

**Attachment 1.**

Period:

1.1.2014

to

30.6.2014

**Quarterly financial report TFI-POD**Registration 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.hr](mailto:jgl@jgl.hr)Internet address: [www.jgl.hr](http://www.jgl.hr)Code and name of city: **373** **Rijeka**Code and name of county: **8** **Primorsko-goranska**Number of employees **724**  
(at the end of the period)Consolidated report: **NO**NKD code: **2120**

Companies in consolidation (in acc. with IFRS):

Headquarters:

MB:

Accounting:

Contact: **Crnković Verica**  
(enter surname and name of the contact person)Phone: **051 660 710**Fax: **051 660 711**e-mail: [verica.crnkovic@jgl.hr](mailto: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 30th June 2014

JGL d.d.			
Position	ADP mark	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR SHAREHOLDERS EQUITY, NON-PAID</b>	<b>001</b>		
<b>B) LONG TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	365.264.088	399.793.712
I. INTANGIBLE ASSETS (004 - 009)	<b>003</b>	31.874.941	31.803.339
1. Expenditure for research and development	<b>004</b>	7.770.077	7.634.647
2. Patents, licences, concessions, trademarks, software and other rights	<b>005</b>	12.075.295	10.984.853
3. Goodwill	<b>006</b>		0
4. Advances on intangible assets	<b>007</b>		0
5. Intangible assets-construction in progress	<b>008</b>	12.029.569	13.183.838
6. Other intangible assets	<b>009</b>		0
II. TANGIBLE ASSETS (011 - 019)	<b>010</b>	291.991.522	316.236.354
1. Land	<b>011</b>	4.915.132	5.601.597
2. Buildings	<b>012</b>	58.571.901	72.975.242
3. Equipment and machinery	<b>013</b>	89.535.751	98.747.527
4. Tools, power stock and transportation means	<b>014</b>	11.358.721	13.678.696
5. Biological assets	<b>015</b>		
6. Advances on tangible assets	<b>016</b>	12.686.711	11.461
7. Tangible assets-construction in progress	<b>017</b>	111.829.170	122.127.696
8. Other tangible assets	<b>018</b>	604.080	604.080
9. Investments in real estate	<b>019</b>	2.490.056	2.490.056
III. LONG TERM FINANCIAL ASSETS (021 - 028)	<b>020</b>	36.633.939	46.990.334
1. Shares in affiliated companies	<b>021</b>	35.257.987	45.554.382
2. Loans to affiliated companies	<b>022</b>		
3. Participating interest	<b>023</b>	1.140.147	1.200.146
4. Loans to companies with participating interest	<b>024</b>		
5. Securities investments	<b>025</b>		
6. Given loans, deposits	<b>026</b>		
7. Other long term financial assets	<b>027</b>		
8. Investments (equity method)	<b>028</b>	235.805	235.806
IV. RECEIVABLES (030 - 032)	<b>029</b>	0	0
1. Receivables from affiliated companies	<b>030</b>		
2. Receivables from sales on credit	<b>031</b>		
3. Other receivables	<b>032</b>		
V. DEFERRED TAX ASSETS	<b>033</b>	4.763.686	4.763.686
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	566.670.098	498.652.956
I. INVENTORIES (036 - 042)	<b>035</b>	150.026.836	163.031.717
1. Raw and other material	<b>036</b>	61.717.075	53.486.696
2. Production in progress	<b>037</b>		0
3. Finished products	<b>038</b>	60.778.388	82.087.856
4. Trade goods	<b>039</b>	1.504.076	1.429.868
5. Advances on inventories	<b>040</b>		
6. Long term assets for sale	<b>041</b>	26.027.297	26.027.297
7. Biological assets	<b>042</b>		
II. RECEIVABLES (044 - 049)	<b>043</b>	407.613.831	325.072.267
1. Receivables from affiliated companies	<b>044</b>	60.741.989	61.463.237
2. Receivables from buyers	<b>045</b>	337.588.922	237.105.154
3. Receivables from participating companies	<b>046</b>		
4. Receivables from employees and subsidiaries	<b>047</b>	22.150	116.446
5. Receivables from government and other institutions	<b>048</b>	7.968.178	8.200.612
6. Other receivables	<b>049</b>	1.292.592	18.186.818
III. SHORT TERM FINANCIAL ASSETS (051 - 057)	<b>050</b>	970.137	4.144.596
1. Shares in affiliated companies	<b>051</b>		
2. Loans to affiliated companies	<b>052</b>	278.000	218.000
3. Participating interest	<b>053</b>		
4. Loans given to companies with participating interest	<b>054</b>		
5. Securities investment	<b>055</b>	500.000	2.760.000
6. Given loans, deposits	<b>056</b>	192.137	191.165
7. Other short term financial assets	<b>057</b>		975.431
IV. CASH AT BANKS AND IN HAND	<b>058</b>	8.059.294	6.404.376
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	7.697.728	4.858.602
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	939.631.914	903.305.271
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	83.670.947	279.027.263

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	387.613.592	360.156.444
I. CALLED UP CAPITAL	<b>063</b>	58.310.000	58.954.000
II. CAPITAL RESERVES	<b>064</b>	8.004.817	69.382.027
III. INCOME RESERVES (066+067-068+069+070)	<b>065</b>	6.996.731	10.426.440
1. Compulsory reserves	<b>066</b>	3.000.000	6.000.000
2. Reserves for treasury shares	<b>067</b>	2.269.752	2.796.462
3. Treasury shares (deductible)	<b>068</b>	413.800	510.800
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>	2.140.779	2.140.779
IV. REVALUATION RESERVES	<b>071</b>		
V. RETAINED PROFIT OR TRANSFERRED LOSS (073-074)	<b>072</b>	242.467.258	246.561.447
1. Retained profit	<b>073</b>	242.467.258	246.561.447
2. Loss for current year	<b>074</b>		
VI. PROFIT/LOSS FOR CURRENT YEAR (076-077)	<b>075</b>	71.834.786	-25.167.470
1. Profit for current year	<b>076</b>	71.834.786	
2. Loss for current year	<b>077</b>		25.167.470
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 - 082)</b>	<b>079</b>	1.012.986	1.012.986
1. Provisions for retirement and similar expenditures	<b>080</b>	1.012.986	1.012.986
2. Provisions for taxes and contributions	<b>081</b>		
3. Other provisions	<b>082</b>		
<b>C) LONG TERM LIABILITIES (084 - 092)</b>	<b>083</b>	320.665.943	371.270.319
1. Liabilities for affiliated companies	<b>084</b>		
2. Liabilities for loans, deposits	<b>085</b>		
3. Liabilities for bank loans and other financial institutions	<b>086</b>	181.053.276	231.573.653
4. Liabilities for advances	<b>087</b>		
5. Accounts payables	<b>088</b>		
6. Securities payables	<b>089</b>	139.612.667	139.696.667
7. Liabilities for companies with participating interest	<b>090</b>		
8. Other long-term liabilities	<b>091</b>		
9. Deferred tax liability	<b>092</b>		
<b>D) SHORT-TERM LIABILITIES (094 - 105)</b>	<b>093</b>	213.749.448	160.142.224
1. Liabilities for affiliated companies	<b>094</b>	6.129.168	2.793.132
2. Liabilities for loans, deposits	<b>095</b>	5.710.988	3.864.934
3. Liabilities for bank loans and other financial institutions	<b>096</b>	77.346.203	51.302.633
4. Liabilities for advances	<b>097</b>	644.719	503.080
5. Accounts payables	<b>098</b>	90.004.198	83.093.167
6. Securities payables	<b>099</b>	3.320.000	700.000
7. Liabilities for companies with participating interest	<b>100</b>	98.871	
8. Liabilities for employees	<b>101</b>	13.046.189	3.371.795
9. Liabilities for taxes, contributions and other	<b>102</b>	17.183.683	2.725.238
10. Liabilities for shares in result	<b>103</b>	21.000	5.280.888
11. Liabilities for short term assets intended for sale	<b>104</b>		
12. Other short term liabilities	<b>105</b>	244.429	6.507.356
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>106</b>	16.589.945	10.723.297
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	939.631.914	903.305.271
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	83.670.947	279.027.263
<b>APPENDIX TO THE BALANCE SHEET (to be filled by the company drafting the annual consolidated financial statement)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Assigned to holders of the capital of the parent company	<b>109</b>		
2. Assigned to minority interest	<b>110</b>		

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 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
<b>I. BUSINESS REVENUE (112+113)</b>	<b>111</b>	233.629.757	0	217.011.000	0
1. Sales revenue	112	228.574.933		202.407.480	
2. Other operational revenue	113	5.054.824		14.603.520	
<b>II. BUSINESS EXPENSE (115+116+120+124+125+126+129+130)</b>	<b>114</b>	246.865.536	0	234.332.574	0
1. Change in value of inventories for production and goods	115	-14.381.324		-21.686.537	
2. Operating costs (117 - 119)	116	161.057.158	0	147.730.612	0
a) Costs of raw material	117	87.292.503		80.425.371	
b) Costs of goods sold	118	1.553.621		1.172.058	
c) Other external costs	119	72.211.034		66.133.183	
3. Costs for employees (121 - 123)	120	58.708.133	0	61.710.458	0
a) Net salaries and wages	121	36.891.200		38.253.698	
b) Taxes, social and pension funds	122	13.331.243		14.166.599	
c) Contributions for salaries	123	8.485.690		9.290.161	
4. Depreciation	124	11.719.545		12.477.246	
5. Other costs	125	14.940.009		14.947.534	
6. Revalorisation (127+128)	126	0	0	0	0
a) of long term assets (excluding financial assets)	127				
b) of short term assets (excluding financial assets)	128				
7. Provisions	129				
8. Other operational costs	130	14.822.015		19.153.261	
<b>III. FINANCIAL REVENUE (132 - 136)</b>	<b>131</b>	5.104.474	0	8.069.380	0
1. Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies	132	299.694		221.563	
2. Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons	133	4.804.780		6.863.184	
3. Revenue from participating interest and subsidiaries	134			9.202	
4. Non-realized revenue	135			975.431	
5. Other financial revenue	136				
<b>IV. FINANCIAL EXPENSE (138 - 141)</b>	<b>137</b>	16.407.938	0	15.938.141	0
1. Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons	138	665.897		883.522	
2. Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons	139	15.742.041		14.745.136	
4. Non-realized loss from financial assets	140			309.483	
5. Other financial expenses	141				
<b>V. SHARE IN PROFIT FROM AFFILIATED COMPANIES</b>	<b>142</b>	1.084		22.865	
<b>VI. SHARE IN LOSS FROM AFFILIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY REVENUE</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY EXPENSE</b>	<b>145</b>				
<b>IX. TOTAL REVENUE (111+131+142 + 144)</b>	<b>146</b>	238.735.315	0	225.103.245	0
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	263.273.474	0	250.270.715	0
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	-24.538.159	0	-25.167.470	0
1. Profit before tax (146-147)	149	0	0	0	0
2. Loss before tax (147-146)	150	24.538.159	0	25.167.470	0
<b>XII. INCOME TAX</b>	<b>151</b>	1.841.526		3.466.819	
<b>XIII. PROFIT OR LOSS OF THE PERIOD (148-151)</b>	<b>152</b>	-26.379.685	0	-28.634.289	0
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	26.379.685	0	28.634.289	0
<b>APPENDIX TO INCOME STATEMENT Form (to be filled by the company drafting the annual consolidated financial statement)</b>					
<b>XIV. PROFIT OR LOSS OF THE PERIOD</b>					
1. Assigned to holders of the capital of the parent company	155				
2. Assigned to minority interest	156				
<b>REPORT OF OTHER COMPREHENSIVE INCOME (to be filled by the company in accordance with the IFRS)</b>					
<b>I. PROFIT OR LOSS OF THE PERIOD (= 152)</b>	<b>157</b>	-26.379.685	0	-28.634.289	0
<b>II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	0	0	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				
<b>III. TAX ON OTHER COMPREHENSIVE PROFIT OF THE PERIOD</b>	<b>166</b>				
<b>IV. OTHER NET COMPREHENSIVE PROFIT/LOSS OF THE PERIOD</b>	<b>167</b>	0	0	0	0
<b>V. COMPREHENSIVE PROFIT/LOSS OF THE PERIOD (157+167)</b>	<b>168</b>	-26.379.685	0	-28.634.289	0
<b>APPENDIX TO REPORT OF OTHER COMPREHENSIVE INCOME Form (to be filled by the company drafting the annual consolidated financial statement)</b>					
<b>VI. COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD</b>					
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
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>			
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	
<b>I. Total increase of cash flow from business activities (001 do 006)</b>	<b>007</b>	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	
<b>II. Total decrease of cash flow from operating activities (008 - 011)</b>	<b>012</b>	0	0
<b>A1) NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES (007-012)</b>	<b>013</b>	0	0
<b>A2) NET DECREASE OF CASH FLOW FROM BUSINESS ACTIVITIES (012-007)</b>	<b>014</b>	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
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		
<b>III. Total cash inflow from investing activities (015 - 019)</b>	<b>020</b>	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		
<b>IV. Total cash outflow from investing activities (021 - 023)</b>	<b>024</b>	0	0
<b>B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	0	0
<b>B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	0	0
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>			
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		
<b>V. Total cash inflow from finance activities (027 - 029)</b>	<b>030</b>	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	
<b>VI. Total cash outflow for finance activities (031 - 035)</b>	<b>036</b>	0	0
<b>C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)</b>	<b>037</b>	0	0
<b>C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)</b>	<b>038</b>	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	0	0
Cash and cash equivalents at the beginning of the period	<b>041</b>	0	
Increase of cash and cash equivalents	<b>042</b>	0	
Decrease of cash and cash equivalents	<b>043</b>	0	
Cash and cash equivalents at the end of the period	<b>044</b>	0	0

**CASH FLOW STATEMENT - Direct method**  
For the period from 1st January 2014 till 30th June 2014

JGL d.d.			
Position	ADP mark	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>			
1. Cash proceeds from buyers	001	284.622.906	310.542.104
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	854.993
<b>I. Total increase of cash flow from operating activities (001 - 005)</b>	<b>006</b>	<b>317.893.178</b>	<b>320.377.674</b>
1. Novčani izdaci dobavljačima	007	208.444.599	196.718.388
2. Novčani izdaci za zaposlene	008	53.825.325	49.264.861
3. Novčani izdaci za osiguranje za naknade šteta	009		
4. Novčani izdaci za kamate	010	13.264.457	11.820.694
5. Novčani izdaci za poreze	011	34.590.951	40.786.119
6. Ostali novčani izdaci	012	2.827.961	1.841.618
<b>II. Ukupno novčani izdaci od poslovnih aktivnosti (007 do 012)</b>	<b>013</b>	<b>312.953.293</b>	<b>300.431.680</b>
<b>A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH</b>	<b>014</b>	<b>4.939.885</b>	<b>19.945.994</b>
<b>A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH</b>	<b>015</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash proceeds from sale of long terms intangible and tangible assets	016	269.198	330.615
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	3.300.000	3.560.000
<b>III. Total cash inflow from investing activities (015 - 019)</b>	<b>021</b>	<b>3.589.772</b>	<b>3.920.160</b>
1. Cash outflow for acquisition of long term tangible and intangible assets	022	26.073.376	38.442.259
2. Cash outflow for acquisition of equity and debt security instruments	023		
3. Other cash outflows from investing activities	024	3.300.000	3.879.488
<b>IV. Total cash outflow from investing activities (021 - 023)</b>	<b>025</b>	<b>29.373.376</b>	<b>42.321.747</b>
<b>B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>027</b>	<b>25.783.604</b>	<b>38.401.587</b>
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>			
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	133.147.375	72.983.110
3. Other cash inflows from finance activities	030		
<b>V. Total cash inflow from finance activities (027 - 029)</b>	<b>031</b>	<b>140.378.962</b>	<b>76.480.030</b>
1. Cash outflow for repayment of loan principal and bonds	032	105.240.985	48.287.064
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		
<b>VI. Total cash outflow for finance activities (031 - 035)</b>	<b>037</b>	<b>114.747.668</b>	<b>59.679.355</b>
<b>C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)</b>	<b>038</b>	<b>25.631.294</b>	<b>16.800.675</b>
<b>C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)</b>	<b>039</b>	<b>0</b>	<b>0</b>
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>040</b>	<b>4.787.575</b>	<b>0</b>
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>041</b>	<b>0</b>	<b>1.654.918</b>
Cash and cash equivalents at the beginning of the period	<b>042</b>	<b>10.593.514</b>	<b>8.059.294</b>
Increase of cash and cash equivalents	<b>043</b>	<b>4.787.575</b>	
Decrease of cash and cash equivalents	<b>044</b>		<b>1.654.918</b>
Cash and cash equivalents at the end of the period	<b>045</b>	<b>15.381.089</b>	<b>6.404.376</b>

**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	<b>001</b>	58.310.000	58.954.000
2. Capital reserves	<b>002</b>	8.004.817	69.382.027
3. Reserves from equity	<b>003</b>	6.996.731	10.426.440
4. Retained profit or transferred loss	<b>004</b>	243.491.185	246.561.447
5. Profit or loss of the period	<b>005</b>	71.113.857	-25.167.470
6. Revalorisation of long term tangible assets	<b>006</b>		
7. Revalorisation of long term intangible assets	<b>007</b>		
8. Revalorisation of financial assets for sale	<b>008</b>		
9. Other revalorisation	<b>009</b>		
<b>10. Total capital and reserves (ADP 001 - 009)</b>	<b>010</b>	387.916.590	360.156.444
11. Exchange rate differentials from foreign net investments	<b>011</b>		
12. Current and deferred tax	<b>012</b>	-3.803.590	
13. Cash flow protection	<b>013</b>		
14. Changes in accounting policies	<b>014</b>		
15. Correction of errors from past periods	<b>015</b>	183.468	
16. Other changes in equity	<b>016</b>	76.753.199	44.380.638
<b>17. Total increase or decrease of equity (ADP 011 - 016)</b>	<b>017</b>	73.133.077	44.380.638
17.a Assigned to holders of the capital of the parent company	<b>018</b>		
17. b Assigned to minority interest	<b>019</b>		

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.



## JADRAN – GALENSKI LABORATORIJ, joint stock company, Rijeka

### REVIEW OF BUSINESS RESULT ON 30 JUNE 2014.

Table 1.: JGL – Income statement

Position	Previous period	% UP	Current period	% UP	Index	Change
<b>OPERATING REVENUES</b>	<b>233.629.757,92</b>	<b>97,86</b>	<b>214.594.294,14</b>	<b>96,37</b>	<b>91,85</b>	<b>-19.035.463,78</b>
Revenues from domestic sales	71.138.264,61	29,80	63.491.659,60	28,51	89,25	-7.646.605,01
Revenues from foreign sales	157.436.668,84	65,95	138.915.819,98	62,38	88,24	-18.520.848,86
Revenues from refunds, grants, subventions and free receipts	210.988,03	0,09	255.533,22	0,11	121,11	44.545,19
Revenues from the use of own products (by 2013.)	2.721.753,36	1,14	0,00	0,00	0,00	-2.721.753,36
Other business revenues	2.122.083,08	0,89	11.931.281,34	5,36	562,24	9.809.198,26
<b>OPERATING EXPENSES</b>	<b>246.865.536,62</b>	<b>103,41</b>	<b>231.915.868,42</b>	<b>104,14</b>	<b>93,94</b>	<b>-14.949.668,20</b>
Change of stock value	-14.381.323,83	-6,02	-21.686.536,59	-9,74	150,80	-7.305.212,76
Material costs and services	161.057.158,76	67,46	147.503.868,52	66,24	91,58	-13.553.290,24
Costs of raw material	87.292.503,14	36,56	80.198.627,42	36,01	91,87	-7.093.875,72
Costs of sold goods	1.553.621,22	0,65	1.172.058,24	0,53	75,44	-381.562,98
Costs of services	72.211.034,40	30,25	66.133.182,86	29,70	91,58	-6.077.851,54
Staff costs	58.708.133,68	24,59	61.710.458,67	27,71	105,11	3.002.324,99
Net salaries	36.891.200,07	15,45	38.253.698,34	17,18	103,69	1.362.498,27
Taxes, surtaxes and contributions from salaries	21.816.933,61	9,14	23.456.760,33	10,53	107,52	1.639.826,72
Depreciation	11.719.544,72	4,91	15.595.549,72	7,00	133,07	3.876.005,00
Other costs	14.940.008,62	6,26	11.393.269,78	5,12	76,26	-3.546.738,84
Value adjustment of assets	0,00	0,00	0,00	0,00	0,00	0,00
Provisions for risks and costs	0,00	0,00	0,00	0,00	0,00	0,00
Other operating expenses	14.822.014,67	6,21	17.399.258,32	7,81	117,39	2.577.243,65
<b>FINANCIAL REVENUES</b>	<b>5.105.557,61</b>	<b>2,14</b>	<b>8.069.379,36</b>	<b>3,62</b>	<b>158,05</b>	<b>2.963.821,75</b>
<b>FINANCIAL EXPENSES</b>	<b>16.407.937,87</b>	<b>6,87</b>	<b>15.938.140,71</b>	<b>7,16</b>	<b>97,14</b>	<b>-469.797,16</b>
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	0,00	0,00
OTHER EXPENSES	0,00	0,00	0,00	0,00	0,00	0,00
<b>TOTAL REVENUES</b>	<b>238.735.315,53</b>	<b>100,00</b>	<b>222.686.538,90</b>	<b>100,00</b>	<b>93,28</b>	<b>-16.048.776,63</b>
<b>TOTAL EXPENSES</b>	<b>263.273.474,49</b>	<b>110,28</b>	<b>247.854.009,13</b>	<b>111,30</b>	<b>94,14</b>	<b>-15.419.465,36</b>
<b>RESULT BEFORE TAXATION</b>	<b>-24.538.158,96</b>	<b>-10,28</b>	<b>-25.167.470,23</b>	<b>-11,30</b>	<b>102,56</b>	<b>-629.311,27</b>
Income tax and deferred tax assets	1.841.526,48	0,77	3.466.819,26	1,56	188,26	1.625.292,78
<b>RESULT OF THE PERIOD</b>	<b>-26.379.685,44</b>	<b>-11,05</b>	<b>-28.634.289,49</b>	<b>-12,86</b>	<b>108,55</b>	<b>-2.254.604,05</b>

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 81% 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 95% 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 250.270.714, while total revenues are HRK 225.103.244, resulting in a loss of HRK 25.167.470 (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 12,7 % more than at the same time of the year ie 117 new employees were employed in the first half of 2014 while at the same time leaving the company 44 employees, which makes a total of 724 employees at the end of 30.06.2014.

**Table 2.: JGL – Balance sheet**

Position	Previous period	% UA	Current period	% UA	Index	Change
<b>TOTAL ASSETS</b>	<b>939.631.914,40</b>	<b>100,00</b>	<b>903.305.271,02</b>	<b>100,00</b>	<b>96,13</b>	<b>-36.326.643,38</b>
<b>LONG TERM ASSETS</b>	<b>365.264.088,49</b>	<b>38,87</b>	<b>402.715.956,80</b>	<b>44,58</b>	<b>110,25</b>	<b>37.451.868,31</b>
Intangible assets	31.874.940,64	3,39	34.725.582,14	3,84	108,94	2.850.641,50
Tangible assets	291.991.522,59	31,08	316.236.355,13	35,01	108,30	24.244.832,54
Long term financial assets	36.633.939,35	3,90	46.990.333,62	5,20	128,27	10.356.394,27
DEFERRED TAX ASSETS	4.763.685,91	0,51	4.763.685,91	0,53	100,00	0,00
<b>SHORT TERM ASSETS</b>	<b>566.670.097,73</b>	<b>60,31</b>	<b>498.652.955,80</b>	<b>55,20</b>	<b>88,00</b>	<b>-68.017.141,93</b>
Stock	150.026.836,75	15,97	163.031.717,26	18,05	108,67	13.004.880,51
Receivables	407.613.829,93	43,38	325.072.266,90	35,99	79,75	-82.541.563,03
Short term financial assets	970.136,62	0,10	4.144.595,49	0,46	427,22	3.174.458,87
Cash at banks and in hand	8.059.294,43	0,86	6.404.376,15	0,71	79,47	-1.654.918,28
<b>PREPAID COSTS AND ACCRUED REVENUES</b>	<b>7.697.728,18</b>	<b>0,82</b>	<b>1.936.358,42</b>	<b>0,21</b>	<b>25,15</b>	<b>-5.761.369,76</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>939.631.914,40</b>	<b>100,00</b>	<b>903.305.271,02</b>	<b>100,00</b>	<b>96,13</b>	<b>-36.326.643,38</b>
<b>CAPITAL AND RESERVES</b>	<b>387.613.592,36</b>	<b>41,25</b>	<b>360.156.444,13</b>	<b>39,87</b>	<b>92,92</b>	<b>-27.457.148,23</b>
Called up capital	58.310.000,00	6,21	58.954.000,00	6,53	101,10	644.000,00
Premium on issued shares	8.004.817,18	0,85	69.382.027,18	7,68	866,75	61.377.210,00
Treasury shares	-413.800,00	-0,04	-510.800,00	-0,06	123,44	-97.000,00
Reserves	7.410.530,46	0,79	10.937.240,46	1,21	147,59	3.526.710,00
Retained profit + undistributed profits of last year	242.467.258,53	25,80	246.561.446,72	27,30	101,69	4.094.188,19
<b>RESULT OF THE PERIOD</b>	<b>71.834.786,19</b>	<b>7,64</b>	<b>-25.167.470,23</b>	<b>-2,79</b>	<b>-35,04</b>	<b>-97.002.256,42</b>
<b>LONG TERM PROVISIONS</b>	<b>1.012.986,00</b>	<b>0,11</b>	<b>1.012.986,00</b>	<b>0,11</b>	<b>100,00</b>	<b>0,00</b>
<b>LONG TERM LIABILITIES</b>	<b>320.665.942,76</b>	<b>34,13</b>	<b>371.270.319,45</b>	<b>41,10</b>	<b>115,78</b>	<b>50.604.376,69</b>
Liabilities for bonds	139.612.666,66	14,86	139.696.666,66	15,47	100,06	84.000,00
Other long term liabilities	181.053.276,10	19,27	231.573.652,79	25,64	127,90	50.520.376,69
<b>SHORT TERM LIABILITIES</b>	<b>213.749.448,01</b>	<b>22,75</b>	<b>160.142.223,99</b>	<b>17,73</b>	<b>74,92</b>	<b>-53.607.224,02</b>
Liabilities for subsidiaries	6.129.168,09	0,65	2.793.131,72	0,31	45,57	-3.336.036,37
Short term financial liabilities	83.057.191,35	8,84	55.167.567,61	6,11	66,42	-27.889.623,74
Liabilities for securities	3.320.000,00	0,35	700.000,00	0,08	21,08	-2.620.000,00
Trade payables	90.103.068,27	9,59	83.093.167,08	9,20	92,22	-7.009.901,19
Liabilities towards employees	13.046.189,31	1,39	3.371.795,06	0,37	25,85	-9.674.394,25
Liabilities for taxes and contributions	17.183.682,97	1,83	2.725.238,47	0,30	15,86	-14.458.444,50
Liabilities due to share in result	21.000,00	0,00	5.280.888,00	0,58	25.147,09	5.259.888,00
Other short term liabilities	889.148,02	0,09	7.010.436,05	0,78	788,44	6.121.288,03
<b>DEFERRED SETTLEMENTS OF COSTS AND REVENUE DEFERRED TO FUTURE PERIOD</b>	<b>16.589.945,27</b>	<b>1,77</b>	<b>10.723.297,45</b>	<b>1,19</b>	<b>64,64</b>	<b>-5.866.647,82</b>

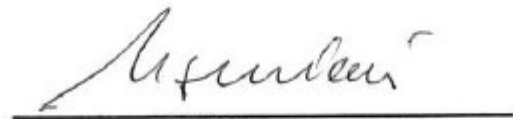
The total increase in long-term assets in relation to the previous period, in the first half of 2014, is 9,5%. Long-term assets recorded an increase in value mostly in the category of tangible assets (8%), and due to increased investments in the new industrial complex, Svilno 2. Long-term financial assets also recorded a 28% increase due to recapitalization of subsidiary in Serbia.

Short-term assets decreased by as much as 12% compared to the previous period, mainly due to a decline in customer receivables by almost 21% 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).

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 (16% 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 8% 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.



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*Report on Management Board responsibility*

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

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

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

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

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

Rijeka, dated 20<sup>th</sup> August 2014

For and on behalf of the Management Board

Ivo Usmiani, MPharm. spec.

