

Attachment 1.

Period:

1.1.2014

to

30.6.2014

Quarterly financial report TFI-PODRegistration number (MB): **03715957**Registration number (MBS): **040004561**Personal identification
number (OIB): **20950636972**Company: **JGL d.d.**Postal code and city: **51000****Rijeka**Address: **Svilno 20**e-mail: jgl@jgl.hrInternet address: www.jgl.hrCode and name of city: **373** **Rijeka**Code and name of county: **8** **Primorsko-goranska**Number of employees **920**

(at the end of the period)

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

Companies in consolidation (in acc. with IFRS):

Headquarters:

MB:

Farmis d.o.o.**Sarajevo, BIH****Jadran-galenski laboratorij Beograd d.o.o.****Beograd, Srbija****Jadran-galenski laboratorij Ljubljana d.o.o.****Ljubljana, Slovenija****Pablo d.o.o.****Zagreb****1162772****JGL North America LLC****New York, USA****Ljekarna(ZU) Pablo****Rijeka****1487434**

Accounting: _____

Contact: **Crnković Verica**

(enter surname and name of the contact person)

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(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)

CONSOLIDATED BALANCE SHEET
on 30th June 2014

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	399.713.835	423.720.270
I. INTANGIBLE ASSETS (004 - 009)	003	83.551.992	83.649.330
1. Expenditure for research and development	004	7.770.077	7.774.946
2. Patents, licences, concessions, trademarks, software and other rights	005	38.244.824	37.188.830
3. Goodwill	006	21.561.122	21.399.826
4. Advances on intangible assets	007		
5. Intangible assets-construction in progress	008	12.029.569	13.183.838
6. Other intangible assets	009	3.946.400	4.101.890
II. TANGIBLE ASSETS (011 - 019)	010	309.596.949	333.871.302
1. Land	011	6.120.122	6.806.587
2. Buildings	012	70.409.245	84.634.287
3. Equipment and machinery	013	90.429.657	103.958.348
4. Tools, power stock and transportation means	014	14.998.908	12.749.831
5. Biological assets	015		
6. Advances on tangible assets	016	12.686.711	14.777
7. Tangible assets-construction in progress	017	111.848.170	122.603.336
8. Other tangible assets	018	614.080	614.080
9. Investments in real estate	019	2.490.056	2.490.056
III. LONG TERM FINANCIAL ASSETS (021 - 028)	020	1.725.952	1.435.952
1. Shares in affiliated companies	021		
2. Loans to affiliated companies	022		
3. Participating interest	023	1.140.147	1.200.146
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	585.805	235.806
IV. RECEIVABLES (030 - 032)	029	75.256	0
1. Receivables from affiliated companies	030		
2. Receivables from sales on credit	031		
3. Other receivables	032	75.256	0
V. DEFERRED TAX ASSETS	033	4.763.686	4.763.686
C) SHORT TERM ASSETS (035+043+050+058)	034	618.540.626	552.066.186
I. INVENTORIES (036 - 042)	035	172.896.852	185.237.794
1. Raw and other material	036	61.720.883	53.486.992
2. Production in progress	037		
3. Finished products	038	60.778.389	82.087.856
4. Trade goods	039	24.370.283	23.635.649
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	422.886.106	342.759.730
1. Receivables from affiliated companies	044		
2. Receivables from buyers	045	406.893.001	309.417.029
3. Receivables from participating companies	046		
4. Receivables from employees and subsidiaries	047	62.436	273.121
5. Receivables from government and other institutions	048	14.182.613	14.498.213
6. Other receivables	049	1.748.056	18.571.367
III. SHORT TERM FINANCIAL ASSETS (051 - 057)	050	6.066.188	7.001.564
1. Shares in affiliated companies	051		
2. Loans to affiliated companies	052	278.000	218.000
3. Participating interest	053		0
4. Loans given to companies with participating interest	054		
5. Securities investment	055	1.460.380	3.950.874
6. Given loans, deposits	056	4.327.808	1.857.259
7. Other short term financial assets	057		975.431
IV. CASH AT BANKS AND IN HAND	058	16.691.480	17.067.098
D) PREPAYMENTS AND ACCRUED INCOME	059	7.850.740	4.926.983
E) TOTAL ASSETS (001+002+034+059)	060	1.026.105.201	980.713.439
F) OFF BALANCE SHEET ITEMS	061	83.670.947	279.027.263

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	387.916.590	356.149.707
I. CALLED UP CAPITAL	063	58.310.000	58.954.000
II. CAPITAL RESERVES	064	8.004.817	69.382.027
III. INCOME RESERVES (066+067-068+069+070)	065	6.996.731	10.426.441
1. Compulsory reserves	066	3.000.000	6.000.000
2. Reserves for treasury shares	067	2.269.752	2.796.462
3. Treasury shares (deductible)	068	413.800	510.800
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	243.491.185	243.607.735
1. Retained profit	073	243.491.185	243.607.735
2. Loss for current year	074		
VI. PROFIT/LOSS FOR CURRENT YEAR (076-077)	075	71.113.857	-26.220.496
1. Profit for current year	076	71.113.857	
2. Loss for current year	077		26.220.496
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 - 082)	079	1.012.986	1.012.986
1. Provisions for retirement and similar expenditures	080	1.012.986	1.012.986
2. Provisions for taxes and contributions	081		
3. Other provisions	082		
C) LONG TERM LIABILITIES (084 - 092)	083	326.591.328	377.179.883
1. Liabilities for affiliated companies	084		
2. Liabilities for loans, deposits	085		
3. Liabilities for bank loans and other financial institutions	086	186.978.661	237.483.216
4. Liabilities for advances	087		
5. Accounts payables	088		
6. Securities payables	089	139.612.667	139.696.667
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	293.667.713	235.613.517
1. Liabilities for affiliated companies	094		
2. Liabilities for loans, deposits	095	5.745.932	3.880.716
3. Liabilities for bank loans and other financial institutions	096	112.004.924	76.000.575
4. Liabilities for advances	097	648.905	505.908
5. Accounts payables	098	138.124.339	133.715.030
6. Securities payables	099	3.320.000	700.000
7. Liabilities for companies with participating interest	100	98.871	0
8. Liabilities for employees	101	14.453.065	4.718.755
9. Liabilities for taxes, contributions and other	102	18.945.942	3.994.289
10. Liabilities for shares in result	103	21.000	5.280.888
11. Liabilities for short term assets intended for sale	104		
12. Other short term liabilities	105	304.735	6.817.356
E) ACCRUALS AND DEFERRED INCOME	106	16.916.584	10.757.346
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.026.105.201	980.713.439
G) OFF BALANCE SHEET ITEMS	108	83.670.947	279.027.263
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	387.916.590	356.149.707
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

CONSOLIDATED INCOME STATEMENT
from 1st January 2014 and 30th June 2014

JGL d.d.

Position	ADP mark	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. BUSINESS REVENUE (112+113)	111	326.590.316	0	303.031.061	0
1. Sales revenue	112	313.165.208		281.107.351	
2. Other operational revenue	113	13.425.108		21.923.710	
II. BUSINESS EXPENSE (115+116+120+124+125+126+129+130)	114	340.928.013	0	320.964.725	0
1. Change in value of inventories for production and goods	115	-14.381.324		-21.686.537	
2. Operating expense(117 - 119)	116	237.285.532	0	219.114.056	0
a) Cost of raw material	117	88.368.943		81.682.774	
b) Costs of goods sold	118	73.607.111		68.915.427	
c) Other external costs	119	75.309.478		68.515.855	
3. Expense for employees (121 - 123)	120	71.858.510	0	74.983.948	0
a) Net salaries and wages	121	44.536.635		45.936.152	
b) Taxes, social and pension funds	122	17.161.643		17.931.009	
c) Contributions for salaries	123	10.160.232		11.116.787	
4. Depreciation	124	12.901.548		13.611.528	
5. Other expense	125	17.746.304		17.025.912	
6. Revalorisation (127+128)	126	239.670	0	273.757	0
a) of long term assets (excluding financial assets)	127			5.864	
b) of short term assets (excluding financial assets)	128	239.670		267.893	
7. Provisions	129			0	
8. Other operational expenses	130	15.277.773		17.642.061	
III. FINANCIAL REVENUE (132 - 136)	131	5.390.567	0	8.116.923	0
1. Interests, exchange rate differentials, dividends and similar	132			0	
2. Interests, exchange rate differentials, dividends and similar	133	5.390.567		7.141.492	
3. Revenue from participating interest and subsidiaries	134				
4. Non-realized revenue	135			975.431	
5. Other financial revenue	136				
IV. FINANCIAL EXPENSE (138 - 141)	137	17.724.277	0	16.426.620	0
1. Interests, exchange rate differentials, dividends and similar	138	0		0	
2. Interests, exchange rate differentials, dividends and similar	139	17.724.277		16.117.137	
4. Non-realized loss from financial assets	140			309.483	
5. Other financial expenses	141				
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES	142	3.905		22.865	
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES	143				
VII. EXTRAORDINARY REVENUE	144				
VIII. EXTRAORDINARY EXPENSE	145				
IX. TOTAL REVENUE (111+131+142 + 144)	146	331.984.788	0	311.170.849	0
X. TOTAL EXPENSES (114+137+143 + 145)	147	358.652.290	0	337.391.345	0
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	-26.667.502	0	-26.220.496	0
1. Profit before tax (146-147)	149	0	0	0	0
2. Loss before tax (147-146)	150	26.667.502	0	26.220.496	0
XII. INCOME TAX	151	1.841.526		3.466.819	
XIII. PROFIT OR LOSS OF THE PERIOD (148-151)	152	-28.509.028	0	-29.687.315	0
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	28.509.028	0	29.687.315	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	-28.509.028		-29.687.315	
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	-28.509.028		-29.687.315	
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (159 do)	158	0	0	0	0
1. Exchange rate differentials from foreign business calculations	159				
2. Changes in revalorisation reserves for long term tangible and	160				
3. Profit or loss from revalorisation of financial assets intended for	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	0	0
V. COMPREHENSIVE PROFIT/LOSS OF THE PERIOD (157+167)	168	-28.509.028		-29.687.315	
APPENDIX TO REPORT OF OTHER COMPREHENSIVE INCOME Form (to be filled by the company drafting the annual consolidated					
VI. COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD					
1. Assigned to holders of the capital of the parent company	169	-28.509.028		-29.687.315	
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 2014 till 30st June 2014

JADRAN-GALENSKI LABORATORIJ - GROUP			
Position	ADP mark	Previous period	Current period
1	2	3	4
CASH FLOW FROM BUSINESS ACTIVITIES			
1. Cash proceeds from buyers	001	393.596.811	387.897.376
2. Cash proceeds from royalties, fees, commissions, etc	002	1.084	22.865
3. Cash proceeds from insurance claims	003	79.212	203.135
4. Cash proceeds from tax return	004	32.049.910	8.754.577
5. Other cash proceeds	005	1.140.066	854.994
I. Total increase of cash flow from operating activities (001 - 005)	006	426.867.083	397.732.947
1. Cash outflow for liabilities	007	310.577.144	246.153.916
2. Cash outflow for employees	008	60.435.340	56.179.956
3. Cash outflow to insurance for indemnification of damage	009		
4. Cash outflow for interests	010	14.295.752	12.652.461
5. Cash outflow for taxes	011	37.362.640	47.969.823
6. Other cash outflow	012	6.521.215	1.841.618
II. Total cash outflow from business activities (007 do 012)	013	429.192.091	364.797.774
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	0	32.935.173
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	2.325.008	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash proceeds from sale of long terms intangible and tangible assets	016	269.198	371.865
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment	018	20.574	29.545
4. Cash proceeds of dividend payment	019		
5. Other cash proceeds from investing activities	020		3.560.000
III. Total cash inflow from investing activities (015 - 019)	021	290.856	3.961.410
1. Cash outflow for acquisition of long term tangible and intangible assets	022	26.182.652	39.965.254
2. Cash outflow for acquisition of equity and debt security instruments	023		
3. Other cash outflows from investing activities	024	5.000.000	3.500.000
IV. Total cash outflow from investing activities (021 - 023)	025	31.182.652	43.465.254
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)	026	0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)	027	30.891.796	39.503.844
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	028	7.231.587	3.496.920
2. Cash inflow from loan principals, debentures, credits and other borrowings	029	163.147.375	92.983.110
3. Other cash inflows from finance activities	030		
V. Total cash inflow from finance activities (027 - 029)	031	170.378.962	96.480.030
1. Cash outflow for repayment of loan principal and bonds	032	127.440.985	78.138.600
2. Cash outflow for dividend payment	033	5.802.000	
3. Cash outflow for finance lease	034	3.215.983	10.865.581
4. Cash outflow for buyback of own shares	035	488.700	526.710
5. Other cash outflow from finance activities	036		4.850
VI. Total cash outflow for finance activities (031 - 035)	037	136.947.668	89.535.741
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)	038	33.431.294	6.944.289
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	214.490	375.618
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	041	0	0
Cash and cash equivalents at the beginning of the period	042	6.151.578	16.691.480
Increase of cash and cash equivalents	043	214.490	375.618
Decrease of cash and cash equivalents	044		
Cash and cash equivalents at the end of the period	045	6.366.068	17.067.098

CHANGES IN EQUITY

for the period from 1.1.2014 to 30.6.2014

Position	ADP mark	Previous period	Current period
1	2	3	4
1. Called up capital	001	58.310.000	58.954.000
2. Capital reserves	002	8.004.817	69.382.027
3. Reserves from equity	003	6.996.731	10.426.441
4. Retained profit or transferred loss	004	243.491.185	243.607.735
5. Profit or loss of the period	005	71.113.857	-26.220.496
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	387.916.590	356.149.707
11. Exchange rate differentials from foreign net investments	011		
12. Current and deferred tax	012	-3.803.590	
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	76.753.199	39.346.974
17. Total increase or decrease of equity (ADP 011 - 016)	017	73.133.077	39.346.974
17.a Assigned to holders of the capital of the parent company	018	73.133.077	39.346.974
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.

GROUP JGL

REVIEW OF BUSINESS RESULT ON 30 JUNE 2014.

Table 1.: JGL Group – Income statement

Position	Previous period	% UP	Current period	% UP	Index	Change
OPERATING REVENUES	326.590.315,59	98,38	303.031.061,31	97,38	92,79	-23.559.254,28
Revenues from domestic sales	167.885.307,93	50,57	169.044.472,11	54,33	100,69	1.159.164,18
Revenues from foreign sales	145.279.900,09	43,76	112.062.878,55	36,01	77,14	-33.217.021,54
Revenues from refunds, grants, subventions and free rece	338.870,75	0,10	484.870,15	0,16	143,08	145.999,40
Revenues from the use of own products (by 2013.)	2.932.842,21	0,88	2.534.767,98	0,81	86,43	-398.074,23
Other business revenues	10.153.394,61	3,06	18.904.072,52	6,08	186,18	8.750.677,91
OPERATING EXPENSES	340.928.012,97	102,69	320.964.725,42	103,15	94,14	-19.963.287,55
Change of stock value	-14.381.323,83	-4,33	-21.686.536,59	-6,97	150,80	-7.305.212,76
Material costs and services	237.285.531,84	71,47	219.114.056,06	70,42	92,34	-18.171.475,78
Costs of raw material	88.368.942,88	26,62	81.682.773,55	26,25	92,43	-6.686.169,33
Costs of sold goods	73.607.110,89	22,17	68.915.427,04	22,15	93,63	-4.691.683,85
Costs of services	75.309.478,07	22,68	68.515.855,47	22,02	90,98	-6.793.622,60
Staff costs	71.858.509,62	21,65	74.983.948,40	24,10	104,35	3.125.438,78
Net salaries	44.536.634,61	13,42	45.936.151,97	14,76	103,14	1.399.517,36
Taxes, surtaxes and contributions from salaries	27.321.875,01	8,23	29.047.796,43	9,33	106,32	1.725.921,42
Depreciation	12.901.548,33	3,89	13.611.527,67	4,37	105,50	709.979,34
Other costs	17.746.303,77	5,35	17.025.911,58	5,47	95,94	-720.392,19
Value adjustment of assets	239.669,88	0,07	273.756,86	0,09	114,22	34.086,98
Provisions for risks and costs	0,00	0,00	0,00	0,00	0,00	0,00
Other operating expenses	15.277.773,36	4,60	17.642.061,44	5,67	115,48	2.364.288,08
FINANCIAL REVENUES	5.394.472,50	1,62	8.116.923,16	2,61	150,47	2.722.450,66
FINANCIAL EXPENSES	17.724.276,69	5,34	16.426.619,77	5,28	92,68	-1.297.656,92
SHARE IN PROFIT FROM AFFILIATED COMPANIES	0,00	0,00	22.865,40	0,01	0,00	22.865,40
OTHER REVENUES	0,00	0,00	0,00	0,00	0	0,00
OTHER EXPENSES	0,00	0,00	0,00	0,00	0	0,00
TOTAL REVENUES	331.984.788,09	100,00	311.170.849,87	100,00	93,73	-20.813.938,22
TOTAL EXPENSES	358.652.289,66	108,03	337.391.345,19	108,43	94,07	-21.260.944,47
RESULT BEFORE TAXATION	-26.667.501,57	-8,03	-26.220.495,32	-8,43	98,32	447.006,25
Income tax and deferred tax assets	1.841.526,48	0,55	3.466.819,26	1,11	188,26	1.625.292,78
RESULT OF THE PERIOD	-28.509.028,05	-8,59	-29.687.314,58	-9,54	104,13	-1.178.286,53

In the first half of 2014 revenue realization was slightly slower and sales revenue decreased by 7% compared to the same period in the previous year. The reason is mainly the decline in foreign sales, which is at the level of 77% of realization compared to the same period in 2013. The stagnation of income is present in the market of Southeast Europe where the realization of income was 90% of realization of first half of last year. Visible revenue decline is present on the Croatian market of nearly 8% over the same period of 2013. This can be explained by the persistence of recessive macroeconomic indicators in Croatia as well as the further reduction of prices of certain key medicines. Global markets also recorded a drop in sales in the first half, mainly due to a 50% realization of the planned exports to Switzerland (the contract manufacturing and licensing). Exports to our largest market Russia was realized above the plan (index 102), although in this market noticeable biggest drop in relation to the implementation of last year (84%). The reason for this is the decision of the management of the significant reduction of stocks in the Russian wholesalers in order to reduce exchange-rate and credit risks. Since the majority of sales in these markets traditionally implemented in the second half

of the year, influenced by the seasonality of the sales portfolio, by year-end, we expect sales to leveling the planned annual values.

Operating expenses followed the reduced business revenue and realized 94% of value compared to the same period last year. The decrease in operating expenses is most noticeable in the change in inventories which were reduced by HRK 21.686.536 or HRK 7.305.212 more than in the previous year. Significant decrease in operating expenses was also recorded in raw material and material costs (92% of realization compared to 2013) and costs of services (92% of realization compared to 2013). Total expenditures amount to HRK 337.391.345, while total revenues are HRK 311.170.849, resulting in a loss of HRK 26.220.495 (index 103). Reduced operating income and operating expenses follow the management's decision to reduce inventories in key markets so business results for the first half of the year are within the planned value. Namely, due to seasonal stagnation, there has been a large export by the CIS region in the last quarter of 2013 and the following increased deliveries are expected in the second half of 2014. The intensive employment trend from the previous periods continued in the first half of 2014, so that 11,5 % more than at the same time of the year ie 126 new employees were employed in the first half of 2014 while at the same time leaving the Group 45 employees, which makes a total of 920 employees at the end of 30.06.2014.

Table 2.: JGL Group – Balance sheet

Position	Previous period	% UA	Current period	% UA	Index	Change
TOTAL ASSETS	1.026.105.201,10	100,00	980.713.438,65	100,00	95,58	-45.391.762,45
LONG TERM ASSETS	399.713.835,11	38,95	423.720.269,72	43,21	106,01	24.006.434,61
Intangible assets	83.551.992,32	8,14	83.649.330,11	8,53	100,12	97.337,79
Tangible assets	309.596.949,33	30,17	333.871.301,69	34,04	107,84	24.274.352,36
Long term financial assets	1.801.207,55	0,18	1.435.952,01	0,15	79,72	-365.255,54
DEFERRED TAX ASSETS	4.763.685,91	0,46	4.763.685,91	0,49	100	0,00
SHORT TERM ASSETS	618.540.625,58	60,28	552.066.185,85	56,29	89,25	-66.474.439,73
Stock	172.896.851,49	16,85	185.237.794,08	18,89	107,14	12.340.942,59
Receivables	422.886.106,27	41,21	342.759.730,53	34,95	81,05	-80.126.375,74
Short term financial assets	5.914.909,22	0,58	7.001.563,99	0,71	118,37	1.086.654,77
Cash at banks and in hand	16.842.758,60	1,64	17.067.097,25	1,74	101,33	224.338,65
PREPAID COSTS AND ACCRUED REVENUES	7.850.740,41	0,77	4.926.983,08	0,50	62,76	-2.923.757,33
TOTAL CAPITAL AND LIABILITIES	1.026.105.201,10	100,00	980.713.438,65	100,00	95,58	-45.391.762,45
CAPITAL AND RESERVES	387.916.590,23	37,80	356.149.706,90	36,32	91,81	-31.766.883,33
Called up capital	58.310.000,00	5,68	58.954.000,00	6,01	101,10	644.000,00
Premium on issued shares	8.004.817,18	0,78	69.382.027,18	7,07	866,75	61.377.210,00
Treasury shares	-413.800,00	-0,04	-510.800,00	-0,05	123,44	-97.000,00
Reserves	7.410.530,46	0,72	10.937.240,46	1,12	147,59	3.526.710,00
Retained profit + undistributed profits of last year	243.491.184,89	23,73	243.607.734,58	24,84	100,05	116.549,69
RESULT OF THE PERIOD	71.113.857,70	6,93	-26.220.495,32	-2,67	-36,87	-97.334.353,02
LONG TERM PROVISIONS	1.012.986,00	0,10	1.012.986,00	0,10	100,00	0,00
LONG TERM LIABILITIES	326.591.328,25	31,83	377.179.882,94	38,46	115,49	50.588.554,69
Liabilities for bonds	139.612.666,66	13,61	139.696.666,66	14,24	100,06	84.000,00
Other long term liabilities	186.978.661,59	18,22	237.483.216,28	24,22	127,01	50.504.554,69
SHORT TERM LIABILITIES	293.667.712,65	28,62	235.613.516,38	24,02	80,23	-58.054.196,27
Liabilities for subsidiaries	0,00	0,00	0,00	0,00	0,00	0,00
Short term financial liabilities	117.742.345,92	11,47	79.881.290,75	8,15	67,84	-37.861.055,17
Liabilities for securities	3.320.000,00	0,32	700.000,00	0,07	21,08	-2.620.000,00
Trade payables	138.223.209,85	13,47	133.715.030,14	13,63	96,74	-4.508.179,71
Liabilities towards employees	14.453.064,51	1,41	4.718.755,02	0,48	32,65	-9.734.309,49
Liabilities for taxes and contributions	18.945.941,79	1,85	3.994.289,27	0,41	21,08	-14.951.652,52
Liabilities due to share in result	21.000,00	0,00	5.280.888,00	0,54	25.147,09	5.259.888,00
Other short term liabilities	962.150,58	0,09	7.323.263,20	0,75	761,13	6.361.112,62
DEFERRED SETTLEMENTS OF COSTS AND REVENUE DEFERRED TO FUTURE PERIOD	16.916.583,97	1,65	10.757.346,43	1,10	63,59	-6.159.237,54

The total increase in long-term assets in relation to the previous period, in the first half of 2014, is 6%. Long-term assets recorded an increase in value mostly in the category of tangible assets (8%), and due to increased investments in the new industrial complex, Svilno 2.

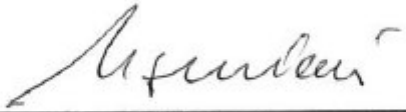
Short-term assets decreased by as much as 12% compared to the previous period, mainly due to a decline in customer receivables by almost 19% compared to last year. This decline confirms the seasonality of sales, ie the increase in sales by the end of the year so that the index of receivables falls more sharply during the first half of the year. Also, the aforementioned decline is a result of a decrease in stocks in our largest market (Russia).

Kratkotrajna imovina bilježi pad od čak 12% u odnosu na prethodno razdoblje i to ponajviše usljed smanjenja potraživanja od kupaca za skoro 19% u odnosu na prošlu godinu. Navedeni pad potvrđuje sezonalnost prodaje tj. povećanje prodaje pred kraj godine pa time i indeks potraživanja osjetnije pada tijekom prvog polugodišta. Također, navedeni pad rezultat je smanjenja zaliha u veledrogerijama na našem najvećem tržištu (Rusija).

Liabilities have significant changes in the items of long-term and short-term financial liabilities arising from the partial refinancing of short-term credit liabilities into better quality long-term financial liabilities. Significant change in the position of long-term liabilities (15% growth) was primarily due to the continuation of financing for the construction of new production and storage capacities in the context of the Svilno 2 project. Reduction of trade payables by almost 3% compared to 2013 according to the decrease of operating expenses in the cost of raw materials.

JADRAN – GALENSKI LABORATORIJ D.D.

Ivo Usmiani mr. pharm., spec.



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 Group and its financial results for the given period.

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

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

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

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

Rijeka, dated 20th August 2014

For and on behalf of the Management Board

Ivo Usmiani, MPharm. spec.

