



Semi-annual management report JGL Group | 2018.



Attachment 1.

Period:

1.1.2018

to

30.6.2018

Quarterly financial report TFI-PODRegistration number (MB): **03715957**Registration number (MBS): **040004561**Personal identification
number (OIB): **20950636972**Company: **JGL d.d.**Postal code and city: **51000****Rijeka**Address: **Svilno 20**e-mail: jgl@jgl.hrInternet address: www.jgl.hrCode and name of city: **373** **Rijeka**Code and name of county: **8** **Primorsko-goranska**Number of employees **953**

(at the end of the period)

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

Companies in consolidation (in acc. with IFRS):

Headquarters:

MB:

Farmis d.o.o.**Sarajevo, BIH****JGL d.o.o. Beograd- Sopot****Beograd, Srbija****Jadran-Galenski laboratorij Ljubljana d.o.o.****Ljubljana, Slovenija****JGL North America LLC****Raleigh, SAD****JADRAN LLC Moskva****Moskva, Rusija****Adrialab d.o.o.****Rijeka****04071417****Pablo d.o.o.****Zagreb****1162772****Pablo zdravstvena ustanova za ljekarničku
djelatnost****Zagreb****1487434**

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.hrSurname and name: **Vučić Mislav**

(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.

M.P.

(Person authorized to represent - signature)

CONSOLIDATED BALANCE SHEET
on 30th June 2018

JGL d.d.			
Position	ADP mark	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SHAREHOLDERS EQUITY, NON-PAID	001		
B) LONG TERM ASSETS (003+010+020+029+033)	002	607.329.195	614.856.258
I. INTANGIBLE ASSETS (004 - 009)	003	94.847.827	98.730.094
1. Expenditure for research and development	004	13.292.844	12.477.288
2. Patents, licences, concessions, trademarks, software and other rights	005	28.910.744	27.722.145
3. Goodwill	006	21.141.476	20.209.792
4. Advances on intangible assets	007	0	0
5. Intangible assets-construction in progress	008	24.502.508	31.073.576
6. Other intangible assets	009	7.000.255	7.247.293
II. TANGIBLE ASSETS (011 - 019)	010	499.130.180	501.836.946
1. Land	011	41.684.006	41.686.343
2. Buildings	012	251.245.940	247.776.835
3. Equipment and machinery	013	168.513.182	165.041.366
4. Tools, power stock and transportation means	014	14.660.573	13.534.306
5. Biological assets	015	0	0
6. Advances on tangible assets	016	12.045	16.527
7. Tangible assets-construction in progress	017	5.301.090	16.068.225
8. Other tangible assets	018	842.480	842.480
9. Investments in real estate	019	16.870.864	16.870.864
III. LONG TERM FINANCIAL ASSETS (021 - 028)	020	1.778.071	1.329.769
1. Shares in affiliated companies	021	0	0
2. Loans to affiliated companies	022	0	0
3. Participating interest	023	1.744.747	1.296.978
4. Loans to companies with participating interest	024	0	0
5. Securities investments	025	0	0
6. Given loans, deposits	026	33.324	32.791
7. Other long term financial assets	027	0	0
8. Investments (equity method)	028	0	0
IV. RECEIVABLES (030 - 032)	029	55.751	54.941
1. Receivables from affiliated companies	030	0	0
2. Receivables from sales on credit	031	0	0
3. Other receivables	032	55.751	54.941
V. DEFERRED TAX ASSETS	033	11.517.366	12.904.508
C) SHORT TERM ASSETS (035+043+050+058)	034	533.727.227	499.153.643
I. INVENTORIES (036 - 042)	035	169.610.951	213.343.832
1. Raw and other material	036	47.595.410	66.828.919
2. Production in progress	037	91.435	159.470
3. Finished products	038	72.846.833	87.371.871
4. Trade goods	039	36.334.196	46.252.961
5. Advances on inventories	040	0	0
6. Long term assets for sale	041	12.743.077	12.730.611
7. Biological assets	042	0	0
II. RECEIVABLES (044 - 049)	043	326.984.475	248.503.909
1. Receivables from affiliated companies	044	0	0
2. Receivables from buyers	045	316.795.955	224.631.520
3. Receivables from participating companies	046	0	0
4. Receivables from employees and subsidiaries	047	34.844	93.347
5. Receivables from government and other institutions	048	4.687.034	13.026.570
6. Other receivables	049	5.466.642	10.752.472
III. SHORT TERM FINANCIAL ASSETS (051 - 057)	050	12.529.106	5.692.611
1. Shares in affiliated companies	051	0	0
2. Loans to affiliated companies	052	0	0
3. Participating interest	053	0	0
4. Loans given to companies with participating interest	054	0	0
5. Securities investment	055	0	0
6. Given loans, deposits	056	12.529.106	5.670.620
7. Other short term financial assets	057	0	21.991
IV. CASH AT BANKS AND IN HAND	058	24.602.695	31.613.291
D) PREPAYMENTS AND ACCRUED INCOME	059	3.957.691	3.182.734
E) TOTAL ASSETS (001+002+034+059)	060	1.145.014.113	1.117.192.635
F) OFF BALANCE SHEET ITEMS	061	90.699.842	90.463.231

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	523.907.116	510.981.733
I. CALLED UP CAPITAL	063	118.472.000	118.472.000
II. CAPITAL RESERVES	064	13.651.334	13.651.334
III. INCOME RESERVES (066+067-068+069+070)	065	32.384.390	39.057.837
1. Compulsory reserves	066	29.200.363	35.873.810
2. Reserves for treasury shares	067	8.742.848	8.236.348
3. Treasury shares (deductible)	068	7.699.600	7.193.100
4. Statutory reserves	069	0	0
5. Other reserves	070	2.140.779	2.140.779
IV. REVALUATION RESERVES	071	0	0
V. RETAINED PROFIT OR TRANSFERRED LOSS (073-074)	072	293.586.070	358.562.661
1. Retained profit	073	293.586.070	358.562.661
2. Loss for current year	074	0	0
VI. PROFIT/LOSS FOR CURRENT YEAR (076-077)	075	65.813.322	-18.762.099
1. Profit for current year	076	65.813.322	0
2. Loss for current year	077	0	18.762.099
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 - 082)	079	1.093.963	1.093.963
1. Provisions for retirement and similar expenditures	080	849.963	849.963
2. Provisions for taxes and contributions	081	0	0
3. Other provisions	082	244.000	244.000
C) LONG TERM LIABILITIES (084 - 092)	083	434.562.261	415.589.990
1. Liabilities for affiliated companies	084	0	0
2. Liabilities for loans, deposits	085	0	0
3. Liabilities for bank loans and other financial institutions	086	301.637.886	282.547.858
4. Liabilities for advances	087	0	0
5. Accounts payables	088	0	0
6. Securities payables	089	129.292.060	129.411.290
7. Liabilities for companies with participating interest	090	0	0
8. Other long-term liabilities	091	0	0
9. Deferred tax liability	092	3.632.315	3.630.842
D) SHORT-TERM LIABILITIES (094 - 105)	093	174.099.297	172.439.321
1. Liabilities for affiliated companies	094	0	0
2. Liabilities for loans, deposits	095	0	0
3. Liabilities for bank loans and other financial institutions	096	18.707.087	10.319.298
4. Liabilities for advances	097	505.746	990.673
5. Accounts payables	098	121.135.146	133.285.308
6. Securities payables	099	3.700.000	5.900.000
7. Liabilities for companies with participating interest	100	0	0
8. Liabilities for employees	101	7.541.093	7.329.360
9. Liabilities for taxes, contributions and other	102	11.310.961	6.347.120
10. Liabilities for shares in result	103	21.768	6.687.702
11. Liabilities for short term assets intended for sale	104	0	0
12. Other short term liabilities	105	11.177.496	1.579.860
E) ACCRUALS AND DEFERRED INCOME	106	11.351.476	17.087.628
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.145.014.113	1.117.192.635
G) OFF BALANCE SHEET ITEMS	108	90.699.842	90.463.231
APPENDIX TO THE BALANCE SHEET (to be filled by the company drafting the annual consolidated financial statement)			
A) CAPITAL AND RESERVES			
1. Assigned to holders of the capital of the parent company	109	523.907.116	510.981.733
2. Assigned to minority interest	110		

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

CONSOLIDATED INCOME STATEMENT
from 1st January 2018 and 30th June 2018

JGL d.d.

Position	ADP mark	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. BUSINESS REVENUE (112+113)	111	439.608.914	0	349.323.420	0
1. Sales revenue	112	283.538.147		340.171.440	
2. Other operational revenue	113	156.070.767		9.151.980	
II. BUSINESS EXPENSE (115+116+120+124+125+126+129+130)	114	382.129.398	0	345.768.877	0
1. Change in value of inventories for production and goods	115	-172.573		-13.925.594	
2. Operating expense(117 - 119)	116	262.138.052	0	246.915.624	0
a) Cost of raw material	117	82.442.513		98.077.687	
b) Costs of goods sold	118	59.709.561		72.885.506	
c) Other external costs	119	119.985.978		75.952.431	
3. Expense for employees (121 - 123)	120	73.774.281	0	73.844.864	0
a) Net salaries and wages	121	47.132.942		46.060.392	
b) Taxes, social and pension funds	122	14.511.172		15.875.358	
c) Contributions for salaries	123	12.130.167		11.909.114	
4. Depreciation	124	20.021.799		17.855.379	
5. Other expense	125	16.258.358		15.508.535	
6. Revalorisation (127+128)	126	0	0	4.499	0
a) of long term assets (excluding financial assets)	127				
b) of short term assets (excluding financial assets)	128	0		4.499	
7. Provisions	129	1.898.606		0	
8. Other operational expenses	130	8.210.875		5.565.570	
III. FINANCIAL REVENUE (132 - 136)	131	15.545.104	0	2.284.660	0
1. Interests, exchange rate differentials, dividends and similar	132	0		0	
2. Interests, exchange rate differentials, dividends and similar	133	11.739.878		2.283.553	
3. Revenue from participating interest and subsidiaries	134				
4. Non-realized revenue	135	3.122.667		0	
5. Other financial revenue	136	682.559		1.107	
IV. FINANCIAL EXPENSE (138 - 141)	137	43.647.061	0	24.627.339	0
1. Interests, exchange rate differentials, dividends and similar	138	158.394		0	
2. Interests, exchange rate differentials, dividends and similar	139	32.109.421		24.618.923	
4. Non-realized loss from financial assets	140	0			
5. Other financial expenses	141	11.379.246		8.416	
V. SHARE IN PROFIT FROM AFFILIATED COMPANIES	142	24.356		26.037	
VI. SHARE IN LOSS FROM AFFILIATED COMPANIES	143				
VII. EXTRAORDINARY REVENUE	144				
VIII. EXTRAORDINARY EXPENSE	145				
IX. TOTAL REVENUE (111+131+142 + 144)	146	455.178.374	0	351.634.117	0
X. TOTAL EXPENSES (114+137+143 + 145)	147	425.776.459	0	370.396.216	0
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	29.401.915	0	-18.762.099	0
1. Profit before tax (146-147)	149	29.401.915	0	0	0
2. Loss before tax (147-146)	150	0	0	18.762.099	0
XII. INCOME TAX	151				
XIII. PROFIT OR LOSS OF THE PERIOD (148-151)	152	29.401.915	0	-18.762.099	0
1. Profit of the period (149-151)	153	29.401.915	0	0	0
2. Loss of the period (151-148)	154	0	0	18.762.099	0
APPENDIX TO INCOME STATEMENT Form (to be filled by the company drafting the annual consolidated financial statement)					
XIV. PROFIT OR LOSS OF THE PERIOD					
1. Assigned to holders of the capital of the parent company	155	29.401.915		-18.762.099	
2. Assigned to minority interest	156	0			
REPORT OF OTHER COMPREHENSIVE INCOME (to be filled by the company in accordance with the IFRS)					
I. PROFIT OR LOSS OF THE PERIOD (= 152)	157	29.401.915		-18.762.099	
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (159 do	158	0	0	0	0
1. Exchange rate differentials from foreign business calculations	159				
2. Changes in revalorisation reserves for long term tangible and	160				
3. Profit or loss from revalorisation of financial assets intended for	161				
4. Profit or loss from efficient cash flow protection	162				
5. Profit or loss from efficient investment protection	163				
6. Share in comprehensive profit/loss of affiliated companies	164				
7. Actuarial profit/loss according to planed income	165				
III. TAX ON OTHER COMPREHENSIVE PROFIT OF THE PERIOD	166				
IV. OTHER NET COMPREHENSIVE PROFIT/LOSS OF THE PERIOD	167	0	0	0	0
V. COMPREHENSIVE PROFIT/LOSS OF THE PERIOD (157+167)	168	29.401.915	0	-18.762.099	0
APPENDIX TO REPORT OF OTHER COMPREHENSIVE INCOME Form (to be filled by the company drafting the annual consolidated					
VI. COMPREHENSIVE PROFIT OR LOSS OF THE PERIOD					
1. Assigned to holders of the capital of the parent company	169	29.401.915		-18.762.099	
2. Assigned to minority interest	170				

CASH FLOW STATEMENT - Indirect method
for the period from to

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

CASH FLOW STATEMENT - Direct method
For the period from 1st January 2018 till 30st June 2018

JADRAN-GALENSKI LABORATORIJ - GROUP			
Position	ADP mark	Previous period	Current period
1	2	3	4
CASH FLOW FROM BUSINESS ACTIVITIES			
1. Cash proceeds from buyers	001	701.615.912	434.986.685
2. Cash proceeds from royalties, fees, commissions, etc	002	24.356	26.037
3. Cash proceeds from insurance claims	003	253.336	462.409
4. Cash proceeds from tax return	004	5.532.145	7.063.735
5. Other cash proceeds	005	142.378	2.288.705
I. Total increase of cash flow from operating activities (001 - 005)	006	707.568.127	444.827.571
1. Cash outflow for liabilities	007	268.055.213	285.196.395
2. Cash outflow for employees	008	53.455.787	54.321.540
3. Cash outflow to insurance for indemnification of damage	009		
4. Cash outflow for interests	010	13.343.528	9.090.511
5. Cash outflow for taxes	011	27.388.014	30.217.919
6. Other cash outflow	012	10.145.628	12.124.727
II. Total cash outflow from business activities (007 do 012)	013	372.388.170	390.951.092
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (006-013)	014	335.179.957	53.876.479
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (013-006)	015	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash proceeds from sale of long terms intangible and tangible assets	016	1.622.081	3.763.633
2. Cash proceeds from sale of equity and debt security instruments	017		
3. Cash proceeds from interest payment	018	6.618	138.949
4. Cash proceeds of dividend payment	019		
5. Other cash proceeds from investing activities	020	992.529	87.583.622
III. Total cash inflow from investing activities (015 - 019)	021	2.621.228	91.486.204
1. Cash outflow for acquisition of long term tangible and intangible assets	022	5.032.408	9.945.946
2. Cash outflow for acquisition of equity and debt security instruments	023		
3. Other cash outflows from investing activities	024		81.580.544
IV. Total cash outflow from investing activities (021 - 023)	025	5.032.408	91.526.490
B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)	026	0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)	027	2.411.180	40.286
CASH FLOW FROM FINANCE ACTIVITIES			
1. Cash inflow from issuing equity and debt financial instruments	028	0	0
2. Cash inflow from loan principals, debentures, credits and other borrowings	029	0	0
3. Other cash inflows from finance activities	030	24.250.105	22.034.598
V. Total cash inflow from finance activities (027 - 029)	031	24.250.105	22.034.598
1. Cash outflow for repayment of loan principal and bonds	032	160.738.520	34.249.913
2. Cash outflow for dividend payment	033		
3. Cash outflow for finance lease	034	8.473.348	11.430.782
4. Cash outflow for buyback of own shares	035	7.063.500	2.969.900
5. Other cash outflow from finance activities	036	40.008.101	20.209.600
VI. Total cash outflow for finance activities (031 - 035)	037	216.283.469	68.860.195
C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)	038	0	0
C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)	039	192.033.364	46.825.597
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	040	140.735.413	7.010.596
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	041	0	0
Cash and cash equivalents at the beginning of the period	042	19.877.304	24.602.695
Increase of cash and cash equivalents	043	140.735.413	7.010.596
Decrease of cash and cash equivalents	044		
Cash and cash equivalents at the end of the period	045	160.612.717	31.613.291

CHANGES IN EQUITY
for the period from **1.1.2018** to **30.6.2018**

Position	ADP mark	Previous period	Current period
1	2	3	4
1. Called up capital	001	118.472.000	118.472.000
2. Capital reserves	002	13.651.335	13.651.334
3. Reserves from equity	003	32.384.390	39.057.837
4. Retained profit or transferred loss	004	296.313.319	358.562.661
5. Profit or loss of the period	005	29.401.915	-18.762.099
6. Revalorisation of long term tangible assets	006		
7. Revalorisation of long term intangible assets	007		
8. Revalorisation of financial assets for sale	008		
9. Other revalorisation	009		
10. Total capital and reserves (ADP 001 - 009)	010	490.222.959	510.981.733
11. Exchange rate differentials from foreign net investments	011		
12. Current and deferred tax	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of errors from past periods	015		
16. Other changes in equity	016	15.449.674	-12.925.383
17. Total increase or decrease of equity (ADP 011 - 016)	017	15.449.674	-12.925.383
17.a Assigned to holders of the capital of the parent company	018		
17. b Assigned to minority interest	019		

Positions that reduce capital are entered with a negative sign

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

Notes

(1) Notes contain additional and supplemental information that is not presented in the balance sheet, income statement, cash flow statement and statement of changes in equity in accordance with the provisions of the relevant financial reporting standards.

The presented financial results of the JGL Group include two aspects.

*The first aspect is related to the core business of the Group – the manufacture and sale of pharmaceuticals. **In order to provide a clearer and simpler presentation of core business results and facilitate the comparison of results with previous periods, we are introducing the term JGL Pharma**, which includes the parent company and all affiliated companies that are engaged in core business. Therefore, members of the Group that have different activities are excluded from the JGL Pharma category, which **in this case** is Adrialab d.o.o. (a spin-off company focusing on cosmetics and dietetics), and Pablo d.o.o. and ZU Ljekarna Pablo (pharmacy business).*

The second aspect is related to one-off transactions that marked the business period of 2016 and 2017. One-time revenues and expenditures related to the portfolio sale in Russia have been excluded from the profit and loss account overview called “JGL Pharma normalised” in order to compare JGL Group’s business in 2018 with previous time periods more realistically.



TABLE OF CONTENTS

SUMMARY.....	2
OVERVIEW OF THE RESULTS AND THE GENERAL STATE OF JGL PHARMA, Normalized	3
OVERVIEW OF THE RESULTS AND THE GENERAL STATE OF JGL GROUP	5
OVERVIEW OF THE RESULTS AND THE GENERAL STATE OF JGL d.d.....	7
IMPORTANT BUSINESS EVENTS	9
JGL GROUP MEMBERS	9
IMPORTANT TRANSACTIONS	9
PURCHASE OF SHARES	10
NUMBER OF EMPLOYEES	10
SALES RESULTS IN KEY MARKETS	11
SALES RESULTS OF KEY BRANDS	12
AQUA MARIS	13
MERALYS	14
DRAMINA.....	15
VIZOL S	16
B2B.....	17
PHARMACY BUSINESS SEGMENT	18
ZU LJEKARNA PABLO	18
COSMETICS AND DIETETICS SEGMENT	18
ADRIALAB d.o.o.....	18
RISKS, EXPOSURE AND PROTECTION	19
CURRENCY RISK	19
INTEREST RATE RISK	19
LIQUIDITY RISK	19
RISK OF DEBT	19
FUTURE DEVELOPMENT OF THE COMPANY.....	21

SUMMARY

VISIBLE INITIAL RESULTS OF THE BUSINESS TRANSFORMATION

- Double-digit **sales revenue growth**: +27% JGL Pharma, and +20% JGL Group
- Strong EBITDA growth¹: from **HRK -19.8 million** to **HRK +18.6 million¹ (HRK +38,4 million)**
- Regained **operating profitability** in the first half of the year (6.9% of EBITDA margin)¹
- Pre-tax loss reduced by HRK 47 million
- Double-digit EBITDA margin rate of **14%²**
- **Net debt reduced** through the company's liquidity by prepayment of an EBRD loan in the amount of **HRK 33.2 million**
- Completed process of decreasing inventory with Russian customers
- **17 new markets** opened
- **28 new products launched**, 36 first application approvals obtained
- **12 projects developed by the company**

¹ normalised

² normalised, MAT (*Moving Annual Total*) = in the last 12 months

OVERVIEW OF THE RESULTS AND THE GENERAL STATE OF JGL PHARMA, Normalized

<i>in million HRK</i>		
	30/06/2017	30/06/2018
TOTAL REVENUE	228.1	271.6
OPERATING REVENUE	214.7	269.3
EBITDA	-19.8	18.6
PROFIT BEFORE TAXATION	-68.2	-20.7
EBITDA MAT	-56.0	90.8
MAT OPERATING REVENUE	426.9	648.9
EBITDA MARGIN	-13.11%	14.00%
NET DEBT	417.8 ³	387.7
NET DEBT / EBITDA MAT	-7.46	4.27
EBITDA MAT / CAPITAL	0.81 ³	0.78
DEBT RATIO	0.50 ³	0.51
COEFFICIENT OF CURRENT LIQUIDITY	0.20 ³	0.22

Source: JGL

In the first half of 2018, the JGL Group realized a revenue of HRK 349.3 million from its business activities, of which HRK 269.3 million came from its core business – pharmaceuticals.

When looking at the normalized data, there is visible growth in business revenue of 25%, rise in business expenses by 5%, and a significant decrease in operating loss when compared to the previous period. There is also visible progress in all business indicators, from liquidity, through debt, to a strong increase in profitability.

Significant changes in JGL's assets are visible in the area of short-term assets in the sense of reducing trade receivables, resulting from faster collection of receivables. With regard to liabilities, there is a noticeable decrease in long-term and short-term liabilities to banks and leasing. Namely, the surplus of liquid assets is directed at the early repayment of the long-term EBRD loan in the amount of HRK 33.2 million.

The markets of Russia, Ukraine and Croatia contributed the most to the increase in pharmaceutical business revenue at a 25 percent rate compared to the same period last year. Russia's revenue growth is the result of an increase in the market share of all of our key brands. In addition to the excellent results of the Russian market, which has successfully completed the multi-year inventory reduction process, significant growth rates were also recorded in the market of Ukraine, which has experienced a significant recovery since the crisis outbreak, and in the first half of the year it recorded a growth of as much as 90% compared to the same period in 2017.

³ amounts as of 31 December 2017 were used for values in the balance sheet

Semi-annual management report JGL Group | 2018.

On the Croatian market, JGL grew faster than the market in the OTC segment (OTC medications and dietary supplements), boosting overall business growth, despite the pressures on prescription drug prices.

Looking only at the second quarter of 2018, JGL Pharma experienced a 19% sales growth, which was also generated mostly by the markets of Russia and Ukraine.

This second-quarter result is the result of several trends:

- Very good acceptance of our two allergy products – Aqua Maris 4Allergy and Vizol S Allergy;
- Continuous growth of the dermatological portfolio in Russia and high rates of ophthalmic portfolio growth in Ukraine and Kazakhstan; and
- The growth of OTC business in Croatia, which is growing faster than the market, especially in the case of Reflstat.

In general, such results are an excellent indicator of reducing dependence on the flu and cold seasons, which gives the strongest results in the first and fourth quarters of the year.



OVERVIEW OF THE RESULTS AND THE GENERAL STATE OF JGL GROUP

	JGL GROUP			JGL PHARMA ⁴			JGL PHARMA NORMALIZED ⁵		
	30/06/ 2017	30/06/ 2018	Index	30/06/ 2017	30/06/ 2018	Index	30/06/ 2017	30/06/ 2018	Index
OPERATING REVENUE	439.61	349.32	79.5	358.92	269.26	75.0	214.75	269.26	125.4
SALES REVENUE	283.54	340.17	120.0	209.05	265.88	127.2	209.05	265.88	127.2
OTHER REVENUE	156.07	9.15	5.9	149.87	3.38	2.3	5.70	3.38	59.3
OPERATING EXPENSES	382.13	345.77	90.5	302.66	267.14	88.3	252.95	267.14	105.6
INVENTORY CHANGE	-0.17	-13.93	8,069.4	-0.31	-14.62	4,644	-0.31	-14.62	4,644
MATERIAL COSTS	82.44	98.08	119.0	78.59	94.94	120.8	78.59	94.94	120.8
COSTS OF SOLD GOODS	59.71	72.89	122.1	2.66	16.12	606.3	2.66	16.12	606.3
EMPLOYEE COSTS	73.77	73.84	100.1	61.96	62.62	101.1	61.96	62.62	101.1
INTELLECTUAL SERVICES COSTS	55.35	5.02	9.1	54.81	4.70	8.6	5.10	4.70	92.20
AMORTIZATION	20.02	17.86	89.2	18.40	16.50	89.7	18.40	16.50	89.7
OTHER COSTS	91.01	92.01	101.1	86.55	86.88	100.4	86.55	86.88	100.4
FINANCIAL EXPENSES	28.08	22.32	79.5	30.03	22.83	76.0	30.03	22.83	76.0
PROFIT BEFORE TAX	29.40	-18.76		26.23	-20.71		-68.23	-20.71	30.3
PROFIT AFTER TAX	29.89	-17.25		26.72	-19.19				

⁴ JGL Pharma excludes Pablo d.o.o. Zagreb/ZU Ljekarna Pablo Rijeka/Adrialab d.o.o. Rijeka

⁵ core business of JGL Group corrected for one-time jobs (e.g. sales of brands in 2017)

Semi-annual management report JGL Group | 2018.

	JGL GROUP			JGL PHARMA ⁶		
	31/12/2017	30/06/2018	Index	31/12/2017	30/06/2018	Index
ASSETS	1,145.01	1,117.19	97.6	1,047.78	1,054.32	100.6
LONG-TERM ASSETS	607.33	614.86	101.2	587.90	596.96	101.5
SHORT-TERM ASSETS	533.73	499.15	93.5	457.46	455.20	99.5
INVENTORY	169.61	213.34	125.8	148.32	190.55	128.5
TRADE RECEIVABLES	316.80	224.63	70.9	270.14	209.90	77.7
OTHER RECEIVABLES	10.19	23.88	234.3	9.08	21.64	238.2
SHORT-TERM FINANCIAL ASSETS	12.53	5.69	45.4	12.42	5.56	44.8
CASH AT BANK AND IN HAND	24.60	31.61	128.5	17.50	27.55	157.4
PREPAID EXPENSES AND ACCRUED INCOME	3.95	3.18	80.4	2.42	2.16	89.5
LIABILITIES	1,145.01	1,117.19	97.6	1,047.78	1,054.32	100.6
CAPITAL AND RESERVES	523.91	510.98	97.5	515.89	498.89	96.7
LONG TERM PROVISIONS	1.09	1.09	100.0	1.09	1.09	100.0
LONG-TERM LIABILITIES	434.56	415.59	95.6	429.85	410.89	95.6
SHORT-TERM LIABILITIES	174.10	172.44	99.0	89.61	126.53	141.2
LIABILITIES TOWARDS SUPPLIERS	121.14	133.29	110.0	44.56	90.24	202.5
LIABILITIES TOWARDS BANKS AND LEASING	18.71	10.32	50.4	18.02	9.96	55.3
OTHER SHORT-TERM LIABILITIES	34.25	28.83	84.2	27.03	26.33	97.4
DEFERRED PAYMENT OF COSTS, INCOME FOR THE FUTURE PERIOD	11.36	17.08	150.5	11.34	16.91	149.2
NUMBER OF EMPLOYEES						

Source: JGL

⁶ core business of JGL Group corrected for one-time jobs (e.g. sales of brands in 2017)

OVERVIEW OF THE RESULTS AND THE GENERAL STATE OF JGL d.d.*Normalized indicators**in million HRK*

	30/06/2017	30/06/2018
TOTAL REVENUE	213.82	225.08
OPERATING REVENUE	200.41	221.78
EBITDA	-2.41	51.95
PROFIT BEFORE TAXATION	-49.99	14.54
EBITDA MAT	-37.41	88.43
MAT OPERATING REVENUE	400.85	489.69
EBITDA MARGIN	-9.33%	18.06%
NET DEBT	390.83 ⁷	366.08
NET DEBT / EBITDA MAT	-10.45	2.76
EBITDA MAT / CAPITAL	0.72 ⁷	0.66
DEBT RATIO	0.49 ⁷	0.49
COEFFICIENT OF CURRENT LIQUIDITY	0.10 ⁷	0.12

PROFIT AND LOSS ACCOUNT	JGL d.d.			JGL d.d. NORMALIZED ⁸		
	30/06/2017	30/06/2018	Index	30/06/2017	30/06/2018	Index
OPERATING REVENUE	344.58	221.78	64.4	200.41	221.78	110.7
REVENUES FROM DOMESTIC SALES	61.25	61.58	100.5	61.25	61.58	100.5
REVENUES FROM FOREIGN SALES	133.08	157.61	118.4	133.08	157.61	118.4
OTHER REVENUE	150.25	2.59	1.7	6.08	2.59	42.6
OPERATING EXPENSES	270.16	185.62	68.7	220.45	185.62	84.2
INVENTORY CHANGE	-0.45	-14.68	3,285.8	-0.45	-14.68	3,262.2
MATERIAL COSTS	77.16	93.57	121.3	77.16	93.57	121.3
COSTS OF SOLD GOODS	1.70	3.06	179.5	1.70	3.06	180.0
EMPLOYEE COSTS	51.17	39.45	77.1	51.17	39.45	77.1
AMORTIZATION	17.64	15.79	89.5	17.64	15.79	89.5
INTELLECTUAL SERVICES COSTS	54.50	2.90	5.3	4.79	2.90	60.5
OTHER COSTS	68.44	45.53	66.5	68.44	45.53	66.5
FINANCIAL EXPENSES	29.95	21.62	72.2	29.95	21.62	72.2
PROFIT BEFORE TAX	44.47	14.54	32.7	-49.99	14.54	
PROFIT AFTER TAX	44.41	14.51	32.7	-50.05	14.52	

⁷ amounts as of 31 December 2017 were used for values in the balance sheet⁸ data corrected for one-time jobs (e.g. sales of brands in 2017)

BALANCE SHEET	31/12/2017	30/06/2018	Index
ASSETS	1,083.48	1,093.56	100.93
LONG-TERM ASSETS	589.50	615.63	104.43
SHORT-TERM ASSETS	492.70	477.47	96.91
INVENTORY	130.27	163.89	125.81
RECEIVABLES FROM DEPENDANTS	190.04	142.06	74.75
TRADE RECEIVABLES	110.25	104.22	94.53
OTHER RECEIVABLES	5.98	13.21	220.90
SHORT-TERM FINANCIAL ASSETS	45.61	39.27	86.09
CASH AT BANK AND IN HAND	10.55	14.82	140.47
PREPAID EXPENSES AND ACCRUED INCOME	1.29	0.46	36.01
LIABILITIES	1,083.48	1,093.56	100.93
CAPITAL AND RESERVES	542.37	551.97	101.77
LONG TERM PROVISIONS	1.09	1.09	100.00
LONG-TERM LIABILITIES	429.25	410.29	95.58
SHORT-TERM LIABILITIES	104.24	124.68	119.61
LIABILITIES TOWARDS DEPENDENT COMPANIES	2.27	1.51	66.35
LIABILITIES TOWARDS SUPPLIERS	68.35	93.13	136.52
LIABILITIES TOWARDS BANKS AND LEASING	17.82	9.91	50.65
OTHER SHORT-TERM LIABILITIES	15.80	20.13	127.41
DEFERRED PAYMENT OF COSTS, INCOME FOR THE FUTURE PERIOD	6.53	5.54	84.81

Source: JGL

In the first half of 2018, JGL realized HRK 221.8 million of operating income and HRK 14.5 million of profit before tax.

Since 2017 was marked by the sale of brands, for a better comparison, it is necessary to observe the normalized indicators and the profit and loss account. When looking at the normalized data, there is visible growth in business revenue of 10%, a decrease in business expenses of 15%, and profits from business activities. A strong recovery is evident in operational profitability, EBITDA growth and EBITDA margin in relation to the previous period. The driver of the strong profitability growth is the increase of sales in foreign markets, especially in the markets of Russia and Ukraine.

The balance sheet shows a noticeable decrease in net debt and changes in receivables and liabilities commented on in the section related to JGL Pharma.

IMPORTANT BUSINESS EVENTS

JGL GROUP MEMBERS

Parent company:

- JGL d.d. Rijeka (Includes business operations in the markets of Croatia, Bosnia and Herzegovina, Macedonia, Russia, Belarus, Ukraine, Kazakhstan and Kosovo through the parent company, representative offices or representatives. The representative office in Russia is used for regulatory activities.)

Affiliated companies:

- Jadran LLC Moskva
- Adrialab d.o.o. Rijeka
- JGL d.o.o. Beograd-Sopot
- Farmis d.o.o. Sarajevo
- Jadran - Galenski laboratorij d.o.o. Ljubljana
- Pablo d.o.o. Zagreb
- ZU Ljekarna Pablo Rijeka
- JGL North America

IMPORTANT TRANSACTIONS

- The parent company JGL d.d. made an early repayment of EBRD loans in the amount of HRK 33.2 million.
- The parent company JGL d.d. invested in equipment related to the serialization project. The investment worth HRK 11.4 million was financed through financial leasing over a period of five years. This is a complex project of alignment with Directive 2001/83/EC on the prevention of the entry of counterfeit medicines into the legal supply chain with the help of unique identifiers on drug packaging and opening protection. The alignment backbone is the implementation of an IT software solution and additional devices for the Data Matrix code on the equipment lines.
- The parent company JGL d.d. has recapitalized the rights of the affiliated company, JGL Beograd Sopot, in the amount of HRK 15 million.
- The Russian rouble has significantly declined compared to the same period last year. The average EUR/RUB exchange rate in the first half of 2017 was 62.81, while in the first half of 2018 it was 71.96.

An overview of the EUR/RUB exchange rate from 1 January 2017 to 30 June 2018.



Source: ECB

PURCHASE OF SHARES

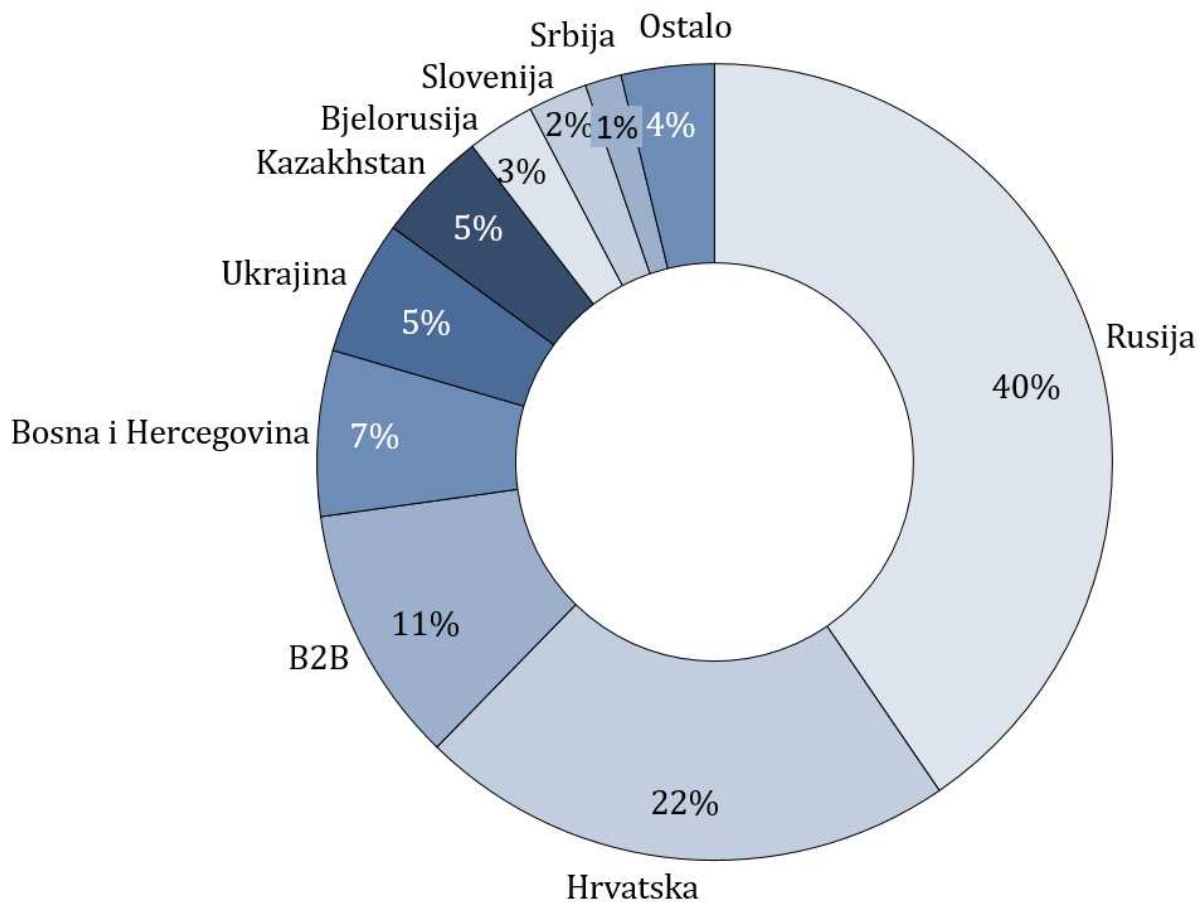
In the period from 2 January 2018 to 30 June 2018, 2,635 of the company's own shares were bought, while 7,700 of its own shares were sold during the same period. On 30 June 2018, JGL owned a total of 71,931 shares.

NUMBER OF EMPLOYEES

The total number of employees (except for employees on vocational training) in the JGL Group on 30 June 2018 was 945 (as of 30 June 2017 the number was 943). Among these, 584 employees work on the Croatian market (JGL d.d., ZU Pablo and Adrialab d.o.o.), and 207 employees on the Russian market (Jadran LLC, JGL d.d., representative office in Russia). JGL Pharma employs a total of 780 people.

SALES RESULTS IN KEY MARKETS

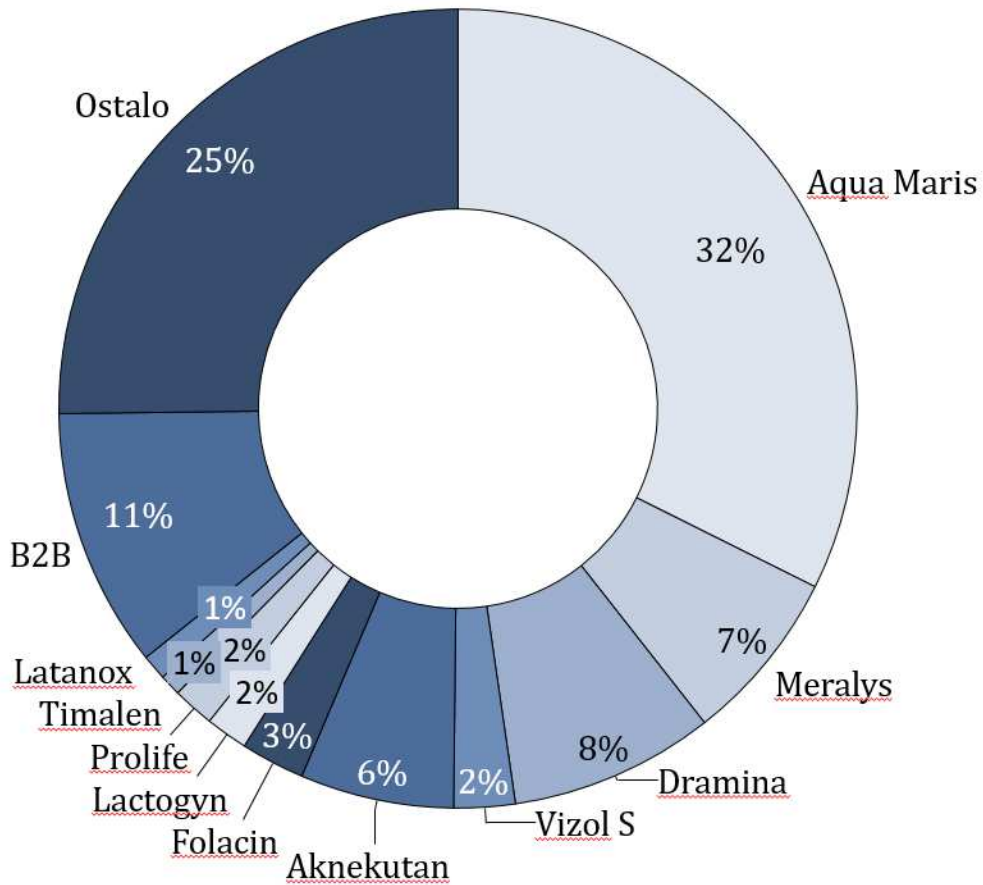
The sales structure of JGL Pharma by market in the period from 1 January to 30 June 2018



Source: JGL

SALES RESULTS OF KEY BRANDS

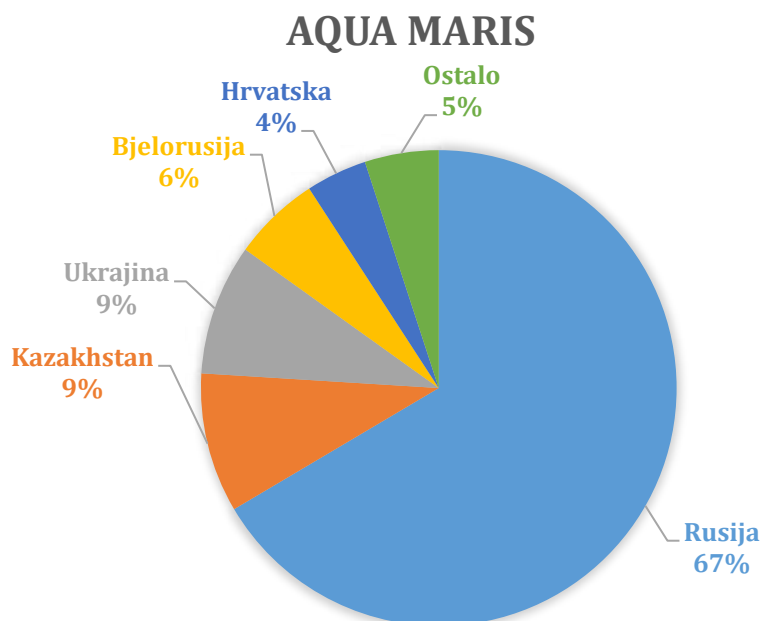
The sales structure of JGL Pharma by brand in the period from 1 January to 30 June 2018



Source: JGL

AQUA MARIS

In the first half of 2018, the Aqua Maris brand realised sales of HRK 86.9 million. The Russian market continues to be the market with the largest share in the Aqua Maris brand sales with a 67% share of the market. Russia is followed by the markets of Kazakhstan and Ukraine with a 9% share, then by Belarus with 6%, and Croatia with 4%.



Source: JGL

RESEARCH AND DEVELOPMENT / NEW PRODUCTS

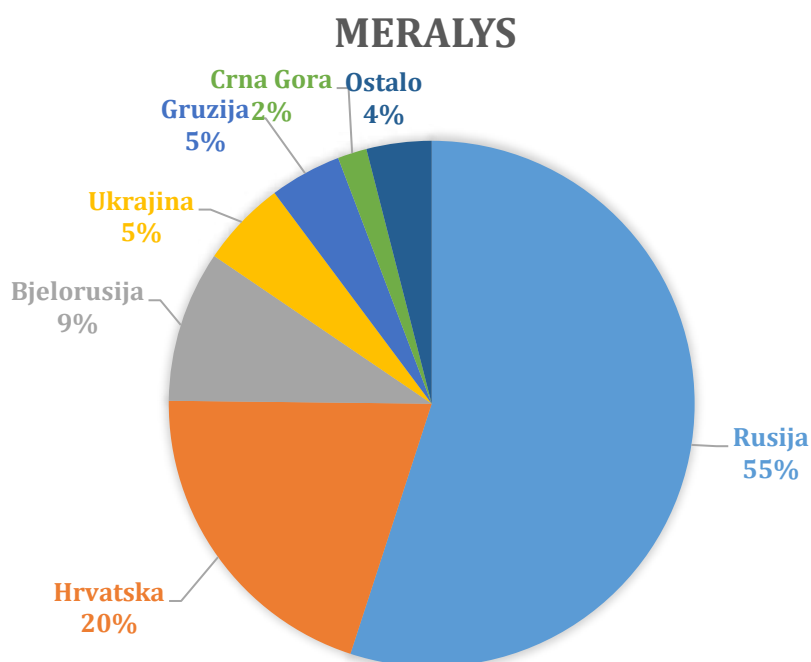
Out of 25 projects / themes of R&D in various phases of technological maturity that were active in the first half of 2018, two were related to products from the Aqua Maris brand and the category of medicinal products. These are the company's own development projects related to the project of development of nasal preparations without preservatives, as well as the introduction of new technologies in the company. The launch of one of the projects is expected by the end of 2018.

As part of the launch of new products within the Aqua Maris brand, a total of five new products were launched – two in Russia (Aqua Maris Baby aspirator and Aqua Maris Baby refill for aspirator), two in Georgia (Aqua Maris nose irrigation system and Aqua Maris sea salt bags), and one in Ukraine (Aqua Maris throat and mouth propolis spray).

MERALYS

Sales of Meralys in the first half of 2018 amounted to HRK 18.9 million, and increased by 39.2% compared to the same period last year. The biggest growth drivers are the markets that also have the largest share in the sales of the brand – Russia and Croatia.

It should be noted that sales growth was also achieved in the markets of Georgia, Ukraine and Belarus. The market with the largest share in Meralys sales is Russia with a 55% share of the market. It is followed by Croatia with 20%, Belarus with 9%, Ukraine and Georgia with 5% and Montenegro with a 2% share.



Source: JGL

RESEARCH AND DEVELOPMENT / NEW PRODUCTS

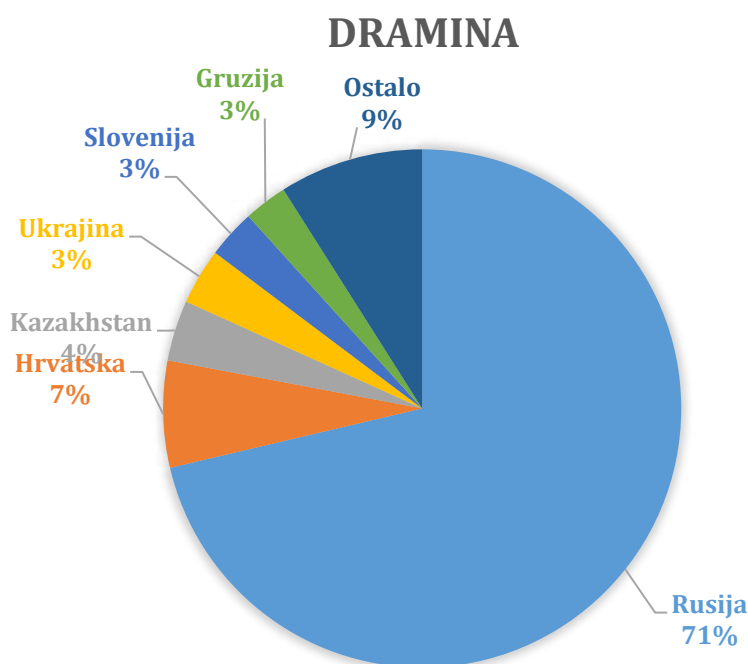
Out of the 12 projects developed by JGL and related to the new product in the first six months of 2018, one was related to the development of nasal preparations without preservatives under the Meralys brand. From a total of five projects related to product enhancements from the existing portfolio, or adjustment to the targeted market, one is related to the Meralys brand.

Of the total of 28 launches within the Meralys brand, four products were launched on two markets - on the Bosnia and Herzegovina and Serbia market (Meralys HA 0.5 mg/ml and Meralys HA 1 mg/ml).

DRAMINA

In the first six months of 2018, the brand Dramina achieved sales of HRK 22.3 million, which represents a growth of 2.9% compared to the same period last year. Sales in major markets such as Russia and Croatia are at the last year's level, while smaller markets recorded a growth in sales compared to last year's result. For example, growth is recorded in Ukraine, Georgia and Armenia.

As far as the share in the Dramina sales is concerned, the largest share of 71% belongs to the Russian market. It is followed by the Croatian market with a 7% share in sales, by Kazakhstan and Ukraine with 4%, Slovenia and Georgia with 3%, and other markets with a total of a 9% share in sales.



Source: JGL

RESEARCH AND DEVELOPMENT / NEW PRODUCTS

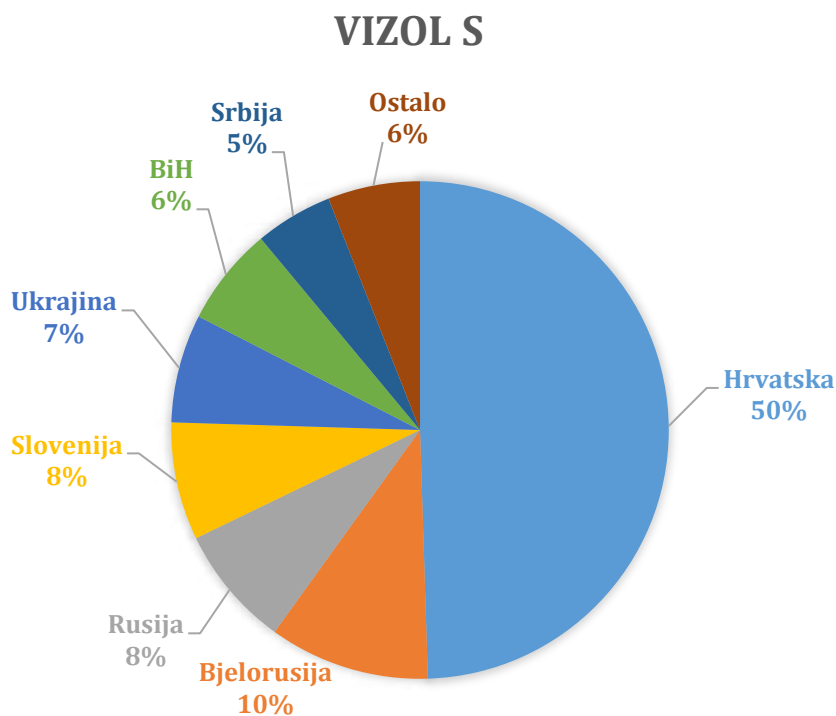
The 21 R&D projects concerning the registration categories of drugs (prescription and non-prescription) also include a product under the Dramina brand. The launch of a new, proprietary product is expected at the end of 2019.

Within the Dramina brand, in the first half of 2018, two products were launched - one in Croatia (Gingermina tablets) and one in Mongolia (Dramina tablets).

VIZOL S

Vizol S is the brand with the highest percentage of sales growth compared to the previous year. In the first half of 2018, Vizol S realized a sale of HRK 6.7 million, which is an increase of 43%. Vizol S recorded a sales growth in almost all markets, with the largest growth being in Belarus, Russia and Croatia.

The market with the largest share in the Vizol S sale is Croatia with 50%. It is followed by Belarus with 10%, Russia and Slovenia with 8%, Ukraine with 7%, Bosnia and Herzegovina with 6%, Serbia with 5% and other markets with 6%.



Source: JGL

RESEARCH AND DEVELOPMENT / NEW PRODUCTS

As part of in-house development projects in the first half of 2018, JGL carried out two projects for the development of eye drops without preservatives in the category of medicinal products, and one of them is expected to launch as part of the Vizol S brand by the end of 2019.

In the first half of 2018, four products were launched within the Vizol S brand – three products in Belarus (Vizol S artificial tears 0.4%, Vizol S artificial tears 0.21%, Vizol S intensive vitamin drops), and one product in Kosovo (Vizol S Allergy eye drops).

B2B

During the first half of 2018, 15 new contracts were signed, out of which nine were related to out-licensing, three to in-licensing, and three to distribution. Through the latter two B2B models, a contract was concluded on cooperation to open 17 new markets:

- EU - Moldova and Poland,
- ASEAN Region - Cambodia and Laos,
- MENA region - Saudi Arabia, United Arab Emirates, Iraq, Iran, Yemen, Qatar, Lebanon, Oman, Bahrain, Kuwait, Algeria, Morocco, Tunisia.

Total revenue over the five-year term of the contract will amount to over HRK 120 million, and it is linked to the key brands of Aqua Maris, Meralys, Dramina and the oftalmological portfolio.

As part of the in-licensing model in the first half of the year, five products were launched, while six are being prepared for launch.

In the part of contract manufacturing:

- A project to launch anti-glaucoma eye drops on the markets of Poland, Spain, Portugal and Bulgaria has been concluded;
- Products with ectoin have been launched on the markets of Spain and the Czech Republic within the contract manufacturing for a German partner;
- The development phase of the project for an Italian partner was completed, which refers to the product in an innovative BoV form;
- Cooperation for nasal decongestant was initiated;
- Negotiations have begun with the multinational company for contract manufacturing of innovative nasal sprays.

Until the end of 2018, this segment will also be intensively involved in negotiating the opening of the China market for Aqua Maris with three potential partners, as well as analysing new markets in East and West Africa.

Source: JGL

PHARMACY BUSINESS SEGMENT

ZU LJEKARNA PABLO

The total income of the health institution involved in the pharmaceutical business, "Ljekarna Pablo", a chain of 30 pharmacies throughout Croatia, reached HRK +77.4 million in the first half of 2018, which represents an increase of +8% compared to the same period in 2017.

Sales revenue for the period from January to June 2018 amounted to HRK 70.7 million, which is an increase of +8.7% compared to 2017. The result for the period amounts to HRK 1.6 million.

Ljekarna Pablo was founded in 1999 as a health institution involved in the pharmaceutical business, it currently employs 140 people, and it held a market share of 1.65% in Croatia in 2018.

Pablo pharmacists continued to carry out a "Health Care Program" in the first half of 2018 in order to contribute to prevention and raise awareness of the importance of self-control in patients. The program encompasses a set of pharmacy services aimed at disease prevention, maintaining health and regular control of chronic patients. The goal of Point of Care Testing in pharmacies is to guide users towards early identification of disease, and assist patients in systematic control, thereby improving the effectiveness of their therapy.

With the aim of promoting an active lifestyles as well as creating healthy living habits, the Pablo health institution has enriched the spring season of 2018 with a fourth edition of the popular group exercise program "Uz Pablo budi fit i that's it" (With Pablo, you'll be fit and that's it). It was free of charge for anyone interested, and intended for those who wanted to change their habits, and a better overall physical and health status.

COSMETICS AND DIETETICS SEGMENT

ADRIALAB d.o.o.

In the first half of 2018, the total revenue of Adrialab d.o.o. grew at a rate of 6% compared to the same period last year, and amounted to HRK 7.5 million. Due to the optimization of raw materials and consumables procurement costs and operating costs in the first half of the year, Adrialab d.o.o. recorded a profitability growth, and according to the parent company's recommendation, it realized an EBITDA margin of 15% with a pre-tax profit in the amount of HRK 718,000. Along with good operating results, the approval of the Settlement under the extraordinary administration procedure and the crisis of the Agrokor conglomerate have also had a significant impact on business in 2018 given the unpaid portion of the claim of Adrialab d.o.o. towards Konzum d.d. and Velpro d.o.o. in the amount of HRK 962,000. In addition to the value adjustments for this claim in the 2017 result and in view of the positive business trends in 2018, Adrialab d.o.o. is expected to show a positive business result at the end of the year.

The operating revenue structure shows a 20% increase in the share of revenues realized towards the JGL d.d. affiliated company due to the launch of new products from the Aqua Maris line in the second half of 2018, for which part of the production takes place in Adrialab facilities. Revenues from retail chains and pharmacies in Croatia as well as exports to neighbouring countries show results at the level of the first half of 2017, while revenue growth through the trade and pharmacy network is expected in the second half of 2018, after the release of new products. These are products in the fast growing segments of dietary supplements within the Vitalia product line and in the cosmetics field within the line of Children's ointment and Holyplant natural cosmetics. In the first half of 2018, Adrialab d.o.o. has maintained the leading position in the segment of diaper area care products with a market share of 50%, thanks to its line of JGL Children's ointment.

RISKS, EXPOSURE AND PROTECTION**CURRENCY RISK**

The JGL Group is exposed to risks of foreign exchange rate fluctuations in procurement and sales denominated in foreign currencies. Foreign currency risk is present due to possible foreign exchange rate fluctuations. The dominant role of export in the company's sales results in the exposure to foreign currency risk, since foreign currency assets exceed the amount of foreign currency liabilities. The exposure to foreign currency risk is constantly monitored and hedge accounting is used as necessary. The decision on hedging depends on the currency in which the receivables are expressed and the type of hedge accounting as well as on its price.

As a hedge against foreign currency risk, JGL concludes a forward contract. Even though the hedge instrument is expensive due to a great interest rate differential, the conclusion of forward contracts proved to be a good business decision. JGL will keep using this hedge against foreign currency risk in accordance with best business practice.

INTEREST RATE RISK

Business activities that the JGL Group deals with expose the group to the interest rate risk only minimally, since long-term loans are contracted at very favourable terms with fixed interest rates, while for short-term financing, they use credit limit funds from commercial banks that are also arranged at favourable terms. Given the improved liquidity indicators, the Group currently does not have the need for short-term financing from the framework lines.

LIQUIDITY RISK

Liquidity risk manifests itself as the risk that the company will not be able to fulfil its obligations towards creditors. The Group manages liquidity risk by maintaining sufficient amounts of money and working capital, and by negotiating favourable credit lines with various business banks, allowing rapid withdrawal of short-term funds under favourable conditions.

The agreed short-term limits in business banks available to JGL as of 30 June 2018

Creditor	Range of contracted framework amounts (EUR)
Erste & Steiermärkische Bank d.d.	
Splitska Banka d.d.	
Sberbank d.d.	
Privredna Banka Zagreb d.d.	
Kreditna Banka Zagreb d.d.	
	The amounts of approved frameworks range from EUR 1,000,000 to 3,000.000
TOTAL	EUR 10,500,000

RISK OF DEBT

The risk of debt is a danger that companies face, which manifests itself as too high a degree of indebtedness, and leads to a loss of financial flexibility. Companies with high levels of debt may experience problems finding new investors and are faced with the risk of bankruptcy. However, indebtedness is not necessarily a problem. If the level 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 an increased return on investment.

The Group 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 Group's liquidity.

In terms of the type of debt, the parent company JGL has long-term liabilities to loans, leasing and bonds. In addition to the loan, JGL has obligations towards the holders of the bonds, designation HRJDGLO20CA4, in the amount of HRK 130,000,000.00 due in 2020.

The liability for long-term loans is the liability to the Croatian Bank for Reconstruction and Development (CBRD). Liabilities for the long-term loan from the CBRD to finance the investment in the new production plant, Svilno 2, amount to HRK 239,298,070.80. This loan was contracted under very favourable terms (fixed interest rate of three percent), with a four-year grace period (the first instalment of the principal is due on 30 September 2019). During the first half of 2018, the Company made an early repayment of the EBRD's long-term loan amounting to EUR 4.5 million.

Notwithstanding the above, in the following period, JGL will actively explore the possibilities for further improvement of low interest rate financing conditions.

To finance equipment, the Group uses financial leasing over a period of four to six years, depending on the type of equipment. For the purpose of short-term borrowing, the Group is using funds from the approved limits with commercial banks.

RISK OF UNPAID RECEIVABLES

The Group is exposed to the security risk and maturity of the receivables. The most significant buyers are wholesale drug stores, which often run low profit margins and require many days of deferred payments. Customers usually have 60 to 150 days to complete deferred payments.

In recent years, the financing system for health care spending in Croatia has taken place within a 150-day period in the pharmacy system, and a 200-day period in the hospital and medical centre systems. This risk is reduced by the growth of exports (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 claims security in Croatia is also significantly reduced by the market position of the ZU Pablo pharmacy chain, whose purchase from wholesale pharmacies is based on the share of an individual wholesale pharmacy in the JGL sales. Given that wholesale pharmacies are both JGL's buyers and ZU Pablo's suppliers, nearly 90 percent of the wholesale in pharmacies in Croatia is provided by JGL directing the purchasing policy of its affiliated company.

In foreign claims, the JGL Group is protected against the risk of non-payment by internal and external methods. Internal methods of protection are the diversification of sales to different markets and different buyers within these markets, obtaining bank guarantees, annual customer credit ratings, and the determination of annual credit limits on the basis of the latter. External methods include the provision of export receivables. Below is an overview of the amount secured by country in 2018.

An overview of secured amounts by country in 2018, in EUR

COUNTRY	2018 (EUR)
RUSSIA	22,656,380
KAZAKHSTAN	2,600,000
UKRAINE	1,600,000
BELARUS	900,000
OTHER COUNTRIES	3,787,271
TOTAL	31,543,651

FUTURE DEVELOPMENT OF THE COMPANY

JGL Group is looking at the second half of 2018, which is traditionally the strongest part of the business year due to the portfolio seasonality.

On the one hand, based on good results in the second quarter, we are expecting a further growth in sales and an increase in the market shares of our key brands, especially Aqua Maris and Meralys.

On the other hand, the exchange rate of the ruble is showing volatility, which will surely be the main business risk in the upcoming period.

JGL will continue to invest in 12 development projects in the respiratory, ophthalmic and dermatological areas. Through them we want to offer our customers and consumers new values in accordance with their needs.

In addition, we are continuing to invest in pharmaceutical serialization equipment, in accordance with the EU directive, as well as in a new and modern business software.



DECLARATION OF RESPONSIBILITY OF THE EXECUTIVE DIRECTOR

Pursuant to the Accounting Act of the Republic of Croatia, the Executive Director is responsible for ensuring that financial statements are a true and fair representation of the financial position and result of the Group, 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 Director has general responsibility for taking such steps that would in a reasonable measure protect the assets of the Group and detect and prevent fraud or other irregularities.

The Executive Director is 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 Group will continue to operate in the foreseeable future.

Executive Director reasonably expects that the Group has adequate resources to continue in operational existence for the foreseeable future.

These reports represent consolidated reports of the Group.

The consolidated financial statements were approved by the Executive Director on 30 August 2018, which is confirmed by signature.

For JGL d.d.

A handwritten signature in blue ink is positioned above a horizontal line. The signature is stylized and appears to be the name 'Mislav Vučić'.

Mislav Vučić, Executive Director