit of the period amounts to HRK 69.749.125).

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 increase in the amount of HRK 35.749.220.

The cash flow from investing activities shows a decrease in the amount of HRK 52.166.418.

The cash flow from financing activities shows an increase in the amount of HRK 13.882.978.

The total cash flow for 2013 shows an decrease in the amount of HRK 2.534.220.

25. REPORT ON CHANGES OF EQUITY

Report on changes of equity for 2013 displays the total increase of equity in the amount of HRK 72.277.907 (HRK 54.717.926 in 2012).

26. POTENTIAL LIABILITIES

No procedures have been initiated against the Company.

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 exposure 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. The Company has great revenue from export which results in exposure to currency risk in a way that the foreign currency assets are larger than the foreign currency liabilities.

The Company is minimally exposed to interest rate risk because fixed interest rates are agreed for the most interest bearing debt.

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 Kazakhstan are insured by Croatian Credit Insurance. The Company is constantly working on increasing the amount of insured receivables in order to increase the share of insured receivables in the total amount of receivables. Credit risk is connected with the short-term financial assets and money in bank. The Company minimizes the credit risk by keeping the funds in leading business banks in Croatia which have an acceptable level of capital adequacy.

Liquidity risk manifests as a danger that the Company will not be able to pay its debt to creditors. The Company minimizes the liquidity risk by agreements concluded with business banks where the annual credit limits have been contracted in advance and it allows the Company to get liquid funds easy and fast by already established conditions.

28. EVENTS AFTER THE DATE OF THE BALANCE SHEET

On 5.2.2014. the Company at the Commercial Court in Beograd, Serbia registered a new affiliated company JGL d.o.o. Beograd – Sopot 100% owned by the Company. The shared capital amounts to HRK 378.488 paid up in cash and HRK 5.069.351 in rights and assets – land, buildings, equipment and licences.

On 26.2.2014. the Ministry of Economy of Croatia, according to the Law on investment incentive, awarded the Company the incentive for the project Svilno 2. The Comapny applied for the state incentive with the investment in the new production facility worth EUR 35.722.038 which will ensure new capacity for further global growth of the Company on existing and new markets. The Ministry issued a Decision on the maximum incentive in the amount of HRK 103.098.382 which is 40% of the total investment. This incentive can be used in the period of 10 years in the form of 0% rate of income tax.

At the begining of 2014 the Company analyzed the political situation in Ukraine and came to a conclusion that there is a high risk of nonpayment, and a value adjustment of the receivables from Ukrainian customers was made accordingly in amount of HRK 22.805.444 (Note 7b).

13 MP
JGL d.d.
Svilno 20 Rijeka

Authorized representative

JADRAN - GALENSKI LABORATORIJ
joint stock comapny
R I J E K A
Svilno 20
SUPERVISORY BOARD
Convocation 2011-2015

EXCERPT FROM
THE MINUTES

From the 17th working session of the Supervisory Board of Jadran - Galenski laboratorij, joint stock company from Rijeka, convocation 2011 – 2015, held on Wednesday 26th March 2014 with a beginning at 10:00 a.m. at the business offices of "Ljekarnički klub Jadran" in Rijeka, Vlačićev trg 3.

Under the point 3 of the daily agenda was:
"Consideration of financial reports od Jadran - Galenski laboratorij, joint stock company for 2013" composed by the Management Board of the Company, and this decision was made:

DECISION NO. 61

I
The Supervisory Board of Jadran - Galenski laboratorij, joint stock company confirms the validity of financial reports of Jadran - Galenski laboratorij, joint stock company for 2013 as composed by the Management Board of the Company.

II
Management Board and Supervisory Board of Jadran - Galenski laboratorij, joint stock company determined the financial reports of Jadran - Galenski laboratorij, joint stock company for 2013.

III
The Decision comes into force on the date of its making.

All present Members of the Supervisory Board voted for this Decision

PRESIDENT OF THE SUPERVISORY BOARD

ZDRAVKO SARŠON,mag.pharm.