

**Attachment 1.**

Period:

1.1.2015

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31.12.2015

**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](mailto:jgl@jgl.hr)Internet adress: [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 **755**  
(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: **Jasmin Huljaj, Dražen Jakšić**

(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 2015

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>	479.694.138	605.468.127
I. INTANGIBLE ASSETS (004 - 009)	<b>003</b>	36.905.056	36.288.019
1. Expenditure for research and development	<b>004</b>	7.078.095	11.561.779
2. Patents, licences, concessions, trademarks, software and other rights	<b>005</b>	11.111.400	10.950.200
3. Goodwill	<b>006</b>		
4. Advances on intangible assets	<b>007</b>		
5. Intangible assets-construction in progress	<b>008</b>	15.735.622	10.665.924
6. Other intangible assets	<b>009</b>	2.979.939	3.110.116
II. TANGIBLE ASSETS (011 - 019)	<b>010</b>	394.876.755	512.537.227
1. Land	<b>011</b>	5.325.452	40.342.810
2. Buildings	<b>012</b>	72.638.646	250.455.841
3. Equipment and machinery	<b>013</b>	104.109.650	182.799.756
4. Tools, power stock and transportation means	<b>014</b>	11.791.690	17.823.798
5. Biological assets	<b>015</b>		
6. Advances on tangible assets	<b>016</b>	8.252.606	261.427
7. Tangible assets-construction in progress	<b>017</b>	187.934.668	3.118.707
8. Other tangible assets	<b>018</b>	598.920	748.462
9. Investments in real estate	<b>019</b>	4.225.123	16.986.426
III. LONG TERM FINANCIAL ASSETS (021 - 028)	<b>020</b>	47.066.819	56.481.595
1. Shares in affiliated companies	<b>021</b>	45.866.672	55.299.020
2. Loans to affiliated companies	<b>022</b>		
3. Participating interest	<b>023</b>	1.200.147	1.182.575
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>		
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>	845.508	161.286
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	552.465.354	535.990.030
I. INVENTORIES (036 - 042)	<b>035</b>	181.874.192	136.306.701
1. Raw and other material	<b>036</b>	50.764.056	40.671.943
2. Production in progress	<b>037</b>		
3. Finished products	<b>038</b>	100.558.468	68.151.424
4. Trade goods	<b>039</b>	1.288.154	1.430.019
5. Advances on inventories	<b>040</b>	0	26.018
6. Long term assets for sale	<b>041</b>	29.263.514	26.027.297
7. Biological assets	<b>042</b>		
II. RECEIVABLES (044 - 049)	<b>043</b>	333.194.869	344.896.125
1. Receivables from affiliated companies	<b>044</b>	41.019.561	46.392.442
2. Receivables from buyers	<b>045</b>	264.000.526	290.138.468
3. Receivables from participating companies	<b>046</b>	0	148
4. Receivables from employees and subsidiaries	<b>047</b>	20.514	10.064
5. Receivables from government and other institutions	<b>048</b>	14.787.873	5.277.891
6. Other receivables	<b>049</b>	13.366.395	3.077.112
III. SHORT TERM FINANCIAL ASSETS (051 - 057)	<b>050</b>	23.063.966	47.200.736
1. Shares in affiliated companies	<b>051</b>		
2. Loans to affiliated companies	<b>052</b>	1.936.753	4.886.430
3. Participating interest	<b>053</b>		
4. Loans given to companies with participating interest	<b>054</b>	0	100.000
5. Securities investment	<b>055</b>		
6. Given loans, deposits	<b>056</b>	241.107	19.650.032
7. Other short term financial assets	<b>057</b>	20.886.106	22.564.274
IV. CASH AT BANKS AND IN HAND	<b>058</b>	14.332.327	7.586.468
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	2.656.846	3.672.677
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.034.816.338	1.145.130.834
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	352.302.753	424.873.305

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	393.217.827	407.749.249
I. CALLED UP CAPITAL	<b>063</b>	117.908.000	118.472.000
II. CAPITAL RESERVES	<b>064</b>	7.776.478	6.152.309
III. INCOME RESERVES (066+067-068+069+070)	<b>065</b>	13.768.790	16.683.052
1. Compulsory reserves	<b>066</b>	6.000.000	6.000.000
2. Reserves for treasury shares	<b>067</b>	8.110.811	12.276.873
3. Treasury shares (deductible)	<b>068</b>	2.482.800	3.734.600
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>	235.807.210	246.692.792
1. Retained profit	<b>073</b>	235.807.210	246.692.792
2. Loss for current year	<b>074</b>		
VI. PROFIT/LOSS FOR CURRENT YEAR (076-077)	<b>075</b>	17.957.349	19.749.096
1. Profit for current year	<b>076</b>	17.957.349	19.749.096
2. Loss for current year	<b>077</b>		
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 - 082)</b>	<b>079</b>	940.947	806.428
1. Provisions for retirement and similar expenditures	<b>080</b>	940.947	806.428
2. Provisions for taxes and contributions	<b>081</b>		
3. Other provisions	<b>082</b>		
<b>C) LONG TERM LIABILITES (084 - 092)</b>	<b>083</b>	349.274.628	561.851.843
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>	209.493.962	362.205.335
4. Liabilities for advances	<b>087</b>		
5. Accounts payables	<b>088</b>		
6. Securities payables	<b>089</b>	139.780.666	199.646.508
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>	269.306.318	153.659.432
1. Liabilities for affiliated companies	<b>094</b>	6.416.255	19.068.514
2. Liabilities for loans, deposits	<b>095</b>		
3. Liabilities for bank loans and other financial institutions	<b>096</b>	145.824.880	32.190.553
4. Liabilities for advances	<b>097</b>	324.651	589.555
5. Accounts payables	<b>098</b>	105.943.901	63.587.173
6. Securities payables	<b>099</b>	1.900.000	30.580.183
7. Liabilities for companies with participating interest	<b>100</b>	127.037	316.442
8. Liabilities for employees	<b>101</b>	3.029.489	3.517.594
9. Liabilities for taxes, contributions and other	<b>102</b>	4.932.074	3.190.102
10. Liabilities for shares in result	<b>103</b>	26.400	21.318
11. Liabilities for short term assets intended for sale	<b>104</b>		
12. Other short term liabilities	<b>105</b>	781.631	597.998
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>106</b>	22.076.618	21.063.882
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.034.816.338	1.145.130.834
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	352.302.753	424.873.305
<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 2015 and 31st December 2015

JGL d.d.

Position	ADP mark	Previous period	Current period
1	2	3	4
<b>I. BUSINESS REVENUE</b> (112+113)	<b>111</b>	556.981.558	531.367.073
1. Sales revenue	<b>112</b>	524.970.548	520.153.930
2. Other operational revenue	<b>113</b>	32.011.010	11.213.143
<b>II. BUSINESS EXPENSE</b> (115+116+120+124+125+126+129+130)	<b>114</b>	494.605.160	487.532.113
1. Change in value of inventories for production and goods	<b>115</b>	-39.780.080	32.407.044
2. Operating expense(117 - 119)	<b>116</b>	341.603.417	273.554.056
a) Cost of raw material	<b>117</b>	184.297.933	152.688.023
b) Costs of goods sold	<b>118</b>	3.304.900	3.278.647
c) Other external costs	<b>119</b>	154.000.584	117.587.386
3. Expense for employees (121 - 123)	<b>120</b>	127.366.806	112.930.795
a) Net salaries and wages	<b>121</b>	80.189.724	71.389.948
b) Taxes, social and pension funds	<b>122</b>	28.391.696	23.952.701
c) Contributions for salaries	<b>123</b>	18.785.386	17.588.146
4. Depreciation	<b>124</b>	31.466.344	32.190.923
5. Other expense	<b>125</b>	22.667.229	24.798.899
6. Revalorisation (127+128)	<b>126</b>	35.351	2.522.575
a) of long term assets (excluding financial assets)	<b>127</b>		
b) of short term assets (excluding financial assets)	<b>128</b>	35.351	2.522.575
7. Provisions	<b>129</b>		
8. Other operational expenses	<b>130</b>	11.246.093	9.127.821
<b>III. FINANCIAL REVENUE</b> (132 - 136)	<b>131</b>	47.660.957	93.097.254
1. Interests, exchange rate differentials, dividends and similar revenues from relations with affiliated companies	<b>132</b>	899.078	444.998
2. Interests, exchange rate differentials, dividends and similar revenues from relations with unaffiliated companies and other persons	<b>133</b>	24.683.566	27.252.499
3. Revenue from participating interest and subsidiaries	<b>134</b>	37.945	24.656
4. Non-realized revenue	<b>135</b>	21.290.738	27.052.220
5. Other financial revenue	<b>136</b>	749.630	38.322.881
<b>IV. FINANCIAL EXPENSE</b> (138 - 141)	<b>137</b>	88.238.313	116.384.714
1. Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons	<b>138</b>	2.265.366	2.598.892
2. Interests, exchange rate differentials, dividends and similar expenses from relations with unaffiliated companies and other persons	<b>139</b>	85.288.090	78.690.131
4. Non-realized loss from financial assets	<b>140</b>	602.227	
5. Other financial expenses	<b>141</b>	82.630	35.095.691
<b>V. SHARE IN PROFIT FROM AFFILIATED COMPANIES</b>	<b>142</b>	76.485	0
<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</b> (111+131+142 + 144)	<b>146</b>	604.719.000	624.464.327
<b>X. TOTAL EXPENSES</b> (114+137+143 + 145)	<b>147</b>	582.843.473	603.916.827
<b>XI. PROFIT OR LOSS BEFORE TAX</b> (146-147)	<b>148</b>	21.875.527	20.547.500
1. Profit before tax (146-147)	<b>149</b>	21.875.527	20.547.500
2. Loss before tax (147-146)	<b>150</b>	0	0
<b>XII. INCOME TAX</b>	<b>151</b>	3.918.178	798.404
<b>XIII. PROFIT OR LOSS OF THE PERIOD</b> (148-151)	<b>152</b>	17.957.349	19.749.096
1. Profit of the period (149-151)	<b>153</b>	17.957.349	19.749.096
2. Loss of the period (151-148)	<b>154</b>	0	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	<b>155</b>		
2. Assigned to minority interest	<b>156</b>		
<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>	17.957.349	19.749.096
<b>II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX</b> (159 do 165)	<b>158</b>	0	0
1. Exchange rate differentials from foreign business calculations	<b>159</b>		
2. Changes in revalorisation reserves for long term tangible and intangible assets	<b>160</b>		
3. Profit or loss from revalorisation of financial assets intended for sale	<b>161</b>		
4. Profit or loss from efficient cash flow protection	<b>162</b>		
5. Profit or loss from efficient investment protection	<b>163</b>		
6. Share in comprehensive profit/loss of affiliated companies	<b>164</b>		
7. Actuarial profit/loss according to planed income	<b>165</b>		
<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
<b>V. COMPREHENSIVE PROFIT/LOSS OF THE PERIOD (157+167)</b>	<b>168</b>	17.957.349	19.749.096
<b>APPENDIX TO REPORT OF OTHER COMPREHENSIVE INCOME Form (to be filled by the company drafting the annual</b>			
<b>VI. COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD</b>			
1. Assigned to holders of the capital of the parent company	<b>169</b>		
2. Assigned to minority interest	<b>170</b>		

**CASH FLOW STATEMENT - Indirect method**  
For the period from 1st January 2015 till 31st December 2015

Position	ADP mark	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>			
1. Profit before tax	001	21.875.527	20.547.500
2. Depreciation	002	31.466.344	32.190.923
3. Increase in short term liabilities	003		
4. Decrease in short term liabilities	004	44.898.595	
5. Decrease in inventories	005		31.652.727
6. Other increase of cash flow	006	45.390.081	48.085.338
<b>I. Total increase of cash flow from business activities (001 do 006)</b>	<b>007</b>	143.630.547	132.476.488
1. Decrease in short term liabilities	008	36.670.818	84.398.777
2. Increase in short term liabilities	009		45.193.182
3. Increase in inventories	010	40.718.198	
4. Other decrease in cash flow	011	9.587.738	3.224.720
<b>II. Total decrease of cash flow from operating activities (008 - 011)</b>	<b>012</b>	86.976.754	132.816.679
<b>A1) NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES (007-012)</b>	<b>013</b>	56.653.793	0
<b>A2) NET DECREASE OF CASH FLOW FROM BUSINESS ACTIVITIES (012-007)</b>	<b>014</b>	0	340.191
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of long terms intangible and tangible assets	015	1.114.847	3.101.997
2. Cash proceeds from sale of equity and debt security instruments	016		98.000
3. Cash proceeds from interest payment	017	40.235	9.428
4. Cash proceeds of dividend payment	018		
5. Other cash proceeds from investing activities	019	3.680.000	
<b>III. Total cash inflow from investing activities (015 - 019)</b>	<b>020</b>	4.835.082	3.209.425
1. Cash outflow for acquisition of long term tangible and intangible assets	021	87.055.010	75.422.046
2. Cash outflow for acquisition of equity and debt security instruments	022	5.227.043	
3. Other cash outflows from investing activities	023	5.337.580	34.746.729
<b>IV. Total cash outflow from investing activities (021 - 023)</b>	<b>024</b>	97.619.633	110.168.775
<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>	92.784.551	106.959.350
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>			
1. Cash inflow from issuing equity and debt financial instruments	027	3.496.920	201.854.094
2. Cash inflow from loan principals, debentures, credits and other borrowings	028	168.768.498	298.569.394
3. Other cash inflows from finance activities	029	712.447	153.990.338
<b>V. Total cash inflow from finance activities (027 - 029)</b>	<b>030</b>	172.977.865	654.413.826
1. Cash outflow for repayment of loan principal and bonds	031	82.943.263	283.061.942
2. Cash outflow for dividend payment	032	10.514.376	2.624.950
3. Cash outflow for finance lease	033	31.695.397	19.251.565
4. Cash outflow for buyback of own shares	034	5.330.259	4.166.063
5. Other cash outflow from finance activities	035	90.779	244.755.624
<b>VI. Total cash outflow for finance activities (031 - 035)</b>	<b>036</b>	130.574.074	553.860.144
<b>C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)</b>	<b>037</b>	42.403.791	100.553.682
<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>	6.273.033	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	0	6.745.859
Cash and cash equivalents at the beginning of the period	<b>041</b>	8.059.294	14.332.327
Increase of cash and cash equivalents	<b>042</b>	321.443.494	790.099.739
Decrease of cash and cash equivalents	<b>043</b>	315.170.461	796.845.598
Cash and cash equivalents at the end of the period	<b>044</b>	14.332.327	7.586.468

**CASH FLOW STATEMENT - Direct method**  
For the period from 1st January 2015 till 31st December 2015

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		
2. Cash proceeds from royalties, fees, commissions, etc	002		
3. Cash proceeds from insurance claims	003		
4. Cash proceeds from tax return	004		
5. Other cash proceeds	005		
<b>I. Total increase of cash flow from operating activities (001 - 005)</b>	<b>006</b>		
1. Novčani izdaci dobavljačima	007		
2. Novčani izdaci za zaposlene	008		
3. Novčani izdaci za osiguranje za naknade šteta	009		
4. Novčani izdaci za kamate	010		
5. Novčani izdaci za poreze	011		
6. Ostali novčani izdaci	012		
<b>II. Ukupno novčani izdaci od poslovnih aktivnosti (007 do 012)</b>	<b>013</b>		
<b>A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH</b>	<b>014</b>		
<b>A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH</b>	<b>015</b>		
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash proceeds from sale of long terms intangible and tangible assets	016		
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment	018		
4. Cash proceeds of dividend payment	019		
5. Other cash proceeds from investing activities	020		
<b>III. Total cash inflow from investing activities (015 - 019)</b>	<b>021</b>		
1. Cash outflow for acquisition of long term tangible and intangible assets	022		
2. Cash outflow for acquisition of equity and debt security instruments	023		
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflow from investing activities (021 - 023)</b>	<b>025</b>		
<b>B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>026</b>		
<b>B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>027</b>		
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>			
1. Cash inflow from issuing equity and debt financial instruments	028		
2. Cash inflow from loan principals, debentures, credits and other borrowings	029		
3. Other cash inflows from finance activities	030		
<b>V. Total cash inflow from finance activities (027 - 029)</b>	<b>031</b>		
1. Cash outflow for repayment of loan principal and bonds	032		
2. Cash outflow for dividend payment	033		
3. Cash outflow for finance lease	034		
4. Cash outflow for buyback of own shares	035		
5. Other cash outflow from finance activities	036		
<b>VI. Total cash outflow for finance activities (031 - 035)</b>	<b>037</b>		
<b>C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)</b>	<b>038</b>		
<b>C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)</b>	<b>039</b>		
Total increase of cash flow (013 - 014 + 025 - 026 + 037 - 038)	040		
Total decrease of cash flow (014 - 013 + 026 - 025 + 038 - 037)	041		
Cash and cash equivalents at the beginning of the period	042		
Increase of cash and cash equivalents	043		
Decrease of cash and cash equivalents	044		
Cash and cash equivalents at the end of the period	045		

**CHANGES IN EQUITY**  
for the period from 1.1.2015 to 31.12.2015

Position	ADP mark	Previous period	Current period
1	2	3	4
1. Called up capital	<b>001</b>	117.908.000	118.472.000
2. Capital reserves	<b>002</b>	7.776.478	6.152.309
3. Reserves from equity	<b>003</b>	13.768.790	16.683.052
4. Retained profit or transferred loss	<b>004</b>	235.807.210	246.692.792
5. Profit or loss of the period	<b>005</b>	17.957.348	19.749.096
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>	393.217.826	407.749.249
11. Exchange rate differentials from foreign net investments	<b>011</b>		
12. Current and deferred tax	<b>012</b>	-3.918.178	-798.404
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>		
16. Other changes in equity	<b>016</b>	9.522.412	15.329.827
<b>17. Total increase or decrease of equity (ADP 011 - 016)</b>	<b>017</b>	5.604.234	14.531.423
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. (2) Notes with annual financial reports are published in full according to the Standards in financial reporting.



JGL d.d.  
Annual Financial Statements  
31st December 2015

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## **DECLARATION OF RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF CONSOLIDATED FINANCIAL REPORTS BY EXECUTIVE DIRECTORS BOARD**

Pursuant to the Accounting Act of the Republic of Croatia, the Executive Directors are responsible for ensuring that financial statements are a true and fair representation of the financial position and result of the Company, all in accordance with the applicable accounting standards, and for the maintenance of proper accounting records, which enable the preparation of such financial statements at any time. Executive Directors have general responsibility for taking such steps that would in a reasonable measure protect the assets of the Company and detect and prevent fraud or other irregularities.

The Executive Directors are responsible for selecting suitable accounting policies that are in accordance with applicable accounting standards and insuring that these policies are consistently applied, for making reasonable and prudent judgments and estimates and for preparing consolidated financial statements in accordance with the going concern assumption, unless it is inappropriate to presume that the Company will continue to operate in the foreseeable future.

Executive Directors reasonably expect that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Executive Directors are responsible for the submission of consolidated annual financial statements to the Management Board of the Company immediately upon their receipt.

These report consolidated statements of the Company.

The consolidated financial statements were approved by the Executive Directors on 25 April 2016 for submission to the Management Board of the Company at their acceptance, which is confirmed by signature.

For JGL d.d.

13  
JGL d.d.  
Svilno 20 Rijeka

  
\_\_\_\_\_  
Jasmin Hulja, Glavni izvršni direktor

  
\_\_\_\_\_  
Dražen Jakšić, Izvršni direktor

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF JGL d.d.**

We have performed an audit of the enclosed financial statements of the public limited company JGL, Rijeka (Company) which include Balance Sheet dated 31 December 2015, Profit and Loss Account with the report on other comprehensive income, Statement of Changes in Equity and Cash Flow Statement for the year ending with the said date, as well as the summary of significant accounting policies and notes to financial statements.

#### ***Responsibility of the Executive Directors for financial statements***

The Executive Directors are responsible for preparing financial statements presenting a true and objective image in accordance with the Accounting Act and International Financial Reporting Standards determined by the European Commission and for those internal controls the Executive Directors deem necessary for preparing financial statements without material misrepresentation due to fraud or error.

#### ***Responsibility of the Auditor***

Our responsibility is to express our opinion on these financial statements on the basis of our audit. We have conducted our audit in accordance with the International Auditing Standards. These standards require that we act in accordance with ethical requirements and plan and conduct the audit in order to acquire reasonable belief that the financial reports are without material misrepresentation.

The audit includes the application of procedures for collecting audit evidence on the amounts and disclosures in financial statements. The chosen procedures depend on the auditor's judgement, as well as on risk assessment of material misrepresentation of financial statements due to fraud or error. In creating these risk assessments, the auditor takes into consideration internal controls relevant for the preparation of financial statements, presenting a true and objective image, in order to form audit procedures appropriate for the circumstances, without the purpose of expressing the opinion on the efficiency of internal controls performed by the business entity. The audit also includes the evaluation of adequacy of applied accounting policies and reasonableness of accounting estimates performed by the management, as well as the evaluation of overall presentation of financial statements.

We believe the audit evidence we have collected is sufficient and appropriate to form a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements provide a true and objective image of the financial position of Company JGL d.d., Rijeka on 31 December 2015, its financial performance and its cash flows for the year ending with the said date all according to the International Financial Reporting Standards applicable in the European Union.

### **Other issues**

The financial statements of joint stock company JGL for the year ended 31 December 2014 were audited by another auditor who on March 19, 2015 expressed a positive opinion.

### **Report on other legal requirements**

#### *Opinion on compliance of the annual consolidated report with the consolidated financial statements*

The Executive Directors, pursuant to the provisions of the Accounting Act, are responsible for preparing the annual report. Our responsibility is to express an opinion on the compliance of the annual report with the annual financial statements.

In our opinion, the financial information contained in the Annual report for the year 2015 are in compliance, in all material respects, with the attached financial statements of the joint stock company JGL for the business year ending on 31 December 2015.

Zagreb, 30 March 2016



Ivan Pečur  
*Ovlašteni revizor*



mr.sc. Dalibor Briški  
*Direktor*

gmc-unitreu Croatia d.o.o  
Zagreb, Tuškanova 32

gmc-unitreu Croatia d.o.o.  
Zagreb, Tuškanova 32

Report on comprehensive income

	note	2015	2014
<b>BUSINESS REVENUE</b>		<b>531.367.073</b>	<b>556.981.558</b>
Sales revenue	3	520.153.930	524.970.548
Other business revenue	4	11.213.143	32.011.010
<b>BUSINESS EXPENSES</b>		<b>(487.532.113)</b>	<b>(494.605.160)</b>
Changes in inventory	5	(32.407.044)	39.780.080
Material costs	6	(237.554.056)	(341.603.417)
Personnel costs	7	(112.930.795)	(127.366.806)
Depreciation	8	(32.190.923)	(31.466.344)
Value adjustment	9	(2.522.575)	(35.351)
Other costs	10	(33.926.720)	(33.913.322)
Financial revenue	11	93.097.254	47.737.442
Financial expenses	11	(116.384.714)	(88.238.313)
<b>Net financial expenses</b>	<b>11</b>	<b>(23.287.460)</b>	<b>(40.500.871)</b>
<b>FINANCIAL RESULT BEFORE TAXATION</b>		<b>20.547.500</b>	<b>21.875.527</b>
Income tax	12	798.404	3.918.178
<b>FINANCIAL RESULT</b>		<b>19.749.096</b>	<b>17.957.349</b>
Profit per share	26	<b>17</b>	<b>22</b>
Other comprehensive income		-	-
<b>COMPREHENSIVE FINANCIAL RESULT</b>		<b>19.749.096</b>	<b>17.957.349</b>

Balance Sheet

	note	2015	2014
<b>IMOVINA</b>			
<b>Long-term assets</b>		<b>605.468.128</b>	<b>479.695.138</b>
Intangible assets	13	36.288.020	36.905.056
Buildings, plants and equipment	14	495.550.801	390.652.632
Real-estate investment	14	16.986.426	4.225.123
Other financial assets	15	55.250.020	45.554.382
Deferred tax assets	16	1.231.575	1.512.437
<b>Short-term assets</b>		<b>539.662.706</b>	<b>555.122.200</b>
Inventory	17	136.306.701	181.874.192
Receivables	18	344.896.125	333.194.869
Financial assets	19	47.200.736	23.063.966
Money in bank and in hand	20	7.586.468	14.332.327
Other receivables	21	3.672.676	2.656.846
<b>TOTAL ASSETS</b>		<b>1.145.130.834</b>	<b>1.034.816.338</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>407.749.249</b>	<b>393.217.826</b>
Shared capital	22	118.472.000	117.908.000
Reserves	23	22.835.361	21.545.267
Profit or loss brought forward	24	246.692.792	235.807.210
Profit or loss for the financial year	15	19.749.096	17.957.349
<b>Long-term liabilities</b>		<b>562.658.271</b>	<b>350.215.575</b>
Provisions	26	806.428	940.947
Liabilities towards banks and other financial institutions	27	362.205.335	209.493.961
Liabilities arising from securities	28	199.646.508	139.780.667
<b>Short-term liabilities</b>		<b>174.723.314</b>	<b>291.382.937</b>
Liabilities towards banks and other financial institutions	30	32.190.553	145.824.881
Liabilities towards suppliers	31	63.903.615	106.070.938
Liabilities arising from securities	32	30.580.183	1.900.000
Other liabilities	33	48.048.963	37.587.118
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>1.145.130.834</b>	<b>1.034.816.338</b>

Statement of Changes in Equity

	Shared capital	Reserves	Profit or loss brought forward	Profit or loss for the financial year	Capital and reserves
<b>On 31.12.2014</b>	<b>117.908.000</b>	<b>21.545.267</b>	<b>235.807.210</b>	<b>17.957.349</b>	<b>393.217.826</b>
New shares	564.000	1.290.094	-	-	1.854.094
Profit brought forward	-	-	17.957.349	-	17.957.349
Profit for the financial year	-	-	-	19.749.096	19.749.096
Transactions with own shares	-	4.166.063	-	-	4.166.063
<b>TOTAL INCREASE</b>	<b>564.000</b>	<b>5.456.157</b>	<b>17.957.349</b>	<b>19.749.096</b>	<b>43.726.602</b>
Transfer to retained profit	-	-	-	(17.957.349)	(17.957.349)
Transfer to dividend liability	-	-	(2.626.318)	-	(2.626.318)
Mistake of the previous period	-	-	(279.386)	-	(279.386)
Transactions with own shares	-	(4.166.063)	(4.166.063)	-	(8.332.126)
<b>TOTAL DECREASE</b>	<b>-</b>	<b>(4.166.063)</b>	<b>(7.071.767)</b>	<b>(17.957.349)</b>	<b>(29.195.179)</b>
Net change	564.000	1.290.094	10.885.582	1.791.747	<b>14.531.423</b>
<b>On 31.12.2015</b>	<b>118.472.000</b>	<b>22.835.361</b>	<b>246.692.792</b>	<b>19.749.096</b>	<b>407.749.249</b>



## Cash Flow Statement

	2015	2014
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>		
Profit before tax	20.547.500	21.875.527
<b>Adjustments to financial income and expenses</b>		
Depreciation	32.190.923	31.466.344
Value adjustment of assets	16.437.339	8.870.843
Exchange rate differentials	30.002.187	33.723.056
Other non-cash amounts	1.645.812	2.796.182
<b>Profit before changes in working capital</b>	<b>80.276.261</b>	<b>76.856.425</b>
Increase / decrease of receivables	(45.193.182)	44.898.595
Increase / decrease of inventory	31.652.727	(40.718.198)
Increase / decrease of liabilities	(84.398.777)	(36.670.818)
Paid income tax	(3.224.720)	(9.587.738)
<b>Net cash flow from business activities</b>	<b>(340.191)</b>	<b>56.653.793</b>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash inflow/outflow from sale of long terms intangible and tangible assets	(72.320.050)	(85.940.163)
Cash inflow/outflow from sale of equity and debt security instruments	(9.695.638)	(5.227.043)
Cash inflow/outflow from given loans	(24.953.090)	(5.337.580)
Other cash inflow/outflow	9.427	3.720.235
<b>Net cash flow from investing activities</b>	<b>(106.959.351)</b>	<b>(92.784.551)</b>

**CASH FLOW FROM FINANCE ACTIVITIES**

Cash inflow/outflow from issuing equity and debt financial instruments	90.673.188	3.496.920
Cash inflow/outflow from debt on which the interest is paid	(3.744.113)	54.129.838
Cash outflow for dividend payment	(2.624.950)	(10.514.376)
Cash outflow for buyback of own shares	(4.166.063)	(2.482.800)
Other cash inflow/outflow from finance activities	20.415.621	(2.225.791)
<b>Net cash flow from finance activities</b>	<b>100.553.683</b>	<b>42.403.791</b>
Cash and cash equivalents at the beginning of the period	14.332.327	8.059.294
Increase / decrease of cash and cash equivalents	(6.745.859)	6.273.033
<b>Cash and cash equivalents at the end of the period</b>	<b>7.586.468</b>	<b>14.332.327</b>

## **1. General data**

These financial statements for the year that ended 31 December 2015 and they comprise the statements of Jadran - Galenski Laboratory d.d. ("JGL" or the "Company"). The company was founded and operates in Croatia. The Company has headquarters at Rijeka, Svilno 20.

### **1.1. History and establishment of the Company**

Jadran - Galenski Laboratorij joint stock company for production and sales of pharmaceutical and cosmetic products Rijeka, Svilno 20 entered in the register of the Commercial Court in Rijeka 02.05.1991. in the register cartridge with registration number 040004561. Identification number of the Company (OIB) is 20950636972. Company changed abbreviated name changed to make it JGL d.d. on the 24.10.2011. On 10.2.2012. the Company changed the long name that to Jadran - Galenski Laboratorij d.d- The Company changed the headquarters address to Svilno 20, Rijeka on 06.11.2013.

### **1.2. Main activities**

The most important activities for which the Company is registered are: production of pharmaceuticals, manufacture of basic pharmaceutical products, the production of other chemical products and the manufacture of perfumes and toilet preparations.

### **1.3. Ownership structure**

Share capital of JGL d.d. amounts to HRK 118.472.000 and it is divided into 1.184.720 shares with a nominal value of HRK 100 each, namely A series 7.500, B series 30.000, C series 18.750, D series 8.500, E series 524.790, F series 589.540 shares and G series 5.640 shares.

On 16 June 2015, a new issue of shares was registered at the Commercial Court - G series in the amount of 5.640 shares (the payment was made on 26 May – 29 May 2015 in the amount of HRK 1.854.093,60), based on the Resolution of the General Meeting of the Company.

At the beginning of the period, the Company owned 24.828 of own shares. Until the end of the period, the Company acquired 12.518 more own shares. On 31.12.2015 Company owned 37.346 of own shares. In accordance with the provisions of the Companies Act, the Company formed reserves for own shares which amounted to HRK 12.276.873 on 31 December 2015 (HRK 8.110.811 in 2014).

Legal and other reserves are created in accordance with the Companies Act and the Articles of Association of JGL d.d., Rijeka. Legal reserves amounted to HRK 6.000.000 on 31 December 2015 (HRK 6.000.000 in 2014). Other reserves amounted to HRK 2.140.779 on 31 December 2015 (HRK 2.140.779 in 2014).

By the resolution of the General Meeting of the Company, the total of HRK 2.626.318 (HRK 10.519.776 in 2014) was allocated for dividend from profit brought forward generated after 2005, to the holders of A, B, C, D, E, F and G series regular shares, in the amount of HRK 2,28 per share with dividend rights.

Net profit amounted to HRK 19.749.096 in 2015 (HRK 17.957.349 in 2014) and it represents the profit generated according to the Profit and Loss Account. Net profit per share on 31.12.2015 amounted to HRK 17 (HRK 22 in 2014).

Dividends are recognized in the statement of changes in equity and recorded as liabilities in the period in which they are declared.

## 1.4 Boards of the Company

On 31.12.2014, the Company based on the Companies Act transferred from the dualistic structure, where the management function of the Company (Management Board) was separated from the supervisory function (Supervisory Board), to a monistic structure where the role of management and control is carried out by one body - Management Board.

Members of the Management Board of 31 December 2014 are:

- **Ivo Usmiani - President**
- **Zdravko Saršon - Vice President**
- **Marina Pulišić - Member**
- **Grozdana Božić - Member**
- **Eva Usmiani Capobianco - Member**

According to the Bylaw, the Management Board appointed the executive directors who took over the representation of the Company and the operational management of the business:

- **Jasmin Huljaj – Chief Executive Officer and Executive Director for business development and customer relationship management**
- **Sanja Vujić Šmaguc - Deputy Chief Executive Officer and Executive Director for brand management and portfolio**
- **Dražen Jakšić - Executive Director of Corporate Finance**
- **Mate Poropat - Executive Director of production and technical operations**

## 2. REPORTING FRAMEWORK

The accounting policies have been consistently applied in all periods within these financial reports.

### 2.1. Base for reporting

#### 2.1.1. Statement of compliance

Financial statements of the Company have been prepared in accordance with the Accounting Act and International Financial Reporting Standards used in the European Union.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment in real-estate that are stated at fair value.

The accounting policies have been consistently applied, unless otherwise stated. The financial statements have been prepared on an accrual basis under the going concern principle.

The financial statements are prepared in Croatian kuna as a reporting currency of the Company. On 31.12.2015 exchange rate of 1 EUR was HRK 7,635 (2014 it was 7,661).

Financial statements are prepared only for Company. Company prepares consolidated financial statements.

#### 2.1.2. Standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in force

During 2015 the Company has adopted the following amendments to IFRSs and Interpretations and according to requirements, generated comparative data. The adoption of new standards had no impact on equity at 1 January 2015:

- IFRIC 21 - Charges - effective for annual periods beginning on or after 17.6.2014;
- The annual improvements to IFRSs 2011-2013 (IFRS 1, IFRS 3, IFRS 13 and IAS 40) - applicable for periods beginning on or after 1.1.2015).

### *2.1.3. Standards, amendments and interpretations that have not yet entered into force in the EU*

At the date of approval of the financial statements the following new or amended standards and interpretations were issued but are not yet effective for the year ended 31.12.2015:

- Amendments to IFRS 11 - Joint ventures - effective for annual periods beginning on or after 1.1.2016;
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets - applicable for periods beginning on or after 1.1.2016;
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: agricultural crops (applicable for periods beginning on 1.1.2016 or later);
- Amendments to IAS 19 - Employee benefits - defined benefit plans (effective for annual periods beginning on or after 1.2.2015);
- Amendments to IAS 27 - Separate Financial Statements (effective for annual periods beginning on or after 1.1.2016);
- Amendments to IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 1.1.2016);
- The annual improvements to IFRSs 2010-2012 (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), adopted by the EU on 12.12.2013 (effective for annual periods beginning on or after 1.2.2015);
- The annual improvements to IFRSs 2012-2014 (IFRS 5, IFRS 7, IAS 19 and IAS 34), adopted on 15.12.2015 (effective for annual periods beginning on or after 1.1.2016).

Executive Directors predict that all the above-mentioned standards and interpretations will be applied in the consolidated financial statements for the period when they are in force, and that their adoption will not have a significant impact on the financial statements in the period of initial application.

## **2.2. Business segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from the risks and benefits of other business segments related with certain assets.

## **2.3. Foreign currencies**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates, in the functional currency. The consolidated financial statements are presented in HRK, which is the functional currency and reporting currency of the Company.

Transactions in foreign currencies are converted into the functional currency amounts using the exchange rate on the date of the transaction. Gains or losses from exchange differences arising on the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement and other comprehensive income statement for the period.

## **2.4. Use of estimates and judgments**

The preparation of consolidated financial statements in accordance with IFRS requires executive directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making an estimate of the

value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are subject to regular review. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period in which it was made or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Executive Directors in the application of IFRSs that have a significant impact on the consolidated financial statements and estimates with a significant risk of causing a material adjustment in the next year are discussed in the Notes.

## **2.5. Revenues**

Revenue comprises the fair value of the consideration or receivable received for the sale of goods and services in the ordinary course of business of the Company. Revenue is shown, net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that the Company will have future economic benefits and when they meet specific criteria for each activity of the Company.

### *2.5.1 Revenues from sales of products*

Sales of goods are recognized in the comprehensive income statement, after delivery, at the invoiced value when the risks and rewards of ownership are transferred to the buyer. Taxes, discounts and rebates are deducted from income.

Sales of goods shall be recognized when all of the following conditions are met:

- a) the entity transferred the risks and rewards of product ownership to the buyer,
- b) the entity does not retain managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- c) the revenue can be measured reliably,
- d) it is probable that the economic benefits associated with the transaction will flow to the entity, and
- e) the costs incurred or to be incurred related to the transaction can be measured reliably.

Delivery is made when the goods are shipped to the location defined in the contract and when the buyer is obliged to take the delivery, in accordance with the contract regulations. Revenue from sales of products and goods are measured on the basis of the price defined in the contract, net of estimated returns and discounts.

### *2.5.2 Sales of services*

Revenue from services is recognized in the period in which the services are provided according to the stage of completion of the transaction at the balance sheet date.

## **2.6. Financial income and expenses**

Finance income are comprised of interest income from loans using the effective interest rate, dividend income, income from foreign exchange gains and realized and unrealized gains from the increase in fair value.

Financial expenses are comprised of interest payable on loans, loans and bonds, foreign exchange losses and realized and unrealized losses from the decline in fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying

assets are capitalized during the period necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognized in profit or loss using the effective interest method.

## **2.7. Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and if it is probable that the settlement of the liability would require the outflow of economic benefits and if the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is considerable, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. In the event of discounting, the increase in provision reflecting the passage of time is recognized as a financial expense and the book value of the provision is increasing every year to reflect the passage of time.

The amount recognized as a provision is the best estimate of the compensation that will be required to settle the present obligation at the balance sheet date, taking into consideration the risks and uncertainties associated with the obligation. If a provision is measured using the cash flows estimated to settle the present obligation, the book value of the obligation is the present value of those cash flows.

When a third party is expected to repay some or all of the economic benefits required to settle the provision, related receivable is recognized as an asset, but only if it is almost completely certain that reimbursement will be received and if the amount of the receivable can be measured reliably.

## **2.8. Taxing**

Company states taxation liabilities in accordance with the tax laws of the country of the headquarters of each subsidiary. Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

Deferred taxes arise from temporary differences between the value of assets and liabilities in the financial statements and the values used for the purposes of determining the profit tax base.

Deferred tax assets for deductible temporary differences, unused tax losses and unused tax credits are recognized if it is probable that future taxable profit will occur that will use up the deferred tax assets. Deferred tax assets and liabilities are calculated by applying the income tax rates applicable to the period when such asset or liability is realized.

Current and deferred tax are recognized as an expense or income in the income statement except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

## **2.9. State grants**

Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the Company entities meet the requirements for which are given grants and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the period in which the company within the Company recognizes the expenditure or costs to which the grant is intended for. A government grant as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company within the Company with no future related costs is recognized in profit or loss in the period in which the claim arose.

## 2.10. Intangible assets

Development costs are capitalized as internally developed intangible assets only when development costs can be reliably measured, the products or process are technically and commercially feasible, when it is probable that future economic benefits will flow to the Company, and when the Company has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and external services that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in the income statement in the period in which they incurred.

The cost of licenses, software, registration rights, improvements on assets that are not owned by the entity, and other rights are capitalized as intangible assets on the basis of acquisition costs and costs incurred in bringing the intangible assets to a working condition.

Subsequent expenditure connected to capitalized intangible assets are recognized only when they increase the future economic benefits embodied in the asset of the Company. All other expenditure is recognized in the income statement in the period in which they incurred.

Intangible assets are depreciated on a straight-line basis over their estimated useful lifetime of each asset and included in the comprehensive income statement. Depreciation rates are:

	2015	2014
Internally developed intangible assets	6,67%	6,67%
License	6,67-undefined	6,67-undefined
Software	10-25%	10-25%
Registration rights	20-33,33%	20-33,33%
Other intangible assets	6,67-50%	6,67-50%

## 2.11. Property, plant and equipment

Property, plant and equipment are stated at procurement cost minus the accumulated depreciation and impairment losses. Properties under construction are stated at cost of construction, minus any recognized impairment losses. The cost includes compensation for professional services and qualifying assets, and borrowing costs capitalized in accordance with the applicable accounting policies of the Company.

Subsequent expenditure related to property, plant and equipment are recognized only when it increases the future economic benefits that will flow to the Company. All other expenditure is recognized in the income statement in the period in which they incurred.

Depreciation of these assets begins at the moment in which the assets are ready for their intended use. Depreciation is calculated in such a way that the cost of assets, except real estate under construction, is depreciated over their estimated useful life span, using the straight-line method at the following rates:

	2015	2014
Buildings	1,67-10%	2,50-10%
Plant and equipment	5-10%	5-10%
Tools, facility inventory and transport vehicles	5-50%	5-50%

The estimated useful life span, residual values and depreciation methods are reviewed at the end of each year, effects of any changes in estimates are prospectively accounted for.



Land property is stated at purchase cost and is not depreciated.

Profit and loss on sale or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the book value of the asset and is recognized in the comprehensive income statement.

## **2.12. Leases**

### *2.13.1. Finance lease*

Leases are classified as finance leases if almost all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Finance leases are initially stated on the balance sheet as assets and liabilities at their fair value of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in the income statement.

### *2.13.2. Operating lease*

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

## **2.13. Impairment of intangible and tangible assets**

The Company reviews the book value of its tangible and intangible assets on each day of the balance sheet to determine whether there is any indication that there has been any impairment loss. If any such indication exists, the recoverable amount of the asset is determined for possible impairment loss. If the recoverable amount of an asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If it is possible to determine reasonable and consistent basis of allocation, assets are also allocated to individual cash-generating units or, if this is not possible, the smallest group of cash generating units for which it is possible to determine reasonable and consistent allocation basis.

Intangible assets with indefinite useful life span and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication of possible impairment.

When comparing the fair value minus costs to sell and value in use, the recoverable amount is the higher one. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a reduction from the revaluation of the asset.

In a later reversal of the impairment loss, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if there was no impairment loss for the asset in previous years.

A reversal of an impairment loss is recognized immediately as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **2.14. Property investment**

Property investment is held for rental income, to increase the capital value of the property, or both.

Property investment is initially measured at cost including transaction costs, subsequent measurement is performed according to the method of fair value.

The gain or loss arising from changes in fair value of property investment are recognized in the comprehensive income statement in the period in which it arises.

## **2.15. Investments in subsidiaries**

Subsidiaries are entities in which the Company has control, directly or indirectly. Control is gained when the Company has the power to govern the financial and operating policies of an entity in order to benefit from its activities. Investments in subsidiaries are accounted for using a cost model, and are additionally valued using a cost model minus any impairment losses. The decrease in value is carried the same way as for long-term tangible and intangible assets.

## **2.15. Investments in associates**

Associates are entities in which the Company has significant influence but not control. Significant influence is the power to govern the financial and operating policies of an entity in which the investment was made, but not control or joint control over those policies. Investments in associates are accounted for using a cost model minus any impairment losses, if any.

## **2.17. Financial assets**

### *2.17.1. Initial recognition of financial assets*

Investments are recognized and derecognised on a trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the investment within the timeframe established by the market. Investments are initially measured at fair value plus transaction costs, except in the case of financial assets carried at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories:

- "At fair value through profit or loss" (FVTPL)

Financial assets are classified as FVTPL when trading or defined by the Company as such. These financial assets are measured at fair value, with any resultant gain or loss recognized in the income statement.

All derivative financial instruments fall into this category, unless they are designated and effective as hedges (hedging), in which case they apply hedge accounting.

- "Held to maturity"

Bills of exchange and debentures with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held to maturity investments are recorded at depreciated cost using the effective interest method minus any impairment, with revenue recognized on an effective yield basis.

- "Financial assets available for sale"

Financial assets available for sale are non-derivative financial assets that are either designated in this category or cannot be included in the above mentioned category of financial assets. These assets are measured at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income, in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and positive and negative exchange

differences on monetary assets, which are recognized directly in the comprehensive income statement.

If the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income in the revaluation reserve are now recognized in the income statement.

- "Loans and receivables"

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at depreciated cost using the effective interest method, minus any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *2.17.2. Impairment of financial assets*

An assessment of impairment of financial assets is made at each balance sheet date, except for those assets classified as assets at fair value through profit and loss.

A financial asset is reduced if there is objective evidence of impairment of its value as a result of one or more events that occurred after the initial recognition of an asset, when the event affects the estimated future cash flows of financial assets.

Certain categories of financial assets such as trade receivables, individually evaluated assets for which there is no objective evidence of impairment are subsequently included in the group of financial assets which is separately assessed for impairment.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience in payment collection, an increase in the number of delayed payments past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

#### *2.17.3. Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all risks and rewards of ownership to another entity.

### **2.18. Receivables**

Receivables are initially measured at fair value. Receivables whose collection is expected in the period longer than one year, are stated at depreciated cost using the effective interest method, minus any impairment loss on each balance sheet date. Current receivables are stated at initially recognized nominal amount decreased for appropriate value adjustment for estimated uncollectible amounts and impairment.

The value of receivables is impaired and impairment losses occur only when there is objective evidence of impairment arising from one or more events that occurred after the initial recognition of an asset when the event affects the estimated future cash flows of claims that can be reliably determined. An estimate is made on each balance sheet date determining if there is objective evidence of impairment of certain receivable. If there is objective evidence of impairment of receivables, impairment loss is measured as the difference between the carrying value and estimated future cash flows. The book value of receivables will be decreased directly or by using a separate account value. The amount of the loss is recognized in the income statement for the current year.

### **2.19. Cash and cash equivalents**

Cash and cash equivalents recognized in the balance sheet at cost method. In the cash flow statement, cash and cash equivalents consist of cash balances with banks and in hand.

## **2.20. Inventories**

Inventories are stated at cost or net realizable value, whichever is lower. Net realizable value represents the estimated selling price in the normal course of business, minus the selling expenses.

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and in the present situation.

The cost of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subject subsequently recoverable from the tax authorities), the cost of shipping, handling inventory, and other costs that are directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted when determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production and systematically arranged fixed and variable portion of production costs that incurred in converting materials into finished goods. The allocation of fixed production costs to the costs of conversion is based on normal production capacity.

Consumption of inventories is measured on the weighted average basis.

Small inventory is fully written off when put in use.

## **2.21. Equity instruments issued by the Company**

An equity instrument is any contract that evidences a share in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are stated as the difference between proceeds received and direct costs of issue.

### Share capital

#### a) Ordinary shares

Share capital represents the nominal value of shares issued. Capital reserves include premium gained at the issuance of shares. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity.

#### b) Share repurchase

The amount paid for the shares, including directly attributable costs, is recognized as a decrease in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

## **2.22. Financial liabilities**

### *2.22.1. Financial liabilities at fair value through profit and loss*

Financial liabilities are classified as financial liabilities at fair value through profit and loss when they are either held for trading or are defined by the Company as such. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in the income statement. The net gain or loss recognized in the comprehensive income statement includes interest paid on the financial liability.

### *2.22.2. Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at depreciated cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the depreciated cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly

discounts estimated future cash payments through the expected life span of the financial instrument or, where appropriate, a shorter period.

#### *2.22.3. Derecognition of financial obligations*

The Company derecognises financial liabilities only when the obligations are discharged, canceled or expired.

### **2.23. Contingent assets and liabilities**

Contingent assets are not recognized in the financial statements, but disclosed in the moment when the inflow of economic benefits occurs.

Contingent liabilities are not recognized in the financial statements, but only disclosed in the notes to the financial statements.

### **2.24. Key estimates and judgments in the preparation of financial statements**

In preparing financial statements, Executive Directors have used certain estimates and assumptions that affect the carrying value of assets and liabilities, disclosure of contingent items at the balance sheet date and income and expenses for that period.

Estimates are used for, but not limited to: the calculation of the depreciable period and residual values of property, plant and equipment and intangible assets, impairment assessments, allowances for inventories and doubtful receivables, provisions for employee benefits and legal claims.

More details on the accounting policies for these estimations are presented in other parts of this note as well as other notes to the financial statements. Future events and their effects cannot be predicted with certainty. Therefore, accounting estimates require judgment, and those used in preparing the financial statements are subject to changes from future events, additional experience, new additional information and changes in environment in which the Company operates. Actual results may differ from those estimates.

### **2.25. Events after the reporting date**

Events after the reporting date that provide additional information about the Company's position at the balance sheet date (events resulting in adjustments) are recognized in the financial statements. Those events that don't have an adjustment effect are disclosed in the notes to the financial statements if they are material.

### 3. Sales revenue

Sales revenues include revenues from sales of products, goods and services.

	2015		2014	
Domestic sales	111.444.347	21%	117.333.418	22%
Sales abroad	408.709.583	79%	407.637.130	78%
<b>Total</b>	<b>520.153.930</b>	<b>100%</b>	<b>524.970.548</b>	<b>100%</b>

Revenues from sales of products and services with subsidiaries amount to HRK 37.873.712 (2014: HRK 28.281.539).

Revenue by programmes:

	2015		2014	
Program Aqua Maris	248.557.264	47%	216.657.287	41%
Receptni program	124.469.560	24%	133.719.705	26%
Bezreceptni program	111.479.799	21%	141.095.985	27%
Ugovorna proizvodnja i Licensing Out	28.497.574	6%	28.591.133	5%
Ostali programi	7.147.733	1%	4.906.438	1%
<b>Ukupno</b>	<b>520.153.930</b>	<b>100%</b>	<b>524.970.548</b>	<b>100%</b>

### 4. Other revenue

	2015		2014	
Revenue from grants and subsidies	697.639	6%	421.678	1%
Profit from sale of property, plant and equipment	963.836	9%	4.001.359	12%
Other revenue	9.551.668	85%	27.587.973	87%
<b>Total</b>	<b>11.213.143</b>	<b>100%</b>	<b>32.011.010</b>	<b>100%</b>

Revenue from grants and subsidies are related to revenue from preferential interest, revenue from employment subsidies, revenue from state grants and subsidies and revenue arising from free disposals of assets.

Revenues from sales of long-term assets to subsidiaries amount to HRK 5.280 (2014: HRK 3.104.442).

Other revenue includes revenue from the write-off of liabilities, surplus, subsequently collected adjustments of receivables, revenue from refund of claims and other miscellaneous income.

### 5. Change in inventories

Value of stocks at the end of the year, decreased by HRK 32.407.044 when compared to the beginning of the year (in 2014 it increased by HRK 39.780.080).

## 6. Material costs

	<b>2015</b>	<b>2014</b>
Cost of materials, energy and small inventory	152.688.023	184.297.933
Cost of goods sold	3.278.647	3.304.900
Other costs of services	117.587.386	154.000.584
<b>Total</b>	<b>273.554.056</b>	<b>341.603.417</b>

The cost of materials related to subsidiaries amounts to HRK 16.434 (in 2014 HRK 19.810). Other external service costs incurred by subsidiaries amount to HRK 7.404.069,73 (in 2014 HRK 7.988.264).

## 7. Personnel costs

On 31.12.2015. the Company had 719 employees (in 2014 733 employees).

	<b>2015</b>	<b>2014</b>
Net salaries	71.389.948	80.189.724
Taxes, surtaxes and contributions from salaries	23.952.701	28.391.696
Contributions on salaries	17.588.146	18.785.386
<b>Total</b>	<b>112.930.795</b>	<b>127.366.806</b>

In the normal course of business, through salary deductions on behalf of the employees, regular payments of contributions are performed in accordance to the law. Mandatory pension funds are recorded as salary expense when incurred.

Other employee costs are:

	<b>2015</b>	<b>2014</b>
Severance pay	1.032.493	108.000
Transportation fee	1.458.013	1.329.841
Other fees	6.685.635	8.642.542
<b>Total</b>	<b>9.176.141</b>	<b>10.080.383</b>

Other staff compensations are included in note 10, and contain the expenses on business trips as well as non-taxable grants and awards that are recognized in the period when they happened.

## 8. Depreciation

	<b>2015</b>	<b>2014</b>
Depreciation of nontangible assets	11.133.983	9.955.744
Depreciation of tangible assets	21.056.940	21.510.600
<b>Total</b>	<b>32.190.923</b>	<b>31.466.344</b>

## 9. Value adjustment

In 2015 revaluation of trade receivables was performed in the amount of HRK 2.522.575 (in 2014 HRK 35.351).

## 10. Other business expenses

	<b>2015</b>	<b>2014</b>
Other employee costs	9.176.141	10.080.383
Compensation for members of the Supervisory / Management Board	3.492.484	747.733
Entertainment expenses	168.146	196.331
Insurance costs	4.983.538	5.986.798
Bank costs	2.986.727	2.012.997
Professional education costs	709.751	1.104.522
Literature costs	832.759	797.353
Donation costs	156.939	419.937
The cost of raw materials write-off	4.652.427	6.042.835
Other operating expenses	6.767.808	6.524.433
<b>Total</b>	<b>33.926.720</b>	<b>33.913.322</b>

Other business expenses related to subsidiaries amount to HRK 828.171 (in 2014 HRK 989.447).

## 11. Financial income - net

	<b>2015</b>	<b>2014</b>
Interest revenue	8.637	38.516
Foreign exchange gains	27.690.562	25.559.208
Income from dividends	22.954	22.865
Other financial revenue	38.322.881	749.630
Share in profits of associates	-	76.485
Unrealized revenue from the increase in fair value of the property under IAS 40 and financial derivatives	27.052.220	21.290.738
<b>Total financial income</b>	<b>93.097.254</b>	<b>47.737.442</b>
Interest expense	(18.745.162)	(15.003.573)
Expenses from foreign exchange differences	(61.490.861)	(70.877.382)
Other financial expenses	(1.053.000)	(1.672.500)
Unrealized expenses from the decrease in fair value of the property under IAS 40 and financial derivatives	0	(602.228)
<b>Total financial expenses</b>	<b>(116.384.714)</b>	<b>(88.238.313)</b>
<b>Net financial expenses</b>	<b>(23.287.460)</b>	<b>(40.500.871)</b>



The Company in 2015 did not have revenue from interest from subsidiaries (in 2014 HRK 15.428). Share in profits from subsidiaries in 2015 is HRK 0 (in 2014 HRK 76.485), Note 25. Other financial revenue includes realized revenue from financial derivatives – forwards, in amount of HRK 38.322.881 (in 2014 HRK 749.630).

During 2015, Company had expenses for interests related to subsidiary loans in amount of HRK 1.131.948 (in 2014 HRK 0).

In accordance with IAS 23 the costs of ordinary and preferred interest on the loan in the amount of HRK 6.491.036 (2014 HRK 4.657.220) are capitalized on qualifying fixed assets. Interest are related to loans from HBOR which are intended for the project Svilno2.

## 12. Profit tax

	<b>2015</b>	<b>2014</b>
Current tax	114.182	0
Deferred taxes	684.222	3.918.178
<b>Total</b>	<b>798.404</b>	<b>3.918.178</b>

	<b>2015</b>	<b>2014</b>
<b>Profit before tax</b>	<b>20.547.500</b>	<b>21.875.527</b>
Tax – 20%	4.109.500	4.375.105
Increase in taxable profit	12.348.086	13.092.575
State grants for education and development	2.763.721	1.631.141
Other decrease in taxable profit	3.439.490	19.690.239
Taxable profit	<b>26.692.375</b>	<b>13.646.722</b>
Tax – 20%	5.338.475	2.729.344
Tax incentives for investment	5.224.293	2.729.344
Tax liability	114.182	0
Reversal of deferred tax assets	684.222	3.918.178
<b>Total</b>	<b>19.749.096</b>	<b>17.957.349</b>

On 26.2.2014 the Ministry of Economic Affairs, under the Law on encouraging investment and improving the investment environment, granted the status of the incentive measures to the Company for project Svilno 2 in form of reduced income tax rates, which is now 0%. The Company in 2015 stated a tax liability in amount of HRK 114.182. This liability was compensated with withholding tax for licenses.

### 13. Nontangible assets

Description	Internally developed nontangible assets	Patents, licenses, trademarks, registration of own products	Nontangible assets in preparation	Total intangible assets
	in HRK	in HRK	in HRK	in HRK
<b>Cost of nontangible assets</b>				
On 1.1.2015	11.395.706	31.445.364	15.735.622	<b>58.576.692</b>
Direct increases	-	-	12.598.487	<b>12.598.487</b>
Increases from transfer of assets in preparation	6.424.795	9.938.260	-16.363.055	<b>0</b>
Write off and sale	-873.219	-1.208.706	-1.305.129	<b>-3.387.054</b>
On 31.12.2015	<b>16.947.282</b>	<b>40.174.918</b>	<b>10.665.925</b>	<b>67.788.125</b>
<b>Accumulated depreciation and impairment of intangible assets</b>				
On 1.1.2015	4.317.610	17.354.026	-	<b>21.671.636</b>
Calculated depreciation for 2015	1.735.201	9.398.782	-	<b>11.133.983</b>
Value adjustment for assets that are sold or written off	-667.308	-638.206	-	<b>-1.305.514</b>
On 31.12.2015	<b>5.385.503</b>	<b>26.114.602</b>	<b>-</b>	<b>31.500.105</b>
	<b>7.078.096</b>	<b>14.091.338</b>	<b>15.735.622</b>	<b>36.905.056</b>
Value of nontangible assets on 01.01.2015	<b>11.561.779</b>	<b>14.060.316</b>	<b>10.665.925</b>	<b>36.288.020</b>
Value of nontangible assets on 31.12.2015	<b>4.317.610</b>	<b>17.354.026</b>	<b>-</b>	<b>21.671.636</b>

The write-off of intangible assets relates to the expense of the development costs and license in use and preparation with which the Company ceased to operate.

## 14. Property, plant, equipment and investment property

Description	Land	Buildings	Plant and equipment	Tools, office equip., furniture and transp. assets, devices	Other tangible assets	Tangible assets in preparation	Total tangible assets
	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK
<b>Cost of tangible assets</b>							
On 1.1.2015	5.325.452	99.098.686	171.453.515	38.221.835	598.920	187.934.667	<b>502.633.075</b>
Direct increase in 2015	-	-	-	-	-	143.347.882	<b>143.347.882</b>
Increases from transfer of assets in preparation	36.849.701	187.992.002	91.190.600	11.908.039	223.502	-328.163.844	<b>0</b>
Other increases / decreases	-1.832.343	-6.441.013	-	-	-	-	<b>-8.273.356</b>
Write off and sale	-	-	-1.885.999	-4.089.309	-73.960	-	<b>-6.049.268</b>
On 31.12.2015	<u>40.342.810</u>	<u>280.649.675</u>	<u>260.758.116</u>	<u>46.040.565</u>	<u>748.462</u>	<u>3.118.705</u>	<b>631.658.333</b>
<b>Accumulated depreciation and impairment of tangible assets</b>							
On 1.1.2015	-	26.460.040	67.343.865	26.430.145	-	-	<b>120.234.050</b>
Calculated depreciation for 2015	-	3.733.794	11.905.883	5.417.263	-	-	<b>21.056.940</b>
Value adjustment for assets that are sold or written off	-	-	-1.291.389	-3.630.643	-	-	<b>-4.922.032</b>
On 31.12.2015	<u>-</u>	<u>30.193.834</u>	<u>77.958.359</u>	<u>28.216.765</u>	<u>-</u>	<u>-</u>	<b>136.368.958</b>
Value of tangible assets on 31.12.2014	<u>5.325.452</u>	<u>72.638.646</u>	<u>104.109.650</u>	<u>11.791.690</u>	<u>598.920</u>	<u>187.934.667</u>	<b>382.399.025</b>
Value of tangible assets on 31.12.2015	<u>40.342.810</u>	<u>250.455.841</u>	<u>182.799.757</u>	<u>17.823.800</u>	<u>748.462</u>	<u>3.118.705</u>	<b>495.289.375</b>
Real estate investment 2015	<u>3.395.337</u>	<u>13.591.089</u>					<b>16.986.426</b>

Increasing in value of long-term tangible assets in 2015 for HRK 143.347.882 refers mainly to investments in the completion of project Svilno 2 and supply of new production equipment in amount of HRK 73.532.285 and completion of buildings in amount of HRK 51.219.807.

Capitalization of part of the interest increased the value of buildings in 2015 (Note 11) as well as advances for supply of tangible assets in amount of HRK 261.248 (in 2014 HRK 8.252.606).

Decrease in value of plant and equipment is largely related to the sale of cars and equipment, and regular write-off of physically worn out and useless equipment.

Reducing the value of buildings relates to the reclassification of buildings that are not in use for business purposes and in 2015 are no longer classified as Investment property.

On the real estate owned by the company registered a lien as security for loan repayment.

## 15. Investment in subsidiaries

	Ownership %	2015.	2014.
Farmis d.o.o. Sarajevo	100%	170.228	170.228
Jadran-Galenski laboratorij d.o.o. Ljubljana	100%	963.101	963.101
Jadran-Galenski laboratorij d.o.o., Beograd	100%	-	4.999.226
JGL d.o.o. Beograd - Sopot	100%	10.448.065	5.448.839
Pablo d.o.o. Zagreb	100%	33.768.528	33.768.528
JGL North America LLC	100%	3.200.098	104.460
Adrialab d.o.o.	100%	6.700.000	100.000
<b>Total</b>		<b><u>55.250.020</u></b>	<b><u>45.554.382</u></b>

In last quarter of 2015 Jadran-Galenski laboratorij d.o.o., Beograd merged with JGL d.o.o. Beograd – Sopot.

## 16. Other financial assets

	2015	2014
Galena d.o.o.	49.000	312.290
Kanal Ri d.o.o.	845.000	845.000
Kvarner Vienna Insurance Group d.d.	337.575	337.575
Menadžer d.o.o.	-	7.572
Ri-Novine d.o.o.	-	10.000
<b>Total</b>	<b><u>1.231.575</u></b>	<b><u>1.549.318</u></b>

The investment in Galena d.o.o. is stated in position Other financial assets, Note 25.

The decrease in value of other financial assets was influenced by the write-off of investments in companies Manager d.o.o. and Ri-Novine d.o.o. which were deleted from the register.

## 17. Deferred tax assets

	2015	2014
Provision for jubilee and retirement benefits	161.286	188.189
Temporary unrecognized value adjustment of trade receivables	-	657.319
<b>Total</b>	<b><u>161.286</u></b>	<b><u>845.508</u></b>

## 18. Inventory

	<b>2015</b>	<b>2014</b>
Raw materials and supplies	40.671.943	50.764.056
Final products	68.151.424	100.558.468
Goods	1.456.037	1.288.154
Long-term assets intended for sale	26.027.297	29.263.514
<b>Total</b>	<b>136.306.701</b>	<b>181.874.192</b>

The amount of inventory of finished products, which is recognized as a write-off during 2015 amounted to HRK 220.142.911 (in 2014 HRK 188.156.535). The amount of write-offs of inventory of finished products during 2015 amounted to HRK 9.262.392 (in 2014 HRK 2.834.630).

## 19. Receivables

	<b>2015</b>	<b>2014</b>
Receivables from customers	290.138.468	264.000.526
Receivables from subsidiaries and associated companies	46.392.442	41.019.561
Receivables from employees	10.064	20.514
Receivables from government	5.277.891	14.787.873
Other short-term receivables	3.077.260	13.366.395
<b>Total</b>	<b>344.896.125</b>	<b>333.194.869</b>

### 19.1. Receivables from customers and associates

	<b>2015</b>	<b>2014</b>
Domestic customers	36.607.758	38.424.088
Customers abroad	253.530.710	225.576.438
<b>Total</b>	<b>290.138.468</b>	<b>264.000.526</b>

Structure of receivables from customers by currency (stated in HRK)

	<b>2015</b>	<b>2014</b>
HRK	36.607.757	38.424.088
EUR	53.585.545	62.449.644
RUB	199.926.486	162.420.889
USD	18.680	16.837
Other currencies	-	689.068
<b>Total</b>	<b>290.138.468</b>	<b>264.000.526</b>

Structure of receivables from customers that are due (value adjusted receivables are not included):

	<b>2015</b>	<b>2014</b>
0 - 90 days	28.761.424	29.261.768
91 - 180 days	9.166.625	9.995.839
181 - 360 days	6.809.447	6.360.995
over 360 days	3.032.895	185.911
<b>Total</b>	<b>47.770.391</b>	<b>45.804.513</b>

Structure of receivables from customers that are value adjusted:

	<b>2015</b>	<b>2014</b>
0 - 90 days	-	2.673.450
91 - 180 days	-	660.565
181 - 360 days	-	22.349
over 360 days	3.214.466	49.610
<b>Total</b>	<b>3.214.466</b>	<b>3.405.974</b>

#### 19.2. Receivables from subsidiaries and associated companies

	<b>Base for receivable</b>	<b>2015</b>	<b>2014</b>
Ljekarna Pablo	Assignment	6.788.512	9.945.099
Ljekarna Pablo	Sale	-	38.173
Pablo d.o.o.	Sale	7.012	3.425
Poliklinika Pablo	Sale	4.888	-
Adrialab d.o.o.	Sale	3.968.020	5.083.964
JGL d.o.o. Beograd-Sopot	Sale	14.058.649	432.054
Farmis d.o.o. Sarajevo	Sale	17.509.002	15.231.582
Jadran Galenski laboratorij d.o.o. Beograd	Sale	-	6.961.893
Jadran Galenski laboratorij d.o.o. Ljubljana	Sale	1.511.333	1.027.914
JGL NORTH AMERICA LLC	Sale	2.545.026	2.293.977
Galena d.o.o.	Loan	-	1.480
<b>Total</b>		<b>46.392.442</b>	<b>41.019.561</b>

#### 19.3. Other short-term receivables

	<b>2015</b>	<b>2014</b>
Receivables for advances	1.775.989	12.726.643
Receivables for assignments	1.292.128	631.875
Receivables for damages	9.143	7.877
<b>Total</b>	<b>3.077.260</b>	<b>13.366.395</b>

## 20. Short-term financial assets

	2015	2014
Given loans and deposits	19.650.032	241.107
Loans to companies with participating interests and associated companies	100.000	98.000
Loans to subsidiaries	4.886.430	1.838.753
Receivables from forward	22.564.274	20.886.106
<b>Total</b>	<b>47.200.736</b>	<b>23.063.966</b>

## 21. Cash in bank and in hand

	2015	2014
Bank account	3.877.543	8.536.631
Cash register	10.979	12.144
Foreign currency account and non-resident accounts	3.673.874	5.749.930
Foreign cash register	24.072	33.622
<b>Total</b>	<b>7.586.468</b>	<b>14.332.327</b>

The structure of cash and cash equivalents by currency expressed in HRK:

	2015	2014
HRK	3.888.522	8.548.774
EUR	885.250	799.822
RUB	2.557.332	4.730.460
USD	4.513	227
Other	250.851	253.044
<b>Total</b>	<b>7.586.468</b>	<b>14.332.327</b>

## 22. Other receivables

Other receivables relate to prepaid expenses and on 31.12.2015 they amount to HRK 3.672.676 (in 2014 HRK 2.656.846).

## 23. Shared capital

The share capital of the Company on 31.12.2015 amounts to HRK 118.472.000 (in 2014 HRK 117.908.000) and is divided into 1.184.720 shares with a nominal value of HRK 100.

During 2015, the Company's issued a new series of shares to increase the share capital in the amount of HRK 564.000 (issue of shares series "G", 5.640 pieces with a nominal value of HRK 100).

On 29.06.2015 the General Assembly accepted the proposal of the Management Board on dividend payment in the amount of 2,28 per share, the total amount of HRK 2.626.318. The dividend was paid at the expense of retained earnings for 2006 and 2007.

## 24. Reserves

The Company on 31.12.2015 has reserves totaling HRK 22.835.361 (in 2014 HRK 21.545.267). The change is a result of the purchase of own shares of the Company which resulted in the formation of reserves for own shares from retained earnings.

The amount of premium earned in the issue of shares of the Company in 2015 is HRK 1.290.094 (in 2014 HRK 2.852.920).

## 25. Retained earnings or accumulated loss

At the end of 2015, total retained earnings of the Company amounts to HRK 246.692.792 (in 2014 HRK 235.807.210).

In Accordance with the Decision of the General Assembly dated 29.06.2015 overall profits in 2014 in the amount of HRK 17.957.249 were transferred to retained earnings. The General Assembly also decided to pay out dividends at the expense of retained profits of previous years totaling HRK 2.626.318.

From retained earnings reserves were formed for the repurchase of own shares in the amount of HRK 4.166.063.

In the position of retained earnings, a correction of past period was made due to change in method of evaluating the share in associated company Galena d.o.o. Correction of HRK 263.290 was made and a correction of HRK 16.096 that was determined by tax control in 2010.

## 26. The result of the business year

In 2015, the Company recorded a net profit of HRK 19.749.096 (in 2014 HRK 17.957.349).

Net profit per share in 2015 amounts to HRK 17 (in 2014 HRK 22).

## 27. Provisions

The Company carried out the reversal of part of the provisions for jubilee awards and severance payments, and on the day of 31.12.2015 the provisions amounted to HRK 806.428 (in 2014 HRK 940.947). Reversal of provision is the result of downsizing.

## 28. Long-term liabilities towards banks and other financial institutions

	<b>2015</b>	<b>2014</b>
Liabilities towards banks	303.328.705	183.436.764
Liabilities towards other financial institutions	58.876.630	26.057.197
<b>Total</b>	<b><u>362.205.335</u></b>	<b><u>209.493.961</u></b>



<b>Liabilities towards banks</b>	<b>2015</b>	<b>2014</b>
Erste & Steiermarkische Bank	-	18.661.688
SocieteGenerale-Splitska banka	-	149.189.474
HBOR	225.430.190	4.619.961
Privredna banka Zagreb	-	12.432.308
Raiffeisen bank	-	10.000.000
EBRD	77.898.515	-
<b>Total</b>	<b>303.328.705</b>	<b>194.903.431</b>

For loan repayment insurance, there is a lien registered on real estate owned by the Company.

<b>Liabilities towards banks</b>	<b>On 01.01.2015</b>	<b>New loans</b>	<b>Repayment</b>	<b>Transfer to short-term liability</b>	<b>On 31.12.2015</b>
Erste & Steiermarkische Bank	18.661.688	-	18.661.688	-	-
HBOR	149.189.474	76.240.716	-	-	225.430.190
Privredna banka d.d.	3.153.295	-	3.153.295	-	-
SocieteGenerale-Splitska banka	12.432.308	-	12.432.308	-	-
Raiffeisen bank	-	90.987.154	-	13.088.639	77.898.515
EBRD	18.661.688	-	18.661.688	-	-
<b>Total</b>	<b>183.436.765</b>	<b>167.227.870</b>	<b>34.247.291</b>	<b>13.088.639</b>	<b>303.328.705</b>

Maturity of long-term debt:

<b>Liabilities towards banks</b>	<b>Due in 2016</b>	<b>2017 - 2020</b>	<b>2021 - onward</b>
HBOR	-	50.126.415	175.303.775
EBRD	12.858.299	77.898.515	-
<b>Total</b>	<b>12.858.299</b>	<b>128.024.930</b>	<b>175.303.775</b>

<b>Liabilities for leases</b>	<b>2015</b>	<b>2014</b>
Erste & Steiermarkische S-leasing	24.944.517	3.858.653
Hypo leasing	5.836.884	8.019.922
OTP leasing	943.540	640.526
PBZ leasing	1.094.748	3.622.078
Raiffeisen leasing	14.432.379	6.711.189
SG leasing	8.213.367	2.022.936
Unicredit leasing	2.450.447	1.182.193
VB leasing	960.748	-
<b>Total</b>	<b>58.876.630</b>	<b>26.057.197</b>

<b>Liabilities for leases</b>	<b>On 1.01.2015</b>	<b>New leases</b>	<b>Repayment</b>	<b>Transfer to short-term liability</b>	<b>On 31.12.2015.</b>
Hypo leasing	8.019.922	-	-	2.183.038	5.836.884
SG leasing	2.022.936	12.046.912	-	5.856.481	8.213.367
OTP leasing	640.526	906.186	-	603.172	943.540
PBZ leasing	3.622.078		41.006	2.486.324	1.094.748
Erste & Steiermarkische leasing	3.858.653	39.278.353	9.577	18.182.912	24.944.517
Unicredit leasing	1.181.894	3.315.213	60.383	1.986.277	2.450.447
Raiffeisen leasing	6.711.188	19.046.929	-	11.325.738	14.432.379
VB leasing	-	1.660.000	-	699.252	960.748
<b>Total</b>	<b>26.057.197</b>	<b>76.253.593</b>	<b>110.966</b>	<b>43.323.194</b>	<b>58.876.630</b>

Maturity of long-term lease:

<b>Liabilities for leases</b>	<b>Due in 2016</b>	<b>2017 - 2020</b>
Hypo leasing	2.152.827	2.152.827
SG leasing	1.970.941	1.970.941
OTP leasing	316.624	316.624
PBZ leasing	2.474.071	2.474.071
Erste & Steiermarkische leasing	5.977.042	5.977.042
Unicredit leasing	900.788	900.788
Raiffeisen leasing	3.129.605	3.129.605
VB leasing	316.442	316.442
<b>Total</b>	<b>17.238.340</b>	<b>17.238.340</b>

## 29. Long-term liabilities for securities

Long-term liabilities for securities on the 31.12.2015 amount to HRK 199.646.507, and relate to liabilities for issued long-term bonds of the Company (in 2014 HRK 139.780.667).

JGL on 20.4.2011 issued bonds worth HRK 140 million on the basis of the Information Memorandum, which was not subject to the approval of HANFA because it was exempted from publication pursuant to Article 351, paragraph 1, item 3 of the Capital Market Law, and because the offer addressed to investors who have bought at least EUR 50.000 worth of bonds.

On 03.11.2011, HANFA has adopted the Decision number: UP / I-451-04 / 11-12 / 5 Reg: 326-111 / 11-8, approving the unique prospectus for the issuance of bonds in amount of HRK 140.000.000, marking JDGL-O-166A, to name, in dematerialized form, in the denomination of HRK 1, with variable interest rate, that mature on 10.6.2016, on the regulated market.

For the period from 09 June 2013 to 10 June 2014 the interest rate was determined at 4,80%. From 10 June 2014 to 09 June 2015 the interest rate was 4,25%, and from 10 June 2015 to 9 June 2016 - 3.75%. On 21.12.2015 the Company issued new bonds in amount of HRK 200.000.000 with a fixed annual interest rate of 5.8125% and maturity on 21.12.2020.

On 19.02.2016, HANFA has adopted the Decision number: UP / I-976-02 / 16-01 / 01 Reg 326-01-770-772-16-7, approving the unique prospectus for the issuance of bonds in amount of HRK 200.000.000, marking JDGL-O-20CA, to name, in dematerialized form, in the denomination of HRK 1, with fixed annual interest rate of 5.8125%, that mature on 21.12.2020, on the regulated market.

Funds raised by issuance of bonds, the Company partly used to refinance the obligations on bonds maturing 10.06.2016 (HRK 113.035.000), marking JDGL - O - 166A, ISIN: HRJDGLO166A1.

### 30. Short-term liabilities towards banks and other financial institutions

	2015	2014
Liabilities towards banks	14.952.213	136.343.499
Liabilities towards other financial institutions	17.238.340	9.481.382
<b>Total</b>	<b>32.190.553</b>	<b>145.824.881</b>

Liabilities towards banks	2015	2014
EBRD	12.858.299	0
Erste & Steiermarkische Bank	0	34.991.645
HBOR	2.057.822	1.162.472
Hypo Alpe - Adria bank d.d.	0	7.669.101
Privredna banka d.d.	0	44.541.517
Raiffeisen banka d.d.	0	15.375.129
Sber banka	0	22.984.413
Splitska banka	0	9.172.056
Credit card companies and other fees to banks	36.092	447.166
<b>Total</b>	<b>14.952.213</b>	<b>136.343.499</b>

Liabilities towards banks	On 01.01.2015	New loans	Repayment	On 31.12.2015
Erste & Steiermarkische Bank	34.991.645	2.535.532	37.527.177	0
HBOR	1.162.472	7.405.442	6.510.092	2.057.822
Hypo Alpe - Adria bank d.d.	7.669.101	22.856.328	30.525.429	0
Privredna banka d.d.	44.541.517	0	44.541.517	0
Raiffeisen banka d.d.	15.375.129	37.544.624	52.919.753	0
Sber banka	22.984.413	15.186.470	38.170.883	0
Splitska banka	9.172.056	14.500.000	23.672.056	0
EBRD	0	12.858.299	0	12.858.299
Credit card companies and other fees to banks	447.166	519.246	930.320	36.092
<b>Total</b>	<b>136.343.499</b>	<b>113.405.941</b>	<b>234.797.227</b>	<b>14.952.213</b>

<b>Liabilities for leases</b>	<b>2015</b>	<b>2014</b>
Erste & Steiermarkische S-leasing	5.977.042	1.967.344
Hypo leasing	2.152.827	2.053.748
OTP leasing	316.624	144.233
PBZ leasing d.o.o.	2.474.071	3.161.306
Raiffeisen leasing	3.129.605	1.329.233
SG leasing	1.970.941	374.898
Unicredit leasing Croatia d.o.o.	900.788	450.620
VB leasing	316.442	0
<b>Total</b>	<b>17.238.340</b>	<b>9.481.382</b>

<b>Liabilities for leases</b>	<b>On 01.01.2015</b>	<b>New leases</b>	<b>Repayment</b>	<b>On 31.12.2015</b>
Hypo leasing	2.053.748	2.183.038	2.083.959	2.152.827
SG leasing	374.898	5.856.481	4.260.438	1.970.941
OTP leasing	144.233	603.172	430.781	316.624
PBZ leasing	3.161.306	2.486.324	3.173.559	2.474.071
Erste & Steiermarkische leasing	1.967.344	18.182.912	14.173.214	5.977.042
Unicredit leasing	450.620	1.986.277	1.536.109	900.788
Raiffeisen leasing	1.329.233	11.325.738	9.525.366	3.129.605
VB leasing	0	699.252	382.810	316.442
<b>Total</b>	<b>9.481.382</b>	<b>43.323.194</b>	<b>35.566.236</b>	<b>17.238.340</b>

### 31. Accounts payables

	<b>2015</b>	<b>2014</b>
Domestic suppliers	27.388.573	48.534.759
Suppliers abroad	36.515.042	57.536.179
<b>Total</b>	<b>63.903.615</b>	<b>106.070.938</b>

#### Accounts payables by currency:

	<b>2015</b>	<b>2014</b>
HRK	27.388.573	48.534.759
EUR	35.845.578	57.042.351
RUB	130.510	0
USD	317.001	401.608
Other currencies	221.953	92.220
<b>Total</b>	<b>63.903.615</b>	<b>106.070.938</b>

### 32. Short-term liabilities for securities

Liabilities for securities on 31.12.2015 amount to HRK 30.580.183 (in 2014 HRK 1.900.000). The amount of HRK 3.600.000 relates to the issued bills to suppliers (in 2014 HRK 1.900.000).

The remaining HRK 26.980.183 relate to the bonds series JDGL-O-166A that mature on 10.6.2016. During the 2015 the Company paid HRK 8.196.802 for interest on bond (in 2014 HRK 6.720.000).

### 33. Other liabilities

	<b>2015</b>	<b>2014</b>
Liabilities toward subsidiaries	19.068.514	6.416.255
Liabilities for advances received	589.555	324.651
Liabilities to employees	3.517.594	3.029.488
Liabilities for taxes, contributions and other	3.190.102	4.932.074
Liabilities for financial obligations that are not due	1.312.028	3.848.854
Liabilities for accrued costs	19.702.837	17.627.665
Other current liabilities	668.333	1.408.131
<b>Total</b>	<b>48.048.963</b>	<b>37.587.118</b>

Liabilities toward subsidiaries are:

	<b>2015</b>	<b>2014</b>
Adrialab d.o.o.	100.000	957.009
Ljekarna Pablo	16.593.628	834.987
Farmis d.o.o. Sarajevo	346.032	303.067
Jadran Galenski laboratorij d.o.o. Beograd	1.869.266	766.308
Jadran Galenski laboratorij d.o.o. Ljubljana	-	93.010
JGL North America	159.588	3.461.874
<b>Total</b>	<b>19.068.514</b>	<b>6.416.255</b>

### 34. Financial risk management

#### 34.1. Financial risk factors

In its ordinary course of business, the Company is exposed to various financial risks associated with currency, interest rate, credit and liquidity risk. The Company monitors these risks and minimizes their potential impact on the Company's financial exposure.

The significant risks, together with the methods used to manage these risks are described below. The Company has used derivatives in 2015 with the intention of managing floating exchange rate of the Russian ruble. The Company does not use derivative instruments for speculative purposes.

#### 34.2. Currency risk

The Company is exposed to currency risk in purchases and sales denominated in foreign currencies. Currency risk is present due to changes in foreign exchange rates. The dominant share of exports in revenue of the Company result in a currency risk exposure in a way that foreign currency assets exceed the amount of foreign currency liabilities. The current policy of the Company's risk management is active hedging.

Foreign currency exposure is continuously monitored and, if necessary, hedging instruments are used. The decision on whether or not to hedge the claim depends on the currency in which the claim is stated, type of hedging instrument and its price.

In 2015 the Company used forward contracts (EUR, RUB) as protection against fluctuations in the Russian ruble. On 31.12.2015 the positive fair value of these contracts amounted to HRK 22.564.274 and is included in the balance sheet position - other receivables.

The nominal value of forward contracts on 31.12.2015 amounted to HRK 255.774.075 (in 2014 HRK 130.245.007).

Gains and losses are recognized as changes in the market value of forward contracts on 31.12.2015. These gains and losses are recognized in the Income statement as Other financial income, Unrealized gains on financial assets, and Other financial expenses and unrealized losses on financial property.

If at 31 December 2015, the EUR exchange rate increased by 1% in relation to the HRK exchange rate, assuming that all other indicators remained unchanged, the net profit for the reporting period would be HRK 1.119.215 less (in 2014: 784.438,90 kn). Sensitivity analysis includes assets and liabilities in the currency. In the case of a reverse proportional change in the value of the euro against the Croatian kuna, the impact on profit would be the same and opposite.

If at 31 December 2015, the RUB exchange rate increased by 1% in relation to the HRK exchange rate, assuming that all other indicators remained unchanged and assuming we neglect the fair value of forward and swap contracts, the net profit for the reporting period would be HRK 2.212.078 higher, mainly as a result of foreign exchange gains on foreign currency assets and liabilities (in 2014: HRK 1.681.871). Sensitivity analysis includes assets and liabilities in the currency. In the case of a reverse proportional change in the value of Russian rubles compared to the Croatian kuna, the impact on profit would be the same and opposite. Taking into account the fair value of forward and swap contracts would not have a material impact on net profit in the event of a change in the exchange rate of the RUB.

#### *34.3. Interest rate risk*

On 31.12.2015 the Company is exposed to interest rate risk on a small scale because most of the interest bearing debt is contracted at fixed interest rates.

#### *34.4. Credit and liquidity risk*

The assets that potentially expose the Company to credit risk consist of short-term financial assets, cash and trade receivables. Credit risk on trade receivables is limited due to the distribution among various geographical areas and customers. The Company protects against these risks by obtaining collateral for payments and by selection of customers based on the assessment of their solvency. Larger customers on the territory of Russia have insurance policies issued by HBOR while significant buyers of other countries are covered by insurance policies issued by HKO (Croatian credit insurance). The Company is continuously working with these partners to increase the share of insured customers in the total amount of receivables. Credit risk is connected with current financial assets, as well as money in the bank. The Company protects itself from these risks by holding funds in commercial banks in which other business is conducted and which are among the leading banks in Croatia with satisfactory level of capital adequacy.

Liquidity risk is manifested as a risk that the Company will not be able to meet its obligations to creditors. Company protects itself from the liquidity risk through credit lines that allow it to easily and quickly overcome the current need for liquidity with the pre-agreed and known conditions.

#### *34.5. Market risk*

The pharmaceutical industry is characterized by significant investments in research and development, which are an important generator of future growth and development of the Company. The success of the research and development of new products is by its nature uncertain. Research and development in the pharmaceutical industry in the field of drugs is perennial, and it is possible to alter market conditions with respect to predictions before the start of the project.

Another important aspect of the pharmaceutical industry are regulations. Pharmaceutical companies are exposed to the possibility that national regulatory authorities don't approve, or withdraw the approval for pharmaceutical products and processes. In some markets there are often changes of regulations making it difficult to predict the progress and the timeframe for obtaining approval for pharmaceutical products and

processes. The inability of the Company to obtain approval for its pharmaceutical products and processes or the withdrawal of any such approval, could have an adverse effect on the business, financial condition, results of operations and prospects of the Company.

In addition to investment and regulation, price policy in the pharmaceutical industry has a strong impact on business. Pricing of products in the pharmaceutical industry is, in almost all countries, subject to some form of government intervention, such as price controls, government budget control, reimbursement list, mandatory participation of patients, and other forms of limitations and restrictions. In some markets, there is regulation of prices and OTC drugs. Such interventions affect, and may further negatively impact on sales and profitability of the Company.

JGL manages market risk through a diversified portfolio of products, sophisticated technology and production processes, as well as through investments in highly educated personnel and research and development.

#### 34.6. Capital management

Liquidity risk management implies maintaining sufficient cash and working capital, and availability of funding in the form of credit lines.

The Company manages the credit indebtedness through the regulation of the share of own funds in relation to the external funds. The external funds financing is based on long-term assets with very favorable interest rates, which does not constitute a burden on the liquidity of the Company.

Given the type of debt JGL has long-term liabilities to loans, leasing and bonds, and short-term liabilities to loans from credit lines. In addition to loans, JGL has obligations to the holders of the bonds series HRJDGLO20CA4 in the amount of HRK 200.000.000,00 that mature in 2020, and commitments for existing bonds series HRJDGLO166A1 in the amount of HRK 26.965.000,00 that mature 10.06.2016. New bonds were issued to refinance the existing ones.

Liabilities for long-term loans come down to two creditors - HBOR and EBRD. Liabilities for long-term loan from HBOR was to finance investment in a new manufacturing facility Svilno 2 and it amounts to HRK 239.298.070,80. This loan has very favorable terms, with a grace period of 5 years (the first installment of principal is due on 30.09.2019). Long-term loan from the EBRD amounts EUR 12.000.000,00 and the first installment of principal is due on 12.3.2016. It is a five-year loan with semi-annual payment of principal, in the first 7 installments 50% of the loan will be repaid, while in the last installment the rest will be repaid (due on 12.09.2019).

For financing equipment Company uses financial lease from 4 to 6 years long, depending on the type of equipment. The Company has 8 leasing companies with very favorable conditions. For short-term loans, the Company uses funds from the approved limits of commercial banks.

	<b>2015</b>	<b>2014</b>
<b>Debt</b>		
Short-term and long-term financial debt	621.009.411	495.103.523
Cash and cash equivalent and given loans	32.222.930	16.510.187
<b>Net debt</b>	<b>588.786.481</b>	<b>478.593.336</b>
Capital and reserves	407.749.249	393.217.826
Net debt / capital	1,44	1,22

#### 35. Fair values

According to estimates made by Executive Directors, fair value of financial assets and liabilities is equal to their carrying values in the balance sheet.

### 36. Contingencies

Several legal proceedings against the Company are in process. The Executive Directors believe that liability that may be generated by these disputes and appeals will not have a significant impact on the financial position and results or future operations of the Company.

### 37. Key management compensation

	2015	2014
Net salaries	1.983.700	2.396.769
Taxes and contributions from salaries	1.602.028	2.164.097
Contributions on salary	616.745	755.882
Compensation for members of the Management Board / Supervisory Board	3.492.484	747.733
<b>Total</b>	<b>7.694.957</b>	<b>6.064.481</b>

### 38. Events after the reporting date

On 26.1.2016 the Company became 100% owner of the company Jadran LLC Moscow. On 27.1.2016 the Company made an investment of HRK 3,5 million in capital reserves of subsidiary Adrialab d.o.o Rijeka.

### 39. Reclassification of positions of financial statements for 2014

In 2015 the Company left the use of the GFI-POD form of financial statements: balance sheet, comprehensive income statement and cash flow statement. All positions for 2014 have been reclassified to new forms of reports.

In addition to these changes, in the balance sheet and comprehensive income statement for 2014 certain positions have been reclassified in order to be comparable with the data in 2015, and to change the presentation of certain items.

#### 39.1. Use of registration rights

In the original balance sheet for 2014, acquisition of the registration rights is recorded in the amount of HRK 2.979.939 in position Prepaid expenses. This amount was reclassified and shown in position intangible assets.

In the original comprehensive income statement for 2014, accrued expenses of use of registration rights is stated in the amount of HRK 5.449.012 in position Other expenses. This amount is reclassified and shown in position Depreciation.

#### 39.2. Revenues and costs of own products

In the original comprehensive income statement for 2014 revenue from use of own products is stated in the amount of HRK 5.398.009 at the position Other business revenue. This amount has been reclassified in the comprehensive income statement and is no longer netted with the cost of the use of its products on other operating expenses. Use of own products involves representation, donation and write-off of own products.

#### 39.3. Exchange rate differences

By amending the calculation of foreign exchange losses in 2015, the accumulation of monthly unrealized financial revenue and expense is revoked from exchange rate differences. The new calculation was applied to 2014 which resulted in a reduction of revenue and expense for the amount of HRK 24.295.318. The net effect of exchange rate differences did not change.

Reclassification of these positions has had an effect on the amount of total assets shown on the balance sheet.



Reclassification of positions in comprehensive income statement has caused changes in the accompanying summary positions, but has had no effect on the result in 2014.

	<b>2014 after reclassification</b>	<b>2014 before reclassification</b>	<b>Effect of reclassification</b>
Business revenue	556.981.558	562.379.567	-5.398.009
Financial revenue	47.737.442	72.032.760	-24.295.318
Total	<u>604.719.000</u>	<u>634.412.327</u>	<u>-29.693.327</u>
Business expense	494.605.160	500.003.169	-5.398.009
Financial expense	88.238.313	112.533.631	-24.295.318
Total	<u>582.843.473</u>	<u>612.536.800</u>	<u>-29.693.327</u>
Result 2014	21.875.527	21.875.527	0

#### 40. Approval of financial statements

The financial statements on pages above are compiled and approved for issue by the Executive Directors of the Company on 18 March 2015.

For JGL d.d.

13  
JGL d.d.  
Svilno 20 Rijeka

  
\_\_\_\_\_  
Jasmin Hulja, Glavni izvršni direktor

  
\_\_\_\_\_  
Dražen Jakšić, Izvršni direktor



ANNUAL REPORT ON THE STATUS AND RESULTS OF  
OPERATIONS FOR 2015

JGL

RIJEKA, APRIL 2016

*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 2013 till December 2013, while Current period refers to a period from January 2014 till December 2014.*



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## INTRODUCTION

After a challenging 2014, we ended up with considerably reduced profitability due to the geopolitical situation in our key markets, Russia and Ukraine. An additional impact on profitability was the reduction of drug prices on our most important domestic market, so 2015 prompted us to further re-evaluate, faster decide, and change faster. Doing business in the middle of global crisis, which during 2015 escalated and spread to new territories, was not easy. Economic and political turmoil required a constant adjustment and intervention, better focus and greater operational efficiency, in order to maintain stability, protect the financial results, and ensure long-term business.

Total revenues of JGL amounted to HRK 624.464.326,87, which is an increase of 3,27% when compared to the previous period. Business revenue from abroad increased by 0,26% and amount to HRK 408.709.582,82, confirming the Company's export strategy. The biggest export market remains the CIS region, especially the Russian market with 54% share in total sales. On the Russian market, JGL increased sales by 4% in comparison to the previous year, and they amounted HRK 281.058.342,00. In that period the Russian ruble compared to euro decreased in value for additional 13,29% and compared to kuna 13,59%. Thanks to the use of forward contracts more favorable net effect of currency differences was recorded when compared with 2014. It is important that we maintain our leader position in the nasal saline market in Russia and we are pleased to say that in 2015 we had 38th place (in 2014 40th place) on the Russian pharma market list that lists more than 2.000 pharmaceutical companies.

Net profit for the current period, in the amount of HRK 19.749.095,72, that is 10% more than the profit of the previous period.

On the Croatian market, second largest when it comes to share in sales (21%), during the 2015 the Company recorded sales revenue in amount of HRK 111.444.347,07, which is a slight decrease when compared to the previous period (5%). Significant improvement was made in communication with state institutions and regulations that directly affect business and increase transparency are in process of change. JGL is still facing constant pressure from the CHIF (Croatian Health Insurance Fund) on the industry to reduce medicament prices for medicaments on the A list. This is the reason for decreased sale revenue from the sale of the Prescription program, while the sales of the Non-prescription and the Aqua Maris program continue to grow.

In other countries in the SEE region: Slovenia, Bosnia and Herzegovina, Macedonia and Serbia achieved a total sales growth of 19%, especially in the Aqua Maris program, to which nearly 40% growth was recorded. In the Global market region, in the Licensing program, there was a more pronounced correction of sales results, which amounted to HRK 29.195.019.

- *Opening of "Pharma Valley" complex*

The year 2015 was marked by the opening of the most important investment project of the company, which occurred on July 10, 2015. Pharma Valley is the largest investment in the history of JGL and one of the biggest investments in Croatia during the reporting period. Most of the funds were provided by HBOR (Croatian Bank for Reconstruction and Development), which has supported JGL in investments and export for many years now. Thanks to well structured arrangement, in terms of interest rates, foreign currency position and repayment period, JGL was possible to implement the project as a whole. Production and other equipment was mainly financed in cooperation with leasing companies operating in the territory of Croatia. Also, pursuant to the Act on the promotion of investment and improvement of investment environment, the Ministry of Economy of the Republic of Croatia granted JGL incentive measures for the project. Based on the status of the company, through tax incentives, JGL will be able to take advantage of the amount equal to 40 percent of the investment, which is a significant benefit and a real statement of support for investors in the Republic of Croatia. Indirect support to the investment was provided by the European Bank for Reconstruction and Development, with financing of working capital used for export activities, primarily in the markets of the CIS.

The project had two key objectives - to ensure the prerequisites and capacities of development, production and storage for the realization of long-term plans for the company's growth and consolidate all production and technological sites in one place. Investment are included in both locations of the company - existing, Svilno 1, at which 14,000 square meters are production plants, laboratories, storage containers and other facilities, and Svilno 2, the new location of 85,000 square meters. We are particularly proud that the project reached a high level of efficiency in the use of storage and production capacities, as well as supporting facilities necessary for the implementation of product delivery, while satisfying very strict pharmaceutical standards.

We accepted and installed the latest postulates in organization flow of materials and people in pharmaceutical production, through installation of new technology. To sort out the production of microbiologically pure product in the Bag on Valve form, we replaced conventional batch production with continuous production, installed automated robotic high-bay warehouse which allows us to have access to twice as many pallet places in the same area. We also introduced flexible finalization that allows cost-efficient packaging process, depending on the size orders. New technology and new facility allows us to spread the existing portfolio with new products of our own development, in, for us new pharmaceutical forms.

Capacities in production increased to 104 million units, as many as 45 million more than the previous capacity, and with investing in advanced, unconventional solutions in the area of energy efficiency, there has been a significant reduction in operating costs, increase in productivity, and ultimately, increase in the quality delivery of products and services to customers and consumers, as it has always been and always will be our top priority!

- ***New products, new markets, new cooperation***

It is important to emphasize that during 2015 a strategy was defined for all of our B2B (Business to Business) relations. Direction of business development is defined through focus on key territorial clusters, while the regions of SEE and CIS are mainly defined through B2C (Business to Customer). On the Global market region, for grouping geographical criteria was considered, with the corresponding characteristics - registration regulations, the feasibility of operations, input market barriers, structure, size and growth segments, which resulted in forming of following clusters: EU / Turkey, NA (USA, Canada, Mexico) , MENA / Africa, ASEAN, Brazil / Latino, India / China. After analyzing the input requirements, key clusters in which the focus and priority for 2015 and 2016 the EU / Turkey, Middle East and Africa region and South-East Asian Nations (ASEAN). The total value of contracts signed during 2015 was estimated at 30 million euros in the first five years of cooperation.

During 2015, 17 regulatory inspections were conducted, mostly monitoring and certification bodies and partner companies audits. The year was marked by the inspection of new production plants and warehouses in the "Pharma Valley" complex, based on which work permits were obtained. Most important inspections were conducted by HALMED, the Ministry of Health and the Istituto Superiore di Sanita (the competent authority for medicinal products). It is important to emphasize that JGL is declared as GMP compatible manufacturer of sterile solution of institutions Health Canada, opening the doors to the Canadian market. The year was marked by a number of new product launches in the category of prescription and non-prescription drugs, dietary supplements and medical devices. In the period from 1 January to 31 December 2015, 12 new brands were successfully launched on the Croatian market and 4 more were distributed.

Total operating expenses amounted to HRK 603.916.826,91, an increase of 3,62 percent compared to the previous period. In 2015, the level of stock decreased by 32%, from 100.558.468 to 68.005.094, which influenced the structure and level of expenditures, while almost all other items of business expenses were significantly rationalized.

During 2015 there was a change in the structure of liabilities, the Company has replaced the short-term financing sources with quality long-term sources. In early 2015, JGL signed a Loan Agreement with the EBRD for a loan of 20 million euros. The loan is to be realized in two tranches, a long-term loan of 12 million euros and a revolving loan of 8.000.000 euros. The funds from the first tranche were used to close long-term loans to commercial banks and to increase the liquidity of the company. New edition of bond in amount of HRK 200.000.000 refinanced the old bond in amount of HRK 113.035.000, that was due in June 2016. With the remaining funds, short-term loans from commercial banks were repaid.

**JADRAN - GALENSKI LABORATORIJ d.d. (JGL d.d.)**  
**Jasmin Huljaj, mr. pharm., Chief Executive Officer**  
**Dražen Jakšić, dipl. oec., Chief Financial Officer**

# 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 defined through 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.

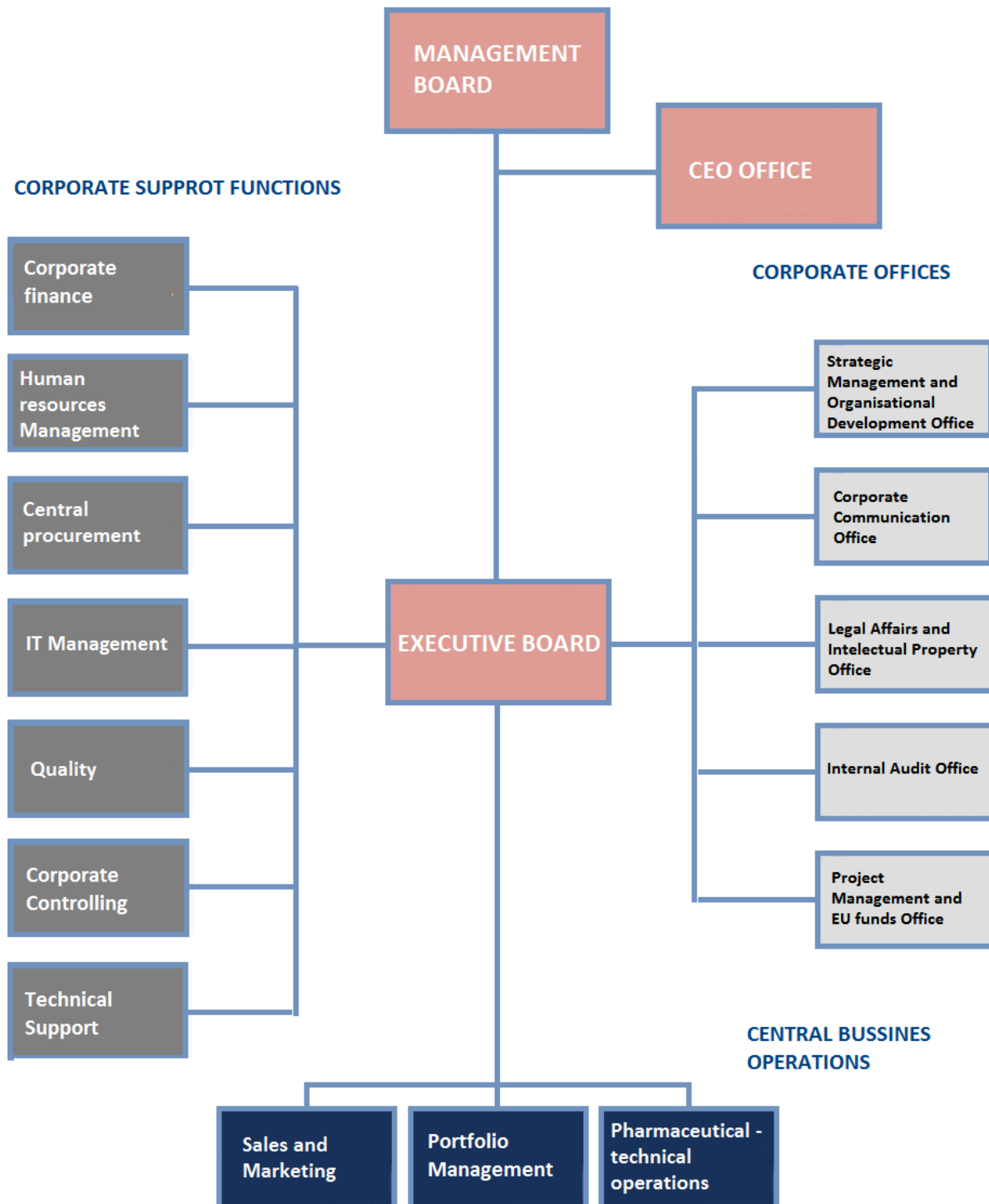
Just as organizations' structure, architecture of JGL's information system directly stems from the request for company's processes support. That is why a display of information flow is obligatory in the process description, alongside organization roles for making demands placed on the IT system (infrastructure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



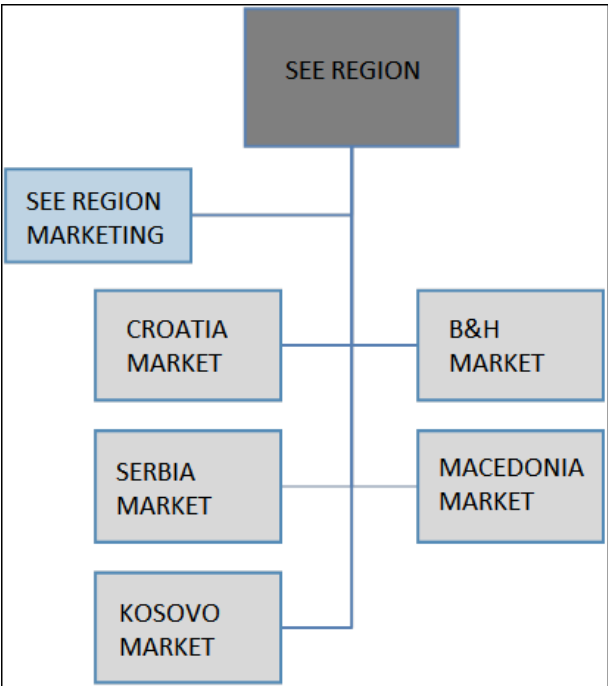
## ORGANISATIONAL STRUCTURE

Shown below is the organizational structure in 2015, as well as structure of the SEE region (South East Europe) and CIS region (The Commonwealth of Independent States).

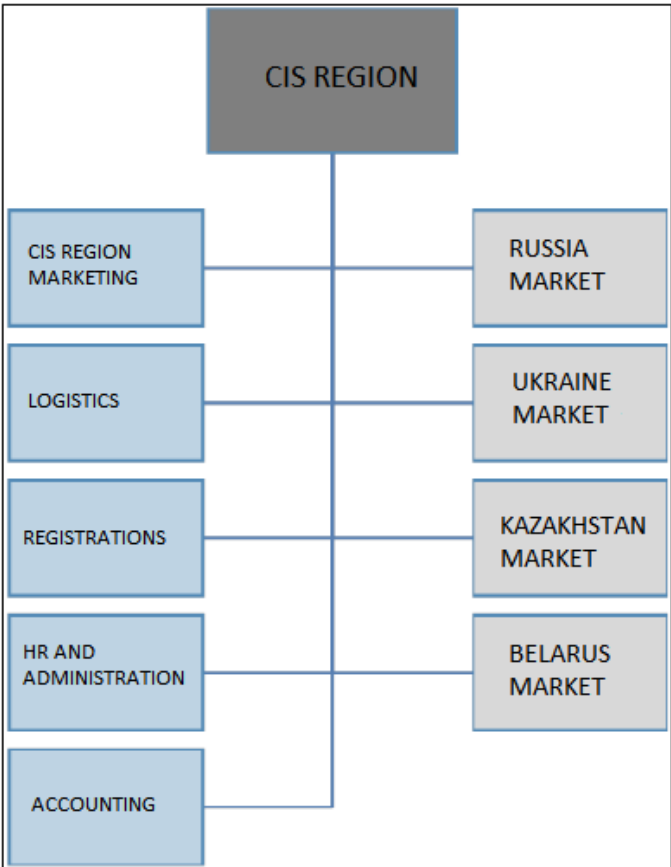
*Organizational structure of company JGL in 2015*



Organizational structure of SEE Region in 2015



Organizational structure of CIS Region in 2015



## 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**

On 31.12.2014 JGL transferred to the one-tier system of corporate governance in which the roles of management and control are integrated in the Management Board of the company. The Management Board appointed the Executive Directors who represent the company and manage its operations.

### **Members of the Management Board of JGL:**

- Ivo Usmiani, mr. pharm., spec. – President of the Management Board,
- Zdravko Saršon, mr.pharm. – Deputy President of the Management Board,
- Marina Pulišić, mr.pharm. – Member of the Management Board,
- Grozdana Božić, dipl.iur. – Member of the Management Board,
- Eva Usmiani Capobianco, mr. sc. – Member of the Management Board.

According to the Company's Statute, Management Board named the Executive Board members that represent the Company and operational management:

- Jasmin Huljaj, mr. pharm. – Chief Executive Director and Executive Director for Business Development and Customer Relationship Management
- Sanja Vujić Šmaguc, mr. pharm. - Chief Executive Director deputy and Brands and Portfolio Management Executive Director
- Dražen Jakšić, dipl. oec. – Corporate Finance Executive Director
- Mate Poropat, mr. pharm. – Pharmaceutical Technical Operations Executive Director

Business address of all members of the Management Board and Executive Directors is Svilno 20, Rijeka. There are no conflict in interest between the Management Board members and Executive Directors in terms of functions and activities they are involved in in the Company and personal interest, i.e. their functions and activities outside the Company.

## PRACTICE OF THE MANAGEMENT BOARD

Company JGL d.d., in accordance with applicable regulations, has an established Audit Committee. According to the Bylaws, the Management Board establishes an Audit Committee consisting of members of the Management Board and two members appointed by the Management Board.

The members of the Audit Committee are:

- Zdravko Saršon, President of the Audit Committee,
- Eva Usmiani Capobianco, Deputy President of the Audit Committee,
- Ivo Usmiani, Audit Committee member,
- Marina Pulišić, Audit Committee member,
- Grozdana Božić, Audit Committee member,
- Jelena Siminiati, Head of Legal Affairs and Intellectual Property at JGL d.d.,
- Vesna Sen, Head of Internal Audit at JGL d.d.

The Audit Committee performs the following tasks:

- follows the financial reporting process;
- monitors the effectiveness of the internal control, audit and risk management system;
- supervises the implementation of annual financial and consolidated reports;
- monitors the independence of an independent auditor or audit firm, and in particular contracts for additional services;
- gives recommendations to the competent body on the selection of an independent auditor or audit firm;
- discusses plans and annual internal audit report as well as important issues pertaining to this area.

The mandate of the members of the Audit Committee is aligned with the mandate of the Management Board. On its activities, the Audit Committee is obliged to report regularly to the Management Board. If a person who carries out internal audit duties is appointed for a member of the Audit Committee, there is no right to vote when deciding.

### ***Corporate Governance Code***

JGL d.d. did not adopt the Code of Corporate Governance, but accepted its application ([http://www.zse.hr/UserDocsImages/docs/Kodeks\\_HR.pdf](http://www.zse.hr/UserDocsImages/docs/Kodeks_HR.pdf)), i.e. the principles of the corporate governance code were adopted within internal policies and, when deciding the Company, takes into account the interests of all shareholders. JGL is operating in accordance with the principles of legality, transparency and publicity of business, segregation (clearly elaborated procedures for the work of the board of directors and executive directors), prevention of conflicts of interest, effective internal control, personal responsibility and socially responsible conduct.

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

000 HRK	2015	2014	2013	2012	2011
Business revenues <sup>1</sup>	531.367	556.982	663.354	597.968	508.156
Croatia	111.444	117.333	144.341	146.125	145.028
Export	408.710	407.637	510.114	439.940	353.326
EBITDA	78.548	93.878	131.411	111.130	107.617
Normalized earnings before tax*	23.070	21.911	90.216	70.218	70.861
Earnings before tax <sup>2</sup>	20.547	21.876	67.255	69.749	69.786
Total assets	1.145.131	1.034.816	939.632	832.840	716.408
Capital and reserves	407.749	393.218	387.614	315.336	262.437
Investment	158.926	146.654	57.492	103.598	66.192
<b>Ratios</b>					
EBITDA	14,8%	16,9%	19,8%	18,6%	21,2%
Normalized gross margin*	4,3%	3,9%	13,6%	11,7%	13,9%
Gross margin	3,9%	3,9%	10,1%	11,7%	13,7%
ROE	5,0%	5,6%	17,4%	22,1%	26,6%
ROA	1,8%	2,1%	7,2%	8,4%	9,7%
Capital to asset ratio	35,6%	38,0%	41,3%	37,9%	36,6%

<b>Number of employees</b>					
On 31.12.2015	719	733	658	602	524

\*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. In 2015 HRK 2,5 million trade receivables were value adjusted. In other years write offs were 0,2% revenue.

<sup>1</sup> Business revenue up to 2013 include revenue from sale of own products

<sup>2</sup> 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

Income statement of JGL for periods of 2014 and 2015 (in HRK)

Position	Previous period	Current period	Index
<b>OPERATING REVENUE</b>	<b>556.981.557,87</b>	<b>531.367.072,67</b>	<b>95,40</b>
Revenue from domestic sales	117.333.417,73	111.444.347,07	94,98
Revenue from foreign sales	407.637.130,09	408.709.582,82	100,26
Revenues from refunds, grants, subventions and free receipts	787.985,94	2.322.147,09	294,69
	0,00	0,00	0,00
Other business revenues	31.223.024,11	8.890.995,69	28,48
<b>OPERATING EXPENSES</b>	<b>494.605.160,37</b>	<b>487.532.113,24</b>	<b>98,60</b>
Change of stock value	-39.780.079,56	32.407.044,24	-81,47
<b>Material costs and services</b>	<b>341.603.416,87</b>	<b>273.554.056,04</b>	<b>80,08</b>
Cost of raw material	184.297.932,54	152.688.023,01	82,85
Costs of sold goods	3.304.900,50	3.278.646,95	99,21
Costs of services	154.000.583,83	117.587.386,08	76,36
<b>Staff costs</b>	<b>127.366.805,78</b>	<b>112.930.795,07</b>	<b>88,67</b>
Net salaries	80.189.723,62	71.389.947,85	89,03
Taxes, surtaxes and contribution from salaries	47.177.082,16	41.540.847,22	88,05
<b>Depreciation</b>	<b>31.466.343,64</b>	<b>32.190.922,89</b>	<b>102,30</b>
<b>Other costs</b>	<b>22.667.229,43</b>	<b>24.798.898,56</b>	<b>109,40</b>
Value adjustment of assets	35.351,41	2.522.574,97	7.135,71
Provisions for risks and costs	0,00	0,00	0,00
Other operating expenses	11.246.092,80	9.127.821,47	81,16
<b>FINANCIAL REVENUES</b>	<b>47.660.956,78</b>	<b>93.097.254,20</b>	<b>195,33</b>
<b>FINANCIAL EXPENSES</b>	<b>88.238.312,85</b>	<b>116.384.713,67</b>	<b>131,90</b>
<b>SHARE IN PROFIT FROM AFFILIATED COMPANIES</b>	<b>76.485,08</b>	<b>0,00</b>	<b>0,00</b>
<b>OTHER REVENUES</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>OTHER EXPENSES</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>TOTAL REVENUES</b>	<b>604.718.999,73</b>	<b>624.464.326,87</b>	<b>103,27</b>
<b>TOTAL EXPENSES</b>	<b>582.843.473,22</b>	<b>603.916.826,91</b>	<b>103,62</b>
<b>RESULT BEFORE TAXATION</b>	<b>21.875.526,51</b>	<b>20.547.499,96</b>	<b>93,93</b>
Income tax and deferred tax assets	3.918.177,67	798.404,24	20,38
<b>RESULT OF THE PERIOD</b>	<b>17.957.348,84</b>	<b>19.749.095,72</b>	<b>109,98</b>

Last year's operating income decreased by 4,6% compared to the same period in the previous year, with domestic sales having a correction of 4%, while foreign sales remain the same as in the previous period.

The share of export in 2015 is 78,57%, which is an increase compared to the previous period. Sales on the Russian market make 54% in revenue from sales, and they continue to be the largest market of JGL. The second largest market is Croatian market with 21% in sales revenue, third is Kazakhstan with almost 6%, and Switzerland with a 4,70% share in sales revenue.

The market of Croatia, as the second largest market, achieved sales at 96% on the previous year, suggesting further stagnation as well as the fact that the market is still in the recession period and is suffering from the constant pressure of price cuts in generic medicine. Reduced sales on the domestic market include the Prescription and Non-prescription Program, while the Aqua Maris Program continues to grow. The SEE region revenues increased in 2015 by almost 19%. All programs reported an increase in sales, especially Aqua Maris program with 40% growth.

Other business income in 2014 consisted mostly of receivables from subsequently charged value-added receivables from customers from Ukraine. Since they were mostly billed in 2014, other business income had a significant impact on total business revenue. This case was linked to the political situation in Ukraine, in 2015, other business revenues are returning to the usual level.

When we look at business expenses we have to consider reducing inventories that greatly affect business expenses. In 2015, stock levels declined by 32% (from HRK 100.558.468 to HRK 68.151.424), which negatively affected the result in 2015, while in 2014 the situation was reversed, inventories increased and impact on the result was positive. Significant savings were made in 2015 compared to 2014 in the area of material costs (almost 18%), staff costs (about 11%) and other external service costs (almost 24%).

Financial revenues and financial expenditures in 2015 have increased significantly compared to 2014. The net effect of exchange rate differences is more favorable in 2015 compared to 2014, if we take into account forward contracts. The increase in financial expenses is largely due to the increase in interest expenses due to the growth of the general debt level associated with the completion of the investment on location Svilno 2.

Profit before tax is HRK 20.547.500 which represents a decrease of 6% compared to the previous year. The Company JGL used a tax incentive that by applying a tax rate of 0% reduces the actual tax liability to HRK 0. For the purpose of utilizing the tax paid abroad, the Company reported a current tax liability of HRK 114.182, which with the abolition of deferred tax assets in the amount of HRK 684.222 (in 2014 it was HRK 3.918.178) decreases the gross profit of the period. The mentioned abolition is largely due to the collection of receivables whose value adjustment was tax-unrecognized (Ukrainian customers - 2013).

Taking into account the above, the net profit for the period in the amount of HRK 20.547.500 was lower by 10% than the net profit of the previous period - HRK 1017.957.349.



Balance sheet of JGL for periods of 2014 and 2015 (in HRK)

Position	Previous period	Current period	Index
<b>TOTAL ASSETS</b>	<b>1.034.816.337,80</b>	<b>1.145.130.833,77</b>	<b>110,66</b>
<b>LONG TERM ASSETS</b>	<b>479.694.138,05</b>	<b>605.468.127,55</b>	<b>126,22</b>
Intangible assets	36.905.056,52	36.288.019,46	98,33
Tangible assets	394.876.754,59	512.537.227,23	129,80
Long term financial assets	47.066.818,70	56.481.595,26	120,00
Deferred tax assets	845.508,24	161.285,60	19,08
<b>SHORT TERM ASSETS</b>	<b>552.465.353,64</b>	<b>535.990.029,55</b>	<b>97,02</b>
Stock	181.874.192,18	136.306.700,76	74,95
Receivables	333.194.868,33	344.896.124,79	103,51
Short term financial assets	23.063.966,14	47.200.735,72	204,65
Cash at banks and in hand	14.332.326,99	7.586.468,28	52,93
<b>PREPAID COSTS AND ACCRUED REVENUES</b>	<b>2.656.846,11</b>	<b>3.672.676,67</b>	<b>138,23</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>1.034.816.337,80</b>	<b>1.145.130.833,77</b>	<b>110,66</b>
<b>CAPITAL AND RESERVES</b>	<b>393.217.826,32</b>	<b>407.749.248,91</b>	<b>103,70</b>
Called up capital	117.908.000,00	118.472.000,00	100,48
Reserves	21.545.267,64	22.835.361,24	105,99
Retained profit + undistributed profits of last year	235.807.209,84	246.692.791,95	104,62
<b>RESULT OF THE PERIOD</b>	<b>17.957.348,84</b>	<b>19.749.095,72</b>	<b>109,98</b>
<b>LONG TERM PROVISIONS</b>	<b>940.947,00</b>	<b>806.428,00</b>	<b>85,70</b>
<b>LONG TERM LIABILITES</b>	<b>349.274.628,21</b>	<b>561.851.842,77</b>	<b>160,86</b>
Liabilities for bonds	139.780.666,66	199.646.507,49	142,83
Other long term liabilities	209.493.961,55	362.205.335,28	172,90
<b>SHORT TERM LIABILITIES</b>	<b>269.306.318,50</b>	<b>153.659.431,96</b>	<b>57,06</b>
Liabilities for subsidiaries	6.416.255,15	19.068.514,37	297,19
Short term financial liabilities	145.824.880,38	32.190.553,38	22,07
Liabilities for securities	1.900.000,00	30.580.183,09	1.609,48
Trade payables	106.070.938,16	63.903.614,80	60,25
Liabilities towards employees	3.029.488,41	3.517.593,58	116,11
Liabilities for taxes and contributions	4.932.074,24	3.190.101,61	64,68
Liabilities due to share in result	26.400,00	21.318,00	80,75
Other short term liabilities	1.106.282,16	1.187.553,13	107,35
<b>DEFERRED SETTLEMENTS OF COSTS AND REVENUE DEFERRED TO FUTURE PERIOD</b>	<b>22.076.617,77</b>	<b>21.063.882,13</b>	<b>95,41</b>

The growth of total assets by 10% compared to the previous period was the most influenced by the increase in long-term assets (26%) within tangible long-term assets, which grew by 30%, in the context of the continuation of investment activities of parent company on Svilno 2.

Significant increase (20%) on the longterm financial assets is mostly connected to the capital increase in subsidiary Adrialab d.o.o.

Short-term assets decreased by about 3% when compared to the previous period. The most significant decrease was in stock (25%). During 2015, there is an increase in given loans that are

associated with the new business cooperation we have established with the Russian company specializing in logistics called Orfe. Orfe is a highly specialized logistics company in Russia with which JGL has established business cooperation in the course of 2015, and thanks to which JGL products come to smaller distributors and smaller pharmacy chains, thus increasing the market coverage of Russia. Pursuant to a contract with a partner, during 2015, JGL provides a short-term loan for customs purposes in the total amount of HRK 19.650.032. The second major item within short-term financial assets is the fair value of the forward exchange contracts contracted for currency risk hedging (EUR-RUB) and amounts to HRK 22.564.274.

During the year, there was a change in the structure of liabilities, the parent company JGL replaced the short-term sources of funding with better long-term funding sources. At the beginning of 2015, JGL signed a loan agreement with the European Bank amounting to EUR 20.000.000 to be realized in two tranches, a long-term loan of EUR 12.000.000 and a revolving loan of EUR 8.000.000. In October and November JGL withdraws the funds of the first tranche in the total amount of EUR 12.000.000. With these funds, long-term loans in commercial banks have been restored and the company's liquidity increased. With favorable financing conditions, the dependence on business banks decreases, making JGL more competitive and liquid.

In addition to the EBRD's credit, the impact on the structure of liabilities is also the new bond issue that was executed in December 2015. The new bond HRJDGLO20CA4 in the amount of HRK 200.000.000 is used to refinance the old bonds HRJDGLO166A1 in the amount of HRK 113.035.000 (maturity in June 2016), and for the closure of short-term loans in commercial banks.

Part of the investors decided to retain old bonds, so part of the short-term liability for securities (HRK 26.965.000) relates to the liability for the principal due on June 10. The remainder of short-term liability for securities refers to obligations on issued bills of exchange. There is a noticeable decrease in suppliers' obligations (up to 30%), which is related to the above-mentioned savings made in 2015, as well as a fall in inventories.

## RISK MANAGEMENT

The Company is exposed to various financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. Below are the financial risks to which the Company is exposed and the ways in which it is hedged.

- Risk of receivables security and non-payment

The Company is exposed to the risk of receivables security and non-payment. The most important customers are wholesalers, which often run with low profit margins and require a large number of days of postponement of payment. Customers have 60 to 150 days of payment delay.

In 2015, the Croatian health care system recovered and the payments are now within 120 days in the pharmacy system, and within 200 days in the hospital and health care system (in the previous years the trend was 180 days in the pharmacy system and 360 days in the hospital and health care system). Although the Company does not deal directly with hospitals and health care system, it is part of the system and so it is This risk is reduced by the increase of export (by reducing the share of the Croatian market in total sales) and portfolio diversification (by reducing the share of prescription drugs in the product portfolio). The risk of receivables security in Croatia is significantly reduced by the market position of the ZU Pablo Company, which supplies its pharmacies from the wholesalers based on the share of said wholesaler in revenue in parent company. Given that JGL's customers are simultaneously suppliers of ZU Pablo, nearly 90 percent of the wholesale sales in Croatia JGL is provided through the supply policy of its subsidiary.

Company JGL is exposed to the risk of non-payment of foreign receivables, this risk is minimized by internal and external methods. Internal methods of protection are diversification of sales to different markets and different buyers within these markets, annual customer creditworthiness check and setting of credit limits.

In order to further protect its receivables, JGL insures customer receivables. Below is an overview of secured amounts by country in 2015.

	2015 (EUR)
<i>RUSSIA</i>	16.500.000
<i>KAZAKHSTAN</i>	1.000.000
<i>UKRAINE</i>	-
<i>BELARUS</i>	250.000
<i>GEORGIA</i>	350.000
<i>OTHER COUNTRIES</i>	1.080.000
<i>TOTAL</i>	<b>19.180.000</b>

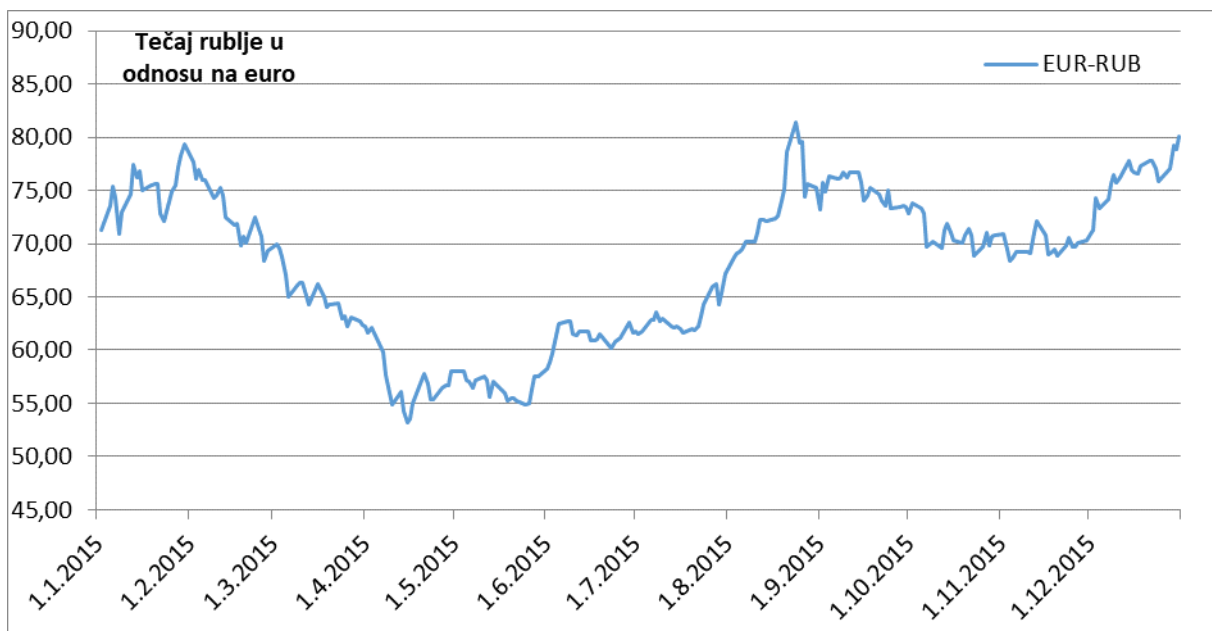
Receivables from all customers with agreed postponement of payment are insured, with the exception of customers in Ukraine and some customers in the CIS and EU regions. In 2014, the insurance company ceased to insure Ukrainian customers due to a difficult political situation in the country. JGL continues to export to Ukraine, but in significantly smaller volumes, most of the turnover is diverted to the neighboring countries of Kazakhstan and Belarus. In 2015, JGL had two insurance claims, thereby reducing the negative impact of bankruptcy on the Company's operations.

- Currency risk

The Company is exposed to the risk of exchange rate fluctuations in foreign currency purchases and sales denominated in foreign currencies. Currency risk is present due to possible changes in foreign exchange rates. The dominant share of the Company's export sales results in currency risk exposure in a way that foreign currency assets exceed the amount of foreign currency liabilities. Currency risk exposure is continuously monitored and, where appropriate, hedging instruments are used. The decision on protection depends on the currency in which the claim is made, as well as the type of risk protection instrument as well as its cost.

The Company invoices the products to almost all Russian customers in Russian rubles. Towards the end of 2014, Russian rubles began to weaken, followed by the EUR-RUB exchange rate.

*EUR-RUB exchange rate trend*



As a hedge for currency risk, the Company uses forward contracts. Although such a hedging instrument is expensive due to the large interest rate differential, forward contracts proved to be a good business decision, which is confirmed by the fact that the fair value of the forward on 31.12.2015 amounted to HRK 22.564.273,78. JGL will continue to use currency risk protection instruments in the future in accordance with best business practice.

- Interest risk

Business activities of the Company expose it to interest rate risk. The Company is minimally exposed to interest rate risk, as most debt is contracted at fixed interest rates, while for short-term financing purposes it uses funds from credit lines with commercial banks that are also arranged under favourable conditions.

### *Uvjeti financiranja – dugoročni krediti i leasing JGL-a na 31.12.2015.*

Creditor	Range of contracted interest rates
HBOR	
EBRD	
Erste & Steiermärkische S-Leasing d.o.o.	
PBZ Leasing d.o.o.	
Unicredit Leasing d.o.o.	From fixed interest rate 3,00% up to 3
Hypo Alpe Adria Leasing d.o.o.	mth EURIBOR + 3,80% - 4,75%
Raiffeisen Leasing d.o.o.	
SG Leasing d.o.o.	
OTP Leasing d.o.o.	
VB Leasing d.o.o.	

In addition to the loan, JGL has interest-bearing liabilities on the bonds HRJDGLO166A1 maturing on June 10, and HRJDGLO20CA4 maturing on 21.12.2020. The interest rate on the HRJDGLO166A1 bonds is variable and is determined on the basis of the average interest rate on the last 4 auctions of annual treasury bills issued by the Croatian Monetary Fund before the end of the period for calculating the interest rate of the current period, provided that the last auction taken into account ended no later than 4 business days prior to the end of the stated period, increased by 2,25% of the Issuer's Risk premium. Interest for a pre-interest period from, and including 10.06.2014. to, but not including 10.06.2015. was 4,25%, while for the period of, and including 10.06.2015. to, but not including 10.06.2016. is 3,75%. Interest on new Bonds HRJDGLO20CA4 is fixed and amounts to 5,8125%.

- Liquidity risk

The liquidity risk is manifested as a danger that the Company will not be able to fulfill its obligations to creditors. The Company manages liquidity risk by maintaining sufficient amount of money and working capital, and by negotiating favourable credit lines in different business banks, allowing rapid withdrawal of short-term assets under favourable conditions.

### *Credit lines in business banks at disposal to JGL-u on 31.12.2015*

Creditor	Range of credit lines (EUR)
Privredna Banka Zagreb d.d.	
Erste & Steiermärkische Bank d.d.	
Raiffeisen Bank Austria d.d.	Approved credit lines are from
Sberbank d.d.	1.500.000 EUR to 4.500.000 EUR
Hypo Alpe Adria Bank d.d.	
Societe Generale – Splitska Banka d.d.	
<b>TOTAL</b>	<b>17.500.000 EUR</b>

- Risk of indebtedness

The risk of indebtedness is a threat faced by companies, and it manifests itself through too high degree of indebtedness and loss of financial flexibility. Over-indebted companies may have problems finding new investors and are faced with the risk of bankruptcy. However, indebtedness is not necessarily bad. If the degree of indebtedness is under control and is regularly monitored over time, and the borrowed funds are used in the right way, indebtedness can result in increased returns on the invested.

The Company minimizes the risk of debt by regulating the share of financing with its own resources in relation to financing from other sources. Financing from other sources is based on long-term assets with extremely favourable interest rates, which does not represent a burden on the Company's liquidity.

Company has long-term loans, leasing and bonds. The Company is most exposed to the risk of indebtedness. In addition to the loan, the parent company has liabilities to the holders of the HRJDGLO20CA4 bond in the amount of HRK 200,000,000.00 due in 2020 and liabilities to the holders of the HRJDGLO166A1 bond in amount of HRK 26.965.000,00 that are due on 10.6.2016.

Liabilities for long-term loans are reduced to two lenders - HBOR and EBRD. Liabilities for long-term loan from HBOR for financing the investment of the new production plant Svilno 2 amounting to HRK 239.298.070,80. This loan was contracted under very favourable conditions, with a four-year term (first repayment of principal is on September 30, 2019). The EBRD's long-term loan is a loan for working capital, approved in the amount of 12.000.000,00 EUR, with the first principal repayment that will be due on 12.3.2016. It is a five-year loan with semi-annual principal repayments, with the first seven repayments paying 50 percent of the loan, while the eighth repayment is the remaining 50 percent (due on September 12, 2019).

To finance equipment, the Company uses financial leasing for four to six years, depending on the type of equipment. Company has at its disposal eight leasing companies and good conditions agreed. For short term loans, the Company uses funds from the approved credit lines with commercial banks.

***Loan structure of JGL on 31.12.2015***

Creditor	Loan amount	Range of interest rates
<b>DUGOROČNI IZVORI</b>		
OBVEZNICA HRJDGLO166A1*	26.965.000,00 HRK	
OBVEZNICA HRJDGLO20CA4	200.000.000,00 HRK	Fixed interest rates
HBOR 37470	208.048.070,80 HRK	3,00% - 5,8125%
HBOR 374701	31.250.000,00 HRK	Variable interest rates
EBRD	12.000.000,00 EUR	3 mth EURIBOR + 3,80% - 4,75%, TZ 364 days + 2,25%
LEASING DRUŠTVA	9.572.334,65 EUR	

*\*Due on 10.06.2016*

## OVERVIEW OF FINANCIAL RESULTS PER PRODUCTION PROGRAMME

In 2015, JGL realized net sales of HRK 513.504.696, representing a correction of 1.5%, which is a sign of stabilization of the market compared to the previous year.

The CIS and JIE regions show a relatively stable situation compared to 2014 while the decrease in realization when compared to 2014 is caused by less realized sales in the Global Markets Region, in the Aqua Maris Program and the Licensing Out and Contractual Production Program.

Regarding the share of sales by region, it has for years been dominated by the CIS Region, which accounted for 65% of net sales in 2015, the SEE Region accounted for 29% of net sales and the Global Markets Region for 6%.

If we look at sales on the markets, there is no change in the ranking of the market list - the largest market, as in 2014, is Russia with 55% of sales, while domestic market accounts for 21% of realized net sales.

The total market of prescription drugs, non-prescription drugs, OTC and dietetics, medical devices and enteral foods (source: IMS) in Croatia in 2015 amounted to HRK 6.490.689.593 and grew 4% compared to 2014. The leading producer was Pliva with HRK 552.615.709 and decreased by 1% compared to the previous year. JGL was 15. with HRK 118.358.884, representing a 3% decrease compared to 2014. MS corrected from 1,95 to 1,82.

Total market naturally amounted to 144.275.087 pieces and grew 2% compared to 2014. Most of the pieces sold by Belupo (19.941.282) and dropped by 2% compared to the previous year. JGL was 9. (4.556.998 pcs) and grew 5% compared to 2014. The MS grew from 3,08 to 3,17.

Manufacturers in 2015 (pieces and financial)	MARKET		JGL			
	Trend 2015/2014		Trend 2015/2014		MS 2015	
	PIECES	FINANCIAL	PIECES	FINANCIAL	PIECES	FINANCIAL
Total	2%	4%	5%	-3%	3,17 (3,08)	1,82 (1,95)
Prescription drugs (all)	-1%	-2%	6%	-8%	3,53(3,31)	2,27 (2,41)
Prescription drugs (pharmacies)	-2%	-7%	6%	-8%	5,40(4,99)	5,60 (5,65)
Non-prescription drugs and dietetics	0%	5%	3%	7%	5,14 (4,96)	4,79 (4,70)

## **PRESCRIPTION DRUG PROGRAMME**

The Company's Prescription Program in 2015 achieved net sales of HRK 124.469.523, a decrease of 7% compared to the previous year. The dominant cause of this correction compared to the previous year is a decrease in realization in the SEE Region and in the domicile market of Croatia, where the price pressure on the drugs on subsidized list is still present, accounting for 54% of the realized sales of the Prescription Program (unchanged structure compared to the previous year).

In the CIS region, there was also a lower sales realization than in the previous year of about 10%, dominating the decline in sales in Russia and Ukraine.

Regarding the structure of the program, the biggest achievements were achieved by groups:

- Medications for the treatment of malignant diseases and immunomodulators - 74% growth (ATK classification L),
- Medications for the treatment of systemic infections - growth of 59% (ATK classification J)

## **NON-PRESCRIPTION PROGRAMME (OTC PROGRAMME)**

In the course of 2015, the Non-prescription Program realized net sales of HRK 111.442.697, which represents a correction of 21% over the previous year.

The exclusion of the brand segment of the Non-prescription Program to Adrialab (daughter company of JGL) influenced the realization of the program on the domestic market, accounting for 51% of net sales in the SEE Region. In all other markets of the SEE Region, the Non-prescription Program has grown compared to the previous year. Most of the impact on the cumulative realization of the Non-prescription Program comes from 30 percent lower realization in the CIS region, where the financial result is 30 percent below realization in the previous year.

Regarding the structure of the program, looking at all markets, significant growth rates in comparison with the previous are realized by a new brand - Vizol S, with a 169% increase over 2014, and probiotic brands - Normia with 14% growth and Prolife with 16% growth, watching all markets in total.



## AQUA MARIS PROGRAMME

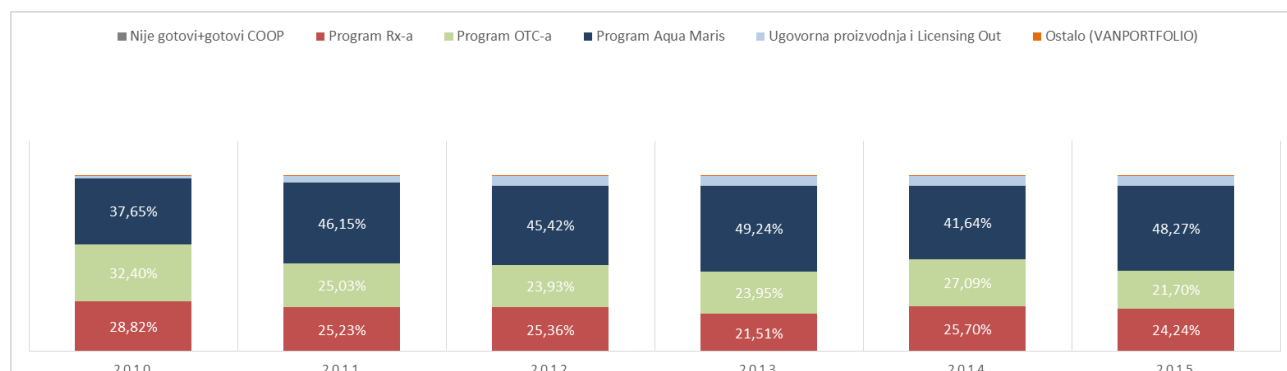
The Aqua Maris program through sales of 2 main brands realized a total of HRK 247.861.931 in 2015, representing a growth of 14,4% over the previous year, a recovery over the previous year's realization and stabilization of the exports. Viewed by structure, the brand Aqua Maris realized 93% of the sale of the Program, ie HRK 231 million, while the much younger Meralys brand earned HRK 18 million.

Regionally, total sales in the CIS region amounted to HRK 230 million, while the SEE Region recorded HRK 16 million in the same period. Compared to the previous year, CIS region recorded 16% growth and the Region of SEE 27% growth. In the Global Markets Region brands are sold through contractual co-operation with local partners. In 2015 this region realized sales of HRK 2.7 million, which is a correction in relation to the previous year.

## LICENSING OUT AND CONTRACTUAL PRODUCTION

The contractual production program generated HRK 28.497.574 which is a decrease of 1% in comparison to the previous year. One of the main reasons for decreased revenues is the decline in sales of Latanoprost by our partner Siegfried and his customers. In line with the previous year, the largest share of sales was in Global Market Region.

### Sales by programs in the period 2010-2015. net (HRK)



## POSITION ON THE LARGEST EXPORT MARKETS

The company's competitive position is ranked on the list of pharmaceutical markets in Russia, Ukraine and Kazakhstan, according to data from relevant independent sources.

- **Competitive position of JGL in Russia**

In the past three years, JGL has been listed with around 2.000 pharmaceutical companies competing in the Russian market, among the top 40 pharmaceutical manufacturers on the market. In 2014, a move up for one position has been achieved, and the same result is repeated in 2015, with JGL taking 38th place. On this list, JGL is among major Western European companies as well as the strongest domestic companies.

Corporation	2013		2014		2015	
	Sum_Euro	Rate	Sum_Euro	Rate	Sum_Euro	Rate
<i>Number of Corporations</i>	1.730		1.896		2.012	
<i>Total</i>	€ 11.743.453.009		€ 10.906.547.510		€ 8.915.065.412	
SANOFI-AVENTIS	587.666.845	1	556.104.053	1	416.210.085	1
NOVARTIS	573.660.334	2	524.944.430	2	396.310.199	2
BAYER	488.389.501	3	453.062.214	3	356.761.866	3
SERVIER	409.875.368	5	378.040.225	4	289.728.738	4
GLAXOSMITHKLINE	418.813.417	4	369.140.778	5	273.943.921	5
TAKEDA	345.591.241	6	329.494.433	6	264.224.629	6
TEVA PHARMACEUTICAL INDUSTRIES LTD	341.657.122	7	307.636.816	7	249.412.711	7
STADA ARZNEIMITTEL AG	297.471.183	10	275.797.420	10	242.126.123	8
A.MENARINI PHARMACEUTICAL INDUSTRY	340.193.862	9	299.578.604	8	240.931.247	9
ОТИСИФАРМ ОАО	340.287.419	8	292.074.046	9	235.968.767	10
GEDEON RICHTER	268.653.787	12	245.879.637	12	215.361.045	11
ABBOTT GMBH & CO.KG	269.500.327	11	251.978.076	11	200.563.385	12
KRKA	232.795.121	14	215.290.088	14	174.419.760	13
JOHNSON & JOHNSON	234.741.143	13	229.302.688	13	174.211.261	14
MERCK & CO INC	212.311.306	16	209.005.549	15	159.857.177	15
ASTELLAS PHARMA INC	210.482.821	17	186.443.357	17	154.339.454	16
ACTAVIS GROUP HF.	156.986.118	21	170.173.367	19	153.588.234	17
ФАРМСТАНДАРТ ОАО	161.867.885	20	147.198.392	22	147.860.439	18
PFIZER	222.249.839	15	205.592.102	16	145.036.045	19
BOEHRINGER INGELHEIM	200.123.944	18	180.320.194	18	128.341.837	20
ВАЛЕНТА ОАО	147.953.350	22	157.234.133	20	122.598.655	21
DR.REDDY'S LABORATORIES LTD	172.894.126	19	149.194.649	21	118.038.207	22
RECKITT BENCKISER	124.932.770	24	124.315.652	23	105.723.578	23
ASTRAZENECA UK LTD	118.324.511	25	120.900.066	24	102.339.036	24
POLPHARMA PHARMACEUTICAL WORKS S	108.255.145	27	100.187.674	26	90.589.985	25
ЭВАЛАР ЗАО	128.564.213	23	106.660.996	25	76.477.909	26
МАТЕРИА МЕДИКА	96.417.988	28	85.646.420	28	74.076.736	27
BIONORICA ARZNEIMITTEL GMBH	91.272.356	29	89.363.359	27	72.692.116	28
Rusfic group	87.603.494	30	78.861.863	30	68.623.087	29
VALEANT PHARMACEUTICALS SWITZERLAN	117.384.801	26	84.741.172	29	67.347.236	30
<b>JADRAN CO</b>	<b>58.788.923</b>	<b>40</b>	<b>57.219.756</b>	<b>39</b>	<b>48.078.084</b>	<b>38</b>

Source: DMS Russia, 2015

- Competitive position of JGL in Ukraine

Looking at the period of the last three years, JGL moved from 75th to 78th in the list of pharmaceutical manufacturers. In times of crisis and unstable political situation, JGL optimizes and occupies 92th place. The reasons are related to investment policy in the war-affected market, as well as the decline in purchasing power that consumers channel to cheaper products in the categories in which the company is present. In the OTC segment of the pharmaceutical market, where JGL d.d. is dominantly present in Ukraine, occupies 52nd place.

Corporation	2013		2014		2015	
	Sum_Euro	Rate	Sum_Euro	Rate	Sum_Euro	Rate
<i>Number of Corporations</i>	1700		1.842		2.021	
<i>Total</i>	€ 2.776.238.449		€ 2.386.242.049		€ 1.661.048.378	
FARMAK	103.121.888	2	93.591.320	2	70.711.987	1
GLAXOSMITHKLINE	107.420.590	1	96.094.973	1	63.009.488	2
MENARINI GROUP	92.170.025	4	85.485.460	3	54.827.175	3
SANOFI	98.164.927	3	77.837.466	4	52.609.379	4
ARTERIUM	62.171.420	10	56.926.055	8	46.554.297	5
DARNITSA	70.078.862	7	62.447.479	5	44.907.999	6
BAYER HEALTHCARE	65.442.914	9	55.865.316	9	42.038.275	7
ZDOROVJE GROUP	48.066.867	14	53.470.839	11	40.269.233	8
NOVARTIS	60.985.890	11	58.050.104	7	38.077.620	9
TAKEDA	81.300.177	5	61.750.552	6	35.667.555	10
GEDEON RICHTER	55.124.733	12	53.280.644	12	33.848.156	11
KRKA	51.767.280	13	48.408.127	14	33.168.542	12
TEVA	76.452.229	6	51.301.396	13	32.204.065	13
SERVIER GROUP	67.715.896	8	54.711.759	10	31.336.839	14
KIEV VITAMIN FACTORY	40.469.980	15	35.164.117	15	30.074.019	15
ABBOTT	37.653.541	18	34.052.028	18	23.683.602	16
ACTAVIS	38.247.878	16	34.486.776	16	23.095.474	17
KUSUM HEALTHCARE	25.377.913	26	26.965.511	20	22.936.411	18
YURIA-PHARM	25.188.093	27	25.460.614	21	22.503.795	19
BORSHCHAHIVSKY CHIMPH	34.121.313	19	28.564.636	19	20.099.005	20
STADA	31.659.577	21	24.976.396	22	19.125.545	21
PHARMASTART UKR	22.075.363	30	21.045.013	28	16.144.599	22
RECKITT BENCKISER	21.959.128	31	20.681.826	29	16.132.608	23
BOEHRINGER INGELHEIM	25.824.914	25	24.715.555	23	15.740.369	24
INTERCHEM UKR	38.074.291	17	24.669.648	24	15.347.002	25
HEEL	16.052.749	36	15.136.070	39	14.595.755	26
SOPHARMA	22.939.864	29	19.422.122	33	14.595.399	27
MERCK SHARP&DOHME	27.261.154	23	22.942.888	26	14.465.733	28
PFIZER INCORPORATED	21.858.175	32	19.839.820	32	14.038.552	29
BIONORICA	24.568.889	28	20.371.514	30	13.530.646	30
<b>JADRAN</b>	<b>6.950.658</b>	<b>75</b>	<b>5.653.622</b>	<b>78</b>	<b>3.444.855</b>	<b>92</b>

Source: SMD Ukraine, 2015

- Competitive position of JGL in Kazakhstan

In the period from 2013 to 2015, JGL has managed to improve its position on the list of pharmaceutical manufacturers for nine places, from 49th to 40th position. The biggest leap in sales was in 2014, while in 2015 it is in stagnation.

Corporation	2013		2014		2015	
	Sum_Euro	Rate	Sum_Euro	Rate	Sum_Euro	Rate
<i>Number of Corporations</i>	796		796		796	
<i>Total</i>	€ 791.992.699		€ 825.620.608		€ 850.785.971	
NYCOMED/TAKEDA	41.232.412	1	42.850.761	1	38.007.191	1
SANOFI-AVENTIS	32.480.080	3	33.896.377	2	33.953.993	2
AKRIKHIN-PHARMA*	25.622.810	6	26.918.829	6	30.833.437	3
GLAXOSMITHKLINE*	35.170.346	2	33.618.646	3	30.035.641	4
BAYER HEALTHCARE	28.719.614	5	28.425.319	4	29.218.844	5
TEVA*	29.189.120	4	26.664.542	7	28.208.389	6
SANDOZ GROUP	24.097.885	8	27.017.178	5	26.196.282	7
MENARINI	25.424.059	7	25.604.650	9	26.022.107	8
GEDEON RICHTER*	23.789.152	10	24.900.449	10	25.353.252	9
ABBOTT*	24.059.734	9	26.116.566	8	25.094.782	10
WORLD MEDICINE	18.695.805	13	21.147.985	11	23.728.955	11
SERVIER*	18.789.426	12	20.799.038	12	22.621.823	12
STADA*	18.937.246	11	17.799.587	14	19.385.221	13
KRKA	15.563.390	14	18.858.154	13	19.295.040	14
UNIDENTIFIED MANUF	13.256.310	16	13.851.563	18	17.784.521	15
DR REDDYS LAB	14.771.834	15	15.615.983	16	16.713.673	16
NOBEL-AFF	11.776.620	17	14.790.936	17	15.799.199	17
ASTELLAS PHARMA*	10.523.178	19	12.146.496	19	12.508.949	18
BOEHRINGER I	9.591.852	23	16.353.584	15	11.790.221	19
BORISOV.ZMP BEL	9.691.161	21	10.024.527	20	10.311.029	20
<b>JADRAN</b>	<b>4.032.518</b>	<b>49</b>	<b>5.274.536</b>	<b>37</b>	<b>5.228.108</b>	<b>40</b>

Source: IMS Kazakhstan, 2015

## INVESTMENTS AND INCENTIVES

### INVESTMENTS

Investments in long term assets in 2015 amount to HRK 158.926.306,73.

Investments in non-tangible assets were HRK 15.578.424,27 of which HRK 1.730.739,35 are investments in computer programs, HRK 557.968,10 for licenses, HRK 8.796.911,61 for registration of own products and HRK 4.492.805,21 for investment in development projects mostly involving Incentive program from Ministry of science, education and sports.

Investments in tangible assets were HRK 143.347.882,46 of which HRK 133.773.151,18 are investments in land, buildings and equipment for the new production facility Svilno 2. HRK 735.799,38 was invested in improvement of functions of other buildings in the property, while the acquisition of manufacturing, IT and transport equipment and furniture amounted to HRK 8.838.931,90.

Investment in long term financial assets of HRK 3.095.639 refer to the payment of the increase of the share capital of JGL North America LLC, while the amount of HRK 6.600.000 relates to the investment in the capital reserves of ADRIALAB d.o.o.

Stated investments do not include advances for long-term assets in amount of HRK 72.685,20.

### INCENTIVES

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 2014 used the tax incentive on that account in the amount of HRK 5.224.293.

## PURCHASE OF OWN SHARES

At the beginning of the period, the company owned 24.828 of its own shares. By the time of profit reinvestment, the Company gained 12.518 shares. On 31.12.2015 the Company had 37.346 own shares in its portfolio.

Called up capital of JGL is divided on 1.184.720 shares, from which 1.147.374 with voting right and remaining are own shares.

- Ownership structure of JGL

Owner	Number of shares	% in capital	% in capital with voting right
Ivo Usmiani	370.834	31,30%	32,32%
Zdravko Saršon	235.196	19,85%	20,50%
Marina Pulišić	53.096	4,48%	4,63%
Trezorske dionice	37.346	3,15%	
Grozdana Božić	29.782	2,51%	2,60%
Vesna Črnjarić	26.162	2,21%	2,28%
Sanja Vujić Šmaguc	21.680	1,83%	1,89%
Đurđica Miletović Forempoher	19.800	1,67%	1,73%
Bruno Mihanović	14.646	1,24%	1,28%
Majid Hejja	14.600	1,23%	1,27%
Small shareholders	361.578	30,53%	31,50%
<b>Total</b>	<b>1.184.720</b>	<b>100,00%</b>	<b>100,00%</b>

The issuer does not have a majority shareholder and there is no possibility of abuse of control.

## EMPLOYEES

The excellence of human resource management is one of the main pillars of the company, with the emphasis on continuous development and the acquisition of new knowledge and skills. Employer Partner Certificate, awarded by Selectio d.o.o., is a project that recognizes, rewards and promotes companies and organizations that have the best human resource management processes in the Croatian labor market. Since JGL is characterized by a successful continuous growth of both revenue and business as well as the number of employees, the company is ranked among the best employers in Croatia.

Particular attention is paid to career development within the company, providing professional education and training programs aimed at developing the skills, skills and abilities needed for new business cycles. Creativity and passion, openness to challenges and faith in the future of employees are the main driver of JGL development.

The year of 2015 was the year of change and reorganization in JGL. Consequently, Human Resource Management projects and activities have followed and implemented executive decisions. With the new management structure with Executive Directors Board, led by the Chief Executive Officer, and the changes in the organizational structure, we strive for a better and more uniform flow of business processes.

### **Total number of employees in JGL on 31 December 2015 was the 719.**

389 employees worked in Croatia (HR), 202 in Russia (RU), 47 in Ukraine (UA), 48 in Kazakhstan (KZ), 15 in Belarus and 18 in the region of Southeast Europe (Bosnia and Herzegovina, Serbia, Macedonia, Kosovo ).

The two biggest markets are Croatia and Russia. During 2015, a total of 127 persons was hired (51 in Croatia and 76 abroad). There are also 140 less persons (56 in Croatia and 84 abroad).

75% of employees are women, while 25% are men. The percentage of highly educated in JGL is 70%, while the average age of employees is 38 years old.

### ***Number of employees in 2014 and 2015***

	HR	BiH	SRB	MK	RKS	RU	KZ	BJE	UA	TOTAL
2014	396	7	5	5	1	218	41	9	51	<b>733</b>
2015	389	9	3	5	1	202	48	15	47	<b>719</b>

*Employees in 2014 and 2015 by gender and education*

	2014	2014	2015	2015
	WOMEN	MEN	WOMEN	MEN
MR.SC.	5	1	6	0
MR.SPEC.	9	2	7	1
DR.SC.	3	0	2	0
VSS	393	112	379	106
MR	4	1	4	1
VŠS	15	9	15	13
SSS	102	54	108	57
VKV	1	1	1	1
KV	4	2	3	2
NSS	12	0	10	0
PK	1	0	1	0
NK	1	1	1	1
<b>TOTAL</b>	<b>550</b>	<b>183</b>	<b>537</b>	<b>182</b>

*Employees in 2014 and 2015 by age*

	2014	2014	2015	2015
	WOMEN	MEN	WOMEN	MEN
0-24	12	13	14	8
25-29	102	36	83	33
30-34	123	47	118	51
35-39	118	37	103	39
40-44	84	26	99	17
45-49	54	11	56	16
50-54	30	4	39	7
55>	27	9	25	11
<b>TOTAL</b>	<b>550</b>	<b>183</b>	<b>537</b>	<b>182</b>



JGL d.d., compared to companies operating in similar environment, during 2015 has not achieved deliveries that are in line with the number of employees. Following the review of the criticality of the process, processes that did not give added value and significant delivery were identified at that time. The processes coincided with workplaces and their carriers.

On 01.10.2015 a decision was made to abolish some processes and jobs, which means that the employees at these jobs were classified as a technological surplus. At the same time, some jobs are optimized in a way that reduces the number of jobholders or employees in the same workplace.

We are aware that these decisions are not easy, but are necessary. The goal of the savings we were forced to spend, alongside the turnaround in strategy, was to increase productivity and provide additional resources for further investment in our production portfolio, brands and our committed markets. We are confident that these decisions are placed in a good position to deliver the company's goals and long-term vision.

## **AWARDS AND RECOGNITIONS**

Acknowledged public trust, which through acknowledgments and awards supported and recognized the efforts and work of JGL employees, further commits to perseverance in the path of sustainable and responsible business in all segments. During the reporting year, JGL did not receive any significant awards, below are mentioned significant awards from previous periods

- 2014. DOP index in the category of large corporate socially responsible businesses in 2013 (HGK and HR PSOR)
- 2014. The fifth place in Croatia for the quality of human resources management system (Selectio d.o.o.)
- 2014 DOP index in the category of large corporate socially responsible businesses in 2012 (HGK and HR PSOR)
- 2014. The Golden Key for Best Exporters in Russia in 2013 (Croatian Exporters Association)
- 2014. Dramina is the best-selling brand in the category of Central and Eastern Europe for 2014 (Nicholas Hall)

## ENVIRONMENT PROTECTION

In 2015 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 2015, JGL continued with the selection and installation of highly environmentally friendly materials in the new production facility - Svilno 2. A particular concern was the setting up of isolation, which meets the highest level of preventing energy waste heat or undesirable energy loss.

Inside building C on the location of Svilno 1, all energy-inefficient lighting was replaced with a new, highly efficient LED lighting. Replacement was funded with 40% by the Fund for Environmental Protection and Energy Efficiency. The total investment was HRK 115.000 and in the period of 12 years it is expected to return the funds through less consumption of electricity. This substitution resulted in a reduction of CO<sub>2</sub> emissions from the previous 16,89 t / year to 9,15 t / year.

Significant breakthroughs in this segment have also been made with the purchase of 30 bicycles for internal communication between the two production sites Svilno 1 and Svilno 2. In this way, employees are encouraged to use bicycles instead of using a car to go from one location to another. This also reduces CO<sub>2</sub> emissions and environmental pollution. In addition, 10 hybrid vehicles were also purchased for departures to other locations or official routes.

JGL at the end of 2015, started with the introduction of the ISO 50001: 2011, energy management system, which will further stimulate savings in the consumption of all types of energy. Same implementation and certification is scheduled for mid 2016.

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.

Introduced system - a software solution (WasteControl) 2013 for waste management represents the foundation and backbone Company's waste management. Earlier this year, JGL signed new contracts with authorized service providers in the environmental and waste management and with selection of the most competent partner JGL wants to maintain a high level of quality in waste management and environmental protection.

JGL received an award from our electricity supplier (HEP) for being the first purchaser of ecological program ZelEn in region - West. In order to encourage sustainable economic growth in the region, JGL started using the HEP's ecological program ZelEn, and since then uses energy exclusively generated from renewable sources in all locations in Croatia. JGL is one of twenty Croatian companies that in this way demonstrated social responsibility and care for the environment, and therefore JGL is proud to be called "ZelEn – nature's friend".

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 year 2015, the Ministry of Environmental Protection and Nature was inspected by the Ministry of Environmental Protection and Nature where no irregularities were identified and the inspector praised the work and commitment to good environmental care.

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 2015 numerous measures were taken and the pre-existing state of work safety was implemented.

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 2014.

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:

- Work safety training

Work safety related knowledge of all employees is constantly being evaluated. In 2015, in JGL 18 employees were educated in the theory and practice of how to work safely (including fire protection), 134 persons employed in special-function jobs performed medical examinations at a specialist in occupational medicine. In addition to the professional assistance of ZNR and ZOP, employers (department heads) for the implementation of safety at work have informed the other employees about possible dangers and damages, as well as preventive measures that are eliminated or brought to a minimum.

Firstly, new employees are educated in occupational safety through GMP program. Secondly, employees learn about the potential hazards and work safely as part of GMP 1 education. The

final part of the training in the field of occupational safety and health is education based on the program approved by the Ministry of Economy, Labour and Entrepreneurship, which consists of theoretical and practical part and is carried out by a professional. For managers an additional training is organized with a goal to implement consideration and sense of importance of work health and safety for the satisfaction of employees and to additionally contribute to the success of the company.

The activities of work safety in 2015 were, among other things, focused on the extension of the autonomous acts in the field of occupational safety and health, participation in working groups during the construction of new and reconstruction of existing facilities and the purchase of new machinery and equipment.

- Constant health surveillance

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

- Taking care of work tools

In 2015, 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 2015, a number of targeted and complete surveillances were performed and where failures were noticed, instructions were given and deadlines established for their elimination.

As for the external oversight exercised by the State Inspectorate of work safety, one oversight was conducted in 2015 with an emphasis on implementation of basic and special measures for safety. The controls were detailed and without objections.

During the last five years (2011 - 2015) a total of 14 injuries were registered at work. No case of professional illness was registered.

Number of injuries with respect to the injury site for the past five years 2011-2015

Year	At work	On route from home to work and vice versa	Total
2011	3	0	3
2012	2	1	3
2013	3	2	5
2014	2	0	2
2015	1	0	1

The number of injuries was reduced in relation to the number of employees. In 2015, one work injury was recorded that was classified as lighter injury.

## RESEARCH AND DEVELOPMENT

The research and development within the parent company in 2015 was organized by research and development activity groups, followed by microorganisation through the following business units:

- Research and Preformulation
- Formulation Development
- Development of analytical processes
- Development of Stability
- R & D Office

Planned goals for R&D in 2015:

- development of new products
- improvement of products from the existing portfolio
- process optimization
- employee competency and process expertise increase

Activities based on work hours

- work on new products – 40%.
- non-portfolio activities - 35%
- work on improvement of products from the existing portfolio - 12%

In 2015, there were about 200 different forms / doses / packs of products and raw materials grouped into more than 70 different brands, and all pharmaceutical forms of the JGL portfolio were included. As part of the activity of improving the existing portfolio, during 2015 several major topics were covered, of which part is transferred in 2016.

The development of new products was planned and accordingly, in 2015, there were 21 projects for the development of new products managed by four managers. In addition, during 2015, the activities of intensive co-operation in the knowledge transfer field continued, especially in cooperation with the Rijeka University and the Biotechnology and Drug Research University.

## **INVESTMENT IN R & D**

Cost planned for R&D in 2015 was HRK 7.947.816, while realized cost is HRK 7.788.106, which represents 98% of the 2015 plan (for comparison, the realization in 2014 was HRK 8.888.156). Capital investments were relatively low. They relate mainly to some production equipment and amounted to EUR 40.322 or 15% of the planned EUR 264.501.

The strategic focus of R&D in the forthcoming period should continue to be on the development of new products and completion of development projects within the planned deadline, whether it is their own development, whether it is technology transfer or collaborative development. Given the very active process of introducing new BoV technology to JGL, the focus will be on the introduction of new technology, its application to existing products as well as the improvement of the existing portfolio.

## **FUTURE DEVELOPMENT**

An integral part of JGL's business policy is reliance on self-developed products. The company is for 17 years present with the brand Aqua Maris in more than 30 world markets, holding 9 percent of the world market. The successful Aqua Maris business story continues with innovation, through a brand developed on the basis of sea water - Meralys. The strategy within Meralys is successfully achieved through its own JGL operations and registrations in EU countries, numerous contracts have been signed with strategic partners on co-operation and commercialization of products in numerous global markets.

Another strategic segment, that is a natural one in the context of the senses, but also in context of advanced technology platform, the ophthalmic portfolio, makes a wide range of CHC (Consumer Healthcare) products, where JGL first develops artificial tears (sodium hyaluronic acid) without preservatives in the multidose packaging under the brand Vizol S, and prescription drugs where JGL offers generic versions of leading antiglaucoma and antiinfectives (Moxacin, Dorzol, Glaumax, Latanox, Bimanox). In this strategic segment, JGL is working intensively on introducing new products and thus achieving its strategic goal.

With a constant guiding light - seawater, JGL has also developed a new generation formula for a prescription drug portfolio. Products are currently under development, while aimed at continuous growth and development of the company they also include the dermatological segment, in the direction of technological innovation and recognition of market opportunities.

In addition to capitalizing on products developed by the company with its own knowledge and expertise, JGL's rapid organic growth is partly based on B2B business where selected segments and cluster regions where the company can quickly earn revenue, but also strategically develop their competitive position. Differentiation versus competitors in selected segments must be such that it is interested in partners but also that it contains the potential of long-term sustainable business in the segment.

Licensing is a well-known process in the pharmaceutical industry, where large multinational organizations, as well as smaller or medium-sized companies, participate equally, and JGL uses it as a growth generator and tool for opening new segments for over twenty years.

The great importance of licensing co-operation is present in generic drug business, one of JGL's major revenue on Southeast Europe. By licensing a significant number of products from different therapeutic areas, focusing on cardiovascular drugs, digestive system drugs, CNS, antibiotics, antiinfectives and antialergics, JGL has secured the position of one of the leading generic companies in Croatia and the rest of the region.

JGL has developed a licensed collaboration to develop a reliable product quality tracking system that includes regular inspections of all licensed partners, an analysis of all licensed products being placed on the market, ensuring that the patient and the end consumer use a high quality and safe product.

Future licensing projects are based on innovative formulations and new generation medicines that show rapid financial growth. Also, JGL emphasizes the importance of OTC drugs, dietary supplements and medical products complementary to the portfolio of companies, adding value and presenting a valuable extension to the existing portfolio through licensing.

To conclude, the competitive strategy in the BD business segments is predominantly based on co-operation, because here we can be better than competitors. We will build the company's image through partnerships, successfully completed projects and established brands, and we must endeavor to keep track of the trends in targeted segments in the markets with holding price competitiveness.

We believe that we continue to have the power to independently realize the set strategic goals, while respecting the sustainability and development prospects. In the market environment in which we do business, we are constantly measuring, we see what we are better than competitors, but also we are not good at seeing what we have to change to be able to survive in the long run.

Given the significantly strengthened technology platform, obtained certificates that confirm the quality of our products as well as business processes, we are confident that we can realize different models of collaboration with partners, which is a prerequisite for successful realization in global markets.

#### Expected sales of product from own development from 2016 to 2020 (in EUR)

	2016.	2017.	2018.	2019.	2020.
Proizvodi vlastitog razvoja	3.928.760	6.798.701	12.726.349	21.443.887	24.810.067

**JADRAN - GALENSKI LABORATORIJ**  
**joint stock company**  
**R I J E K A**  
**Svilno 20**  
**MANAGEMENT BOARD**  
**1. Convocation**

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According to article 26 paragraph 1 subparagraph 12 of the Statute of Jadran - Galenski laboratorij, joint stock company from Rijeka, on the 1. convocation, held on 05th May 2016 under the point 5 of the daily agenda was:

**“Consideration of yearly financial reports for 2015, composed by the Executive Directors for period 01.01.-31.12.2015 and determination of yearly financial reports of the Company for period of 01.01.-31.12.2015”**, and this decision was made:

**DECISION**

**I**

The Management Board of Jadran - Galenski laboratorij, joint stock company confirms the validity of financial reports of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2015 as composed by the Executive Directors.

**II**

Management Board of Jadran - Galenski laboratorij, joint stock company determined the financial reports of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2015.

**III**

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

**PRESIDENT OF THE MANAGEMENT BOARD**

IVO USMIANI, mag. pharm. .spec.





**JADRAN - GALENSKI LABORATORIJ**  
**joint stock company**  
**R I J E K A**  
**Svilno 20**  
**MANAGEMENT BOARD**  
**1. Convocation**

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Management Board of JADRAN – GALENSKI LABORATORIJ, joint stock company, according to article 280 of the Croatian Company Law, on the 1. convocation, held on 05th May 2016 made a decision with which it is suggested to the General Assembly of the Company the adoption of the following

**DECISION**  
**on use of profit made in 2015**

**a)**

It is determined that the Company in year that ended 31.12.2015 retained profit in amount of HRK 19.749.095,72.

**b)**

Profit of the Company in amount of HRK 19.749.095,72 is allocated to other reserves of the Company to cover costs of development that are not yet written off as shown in the assets position in the balance sheet.

**c)**

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

**PRESIDENT OF THE MANAGEMENT BOARD**

IVO USMIANI, mag. pharm. .spec.

