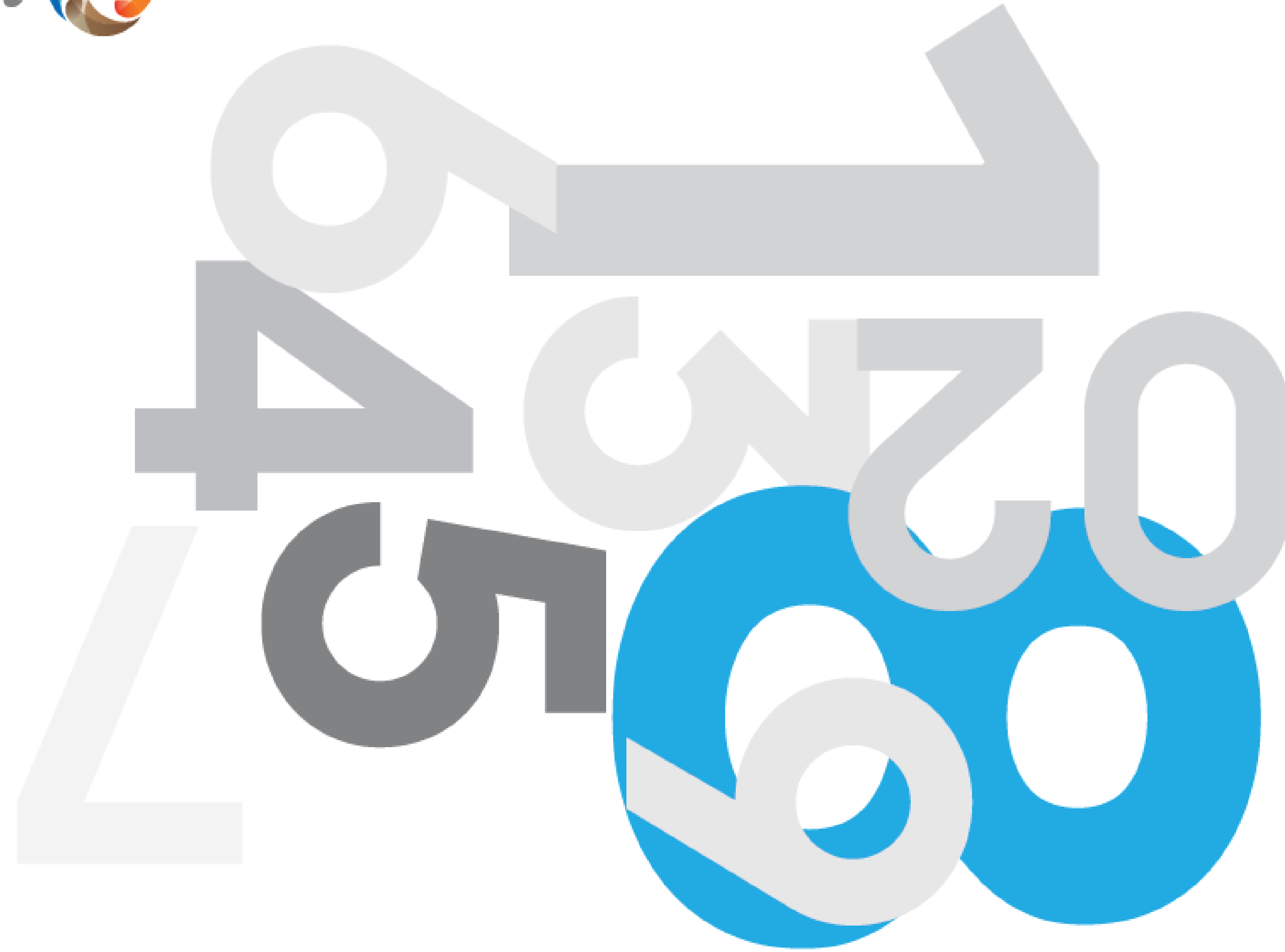
jgl

# Semi-annual management report JGL Group | 2018.



## Attachment 1.

**Period:** 1.1.2018 to 30.6.2018

# Quarterly financial report TFI-POD

| | |
|---|---|
| Registration number (MB): | **03715957** |
| Registration number (MBS): | **040004561** |
| Personal identification number (OIB): | **20950636972** |
| Company: | **JGL d.d.** |
| Postal code and city: | **51000** **Rijeka** |
| Adress: | **Svilno 20** |
| e-mail: | jgl@jgl.hr |
| Internet adress: | www.jgl.hr |
| Code and name of city: | **373** **Rijeka** |
| Code and name of county: | **8** **Primorsko-goranska** |
| Number of employees (at the end of the period) | **526** |
| Consolidated report: | **YES** |
| NKD code: | **2120** |

| Companies in consolidation (in acc. with IFRS): | Headquarters: | MB: |
|---|---|---|
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Accounting:

Contact: **Crnković Verica**
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Surname 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)

# 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** | 589.495.684 | 615.632.242 |
| I. INTANGIBLE ASSETS (004 - 009) | **003** | 48.714.279 | 53.788.046 |
| 1. Expenditure for research and development | **004** | 13.292.844 | 12.477.288 |
| 2. Patents, licences, concessions, trademarks, software and other rights | **005** | 6.824.383 | 5.922.220 |
| 3. Goodwill | **006** | | |
| 4. Advances on intangible assets | **007** | | |
| 5. Intangible assets-construction in progress | **008** | 24.142.303 | 30.716.307 |
| 6. Other intangible assets | **009** | 4.454.749 | 4.672.231 |
| II. TANGIBLE ASSETS (011 - 019) | **010** | 472.270.143 | 476.332.934 |
| 1. Land | **011** | 40.319.705 | 40.328.585 |
| 2. Buildings | **012** | 238.724.081 | 235.500.707 |
| 3. Equipment and machinery | **013** | 161.333.255 | 158.214.460 |
| 4. Tools, power stock and transportation means | **014** | 9.101.238 | 8.664.241 |
| 5. Biological assets | **015** | | |
| 6. Advances on tangible assets | **016** | 12.045 | 16.527 |
| 7. Tangible assets-construction in progress | **017** | 5.076.475 | 15.905.070 |
| 8. Other tangible assets | **018** | 832.480 | 832.480 |
| 9. Investments in real estate | **019** | 16.870.864 | 16.870.864 |
| III. LONG TERM FINANCIAL ASSETS (021 - 028) | **020** | 60.192.440 | 77.192.440 |
| 1. Shares in affiliated companies | **021** | 59.009.865 | 76.009.865 |
| 2. Loans to affiliated companies | **022** | | |
| 3. Participating interest | **023** | 1.182.575 | 1.182.575 |
| 4. Loans to companies with participating interest | **024** | | |
| 5. Securities investments | **025** | | |
| 6. Given loans, deposits | **026** | | |
| 7. Other long term financial assets | **027** | | |
| 8. Investments (equity method) | **028** | | |
| IV. RECEIVABLES (030 - 032) | **029** | 0 | 0 |
| 1. Receivables from affiliated companies | **030** | | |
| 2. Receivables from sales on credit | **031** | | |
| 3. Other receivables | **032** | | |
| V. DEFERRED TAX ASSETS | **033** | 8.318.822 | 8.318.822 |
| **C) SHORT TERM ASSETS** (035+043+050+058) | **034** | 492.702.654 | 477.468.266 |
| I. INVENTORIES (036 - 042) | **035** | 130.267.900 | 163.888.019 |
| 1. Raw and other material | **036** | 46.106.296 | 64.074.873 |
| 2. Production in progress | **037** | | |
| 3. Finished products | **038** | 69.492.913 | 84.592.222 |
| 4. Trade goods | **039** | 1.888.227 | 2.490.313 |
| 5. Advances on inventories | **040** | 37.387 | 0 |
| 6. Long term assets for sale | **041** | 12.743.077 | 12.730.611 |
| 7. Biological assets | **042** | | |
| II. RECEIVABLES (044 - 049) | **043** | 306.275.975 | 259.496.225 |
| 1. Receivables from affiliated companies | **044** | 190.044.285 | 142.057.236 |
| 2. Receivables from buyers | **045** | 110.250.669 | 104.217.499 |
| 3. Receivables from participating companies | **046** | 421 | 0 |
| 4. Receivables from employees and subsidiaries | **047** | 4.211 | 43.369 |
| 5. Receivables from government and other institutions | **048** | 3.523.118 | 5.923.324 |
| 6. Other receivables | **049** | 2.453.271 | 7.254.797 |
| III. SHORT TERM FINANCIAL ASSETS (051 - 057) | **050** | 45.611.933 | 39.268.779 |
| 1. Shares in affiliated companies | **051** | | |
| 2. Loans to affiliated companies | **052** | 45.244.394 | 38.901.240 |
| 3. Participating interest | **053** | | |
| 4. Loans given to companies with participating interest | **054** | | |
| 5. Securities investment | **055** | | |
| 6. Given loans, deposits | **056** | 367.539 | 367.539 |
| 7. Other short term financial assets | **057** | | |
| IV. CASH AT BANKS AND IN HAND | **058** | 10.546.846 | 14.815.243 |
| **D) PREPAYMENTS AND ACCRUED INCOME** | **059** | 1.285.245 | 462.753 |
| **E) TOTAL ASSETS** (001+002+034+059) | **060** | 1.083.483.583 | 1.093.563.261 |
| **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** | 542.372.252 | 551.965.573 |
| I. CALLED UP CAPITAL | **063** | 118.472.000 | 118.472.000 |
| II. CAPITAL RESERVES | **064** | 13.651.335 | 13.651.335 |
| III. INCOME RESERVES (066+067-068+069+070) | **065** | 32.384.389 | 39.057.836 |
| 1. Compulsory reserves | **066** | 29.200.363 | 35.873.810 |
| 2. Reserves for treasury shares | **067** | 8.742.847 | 8.236.347 |
| 3. Treasury shares (deductible) | **068** | 7.699.600 | 7.193.100 |
| 4. Statutory reserves | **069** | | |
| 5. Other reserves | **070** | 2.140.779 | 2.140.779 |
| IV. REVALUATION RESERVES | **071** | | |
| V. RETAINED PROFIT OR TRANSFERRED LOSS (073-074) | **072** | 307.060.028 | 366.247.247 |
| 1. Retained profit | **073** | 307.060.028 | 366.247.247 |
| 2. Loss for current year | **074** | | |
| VI. PROFIT/LOSS FOR CURRENT YEAR (076-077) | **075** | 70.804.500 | 14.537.155 |
| 1. Profit for current year | **076** | 70.804.500 | 14.537.155 |
| 2. Loss for current year | **077** | | |
| VII. MINORITY INTEREST | **078** | | |
| **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** | | |
| 3. Other provisions | **082** | 244.000 | 244.000 |
| **C) LONG TERM LIABILITES** (084 - 092) | **083** | 429.252.772 | 410.286.261 |
| 1. Liabilities for affiliated companies | **084** | | |
| 2. Liabilities for loans, deposits | **085** | | |
| 3. Liabilities for bank loans and other financial institutions | **086** | 299.960.711 | 280.874.970 |
| 4. Liabilities for advances | **087** | | |
| 5. Accounts payables | **088** | | |
| 6. Securities payables | **089** | 129.292.061 | 129.411.291 |
| 7. Liabilities for companies with participating interest | **090** | | |
| 8. Other long-term liabilities | **091** | | |
| 9. Deferred tax liability | **092** | | |
| **D) SHORT-TERM LIABILITIES** (094 - 105) | **093** | 104.235.168 | 124.679.553 |
| 1. Liabilities for affiliated companies | **094** | 2.270.953 | 1.506.709 |
| 2. Liabilities for loans, deposits | **095** | | |
| 3. Liabilities for bank loans and other financial institutions | **096** | 17.813.247 | 9.904.527 |
| 4. Liabilities for advances | **097** | 353.487 | 230.072 |
| 5. Accounts payables | **098** | 68.351.129 | 93.131.312 |
| 6. Securities payables | **099** | 3.700.000 | 5.900.000 |
| 7. Liabilities for companies with participating interest | **100** | | |
| 8. Liabilities for employees | **101** | 4.337.305 | 3.511.192 |
| 9. Liabilities for taxes, contributions and other | **102** | 4.294.491 | 2.311.464 |
| 10. Liabilities for shares in result | **103** | 21.768 | 6.687.702 |
| 11. Liabilities for short term assets intended for sale | **104** | | |
| 12. Other short term liabilities | **105** | 3.092.788 | 1.496.575 |
| **E) ACCRUALS AND DEFERRED INCOME** | **106** | 6.529.428 | 5.537.911 |
| **F) TOTAL LIABILITIES** (062+079+083+093+106) | **107** | 1.083.483.583 | 1.093.563.261 |
| **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** | | |
| 2. Assigned to minority interest | **110** | | |

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

# INCOME STATEMENT
## from 1st January 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** | 344.580.736 | 0 | 221.782.950 | 0 |
| **1. Sales revenue** | **112** | 194.330.351 | | 219.190.889 | |
| **2. Other operational revenue** | **113** | 150.250.385 | | 2.592.061 | |
| **II. BUSINESS EXPENSE** (115+116+120+124+125+126+129+130) | **114** | 270.164.844 | 0 | 185.621.850 | 0 |
| **1. Change in value of inventories for production and goods** | **115** | -446.634 | | -14.675.278 | |
| **2. Operating expense**(117 - 119) | **116** | 181.132.828 | 0 | 129.344.885 | 0 |
| a) Cost of raw material | **117** | 77.158.249 | | 93.573.011 | |
| b) Costs of goods sold | **118** | 1.704.450 | | 3.059.495 | 0 |
| c) Other external costs | **119** | 102.270.129 | | 32.712.379 | |
| **3. Expense for employees** (121 - 123) | **120** | 51.172.826 | 0 | 39.446.677 | 0 |
| a) Net salaries and wages | **121** | 32.384.697 | | 24.021.405 | |
| b) Taxes, social and pension funds | **122** | 10.756.222 | | 10.048.274 | |
| c) Contributions for salaries | **123** | 8.031.907 | | 5.376.998 | |
| **4. Depreciation** | **124** | 17.638.512 | | 15.793.574 | |
| **5. Other expense** | **125** | 12.208.316 | | 10.768.141 | |
| **6. Revalorisation** (127+128) | **126** | 0 | 0 | 0 | 0 |
| a) of long term assets (excluding financial assets) | **127** | | | | |
| b) of short term assets (excluding financial assets) | **128** | 0 | | 0 | |
| **7. Provisions** | **129** | | | | |
| **8. Other operational expenses** | **130** | 8.458.996 | | 4.943.851 | |
| **III. FINANCIAL REVENUE** (132 - 136) | **131** | 13.413.102 | 0 | 3.305.427 | 0 |
| **1. Interests, exchange rate differentials, dividends and similar** | **132** | 457.465 | | 1.597.307 | |
| **2. Interests, exchange rate differentials, dividends and similar** | **133** | 9.129.617 | | 1.682.083 | |
| **3. Revenue from participating interest and subsidiaries** | **134** | 24.356 | | 26.037 | |
| **4. Non-realized revenue** | **135** | 3.122.667 | | 0 | |
| **5. Other financial revenue** | **136** | 678.997 | | 0 | |
| **IV. FINANCIAL EXPENSE**(138 - 141) | **137** | 43.355.012 | 0 | 24.929.372 | 0 |
| **1. Interests, exchange rate differentials, dividends and similar** | **138** | 518.415 | | 5.266.649 | |
| **2. Interests, exchange rate differentials, dividends and similar** | **139** | 31.432.195 | | 19.662.723 | |
| **4. Non-realized loss from financial assets** | **140** | 0 | | 0 | |
| **5. Other financial expenses** | **141** | 11.404.402 | | 0 | |
| **V. SHARE IN PROFIT FROM AFFILIATED COMPANIES** | **142** | | | | |
| **VI. SHARE IN LOSS FROM AFFILIATED COMPANIES** | **143** | | | | |
| **VII. EXTRAORDINARY REVENUE** | **144** | | | | |
| **VIII. EXTRAORDINARY EXPENSE** | **145** | | | | |
| **IX. TOTAL REVENUE** (111+131+142 + 144) | **146** | 357.993.838 | 0 | 225.088.377 | 0 |
| **X. TOTAL EXPENSES** (114+137+143 + 145) | **147** | 313.519.856 | 0 | 210.551.222 | 0 |
| **XI. PROFIT OR LOSS BEFORE TAX** (146-147) | **148** | 44.473.982 | 0 | 14.537.155 | 0 |
| 1. Profit before tax (146-147) | **149** | 44.473.982 | 0 | 14.537.155 | 0 |
| 2. Loss before tax (147-146) | **150** | 0 | 0 | 0 | 0 |
| **XII. INCOME TAX** | **151** | 63.227 | | 24.116 | |
| **XIII. PROFIT OR LOSS OF THE PERIOD** (148-151) | **152** | 44.410.755 | 0 | 14.513.039 | 0 |
| 1. Profit of the period (149-151) | **153** | 44.410.755 | 0 | 14.513.039 | 0 |
| 2. Loss of the period (151-148) | **154** | 0 | 0 | 0 | 0 |
| **APPENDIX TO INCOME STATEMENT Form (to be filled by the company drafting the annual consolidated financial statement)** | | | | | |
| **XIV. PROFIT OR LOSS OF THE PERIOD** | | | | | |
| **1. Assigned to holders of the capital of the parent company** | **155** | | | | |
| **2. Assigned to minority interest** | **156** | | | | |
| **REPORT OF OTHER COMPREHENSIVE INCOME (to be filled by the company in accordance with the IFRS)** | | | | | |
| **I. PROFIT OR LOSS OF THE PERIOD (= 152)** | **157** | 44.410.755 | 0 | 14.513.039 | 0 |
| **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** | 44.410.755 | 0 | 14.513.039 | 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** | | | | |
| **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** | 589.081.552 | 268.050.169 |
| 2. Cash proceeds from royalties, fees, commissions, etc | **002** | 24.356 | 26.037 |
| 3. Cash proceeds from insurance claims | **003** | 242.442 | 290.373 |
| 4. Cash proceeds from tax return | **004** | 5.261.504 | 7.063.735 |
| 5. Other cash proceeds | **005** | 20.359 | 575.385 |
| **I. Total increase of cash flow from operating activities (001 - 005)** | **006** | 594.630.213 | 276.005.699 |
| 1. Cash outflow for liabilities | **007** | 182.846.824 | 160.886.455 |
| 2. Cash outflow for employees | **008** | 34.751.819 | 26.562.747 |
| 3. Cash outflow to insurance for indemnification of damage | **009** | | |
| 4. Cash outflow for interests | **010** | 12.799.541 | 9.055.807 |
| 5. Cash outflow for taxes | **011** | 20.730.372 | 17.961.158 |
| 6. Other cash outflow | **012** | 1.415.947 | 1.373.793 |
| **II. Total cash outflow from business activities (007 do 012)** | **013** | 252.544.503 | 215.839.960 |
| **A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (006-013)** | **014** | 342.085.710 | 60.165.739 |
| **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** | 1.604.310 | 657.663 |
| 2. Cash proceeds from sale of equity and debt security instruments | **017** | | |
| 3. Cash proceeds from interest payment | **018** | 205 | 76.390 |
| 4. Cash proceeds of dividend payment | **019** | | |
| 5. Other cash proceeds from investing activities | **020** | 0 | 1.078.940 |
| **III. Total cash inflow from investing activities (015 - 019)** | **021** | 1.604.515 | 1.812.993 |
| 1. Cash outflow for acquisition of long term tangible and intangible assets | **022** | 4.016.615 | 9.267.126 |
| 2. Cash outflow for acquisition of equity and debt security instruments | **023** | 0 | 2.000.000 |
| 3. Other cash outflows from investing activities | **024** | 37.335.037 | 0 |
| **IV. Total cash outflow from investing activities (021 - 023)** | **025** | 41.351.652 | 11.267.126 |
| **B1) NET CASH FLOW FROM INVESTING ACTIVITIES (020-024)** | **026** | | |
| **B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES (024-020)** | **027** | 39.747.137 | 9.454.133 |
| **CASH FLOW FROM FINANCE ACTIVITIES** | | | |
| 1. Cash inflow from issuing equity and debt financial instruments | **028** | | |
| 2. Cash inflow from loan principals, debentures, credits and other borrowings | **029** | 0 | 0 |
| 3. Other cash inflows from finance activities | **030** | 19.471.638 | 22.034.598 |
| **V. Total cash inflow from finance activities (027 - 029)** | **031** | 19.471.638 | 22.034.598 |
| 1. Cash outflow for repayment of loan principal and bonds | **032** | 146.079.825 | 34.324.733 |
| 2. Cash outflow for dividend payment | **033** | | |
| 3. Cash outflow for finance lease | **034** | 8.275.297 | 10.973.574 |
| 4. Cash outflow for buyback of own shares | **035** | 7.063.500 | 2.969.900 |
| 5. Other cash outflow from finance activities | **036** | 40.005.872 | 20.209.600 |
| **VI. Total cash outflow for finance activities (031 - 035)** | **037** | 201.424.494 | 68.477.807 |
| **C1) NET CASH FLOW INCREASE FROM FINANCE ACTIVITIES (030-036)** | **038** | 0 | 0 |
| **C2) NET CASH FLOW DECREASE FROM FINANCE ACTIVITIES (036-030)** | **039** | 181.952.856 | 46.443.209 |
| Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038) | **040** | 120.385.717 | 4.268.397 |
| 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** | 11.634.079 | 10.546.846 |
| Increase of cash and cash equivalents | **043** | 342.085.710 | 60.165.739 |
| Decrease of cash and cash equivalents | **044** | 221.699.993 | 55.897.342 |
| Cash and cash equivalents at the end of the period | **045** | 132.019.796 | 14.815.243 |

# 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 | 13.651.335 |
| 3. Reserves from equity | 003 | 32.384.390 | 39.057.836 |
| 4. Retained profit or transferred loss | 004 | 309.899.028 | 366.247.247 |
| 5. Profit or loss of the period | 005 | 44.473.982 | 14.537.155 |
| 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 | 518.880.735 | 551.965.573 |
| 11. Exchange rate differentials from foreign net investments | 011 | | |
| 12. Current and deffered 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 | 27.324.142 | 9.593.321 |
| **17. Total increase or decrease of equity (ADP 011 - 016)** | 017 | 27.324.142 | 9.593.321 |
| | | | |
| 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.*

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## SUMMARY

## VISIBLE INITIAL RESULTS OF THE BUSINESS TRANSFORMATION

- Double-digit **sales revenue growth: +27%** JGL Pharma, and +**20%** JGL Group
- Strong EBITDA growth[1]: from **HRK -19.8 million** to **HRK +18.6 million**[1] **(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

*in million HRK*

| | 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

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 Reflustat.

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)*

| | 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 sheet
[8] 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

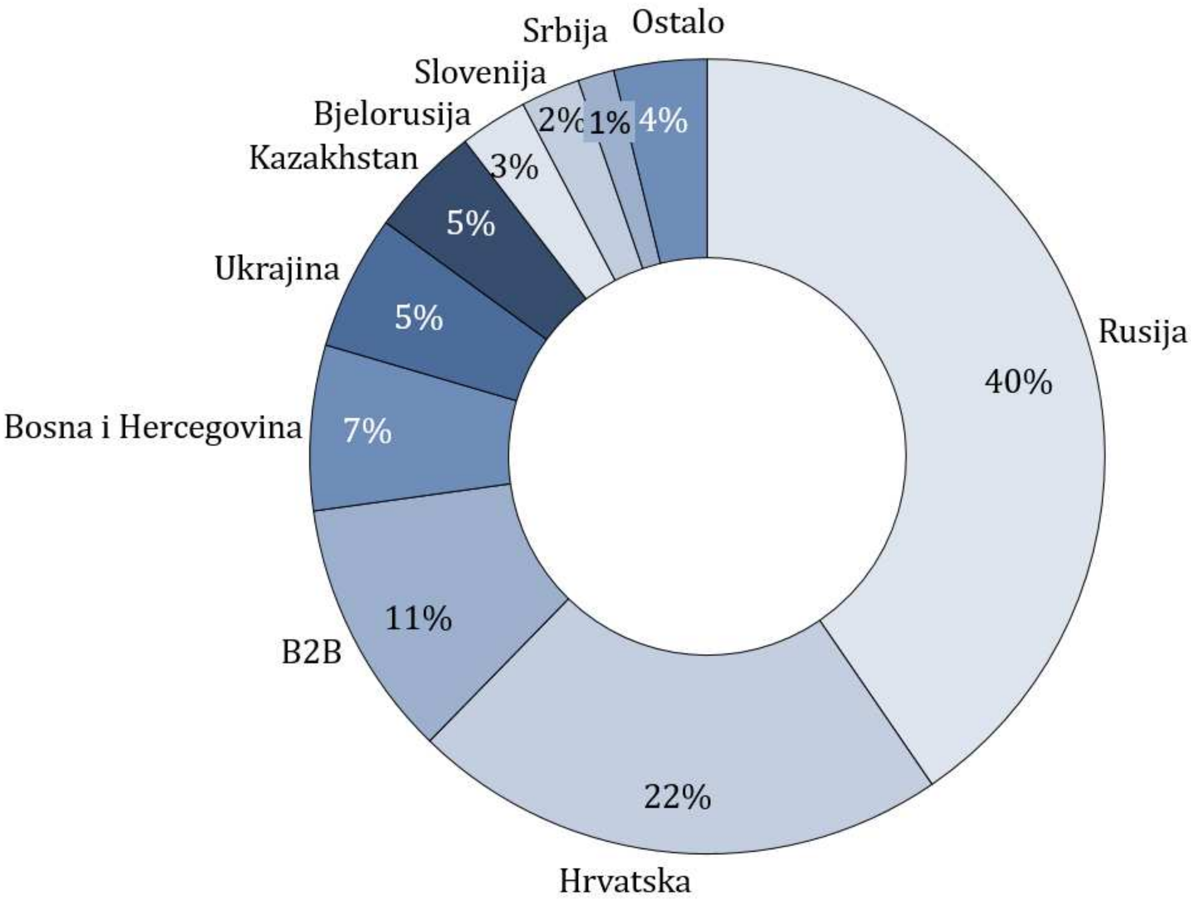
In the period from 2 January 2018 to 30 June 2018, 2,635 of the company's own shares were bought, while 7,700 of its own shares were sold during the same period. On 3 June 2018, JGL owned a total of 71,931 shares.

## 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 2018 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

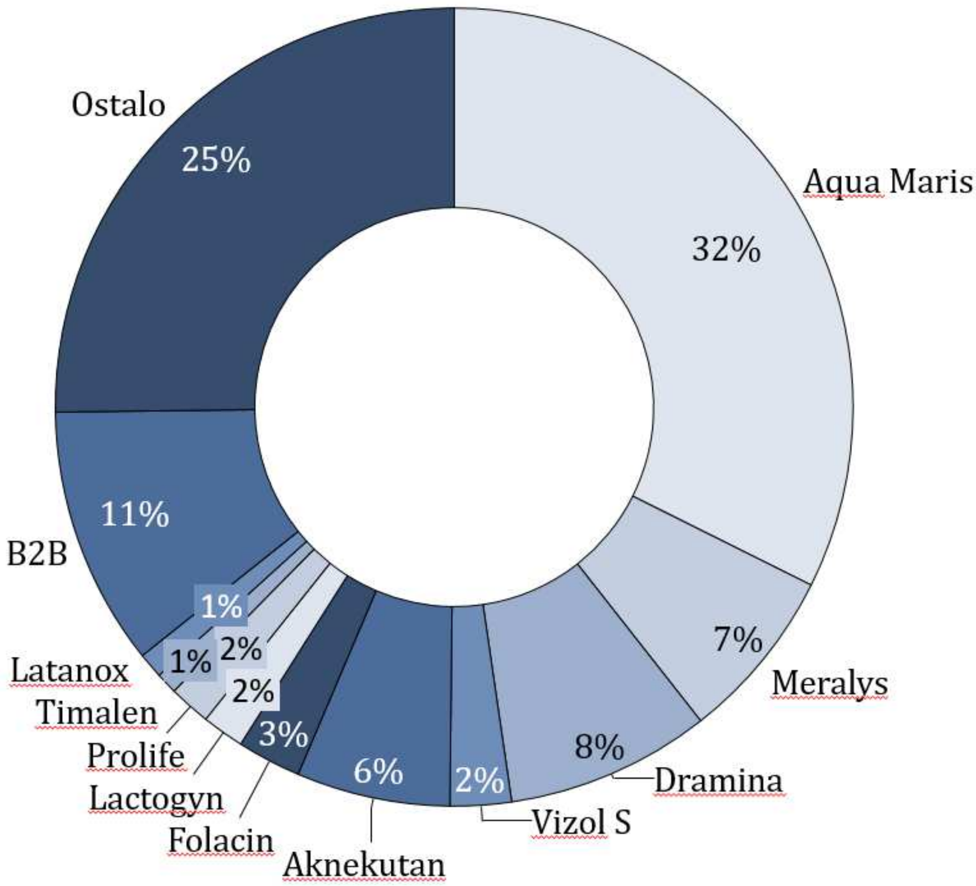
*The sales structure of JGL Pharma by market in the period from 1 January to 30 June 2018*




*Source: JGL*

## SALES RESULTS OF KEY BRANDS

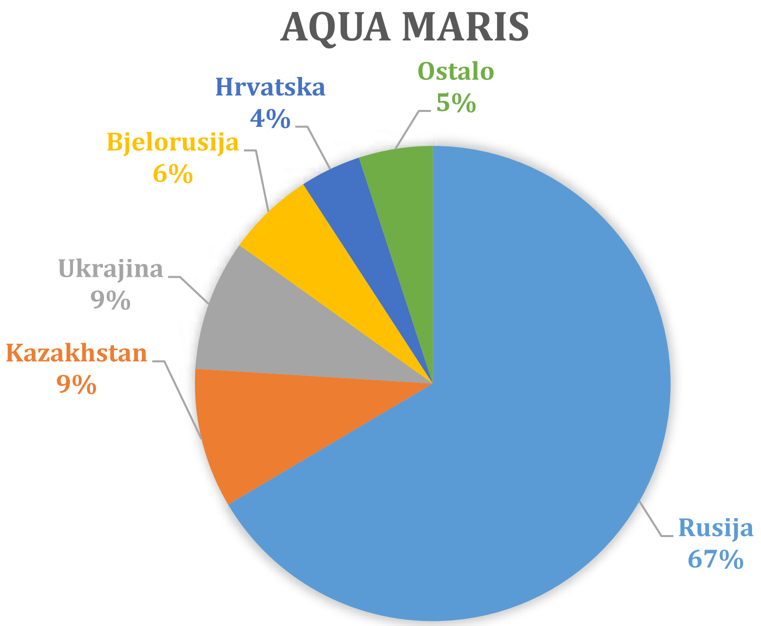
*The sales structure of JGL Pharma by brand in the period from 1 January to 30 June 2018*




*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

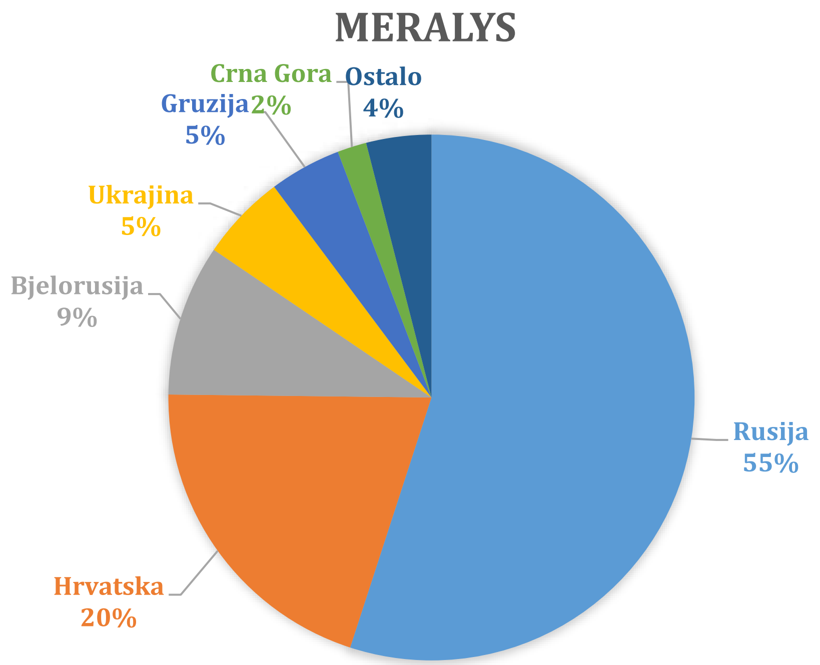
Out of 25 projects / themes of R&D in various phases of technological maturity that were active in the first half of 2018, two were related to products from the Aqua Maris brand and the category of medicinal products. These are the company's own development projects related to the project of development 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

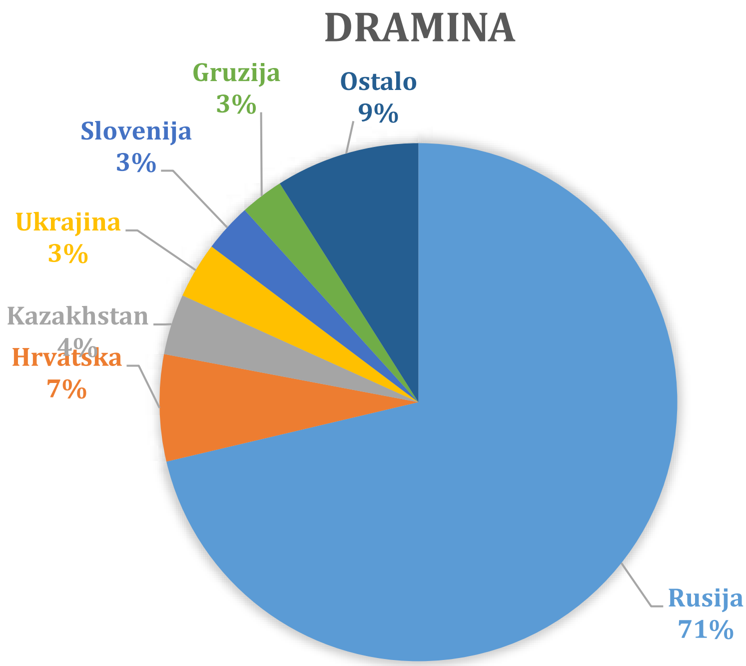
Out of the 12 projects developed by JGL and related to the new product in the first six months of 2018, one was related to the development of nasal preparations without preservatives under the Meralys brand. From a total of five projects related to product enhancements from the existing portfolio, or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

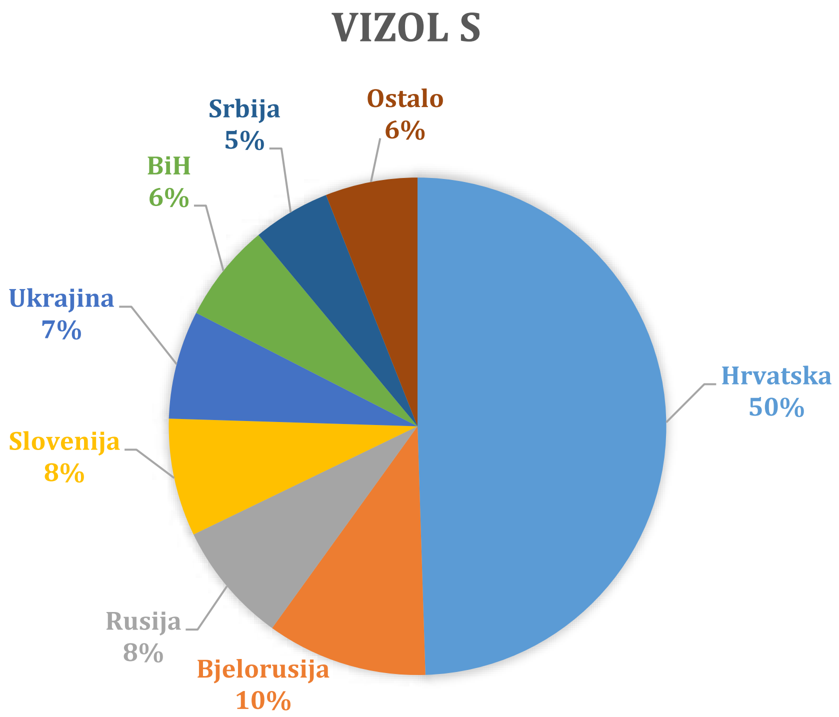
The 21 R&D projects concerning the registration categories of drugs (prescription and non-prescription) also include a product under the Dramina brand. The launch of a new, proprietary product is expected at the end of 2019.

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 oftalomological 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. | The amounts of approved frameworks range from EUR 1,000,000 to 3,000.000 |
| Sberbank d.d. | |
| Privredna Banka Zagreb d.d. | |
| Kreditna Banka Zagreb d.d. | |
| **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 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 Director has 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 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 Company will continue to operate in the foreseeable future.

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

These reports represent nonconsolidated reports of the Company.

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

For JGL d.d.

Mislav Vučić, Executive Director