ISSUER'S GENERAL DATA

Reporting period:	**1.1.2019**	to	**31.12.2019**
Year:	**2019**		

Annual financial statements

egistration number (MB):	**03715957**	Issuer's home Member State code:	
Entity's registration number (MBS):	**040004561**		
Personal identification number (OIB):	**20950636972**	LEI:	**529900NRAH6YWL3TLD24**
Institution code:			
Name of the issuer:	**JGL d.d.**		
Postcode and town:	**51000**		**Rijeka**
treet and house number:	**Svilno 20**		
E-mail address:	jgl@jgl.hr		
Web address:	www.jgl.hr		
Number of employees (end of the reporting	**578**		
Consolidated report:	**KN**	(KN-not consolidated/KD-consolidated)	
Audited:	**RD**	(RN-not audited/RD-audited)	

Names of subsidiaries (according to IFRS)	Registered office:	MB:

Bookkeeping firm:	**No**	(Yes/No)	(name of the bookkeeping firm)
Contact person:	**Crnković Verica** (only name and surname of the contact person)		

Telephone:	**051/660-710**
E-mail address:	verica.crnkovic@jgl.hr
Audit firm:	Grant Thornton revizija d.o.o.
	(name of the audit firm)
Certified auditor:	Dalibor Briški
	(name and surname)

BALANCE SHEET
balance as at 31.12.2019

in HRK

Submitter: JGL d.d.

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	618.698.844	634.437.544
I INTANGIBLE ASSETS (ADP 004 to 009)	**003**	63.013.697	69.828.002
1 Research and development	**004**	14.222.040	15.267.717
2 Concessions, patents, licences, trademarks, software and other rights	**005**	15.077.134	19.630.828
3 Goodwill	**006**	0	0
4 Advance payments for purchase of intangible assets	**007**	0	0
5 Intangible assets in preparation	**008**	25.295.044	28.965.808
6 Other intangible assets	**009**	8.419.479	5.963.649
II TANGIBLE ASSETS (ADP 011 to 019)	**010**	468.582.698	479.154.723
1 Land	**011**	40.328.585	40.348.192
2 Buildings	**012**	233.555.624	233.152.902
3 Plant and equipment	**013**	168.345.875	171.768.204
4 Tools, working inventory and transportation assets	**014**	7.448.834	11.841.185
5 Biological assets	**015**	0	0
6 Advance payments for purchase of tangible assets	**016**	198.555	3.294.880
7 Tangible assets in preparation	**017**	654.764	1.429.624
8 Other tangible assets	**018**	832.480	832.480
9 Investment property	**019**	17.217.981	16.487.256
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	77.192.440	73.785.921
1 Investments in holdings (shares) of undertakings within the group	**021**	75.960.865	72.554.346
2 Investments in other securities of undertakings within the group	**022**	0	0
3 Loans, deposits, etc. to undertakings within the group	**023**	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	**024**	49.000	49.000
5 Investment in other securities of companies linked by virtue of participating interest	**025**	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	**026**	0	0
7 Investments in securities	**027**	1.182.575	1.182.575
8 Loans, deposits, etc. given	**028**	0	0
9 Other investments accounted for using the equity method	**029**	0	0
10 Other fixed financial assets	**030**	0	0
IV RECEIVABLES (ADP 032 to 035)	**031**	0	0
1 Receivables from undertakings within the group	**032**	0	0
2 Receivables from companies linked by virtue of participating interests	**033**	0	0
3 Customer receivables	**034**	0	0
4 Other receivables	**035**	0	0
V. Deferred tax assets	**036**	9.910.009	11.668.898
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	433.379.364	532.223.849
I INVENTORIES (ADP 039 to 045)	**038**	157.697.597	160.840.738
1 Raw materials	**039**	61.606.294	80.819.002
2 Work in progress	**040**	91.105	98.893
3 Finished goods	**041**	54.558.822	44.192.156
4 Merchandise	**042**	28.394.474	26.394.820
5 Advance payments for inventories	**043**	646.262	124.843
6 Fixed assets held for sale	**044**	12.400.640	9.211.024
7 Biological assets	**045**	0	0
II RECEIVABLES (ADP 047 to 052)	**046**	229.474.513	288.964.721
1 Receivables from undertakings within the group	**047**	117.240.746	176.830.177
2 Receivables from companies linked by virtue of participating interest	**048**	0	0

3 Customer receivables	049	106.017.201	106.489.300
4 Receivables from employees and members of the undertaking	050	6.031	86.242
5 Receivables from government and other institutions	051	2.691.663	3.692.354
6 Other receivables	052	3.518.872	1.866.648
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	33.598.290	24.971.775
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	33.498.290	24.971.775
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	100.000	0
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	12.608.964	57.446.615
D) PREPAID EXPENSES AND ACCRUED INCOME	064	1.107.985	1.382.038
E) TOTAL ASSETS (ADP 001+002+037+064)	065	1.053.186.193	1.168.043.431
OFF-BALANCE SHEET ITEMS	066	75.929.259	27.478.593
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	554.570.099	630.868.691
I. INITIAL (SUBSCRIBED) CAPITAL	068	118.472.000	119.255.000
II CAPITAL RESERVES	069	13.651.335	16.720.695
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	39.057.837	45.291.675
1 Legal reserves	071	35.873.810	42.107.648
2 Reserves for treasury shares	072	8.728.548	8.316.948
3 Treasury shares and holdings (deductible item)	073	-7.685.300	-7.273.700
4 Statutory reserves	074	0	0
5 Other reserves	075	2.140.779	2.140.779
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	364.573.767	371.724.630
1 Retained profit	082	364.573.767	371.724.630
2 Loss brought forward	083	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	18.815.160	77.876.691
1 Profit for the business year	085	18.815.160	77.876.691
2 Loss for the business year	086	0	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	1.730.908	2.689.595
1 Provisions for pensions, termination benefits and similar obligations	089	1.432.157	1.601.131
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	298.751	1.088.464
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	355.020.340	327.773.315
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities towards banks and other financial institutions	101	227.988.234	199.937.409
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0

9 Liabilities for securities	**104**	127.032.106	127.835.906
10 Other long-term liabilities	**105**	0	0
11 Deferred tax liability	**106**	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	136.350.603	199.022.355
1 Liabilities towards undertakings within the group	**108**	824.821	555.854
2 Liabilities for loans, deposits, etc. to companies within the group	**109**	0	0
3 Liabilities towards companies linked by virtue of participating interest	**110**	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	**111**	0	0
5 Liabilities for loans, deposits etc.	**112**	0	0
6 Liabilities towards banks and other financial institutions	**113**	52.027.008	46.112.653
7 Liabilities for advance payments	**114**	616.803	13.297
8 Liabilities towards suppliers	**115**	62.931.211	72.938.775
9 Liabilities for securities	**116**	4.800.000	53.094.414
10 Liabilities towards employees	**117**	7.130.554	12.015.344
11 Taxes, contributions and similar liabilities	**118**	6.541.740	11.997.783
12 Liabilities arising from the share in the result	**119**	25.068	21.468
13 Liabilities arising from fixed assets held for sale	**120**	0	0
14 Other short-term liabilities	**121**	1.453.398	2.272.767
E) ACCRUALS AND DEFERRED INCOME	**122**	5.514.243	7.689.475
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	1.053.186.193	1.168.043.431
G) OFF-BALANCE SHEET ITEMS	**124**	75.929.259	27.478.593

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2019 to 31.12.2019

in HRK

Submitter:JGL d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	450.859.324	551.045.526
1 Income from sales with undertakings within the group	126	153.126.986	199.168.979
2 Income from sales (outside group)	127	289.151.421	343.621.147
3 Income from the use of own products, goods and services	128	0	0
4 Other operating income with undertakings within the group	129	450	764
5 Other operating income (outside the group)	130	8.580.467	8.254.636
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	392.649.034	469.257.036
1 Changes in inventories of work in progress and finished goods	132	-9.027.470	5.653.059
2 Material costs (ADP 134 to 136)	133	250.250.229	272.975.061
a) Costs of raw material	134	168.059.764	147.797.567
b) Costs of goods sold	135	11.797.372	50.816.617
c) Other external costs	136	70.393.093	74.360.877
3 Staff costs (ADP 138 to 140)	137	88.881.808	103.133.281
a) Net salaries and wages	138	53.652.915	62.909.082
b) Tax and contributions from salaries expenses	139	23.294.515	26.580.800
c) Contributions on salaries	140	11.934.378	13.643.399
4 Depreciation	141	32.172.072	36.887.188
5 Other expenses	142	23.395.529	28.969.366
6 Value adjustments (ADP 144+145)	143	0	317.111
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	0	317.111
7 Provisions (ADP 147 to 152)	146	1.672.812	2.389.110
a) Provisions for pensions, termination benefits and similar obligations	147	1.600.061	1.548.410
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	72.751	840.700
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	0	0
8 Other operating expenses	153	5.304.054	18.932.860
III FINANCIAL INCOME (ADP 155 to 164)	154	7.463.066	24.869.941
1 Income from investments in holdings (shares) of undertakings within the group	155	1.999.636	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0
4 Other interest income from operations with undertakings within the group	158	2.231.027	1.717.572
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	545.899	19.932.690
6 Income from other long-term financial investments and loans	160	26.037	44.507
7 Other interest income	161	95.844	2.160
8 Exchange rate differences and other financial income	162	2.564.623	3.173.012
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	48.377.261	29.928.879
1 Interest expenses and similar expenses with undertakings within the group	166	1.578.000	730.720
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	22.316.253	1.961.337
3 Interest expenses and similar expenses	168	19.521.028	18.258.276
4 Exchange rate differences and other expenses	169	4.961.980	3.225.645
5 Unrealised losses (expenses) from financial assets	170	0	3.406.519
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	0	2.346.382

V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	458.322.390	575.915.467
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	441.026.295	499.185.915
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	17.296.095	76.729.552
1 Pre-tax profit (ADP 177-178)	180	17.296.095	76.729.552
2 Pre-tax loss (ADP 178-177)	181	0	0
XII INCOME TAX	182	-1.519.065	-1.147.139
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	18.815.160	77.876.691
1 Profit for the period (ADP 179-182)	184	18.815.160	77.876.691
2 Loss for the period (ADP 182-179)	185	0	0
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187	0	0
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190		
2 Discontinued operations loss for the period (ADP 189-186)	191		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192		
1 Pre-tax profit (ADP 192)	193	0	0
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195		
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1 Profit for the period (ADP 192-195)	197		
2 Loss for the period (ADP 195-192)	198		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0
1 Attributable to owners of the parent	200	0	0
2 Attributable to minority (non-controlling) interest	201	0	0
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	18.815.160	77.876.691
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	0	0
1 Exchange rate differences from translation of foreign operations	204	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209	0	0
7 Actuarial gains/losses on defined remuneration plans	210	0	0
8 Other changes in equity unrelated to owners	211	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	18.815.160	77.876.691
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0
1 Attributable to owners of the parent	216	0	0
2 Attributable to minority (non-controlling) interest	217	0	0

STATEMENT OF CASH FLOWS - indirect method

for the period __.__.____ . to __.__.____.

in HRK

Submitter: ______________________________

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001		
2 Adjustments (ADP 003 to 010):	002	0	0
a) Depreciation	003		
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004		
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006		
e) Interest expenses	007		
f) Provisions	008		
g) Exchange rate differences (unrealised)	009		
h) Other adjustments for non-cash transactions and unrealised gains and losses	010		
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	0	0
3 Changes in the working capital (ADP 013 to 016)	012	0	0
a) Increase or decrease in short-term liabilities	013		
b) Increase or decrease in short-term receivables	014		
c) Increase or decrease in inventories	015		
d) Other increase or decrease in the working capital	016		
II Cash from operations (ADP 011+012)	017	0	0
4 Interest paid	018		
5 Income tax paid	019		
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	0	0
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021		
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023		
4 Dividends received	024		
5 Cash receipts from repayment of loans and deposits	025		
6 Other cash receipts from investment activities	026		
III Total cash receipts from investment activities (ADP 021 to 026)	027	0	0
1 Cash payments for the purchase of fixed tangible and intangible assets	028		
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030		
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
IV Total cash payments from investment activities (ADP 028 to 032)	033	0	0
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	0	0
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037		
4 Other cash receipts from financing activities	038		
V Total cash receipts from financing activities (ADP 035 to 038)	039	0	0
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040		

2 Dividends paid	**041**		
3 Cash payments for finance lease	**042**		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	**043**		
5 Other cash payments from financing activities	**044**		
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	0	0
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	0	0
1 Unrealised exchange rate differences in cash and cash equivalents	**047**		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	0	0
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**		
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	0	0

STATEMENT OF CASH FLOWS - direct method
for the period 01.01.2019 to 31.12.2019

in HRK

Submitter: JGL d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Cash receipts from customers	001	510.801.832	497.514.162
2 Cash receipts from royalties, fees, commissions and other revenue	002	26.037	2.044.143
3 Cash receipts from insurance premiums	003	444.155	461.078
4 Cash receipts from tax refund	004	15.088.898	13.769.253
5 Cash payments to suppliers	005	-316.205.517	-333.271.598
6 Cash payments to employees	006	-68.466.847	-67.037.032
7 Cash payments for insurance premiums	007	0	0
8 Other cash receipts and payments	008	-37.512.789	-40.663.244
I Cash from operations (ADP 001 to 008)	009	104.175.769	72.816.762
9 Interest paid	010	-17.430.609	-16.778.561
10 Income tax paid	011	-72.347	-16.077
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 009 to 011)	012	86.672.813	56.022.124
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	013	805.718	4.887.129
2 Cash receipts from sales of financial instruments	014	0	0
3 Interest received	015	78.312	5.236.009
4 Dividends received	016	0	0
5 Cash receipts from repayment of loans and deposits	017	1.078.940	12.990.094
6 Other cash receipts from investment activities	018	0	0
II Total cash receipts from investment activities (ADP 013 to 018)	019	1.962.970	23.113.232
1 Cash payments for the purchase of fixed tangible and intangible assets	020	-18.452.654	-17.651.727
2 Cash payments for the acquisition of financial instruments	021	-2.000.000	0
3 Cash payments for loans and deposits	022	-100.000	-97.932
4 Acquisition of a subsidiary, net of cash acquired	023	0	0
5 Other cash payments from investment activities	024	0	0
III Total cash payments from investment activities (ADP 020 to 024)	025	-20.552.654	-17.749.659
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 019 + 025)	026	-18.589.684	5.363.573
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	027	0	783.000
2 Cash receipts the from issue of equity financial instruments and debt financial instruments	028	0	46.446.920
3 Cash receipts from credit principals, loans and other borrowings	029	0	0
4 Other cash receipts from financing activities	030	23.414.137	20.000
IV Total cash receipts from financing activities (ADP 027 to 030)	031	23.414.137	47.249.920
1 Cash payments for the repayment of credit principals, loans andother borrowings and debt financial instruments	032	-35.487.037	-34.773.114
2 Cash payments for dividends	033	-6.659.722	-6.681.498
3 Cash payments for finance lease	034	-19.827.395	-22.102.568
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	035	-4.371.380	-611.000
5 Other cash payments from financing activities	036	-22.709.600	-20.000
V Total cash payments from financing activities (ADP 032 to 036)	037	-89.055.134	-64.188.180
C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 031 +037)	038	-65.640.997	-16.938.260
1 Unrealised exchange rate differences in cash and cash equivalents	039	-380.014	390.214
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 012+026+038+039)	040	2.062.118	44.837.651
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	041	10.546.846	12.608.964
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 040+041)	042	12.608.964	57.446.615

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2019 to 31.12.2019

in HRK

Item	ADP code	Attributable to owners of the parent: Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	Total capital and reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1 Balance on the first day of the previous business year	01	118.472.000	13.651.335	29.200.363	8.742.847	7.699.600	0	2.140.779	0	0	0	0	307.060.028	70.804.500	542.372.252	0	542.372.252
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	118.472.000	13.651.335	29.200.363	8.742.847	7.699.600	0	2.140.779	0	0	0	0	307.060.028	70.804.500	542.372.252	0	542.372.252
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	18.815.160	18.815.160	0	18.815.160
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	0	0	-14.300	-14.300	0	0	0	0	0	0	48.620	0	48.620	0	48.620
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	-6.665.934	0	-6.665.934	0	-6.665.934
20 Other distribution to owners	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	21	0	0	6.673.447	0	0	0	0	0	0	0	0	64.131.053	-70.804.500	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23	118.472.000	13.651.335	35.873.810	8.728.547	7.685.300	0	2.140.779	0	0	0	0	364.573.767	18.815.160	554.570.098	0	554.570.098
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	0	0	0	0	0	18.815.160	18.815.160	0	18.815.160
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	6.673.447	-14.300	-14.300	0	0	0	0	0	0	57.513.739	-70.804.500	-6.617.314	0	-6.617.314
Current period																	
1 Balance on the first day of the current business year	27	118.472.000	13.651.335	35.873.810	8.728.547	7.685.300	0	2.140.779	0	0	0	0	364.573.767	18.815.160	554.570.098	0	554.570.098
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	118.472.000	13.651.335	35.873.810	8.728.547	7.685.300	0	2.140.779	0	0	0	0	364.573.767	18.815.160	554.570.098	0	554.570.098
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	77.876.691	77.876.691	0	77.876.691
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined remuneration plans	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	783.000	3.069.360	0	0	0	0	0	0	0	0	0	0	0	3.852.360	0	3.852.360
16 Increase of initial (subscribed) capital by reinvesting profit	42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	-411.600	-411.600	0	0	0	0	0	0	1.247.440	0	1.247.440	0	1.247.440
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	-6.677.898	0	-6.677.898	0	-6.677.898
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	47	0	0	6.233.838	0	0	0	0	0	0	0	0	12.581.322	-18.815.160	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	**49**	119.255.000	16.720.695	42.107.648	8.316.947	7.273.700	0	2.140.779	0	0	0	0	371.724.631	77.876.691	630.868.691	0	630.868.691
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	**50**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	**51**	0	0	0	0	0	0	0	0	0	0	0	0	77.876.691	77.876.691	0	77.876.691
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	**52**	783.000	3.069.360	6.233.838	-411.600	-411.600	0	0	0	0	0	0	7.150.864	-18.815.160	-1.578.098	0	-1.578.098

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (GFI)

Name of issuer: JGL d.d.

OIB: 20950636972

Reporting period: 01.01.2019 - 31.12.2019

Notes to the financial statements are to be drawn up in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in such a way that they:

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

2019

Annual Management Report for JGL d.d.

JADRAN – GALENSKI LABORATORIJ d.d. ("JGL" or "Company") accepts responsibility for the content of this Management Report.

Given the belief and all discoveries and information available to JGL, information in this report represents a complete and truthful presentation of assets and liabilities, losses and gains and the financial position of JGL, and to the best knowledge of JGL, no fact has been left out that can affect the completeness and truthfulness of this report.

Numbers in the report are rounded, so the numbers shown for the same type of information can differ and the sums may not be arithmetic aggregates. In this document, "EUR" stands for the euro, "USD" for the American dollar, and "HRK" or "kuna" for the Croatian kuna.

Reference to the "previous period" relates to the period from 1 January 2018 to 31 December 2018, while the "current period" relates to the period from 1 January 2019 to 31 December 2019.

Rijeka, March 2020

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Annual Management Report for JGL d.d.

2019

OVERVIEW OF THE PERFORMANCE AND GENERAL POSITION OF JGL d.d.

Thousand HRK	*2019*	*2018*	*2017*	*2016*	*2015*
Operating revenue	551,046	450,859	612,488	595,026	535,855
Croatia	125,231	121,831	119,957	114,912	111,444
Export	417,560	320,447	333,739	235,354	408,710
Other operating revenue	8,255	8,581	158,792	244,760	15,701
EBITDA	118,993	90,382	153,750	168,970	83,036
*Normalised profit before tax**	76,730	17,296	78,237	76,102	23,070
Profit before tax[1]	76,730	17,296	78,011	76,073	20,547
Net profit of the period	77,877	18,815	70,805	91,302	19,749
Total assets	1,168,043	1,053,186	1,083,484	1,279,685	1,145,131
Capital and reserves	630,869	554,570	542,372	491,557	407,749
Investments	44,251	43,018	27,691	19,641	158,926
Indicators					
EBITDA margin	21.6%	20.0%	25.1%	28.4%	14.8%
*Normalised gross margin**	13.9%	3.8%	12.8%	12.8%	4.3%
Gross margin	13.9%	3.8%	12.7%	12.8%	3.9%
ROE	12.2%	3.1%	14.4%	15.5%	5.0%
ROA	6.6%	1.6%	7.2%	5.9%	1.8%
Self-financing ratio	54%	52.7%	50.1%	38.4%	35.6%
Quick liquidity ratio	1.87	2.02	3.04	2.28	2.29
Net debt / EBITDA	2.84	3.99	2.54	3.84	6.90
Number of employees					
At year end	578	546	524	687	719

Source: JGL
**Receivables in the amount of HRK 2.5 million were value adjusted in 2015, and receivables in the amount of HRK 4.4 million were written off in 2019. In other years, write-offs accounted for less than 0.2% of revenue.*

[1] *The Company has the status of recipient of incentive measures and is using tax reliefs in the form of a reduced corporate income tax rate, so the information on profit before tax and gross margin was used for the comparability of information between years.*

Thousand HRK

	31/12/2018	31/12/2019
TOTAL REVENUE	458,322	575,916
OPERATING REVENUE	450,859	551,046
EBITDA	90,382	118,993
PROFIT BEFORE TAX	17,296	76,730
EBITDA MARGIN	20.0%	21.6%
NET DEBT	360,840	338,302
NET DEBT / EBITDA	3.99	2.84
NET DEBT / CAPITAL	0.65	0.54
DEBT RATIO	0.47	0.45
CURRENT LIQUIDITY RATIO	3.18	2.67

Source: JGL

Statement of profit or loss of JGL d.d. as at 31/12/2018 and 31/12/2019 (in HRK)[2]

Thousand HRK	**2018**	**2019**	**Index**
OPERATING REVENUE	**450,859**	**551,046**	**122.22**
SALES REVENUE	442,278	542,790	122.73
Domestic	121,831	125,230	102.79
Foreign	320,447	417,560	130.31
OTHER REVENUE	8,581	8,256	96.21
OPERATING EXPENSES	**392,649**	**469,257**	**119.51**
CHANGE IN INVENTORY VALUE	-9,027	5,653	-62.62
MATERIAL COSTS	250,250	272,975	109.08
EMPLOYEE COSTS	88,882	103,133	116.03
OTHER COSTS	62,544	87,496	139.89
FINANCE REVENUE	**7,463**	**24,870**	**333.24**
FINANCE EXPENSES	**48,377**	**29,929**	**61.87**
TOTAL REVENUE	**458,322**	**575,916**	**125.66**
TOTAL EXPENSES	**441,026**	**499,186**	**113.19**
PROFIT BEFORE TAX	**17,296**	**76,730**	**443.62**
Income tax and deferred tax assets	-1,519	-1,147	75.52
PROFIT AFTER TAX	**18,815**	**77,877**	**413.90**

Source: JGL

[2] *The statement of profit or loss is shown according to the abridged management classification which is not identical in layout to the statement of profit or loss prescribed by IFRS standards*

Balance sheet of JGL d.d. as at 31/12/2018 and 31/12/2019 (in HRK)[3]

Thousand HRK	**2018**	**2019**	**Index**
ASSETS	**1,053,186**	**1,168,043**	**110.91**
NON-CURRENT ASSETS	**618,699**	**634,437**	**102.54**
CURRENT ASSETS	**433,379**	**532,224**	**122.81**
INVENTORIES	157,698	160,841	101.99
RECEIVABLES FROM SUBSIDIARIES	117,241	176,830	150.83
Domestic	10,858	14,845	136.73
Foreign	106,383	161,985	152.27
TRADE RECEIVABLES	106,017	106,489	100.45
Domestic	42,637	25,002	58.64
Foreign	63,380	81,487	128.57
OTHER RECEIVABLES	6,216	5,645	90.81
CURRENT FINANCIAL ASSETS	33,598	24,972	74.32
CASH AT BANK AND IN HAND	12,609	57,447	455.60
PREPAID EXPENSES AND ACCRUED REVENUE	**1,108**	**1,382**	**124.73**

LIABILITIES	**1,053,186**	**1,168,043**	**110.91**
CAPITAL AND RESERVES	**554,570**	**630,869**	**113.76**
NON-CURRENT PROVISIONS	**1,731**	**2,690**	**155.39**
NON-CURRENT LIABILITIES	**355,020**	**327,773**	**92.33**
LIABILITIES FOR LEASING AND BANKS	227,988	199,937	87.70
BOND LIABILITIES	127,032	127,836	100.63
CURRENT LIABILITIES	**136,351**	**199,022**	**145.96**
LIABILITIES TOWARDS SUBSIDIARIES	825	556	67.39
TRADE PAYABLES	62,931	72,939	115.90
Domestic	29,894	28,158	94.19
Foreign	33,037	44,781	135.54
LIABILITIES FOR LEASING AND BANKS	52,027	46,113	88.63
LIABILITIES ARISING FROM SECURITIES	4,800	53,094	1,106.13
OTHER CURRENT LIABILITIES	15,768	26,320	166.93
ACCRUED EXPENSES, DEFERRED REVENUE AND PROVISIONS	**5,514**	**7,689**	**139.45**

[3] *The balance sheet is shown according to the management classification and is not identical in layout to the balance sheet prescribed by IFRS standards.*

In 2019, JGL earned a total of HRK 575,915,467 in revenue, of which HRK 551,045,526 was from its business activities, and HRK 76,729,552 profit before tax.

The increase in revenue was mostly influenced by the increase in sales of 14.81% on the Russian market, which also has the largest share in sales revenue (49%), and the increase in sales on the markets of Bosnia and Herzegovina by 23.10% (8% share), Ukraine by 23.51% (7% share) and Kazakhstan by 11.34% (5% share).

Domestic sales, which account for 19% of the operating revenue, increased by 3.81% compared to the same period last year.

The overview of indicators shows a significant recovery and positive trend of the Company. By reducing the level of indebtedness and net debt, the Company has achieved financial stability, liquidity, higher profitability, a solid return on assets and capital, and improved creditworthiness.

MATERIAL BUSINESS EVENTS

BOND REFINANCING

At the end of 2019, JGL refinanced bonds in the amount of HRK 127,500,000, with the code JDGL-O-20CA, issued on 21 December 2015, with the annual interest rate of 5.8125% and maturity on 21 December 2020, through an early repurchase of a part of a bond issue and their exchange for a new bond issue from bondholders in the nominal amount of HRK 80,735,740, leaving in circulation bonds in the nominal amount of HRK 46,764,260.

On 21 November 2019, the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga, HANFA) issued a Decision approving a single prospectus relating to the public offering and listing of bonds on the regulated market up to a maximum of HRK 130,000,000.

On 18 December 2019, JGL issued a new issue of corporate bonds in HRK on the domestic capital market in the amount of HRK 130,000,000, with the code JDGL-O-24XA, denominated in HRK 1, with a fixed annual interest rate of 1.75%, semi-annual payment and maturity on 18 December 2024, in registered dematerialised form.

Through refinancing the existing bonds and a new bond issue, JGL has reduced the costs of bond financing due to a significantly reduced interest rate, and has delayed bond maturity for another five years.

PORTFOLIO PERFORMANCE

JGL had a successful 2019 due to the total number of products manufactured. The output of 37 million units broke the record from 2013. An additional 20 percent increase was set as the plan for 2020. During the reporting period, a total of 50 new marketing authorisations in the B2C segment were obtained, registration processes for 47 products were initiated, and 118 different products were launched in 35 global markets. The certification of all products in the medical device category was successfully finished in accordance with the applicable EU Directive (Medical Devices Directive, MDD), ensuring free movement of products on the EU market until 26 May 2024, and certification activities were started according to the new EU regulation (Medical Device Regulation, MDR) which comes into effect on 26 May 2020. In 2019, preparations for the registration of all products in the MD category in the EEU region were also started as per the new regulation, with the aim of ensuring free movement of products in EEU from 1 January 2022.

Over the course of the year, a total of 60 new products were launched in the B2C segment in 15 markets, generating just over HRK 16 million in revenue by 31 December 2019. Of the 60 launches, 42 were done in the SEE region, and 18 in CIS markets. The largest number of the products launched were in Croatia (24), and the financially most successful launches in the previous year were those on the Russian market (approx. HRK 9 million).

Special progress was made last year in optimising the management process for printed packaging, as one of the prerequisites for implementing the production plan and registration procedures.

RESEARCH AND DEVELOPMENT

A total of 15 projects in various phases of technological maturity were active during 2019: 12 projects were own development of new products (4 of which were started in the current year), two were related to the improvement of products from the existing portfolio, and technology transfer projects were initiated with three partners, including several products.

Four projects included a significant innovation compared to before. This change was possible due to the increase in technology and resources of the Research and Development Department.

Other activities were related to the preparation for conducting studies and creating documentation for partners and regulatory authorities as part of registration procedures and variation procedures, the introduction of new technologies, professional training, and the preparation of a project for co-financing with EU funds.

AUDITS

As in the previous years, 2019 saw a large number of inspections and audits by business partners. A total of 24 audits were performed.

With regard to the more important audits, we would like to mention the recertification in accordance with ISO 13485:2016 Quality management system for medical devices, recertification by the notified body *Istituto Superiore di Sanità* for a group of medical devices, recertification by the notified body SIQ for Vizol S 0.21% and Vizol 0.4%, and the obtained EU GMP certificate (issued by the Agency for Medicinal Products and Medical Devices (Hrvatska agencija za lijekove i medicinske proizvode, HALMED)) for the newly introduced manufacturing procedure – terminal sterilisation of semi-solid forms.

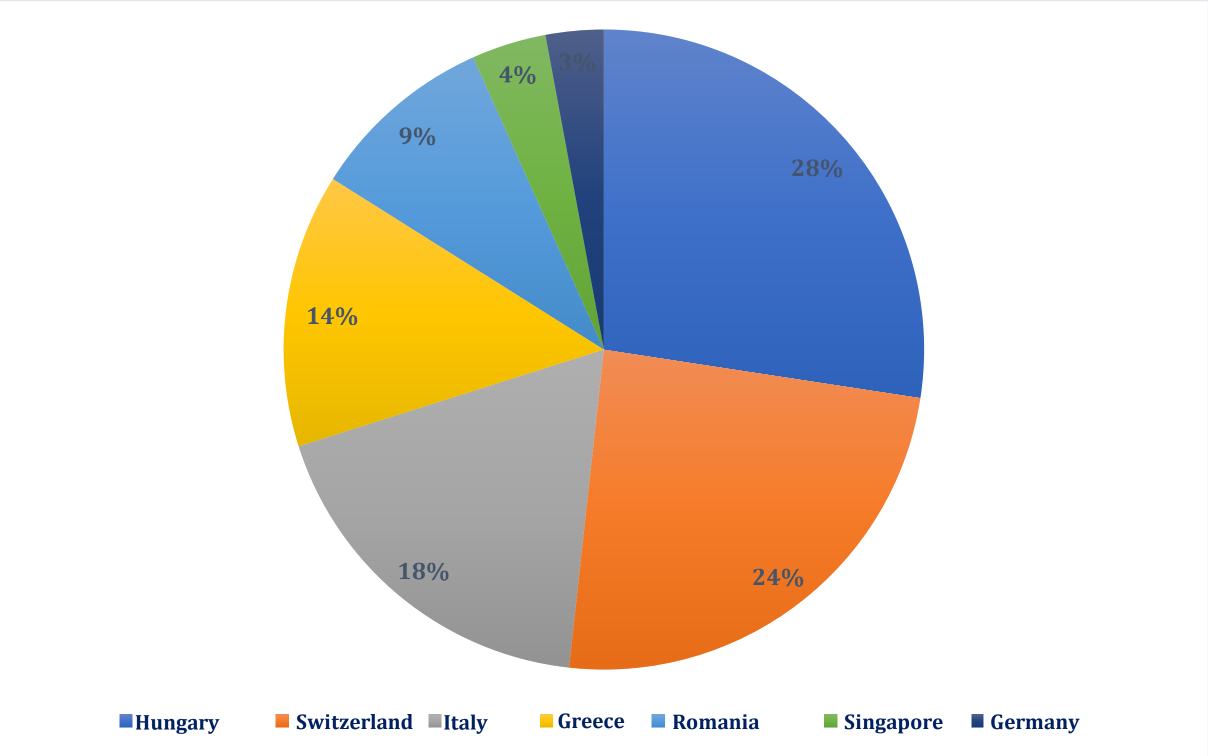
It should be noted that audits are growing in duration and complexity due to increasingly rigorous regulatory requirements, but also that auditors and inspectors, without exception, commend the infrastructure, the quality system and the expertise of employees.

INTERNATIONALISATION

With the growth of 46% compared to 2018, and total sales of HRK 86,028,479, the B2B segment leads the growth of JGL’s biggest brands. With regard to shares, the leading market is that of Hungary with 28% of sales, followed by Switzerland with 25%, Italy with 18% and Greece with 14%.

Over the course of the year, ten new partnership agreements were signed, 58 new SKUs were launched (seven licensing and distribution, and 51 contract manufacturing), and a total of 17 projects were active within the project portfolio (five related to co-operations with partners, one related to market development, and 11 licensing-in projects).

Structure of net sales by the most significant B2B markets in 2019



INVESTMENTS IN SUBSIDIARIES

In 2019, JGL d.d. performed a value adjustment of investments in its subsidiary JGL North America LLC from HRK 3,406,518.84 to HRK 0.00.

INVESTMENTS

In 2019, the company invested a total of HRK 44,251,026 in non-current assets. Investments in intangible assets amounted to HRK 16,332,995, of which HRK 1,788,083 was related to investments in computer software, HRK 1,216,813 was used for purchasing licences, HRK 2,751,220 was allocated for registering own products, and HRK 10,576,879 for investments in development projects.

Investments in tangible assets amounted to HRK 27,918,031. HRK 583,414 was invested in the improvement of functions of buildings owned by the company, while another HRK 27,334,617 was invested in the purchase of production, IT and transport equipment, and furniture.

INVESTMENT PROMOTION

On 26 February 2014, JGL was assigned the status of a recipient of incentive measures for its “Svilno 2” project by the Ministry of Economy pursuant to the Act on Investment Promotion and Development of Investment Climate, *Narodne Novine* (NN; Official Gazette of the Republic of Croatia) No 111/12, 28/13.

In 2013, JGL reported an investment into a new manufacturing plant with the aim of securing capacities for further global growth in existing and new markets. The Ministry issued a decision on the maximum level of incentives in the amount of 40% of the investment, to be used in a period of 10 years in the form of a reduced corporate income tax rate of 0%.

The tax incentive on this basis was used in the amount of HRK 15,275,391.18 in the calculation of income tax for 2019.

TRANSACTIONS RELATING TO OWN SHARES

At the beginning of 2019, the Company had 76,853 own shares. By 31 December 2019, JGL repurchased 1,150 and allocated 5,266 own shares, so the number of own shares in the portfolio was 72,737 as at 31 December 2019. The share capital of the Company is divided into 1,192,550 shares, 1,119,813 of which are shares with voting rights, while those remaining are own shares.

Ownership structure of JGL d.d. as at 31 December 2019

Owner	Number of shares	% in capital	% in capital with voting rights
Ivo Usmiani	364,234	30.54%	32.53%
Small shareholders	348,668	29.24%	31.13%
Zdravko Saršon	239,496	20.08%	21.39%
Own shares	72,737	6.10%	-
Marina Pulišić	31,396	2.63%	2.80%
Eva Usmiani Capobianco	29,632	2.49%	2.65%
Grozdana Božić	28,912	2.42%	2.58%
Vesna Črnjarić	24,162	2.03%	2.16%
Đurđica Miletović Forempoher	19,800	1.66%	1.77%
Sanja Vujić Šmaguc	18,913	1.59%	1.69%
Majid Hejja	14,600	1.22%	1.30%
TOTAL	**1,192,550**	**100.00%**	**100.00%**

Source: JGL

NEW SHARE ISSUE

Based on the authorisation given by the Resolution of the General Meeting as of 24 June 2014, on 6 May 2019, the Board of Directors issued a Decision on the issue of 7,830 new H series shares, with a nominal amount of HRK 100 per share. This increased the share capital from HRK 118,472,000.00 to HRK 119,255,000.00.

The increase of the share capital was performed by entry into the court register of the Commercial Court in Rijeka, under No Tt-19/5199-2 on 25 September 2019, with the delivery of the consolidated text of the Articles of Association of JGL on 17 September 2019.

ENVIRONMENTAL PROTECTION

2019 was marked by the implementation of energy efficiency measures, i.e. new solutions for better energy and resource utilisation with a focus on achieving savings. JGL achieved savings of 69% through four parts of the project titled "JGL – An Energy Efficient Company" (JGL – Energetski učinkovito društvo). In mid-2018, a grant agreement was signed for projects financed from funds in the financial period 2014–2020 with the Ministry of Environment and Energy and the Environmental Protection and Energy Efficiency Fund, for the purpose of implementing the aforementioned project.

On 17 October 2019, the final application for that period was submitted for a grant awarded for the promotion of energy efficiency and renewable energy sources in companies as a grant with the maximum intensity of the de minimis grant of 85% (HRK 807,385.93), and the maximum intensity of government grants of 45% and 60% (HRK 1,707,040.65). In this project, JGL received a grant in the total amount of HRK 2,514,426.58 based on four reimbursement applications.

The project included the reconstruction of a roof on the storage and logistics facility, increasing the insulation layer and reducing temperature oscillations. In addition to improving the energy system, this intervention also met the regulatory requirements of good manufacturing practices in key markets in EU and CIS countries. The installation of a state-of-the-art cooler system enabled us to achieve energy savings, ensure uninterrupted operations, reduce noise levels, and use a more eco-friendly coolant. The essential elements for the operation of the strategically most important part of the production plant – sterile solutions – were significantly improved.

The reconstruction of the DHW system in the sterile solutions department using solar collectors and a heat pump conserves energy for the heating of water which was previously heated by electric heaters. The advantage of this project is the use of an alternative energy source (solar collectors), while the lower usage of traditional energy sources led to significant improvements in performance, while simultaneously ensuring all technological needs for hot water at Svilno 1.

The most important part was the construction of a photovoltaic power station for own use, reducing the dependency on the energy supplied from the main power grid. As much as 25% of the required electricity can be generated from solar energy on sunny days, achieving 3.1% savings in electricity, while simultaneously reducing greenhouse gas emissions by a minimum of 44.5 tonnes per year.

In 2016, JGL introduced the ISO 50001:2011 standard for energy management systems, based on which consumption is constantly controlled and opportunities for improvement are sought. The recertification of the system was performed in 2019 without any non-compliances, and the method of managing the energy management system was commended by the recertification body.

EMPLOYEES

The total number of employees (except for employees on vocational training) in JGL d.d. on 31 December 2019 was 578 (546 on 31 December 2018).

The Croatian market is the largest in terms of the number of employees with 461 employees, which is 30 employees more than at the same time last year.

Of that, 76 percent are women, and 24 percent are men. The percentage of employees with university degrees is 67 percent, and their average age is 42. Besides the Croatian market, the employees of JGL-a d.d. operate directly in six foreign markets.

Three key areas which marked 2019 in the field of human resources management were related to investments in reward systems; learning and development; and performance, competency and career management.

Number of employees as at 31 December 2017, 2018 and 2019

	CRO	B&H	MK	RKS	RU	KZ	BLR	UAE	TOTAL
2017	410	7	5	1	6	38	15	40	522
2018	431	1	5	1	5	41	15	47	546
2019	**461**	**0**	**5**	**1**	**5**	**39**	**17**	**50**	**578**

STATEMENT ON THE APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

JGL d.d. has not adopted the Corporate Governance Code developed by the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga, HANFA) and the Zagreb Stock Exchange (Zagrebačka burza d.d.), but implements it in the appropriate manner. JGL d.d. operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal control, strengthening personal responsibility and corporate social responsibility.

JGL d.d's organisational structure follows the one-tier model, in which the functions of governance and supervision are carried out by the Board of Directors, elected by the General Meeting, while a CEO (appointed by the Board of Directors) represents and manages the company's operations.

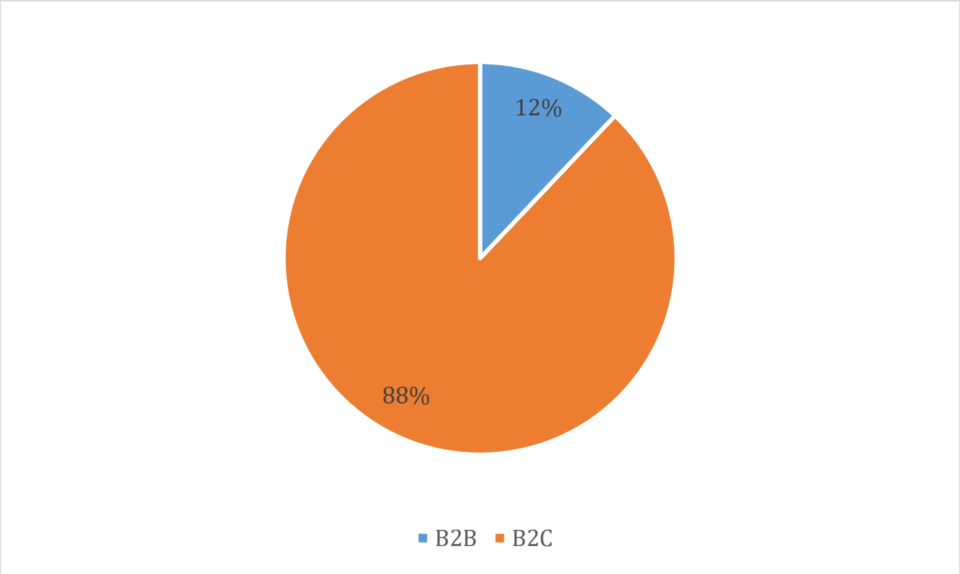
In its business activities, JGL d.d. applies internal policies with clearly defined procedures for the work of the Board of Directors and CEO, and clear principles guaranteeing the protection of interests of all stakeholders (e.g. annual and semi-annual reports are available to stakeholders; persons who use or come into contact with privileged information are familiar with the nature and significance of the information and the relevant restrictions; control of the flow of privileged information and the possible abuse of such information has been established).

The Board of Directors has established an Audit Committee. In the course of its work, the Committee assesses the quality of the internal control and risk management system, with the aim of properly identifying the main risks the Company is exposed to (including the risks related to compliance with regulations).

SALES PERFORMANCE

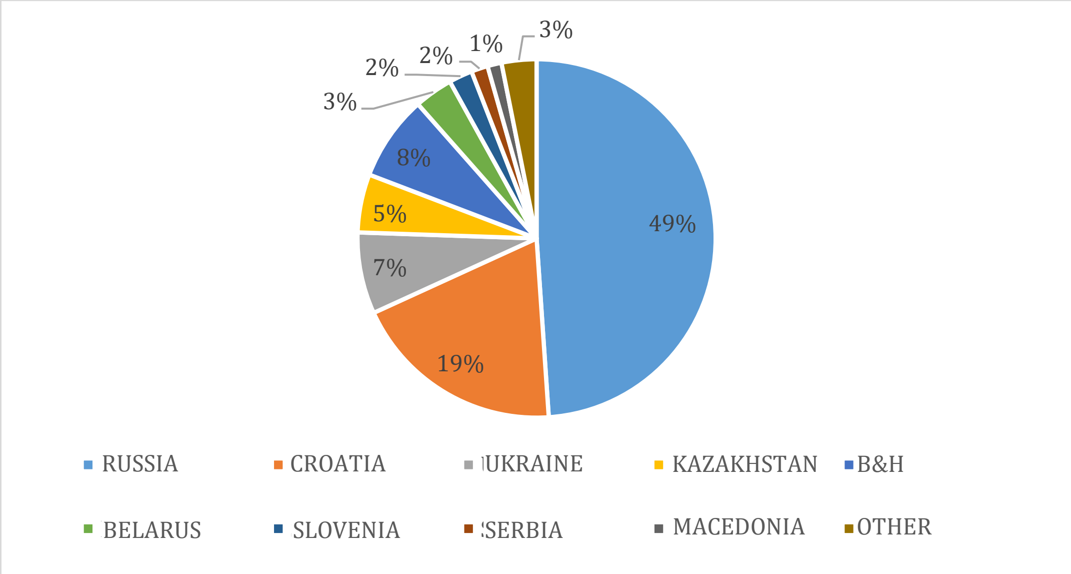
Sales in the B2C segment of the company makes up 88% of total sales in 2019. Net sales in the amount of HRK 627 million were generated in that segment during the reporting period, which is an increase of 14.2% compared to the previous year.

Structure of net sales in B2C and B2B segments in 2019



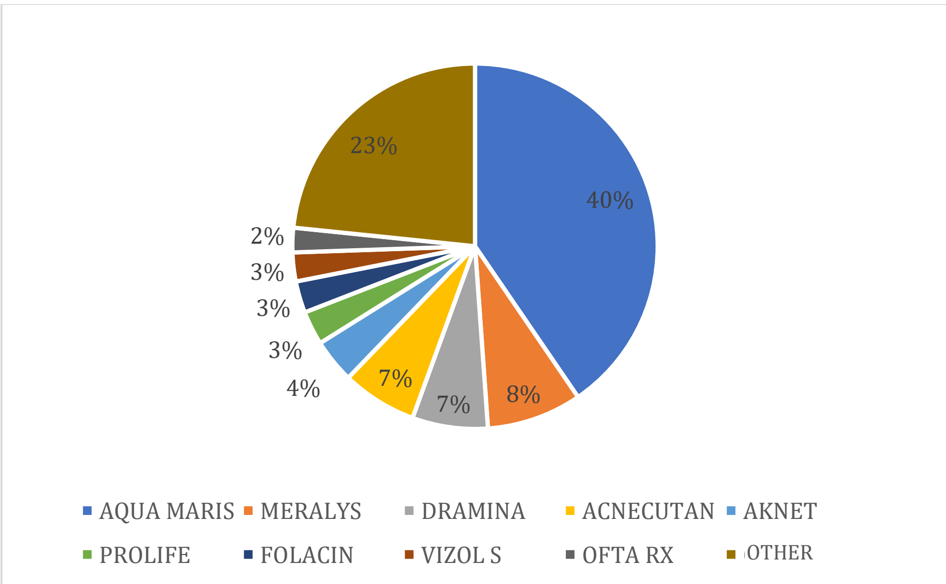
With sales of HRK 306,723,423, the Russian market holds the largest share, i.e. 49% of B2C sales in 2019, and growth of 14.81% compared to the previous year. It is followed by the Croatian market with a share of 19%, growth of 3.81% compared to 2018 and sales of HRK 120,845,685, followed by the market of Bosnia and Herzegovina with a share of 8% and net sales of HRK 48,164,718 (growth of 23.10%), and the Ukrainian market with a share of 7%, sales of HRK 46,114,880 and a double-digit growth rate of 23.51%.
The market of Kazakhstan also experienced double-digit growth of 11.34% compared to 2018, with sales of HRK 32,983,711 (a 5% share in B2C net sales). The Belarus market holds a 3% share in the total B2C sales of JGL, generating HRK 21,823,158 and achieving the largest growth of 58.96% compared to the previous year.

Structure of net sales by market in 2019



With regard to brands, the leading B2C business brand is still Aqua Maris with a 40% share, double-digit growth of 15.47% compared to 2018 and HRK 253,704,639 in net sales. It is followed by Meralys, which is growing at a rate of 28.98%, with a growing share of 8% and sales of HRK 52,734,226. Net sales of Dramina were HRK 41,960,923, and of Acnecutan HRK 41,715,048, with each holding a 7% share in B2C sales and experiencing double-digit growth compared to the previous year. They are followed by the brands Aknet (sales of HRK 24,434,596), Prolife and Folacin, all recording double-digit growth. Vizol S should be especially highlighted as one of JGL's newer strategic brands, holding a 3% share in B2C net sales, generating HRK 16,012,258 in sales, and experiencing significant growth of 37.11% in 2019 compared to the previous reporting period.

Structure of net sales by brand in 2019



FINANCIAL RISK MANAGEMENT

In its ordinary course of business, the Company is exposed to various financial risks which are connected to foreign currency, interest rate, credit and liquidity risks. JGL d.d. monitors these risks and tries to reduce their potential effect on the Company's financial exposure. The most significant risks, along with the methods used to manage them, are described below.

FOREIGN CURRENCY RISK

The Company is exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. Foreign currency risk is present due to possible foreign exchange rate fluctuations. The dominant share of export in sales results in the exposure to foreign currency in such a manner that foreign currency assets exceed foreign currency liabilities. The existing policies of the Company include active risk protection.

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 denominated, type of hedge accounting and its price. As at 31 December 2019, the Company did not have any active forward contracts.

The Company is primarily exposed to the foreign currency risk from the fluctuation of the kuna (HRK) in relation to EUR, USD and RUB. JGL invoices products for the Russian market in the Russian rouble. The exchange rate of the rouble is strongly influenced by the political situation between the USA and Russia and by the price of oil on global markets. During 2019, due to the stabilisation of the Russian economic situation, the volatility of the Russian rouble decreased, and a trend of this currency's strengthening can be noticed.

In the first half of 2019, the average value of EUR-RUB was 73.74, and in the second half of 2019, it was 71.22 EUR-RUB. The average for the entire year was 72.46 EUR-RUB.

An overview of the EUR-RUB exchange rate movement for the period 01/01/2019 – 31/12/2019

Source: ECB

INTEREST RATE RISK

The Company's business activities expose its cash flow to a minimum interest rate risk since the majority of interest rate debt is contracted at a fixed interest rate, which exposes JGL to the fair value interest rate risk. The average interest rate on bank loans in 2019 was 3.18% (3.04% in 2018).

JGL does not use derivative instruments for active protection against interest rate risk exposure (cash flow interest rate risk and fair value interest rate risk), but it actively monitors interest rate movements on the market.

For the purposes of short-term financing, JGL uses funds from the lines of credit arranged with its
commercial banks at favourable interest rates.

The Company is partially exposed to interest rate changes as part of financial leasing with a variable interest rate linked to EURIBOR. The proportion of such interest is of small material significance on the total interest paid by the Company. Newer financial leasing contracts were arranged at a fixed interest rate (from 2.75% to 3.50%).

CREDIT RISK AND LIQUIDITY RISK

Assets that can potentially expose the Company to credit risk include short-term financial assets, cash and trade receivables.

Credit risk in connection with trade receivables is limited since these receivables are spread across various geographical areas and customers. More specifically, 76% of trade receivables are foreign trade receivables. The company tries to protect itself by obtaining payment insurance instruments and by selecting customers based on the evaluation of their creditworthiness. In order to further protect the collection of our foreign receivables, we have been insuring trade receivables from Russia since 2003, as well as from other countries (CIS, SEE, Global markets) since 2011.
The Company has insurance policies for export receivables contracted with the Croatian Bank for Reconstruction and Development (CBRD) and Hrvatsko kreditno osiguranje (HKO – Croatian Credit Insurance). Most foreign trade receivables that have an arranged deferral of payment are insured, with the exception of several customers in the CIS region and the EU.

With the transition to a new business model and establishment of an affiliate company LLC JADRAN in Russia in April 2017, the insurance of export into Russia through CBRD stopped and receivables started to be insured locally, through the Euler Hermes insurance company. The company has been continuously cooperating with those partners on increasing the share of insured customers in the total amount of receivables.

An overview of insured amounts by country in the period from 2016 to 2019 (in EUR)

	2016	2017	2018	2019
RUSSIA	16,800,000	-	-	-
KAZAKHSTAN	1,000,000	1,600,000	2,400,000	3,900,000
UKRAINE	-	1,200,000	1,600,000	4,200,000
BELARUS	250,000	700,000	1,100,000	1,770,000
GEORGIA	350,000	350,000	350,000	400,000
OTHER COUNTRIES	1,080,000	2,280,000	3,787,271	4,160,000
TOTAL	**19,480,000**	**6,130,000**	**9,237,271**	**14,430,000**

Source: JGL

Credit risk is related both to short-term financial assets and to cash at bank. The Company protects itself against these risks by keeping funds and performing other business operations through commercial banks, which are among the leading banks in the Republic of Croatia and possess satisfactory levels of capital adequacy.
The Company is a part of the healthcare system and as such is indirectly subject to the payment maturity risk. The security risk connected to receivables in the pharmacy system is reduced through the market position of the affiliate company LJEKARNA PABLO, whose purchase from wholesale pharmacies is based on the share of a wholesale pharmacy in JGL sales. JGL ensures nearly 90% of its pharmaceutical wholesale in Croatia by directing the purchase policy of its affiliate company, so the payment security risk is virtually non-existent.

In recent years, the system of financing expenditure in Croatian healthcare has been recording a constant decrease in payment deadlines from 150 to 74 days.

The liquidity risk is manifested as the risk that the Company will not be able to fulfil its obligations towards creditors or that it will not be able to collect cash fast enough and sell its less liquid assets (receivables and inventories). The Company manages its liquidity risk by maintaining sufficient amounts of liquid assets and working capital, and by negotiating favourable credit lines with various commercial banks, allowing for a fast withdrawal of short-term funds under more favourable conditions.

In 2019, credit lines in EUR were approved and contracted with commercial banks, in the total amount of EUR 4,700,000. These lines are used as a liquidity reserve and there was no need for their use in the same year.

In 2019, the following credit lines (in EUR) were approved and contracted with commercial banks:

Commercial bank	Approved lines
SBERBANK d.d.	1,000,000
ERSTE & STEIERMARKISCHE BANK d.d.	2,000,000
OTP BANKA HRVATSKA d.d.	1,700,000
TOTAL	**4,700,000**

Source: JGL

MARKET RISK

The pharmaceutical industry is characterised by significant investments in research and development, which are at the same time a generator of the Company's future growth and development. The success of research and development of new products is inherently uncertain. Research and development in the pharmaceutical industry in the segment of medicinal products is a multi-annual process, and there is a possibility of changes in market conditions from the beginning of a project.

Another important aspect of the pharmaceutical industry are regulations. Pharmaceutical companies are exposed to the possibility that the national regulatory authorities withhold or revoke their approval of pharmaceutical products or processes, and in some markets frequent regulatory changes make it difficult to predict the duration and time of obtaining an approval. The Company's inability to obtain an approval for its pharmaceutical products or processes, or the withdrawal of any such approval, could have an adverse effect on its operations, financial position, business performance and prospects.

Because of this, the Company invests significant funds, knowledge and experience into sophisticated production facilities, equipment and manufacturing processes that guarantee that regulatory approvals will be obtained and maintained, in accordance with the rules of the pharmaceutical industry and the current Good Manufacturing Practice (cGMP).

In addition to investments and regulations, the pricing policy in the pharmaceutical industry also has a strong impact on business operations.

The pharmaceutical industry is characterised by changes in prices of medicinal products, which can be caused by healthcare reforms, changes in the CIHI list of medicines, tax reforms, market instability, etc. Prices for OTC products are not regulated and can rise and fall depending on market competition. In case of changes in market prices, the Company can keep the same level of profitability by decreasing operating costs (other external service costs – promotions, entertainment, consulting services, etc. and negotiating lower costs of purchase of raw materials).

The Company manages its market risks through a diversified product portfolio, sophisticated technology and manufacturing processes, and through investments in highly skilled staff and research and development.

CAPITAL MANAGEMENT

JGL d.d. manages its credit debt by regulating the proportion of self-financing versus financing from external sources. Financing from other sources is based on non-current assets with extremely favourable interest rates, and does not represent a burden on the Company's liquidity. With regard to debt type, JGL has long-term liabilities for received loans, leasing and issued bonds. The liability for the long-term HBOR loan used to finance an investment in a new production facility Svilno 2 amounts to HRK 204,519,340. This loan was negotiated at very favourable terms, with a deferment until 2019. At the beginning of 2019, Appendix VI to the Loan Agreement with HBOR was concluded, establishing an earlier start of loan repayment and the change from annual payment to quarterly payment (first instalment on 28/02/2019, the second instalment on 31/03/2019, and every quarter thereafter until the final loan repayment on 30/09/2027). The amount of the short-term HBOR loan due in 2020 is HRK 26,588,675.

JGL d.d. has obligations toward the holders of bonds with the code HRJDGLO20CA4, in the amount of HRK 46,764,260 and maturity on 21/12/2020, and a new issue of bonds with the code HRJDGLO24XA2, in the amount of HRK 130,000,000 with maturity on 18/12/2024. The holders of bonds with the code HRJDGLO20CA4 were offered bond exchange and/or repurchase. Bonds in the nominal amount of HRK 80,735,740 were collected and added to own bonds in the amount of HRK 2,500,000, and bonds in the nominal amount of HRK 83,235,740 in total were cancelled.

The decrease of debt and shorter deadlines for collection of receivables resulted in financial stability, company liquidity, creditworthiness, and a good net-debt-to-capital ratio.

The capital structure is measured based on the financial leverage ratio, which is calculated as the ratio of net debt and total capital. Net debt is calculated as the difference between total liabilities (current and non-current liabilities) and cash and cash equivalents. Total capital is calculated as the sum of total capital shown in the balance sheet and net debt.

	2019	**2018**
Debt		
Short-term and long-term debt	420,720,075	407,047,347
Cash and cash equivalents and loans granted	(82,418,390)	(46,207,254)
Net debt	**338,301,685**	**360,840,093**
Total capital and reserves	630,868,691	554,570,098
Net debt / capital and reserves	0.54	0.65
Financial leverage ratio	34.91%	39.42%

FUTURE COMPANY DEVELOPMENT

Thanks to its efforts and outstanding performance in 2019, amid increased pressure of competition and a decline in the macroeconomic situation, JGL has achieved the growth of key brands, in almost all markets where it maintains its operations. In the reporting period, the Company has also made a big step forward in all other markets in the sales of key brands, especially in the strategic segments – respiratory, dermatology and ophthalmology.

One thing especially worth mentioning is the wide base of JGL's growth, from the B2B segment, Aqua Maris and Meralys, to Dramina, Acnecutan and Vizol S. Owing to excellent financial and market results, and subsequently a significantly improved position in terms of net debt and cash flow, at the end of the year, JGL refinanced its bonds at the fixed interest rate of 1.75% in HRK, for a period of five years. This is the lowest interest rate for corporate bonds in the non-financial sector in the history of the Croatian capital market.

The Company continues with its set growth and development strategy on sound foundations. JGL's current favourable financial position enables it to continue with investments, primarily in employees, but also in technological capacities and capabilities and R&D, which puts JGL well above the European average for companies that invest in their development.

The investment of HRK 361m in the JGL Pharma Valley site in 2015 was followed by a second phase of investments, headed by the Integra 2020 project, with the aim of further meeting the demand for JGL products, as well as integrating R&D, manufacturing and quality process in a one-stop shop. The project envisions a 60% increase in the capacity of sterile production, the construction of a pilot plant, investing in development and quality labs, and expanding our storage facilities.

With this new investment at Svilno, worth over HRK 250 million, the company is raising the bar of its development and technological competence and global competitiveness in select therapeutic segments, which is extremely important for JGL's further strides into the global health market and its new development-focused dimension of the future, on the road towards stable and sustainable growth.

15 JGL d.d.
Svilno 20 Rijeka

JGL d.d.

Auditor's report and separate financial statements for the year ended on 31 December 2019

Contents

CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

According to the Accounting Act, the CEO is responsible for the preparation of financial statements that provide a true and fair view of the Company's financial position and its business performance in accordance with the applied accounting policies, and for maintaining adequate accounting records that enable the preparation of such financial statements at any moment. The CEO has a general responsibility to undertake steps that would, to a reasonable extent, enable the protection of the Company's assets and the discovery and prevention of fraud or other irregularities.

The CEO is responsible for selecting appropriate accounting policies in accordance with the applied accounting standards that should be applied consistently, for making reasonable and careful judgements and estimates, and for preparing financial statements in accordance with the going concern principle, unless the assumption that the Company will continue to operate is inappropriate.

The CEO has a reasonable expectation that the Company has the appropriate resources to continue operating in the foreseeable future.

The CEO is responsible for submitting annual financial statements to the Company's Board of Directors for their acceptance.

These statements represent separate, unconsolidated statements of the Company.

Financial statements were approved by the CEO on 31 March 2020 for submittal to the Company's Board of Directors for their acceptance, as confirmed by his signature.

15 JGL d.d.
Svilno 20 Rijeka

Za JGL d.d.

Mislav Vučić, Izvršni direktor

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d.

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of JGL d.d. (the Company), which comprise the balance sheet as at 31 December 2019, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with the Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Commission and published in the Official Journal of the European Union.

Basis for opinion

We conducted our audit in accordance with the Accounting Act, the Audit Act, and International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our independent auditor's report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance therewith. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d. (continued)

Key audit matters (continued)

Key audit matters	How key matters were addressed in the audit
Recognition of revenue – notes 2.5, 3 and 4	
Revenue is one of the key matters for establishing the Company's performance. There is a risk that revenue is reported in a higher amount than the actually generated revenue and that it is not recognised in the correct period. Revenue consists of the fair value of received compensation or receivables for products, goods or services sold in the Company's ordinary course of business. Revenue is shown in amounts reduced by value added tax, returns, rebates and discounts. In accordance with contractual provisions, customers are approved subsequent rebates and are entitled to a subsequent return of goods. Considering the potential significant consequences of incorrectly calculated revenue, we have concluded that revenue is one of the key audit matters.	During the audit, we analysed contracts with the Company's most significant customers and the significant transactions of product sales to determine on a selected sample whether revenue is recognised in accordance with the contracted parity (at the time of transfer of significant risks and benefits to the customer), whether it can be measured reliably, is it probable that economic benefits connected with a transaction will flow into the entity, and whether revenue is reduced by transaction-related costs, which can be measured reliably. During the audit, we have gained an understanding of the internal control implemented in the Company's sales process. A cut-off was tested to achieve reasonable assurance that revenue has been reported in the correct period.
Valuation of trade and subsidiary receivables – notes 2.18, 20.1 and 20.2	
As at 31 December 2019, the Company had a balance of trade and subsidiary receivables in the amount of HRK 283,319. A significant proportion of receivables was denominated in the Russian rouble, and considering the economic situation in Russia and the surrounding countries, and the unpredictable movement of the exchange rate of the Russian rouble, in which the receivables were denominated, trade receivables are one of the key matters that we considered during our audit. Receivables are initially measured at fair value. At each balance sheet date, receivables expected to be collected in a period longer than one year are carried at amortised cost using the effective interest rate method less impairment loss for incurred and expected credit losses. Current receivables are carried at initially recognised nominal amount less the appropriate impairment allowance for incurred and expected credit losses.	During the audit, we confirmed the existence of the receivables reported through external confirmations of customers on a selected sample. The age structure of receivables was analysed. We carried out the understanding of the process of estimating future cash flows from receivables which can be reliably determined by the CEO and a reality assessment (undervaluation/overvaluation) of the impairment allowance for trade receivables reported at the balance sheet date.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d. (continued)

Other information in the annual statement

The CEO is responsible for all other information. The other information comprises the information included in the annual statement, but does not include the annual financial statements nor our independent auditor's report thereon.

Our opinion on the annual financial statements does not include other information, except to the extent which is explicitly stated in the "Report on Other Legal Requirements" section of our independent auditor's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the CEO and those charged with governance for the financial statements

The CEO is responsible for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the CEO is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the CEO either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d. (continued)

Auditor's responsibilities for the audit of the annual financial statements (continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.

- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d. (continued)

Auditor's responsibilities for the audit of the annual financial statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Report pursuant to the requirements of Regulation (EU) No 537/2014

1. The Annual General Meeting, as of 17 June 2019, based on the proposal of the Board of Directors of JGL d.d., adopted the decision to select Grant Thornton revizija d.o.o. as the Company's auditor for 2019.

2. On the date of this report, we have been continuously engaged in the performance of the Company's legal audits from the audit of the Company's annual financial statements for 2015 until the audit of the Company's annual financial statements for 2019, i.e. a total of five years.

3. Except for the matters that we have stated as the key audit matters in our independent auditor's report, under the "Report on the Audit of the Annual Financial Statements" subsection, we have nothing to report in connection with Article 10(c) of Regulation (EU) No 537/2014.

4. Through our legal audit of the Company's annual financial statements for 2019, we are capable of discovering irregularities, including fraud in accordance with Section 225 of the IESBA Code, "Responding to Non-Compliance with Laws and Regulations," which requires from us to consider, during the performance of an audit, whether the Company complied with the laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in its annual financial statements, as well as with the other laws and regulations that do not have a direct effect on the determination of material amounts and disclosures in its annual financial statements, but compliance with which may be fundamental to the operating aspects of the Company's business, to its ability to continue its business, or to avoid material penalties.

   Except in the case when we encounter, or are made aware of, non-compliance with one of the above mentioned laws or regulations that is clearly inconsequential, judged by its nature and their impact, financial or otherwise, on the Company, its stakeholders, and the general public, we have an obligation to report it to the Company and ask from it to investigate the case in question and undertake the appropriate measures for solving irregularities and preventing the recurrence of such irregularities in the future.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d. (continued)

Report on Other Legal Requirements (continued)

Report pursuant to the requirements of Regulation (EU) No 537/2014 (continued)

If the Company, at the audited balance sheet date, does not resolve the irregularities which were the basis for misstatements in the audited annual financial statements that are cumulatively equal to or greater than the materiality amount for financial statements as a whole, we are required to modify our opinion in the independent auditor's report.

In the audit of the Company's annual financial statements for 2019, we have determined the materiality for the financial statements as a whole in the amount of HRK 5.7 million, which represents approximately 10% of the Company's three-year average profit before tax. We have considered the following qualitative factors: the component which is in the focus of the users of the financial statements, a stable internal control system, and the Company's industrial and economic environment.

5. Our audit report is consistent with the additional report to the Company's Audit Committee prepared in accordance with the provisions of Article 11 of Regulation (EU) No 537/2014.

6. During the period between the start date of the audited annual financial statements of the Company for 2019 and the date of this report, we have not provided the Company with prohibited non-audit services, nor have we, in the business year before the stated period, provided it with the services of the design and implementation of internal control or risk management procedures in connection with the preparation and/or control of financial information, or the design and implementation of financial information technology systems, and during our audit we have preserved our independence from the Company.

Report pursuant to the requirements of the Accounting Act

1. In our opinion, based on the tasks we have performed during the audit, the information in the accompanying Management Report of the Company for 2019 is consistent with the accompanying annual financial statements of the Company for 2019.

2. In our opinion, based on the tasks we have performed during the audit, the accompanying Management Report of the Company for 2019 was prepared in accordance with the Accounting Act.

3. Based on our knowledge and understanding of the Company's business and its environment that we gained during the audit, we have not determined the existence of material misstatements in the accompanying Management Report of the Company.

4. In our opinion, based on the tasks we have performed during the audit, the Statement on the Application of the Code of Corporate Governance, included in the Company's annual statement for 2019, is in accordance with the requirements stated in Article 22(1), points (3) and (4) of the Accounting Act.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d. (continued)

Report on Other Legal Requirements (continued)

Report pursuant to the requirements of the Accounting Act (continued)

5. The Statement on the Application of the Code of Corporate Governance, included in the Company's annual statement for 2019, includes information from Article 22(1), points (2), (5), (6) and (7) of the Accounting Act.

The partner in charge of the audit resulting in this independent auditor's report is Dalibor Briški, MSc

Grant Thornton revizija d.o.o.
Ulica grada Vukovara 284
10000 Zagreb
Croatia

Zagreb, 31 March 2020

Director
Dalibor Briški, MSc

Grant Thornton

Grant Thornton revizija d.o.o.
HR - 10000 Zagreb

Certified Auditor
Ivica Bašić

Statement of Comprehensive Income
for 2019

	Note	2019	2018
OPERATING REVENUE		**551,045,526**	**450,859,324**
Sales revenue	*3*	542,790,126	442,278,407
Other operating revenue	*4*	8,255,400	8,580,917
OPERATING EXPENSES		**(469,257,036)**	**(392,649,033)**
Change in inventories	*5*	(5,653,059)	9,027,470
Material costs	*6*	(272,975,061)	(250,250,229)
Employee costs	*7*	(103,133,281)	(88,881,808)
Depreciation	*8*	(36,887,188)	(32,172,072)
Value adjustment	*9*	(317,111)	-
Other operating expenses	*10*	(50,291,336)	(30,372,394)
Finance revenue	*11*	24,869,941	7,463,065
Finance expenses	*11*	(29,928,879)	(48,377,261)
Net finance expenses	*11*	**(5,058,938)**	**(40,914,196)**
PROFIT BEFORE TAX		**76,729,552**	**17,296,095**
Income tax	*12*	1,147,139	1,519,065
PROFIT		**77,876,691**	**18,815,160**
Earnings per share (basic and diluted)		70	17
Other comprehensive income before tax			
COMPREHENSIVE INCOME OF THE PERIOD		**77,876,691**	**18,815,160**

Notes accompanying the financial statements are an integral part of the Statement of Comprehensive Income.

Balance Sheet
as at 31/12/2019

	Note	2019	2018
ASSETS			
Non-current assets		**634,437,544**	**618,698,844**
Intangible assets	13	69,828,001	63,013,697
Property, plant and equipment	14	462,667,467	451,364,717
Investment property	15	16,487,256	17,217,981
Investments in subsidiaries	16	72,554,347	75,960,865
Other financial assets	17	1,231,575	1,231,575
Deferred tax assets	18	11,668,898	9,910,009
Current assets		**533,605,887**	**434,487,349**
Inventories	19	160,840,738	157,697,597
Receivables	20	288,964,721	229,474,513
Financial assets	21	24,971,775	33,598,290
Cash at bank and in hand	22	57,446,615	12,608,964
Other receivables	23	1,382,038	1,107,985
TOTAL ASSETS		**1,168,043,431**	**1,053,186,193**
CAPITAL AND LIABILITIES			
Capital and reserves		**630,868,691**	**554,570,098**
Share capital	24	119,255,000	118,472,000
Reserves	25	62,012,370	52,709,171
Profit or loss brought forward	26	371,724,630	364,573,767
Financial year profit	27	77,876,691	18,815,160
Non-current liabilities		**330,462,910**	**356,751,248**
Provisions	28	2,689,595	1,730,908
Liabilities towards banks and financial institutions	29	178,051,836	227,988,234
Lease liabilities	30	21,885,573	-
Liabilities arising from securities	31	127,835,906	127,032,106
Current liabilities		**206,711,830**	**141,864,847**
Liabilities towards banks and financial institutions	32	27,270,831	52,027,008
Lease liabilities	33	18,841,822	-
Trade payables	34	72,938,775	62,931,211
Liabilities arising from securities	35	53,094,414	4,800,000
Other liabilities	36	34,565,988	22,106,628
TOTAL PRINCIPAL AND LIABILITIES		**1,168,043,431**	**1,053,186,193**

Notes accompanying the financial statements are an integral part of the Statement of Comprehensive Income.

Statement of Changes in Equity
for 2019

	Share capital	Reserves	Profit or loss brought forward	Financial year profit	Capital and reserves
As at 31/12/2017	**118,472,000**	**46,035,724**	**307,060,028**	**70,804,500**	**542,372,252**
Yield from previous year's profit	-	6,673,447	64,131,053	*	70,804,500
Financial year profit yield	-	-	-	18,815,160	18,815,160
Transactions relating to own shares	-	5,187,380	2,618,000	-	7,805,380
TOTAL INCREASE	-	**11,860,827**	**66,749,053**	**18,815,160**	**97,425,040**
Transfer to profit brought forward and legal reserve	-	-	-	(70,804,500)	(70,804,500)
Transfer to liability for dividend	-		(6,665,934)	-	(6,665,934)
Transactions relating to own shares	-	(5,187,380)	(2,569,380)	-	(7,756,760)
TOTAL DECREASE	-	**(5,187,380)**	**(9,235,314)**	**(70,804,500)**	**(85,227,194)**
Net change	-	6,673,447	57,513,739	(51,989,340)	12,197,846
As at 31/12/2018	**118,472,000**	**52,709,171**	**364,573,767**	**18,815,160**	**554,570,098**

Notes accompanying the financial statements are an integral part of the Statement of Comprehensive Income.

Statement of Changes in Equity
for 2019

	Share capital	Reserves	Profit or loss brought forward	Financial year profit	Capital and reserves
As at 31/12/2018	**118,472,000**	**52,709,171**	**364,573,767**	**18,815,160**	**554,570,098**
Subscription of a new share issue	783,000	3,069,360	-	-	3,852,360
Yield from previous year's profit	-	6,233,839	12,581,321	-	18,815,160
Financial year profit yield	-	-	-	77,876,691	77,876,691
Transactions relating to own shares	-	1,247,440	1,790,440	-	3,037,880
TOTAL INCREASE	**783,000**	**10,550,639**	**14,371,761**	**77,876,691**	**103,582,091**
Transfer to profit brought forward and legal reserve	-	-	-	(18,815,160)	(18,815,160)
Transfer to liability for dividend	-		(6,677,898)	-	(6,677,898)
Transactions relating to own shares	-	(1,247,440)	(543,000)	-	(1,790,440)
TOTAL DECREASE	-	**(1,247,440)**	**(7,220,898)**	**(18,815,160)**	**(27,283,498)**
Net change	783,000	9,303,199	7,150,863	59,061,531	**76,298,593**
As at 31/12/2019	**119,255,000**	**62,012,370**	**371,724,630**	**77,876,691**	**630,868,691**

Notes accompanying the financial statements are an integral part of the Statement of Comprehensive Income.

Statement of Cash Flows – Direct Method
for 2019

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES	**56,022,125**	**86,672,813**
Cash inflow from operating activities	**517,172,178**	**527,104,122**
Cash inflows from customers	497,514,163	510,801,832
Cash inflows from dividends	2,044,143	26,037
Cash inflows from insurance for damage compensation	461,078	444,155
Cash inflows from tax refund	13,769,253	15,088,898
Other cash inflows from operating activities	3,383,541	743,200
Cash outflows from operating activities	**461,150,053**	**440,431,309**
Cash outflows to suppliers	333,271,598	316,205,517
Cash outflows to employees	67,037,032	68,466,847
Cash outflows for interest	16,778,561	17,430,609
Cash outflows for taxes	40,755,827	35,792,566
Other cash outflows from operating activities	3,307,035	2,535,770
CASH FLOW FROM INVESTMENT ACTIVITIES	**5,363,573**	**(18,589,684)**
Cash inflows from investment activities	**23,113,232**	**1,962,970**
Cash inflows from sales of non-current tangible and intangible assets	4,887,129	805,718
Cash inflows from interest	5,236,009	78,312
Cash inflows from payment of loans granted	12,990,094	1,078,940
Cash outflows from investment activities	**17,749,659**	**20,552,654**
Cash outflows for acquiring non-current tangible and intangible assets	17,651,727	18,452,654
Cash outflows for acquiring equity and debt financial instruments	-	2,000,000
Cash outflows for loans granted	97,932	100,000
CASH FLOW FROM FINANCING ACTIVITIES	**(16,938,260)**	**(65,640,997)**
Cash inflows from financing activities	**47,249,920**	**23,414,137**
Cash inflows from issued equity and debt instruments	47,229,920	-
Other cash inflows from financing activities	20,000	23,414,137
Cash outflows from financing activities	**64,188,180**	**89,055,134**
Cash outflows for leases	22,102,568	19,827,395
Cash outflows for loan payment	34,773,114	35,487,037
Cash outflows for dividend payment	6,681,498	6,659,722
Cash outflows for own share repurchase	611,000	4,371,380
Other cash outflows from financing activities	20,000	22,709,600
Unrealised cash exchange differences	390,213	(380,014)
Cash and cash equivalents at the beginning of the period	**12,608,964**	**10,546,846**
Increase/decrease in cash and cash equivalents	**44,447,438**	**2,442,132**
Cash and cash equivalents at the end of the period	**57,446,615**	**12,608,964**

1. General information

These financial statements for the year ended on 31 December 2019 comprise the statements of JADRAN – GALENSKI LABORATORIJ d.d. ("JGL" or "the Company"). The company was established and operates in Croatia. The Company is headquartered in Rijeka, Svilno 20.

1.1. History and establishment

JADRAN – GALENSKI LABORATORIJ, a joint-stock company for the production and trade in pharmaceutical and cosmetics products, Rijeka, Svilno 20, was entered into the court register of the Commercial Court in Rijeka on 2 May 1991, in the registry certificate with the company registration number 040004561. Personal identification number (OIB) is 20950636972. On 24 October 2011, the company changed its short name into JGL d.d. On 10 February 2012, the company changed its long name into JADRAN – GALENSKI LABORATORIJ d.d. On 6 November 2013, the company changed the address of its headquarters into Svilno 20, Rijeka.

1.2. Core business

The most important business activities for which the Company is registered are the production of pharmaceutical products, the production of basic pharmaceutical raw materials, the production of other chemical products, and the production of perfumes and toiletries and cosmetics.

1.3. Ownership structure

The share capital of JGL d.d. Rijeka is HRK 119,255,000 (HRK 118,472,000 in 2018), and is divided into 1,192,550 (1,184,720 in 2018) shares with a nominal value of HRK 100 per share, namely A series 7,500 shares, B series 30,000 shares, C series 18,750 shares, D series 8,500 shares, E series 524,790 shares, F series 589,540 shares, G series 5,640 shares, and the new issue in 2019, H series, 7,830 shares.

At the beginning of the period, the Company owned 76,853 of own shares. By the end of the financial year, the Company acquired an additional 1,150 and allocated 5,266 own shares, so the number of own shares in the Company's portfolio on 31 December 2019 amounted to 72,737. Out of the total acquired own shares during 2019, affiliates were allocated 4,500 own shares.

In accordance with the provisions of the Companies Act, the Company created reserves for the repurchase of own shares which, as at 31 December 2019, amounted to HRK 24,461,813 (HRK 25,709,253 in 2018).

Legal and other reserves are created in accordance with the Companies Act and the Articles of Association of JGL d.d., Rijeka. Legal reserves as at 31 December 2019 amounted to HRK 42,107,648 (HRK 35,873,810 in 2018). Other reserves as at 31 December 2018 amounted to HRK 2,140,779 (HRK 2,140,779 in 2016).

By the resolution of the General Meeting of the Company, a total of HRK 6,677,898 (HRK 6,665,934 in 2018) was allocated for dividend from profit brought forward generated in 2019, to the holders of A, B, C, D, E, F and G series ordinary shares, in the amount of HRK 6.00 per share with dividend rights.

Net profit in the current year amounts to HRK 77,876,691 (HRK 18,815,160 in 2018), representing the profit realised according to profit or loss.

Net profit per share as at 31 December 2019 amounted to HRK 70 (HRK 17 per share in 2018) and was calculated based on the average weighted number of ordinary shares.

Dividends are recognised in the statement of changes in equity and shown as liability in the period in which they were declared.

1.4. Company bodies

Pursuant to the Companies Act, as at 31 December 2014, the Company passed from a two-tier structure of a public limited company to a one-tier structure, in which the functions of governance and supervision are taken over by a single body – the Board of Directors.

The members of the Board of Directors of the Company as at 31 December 2019 were:

- Ivo Usmiani – President
- Zdravko Saršon – Deputy President
- Marina Pulišić – Member
- Grozdana Božić – Member
- Eva Usmiani Capobianco – Member
- Dorotea Pernjak Banić – Member
- Mislav Vučić – Member

As of 31 December 2017, the Company has been represented and managed by Mislav Vučić as its sole CEO.

2. Summary of material accounting policies

Accounting policies have been consistently applied in all periods shown in these financial statements.

2.1. Basis for the preparation of statements

2.1.1. Compliance statement

Financial statements of the Company were prepared in accordance with the legal requirements in the Republic of Croatia and International Financial Reporting Standards (IFRS) applied in the European Union.

Financial statements are prepared based on the principle of historical cost, except for certain financial instruments and investment property which are carried at fair value.

Accounting policies were applied consistently, with the exception of the amended accounting policies as a result of the application of the new accounting standard IFRS 16, effective as of 1 January 2019. Financial statements are prepared on an accrual basis under the going concern assumption.

The financial statements of the Company are prepared with the Croatian kuna (HRK) as the measurement or reporting currency of the Company. As at 31/12/2019, the exchange rate for 1 EUR was HRK 7.44258 (HRK 7.417575 in 2018), and the exchange rate for 1 RUB was HRK 0.107175 (HRK 0.09331 in 2018).

Financial statements were prepared solely for the Company, The Company prepares consolidated financial statements.

2.1.2. First application of new amendments to the existing standards effective in the current reporting period

The amendments to the existing standards and new interpretations, as published by the International Accounting Standards Board (IASB) and adopted by the European Union and effective in the current reporting period are as follows:

- IFRS 16 “Leases” – adopted in the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 “Financial instruments” – Prepayment Features with Negative Compensation – adopted in the European Union on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 “Employee Benefits” – “Plan Amendment, Curtailment or Settlement” – adopted in the European Union on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – “Long-term Interests in Associates and Joint Ventures” – adopted in the European Union on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards due to “Improvements to IFRS Standards 2015–2017 Cycle,” arising from the project of annual improvements to IFRS standards (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily for removing inconsistencies and clarification – adopted in the European Union on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019);

- IFRIC 23 “Uncertainty over Income Tax Treatments” – adopted in the European Union on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these amendments to the existing standards and interpretations has led to the changes in financial statements of the Company, as follows:

Leases (IFRS 16)

IFRS 16, effective from 1 January 2019 and approved by the European Union on 31 October 2017, amends the principles of International Accounting Standards and lease interpretations currently in force, especially IAS 17.

As the result of implementation of IFRS 16, the Company had to change the accounting policy for leases, as explained in Note 2.12.

IFRS 16 introduces a new definition of leases and confirms the current difference between two types of leases (operating and finance) with regard to the accounting treatment applied by the lessor. The accounting treatment applied by lessors entails the same treatment for all types of leases, namely the recognition of assets, which represents the right to use the asset and the obligation to make future payments under the lease contract. On initial recognition, an asset is measured based on cash flows from the lease contract. After initial recognition, the right of use will be valued according to international standards for assets, IAS 16, IAS 38 or IAS 40, therefore applying the cost model less accumulated depreciation and accumulated impairment losses, the revaluation model or the fair value model.

In order to calculate the lease liability and the accompanying right-of-use asset, discounting of future lease payments is performed at the appropriate discount rate. In connection with this, future discounted lease payments are established based on contractual provisions, VAT free, since the obligation to pay such tax occurs when the invoice is issued by the lessor, and not on the commencement date of the lease contract.

For the performance of the above calculation, lease payments must be discounted at the implicit contractual interest rate or, if not available, at the incremental borrowing rate. The incremental borrowing rate is determined based on financing costs for liabilities of similar duration and similar security as those in the lease contract. When determining the lease term, it is necessary to consider the non-cancellable period established in the contract, in which the lessee is entitled to use the underlying asset taking also into account the potential renewal options if the lessee is reasonably certain to renew. In particular, with reference to those contracts that allow the lessee to tacitly renew the lease contract after a first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of dismissal plans for the asset leased, and any other circumstance indicating a reasonable certainty of the renewal.

The effect of the initial application of IFRS 16 resulted in the increase in long-term assets in the amount of HRK 9,967,433, long-term liabilities in the amount of HRK 7,434,453 and short-term liabilities in the amount of HRK 2,532,980, as shown in Notes 14, 29 and 31.

2.1.3. Amendments to the existing standards published by the IASB and adopted in the European Union, but not yet effective

At the date of approval of these financial statements there are no new standards, amendments to the existing standards nor interpretations that were issued by the IASB and adopted by the European Union, that are not yet effective.

2.1.4. Standards and interpretations published by the IASB and not yet adopted in the European Union

IFRSs currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board, except from the following standards, amendments to the existing standards and interpretations which the European Union has not yet adopted at the date of approval of these financial statements.

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016); – The European Commission has decided to delay the transposition of this transitional standard until the publication of its final version;
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" and further amendments (originally established effective date is deferred until the research project on the equity method has been concluded);
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

The Board of Directors of the Company envisages that the adoption of these standards, amendments to the existing standards and new interpretations will not have a material effect on the financial statements of the Company in the period of their first application.

The issue of hedge accounting for financial assets and financial liabilities remains unregulated seeing as the hedge accounting principles have not yet been adopted in the European Union.

2.2. Operating segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.3. Foreign currencies

The items included in the financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates, i.e. in the functional currency. The financial statements of the Company are presented in the Croatian kuna, the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency in such a manner that the foreign currency amounts are converted using the exchange rate at the date of the transaction. Exchange rate gains or losses, incurred during the settlement of these transactions and conversion of foreign currency monetary assets and liabilities, are recognised in the statement of comprehensive income.

2.4. The use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires from the CEO to make judgements, estimates and assumptions that influence the application of policies and amounts disclosed for assets and liabilities, income and expenses. Estimates and related assumptions are based on historical experience and various other factors, which are considered reasonable in given circumstances and result in a basis for making estimates about the value of assets and liabilities that cannot be obtained from other sources. The actual results can differ from such estimates.

The mentioned estimates and related assumptions are subject to a regular review. The impact of estimate correction is recognised in the period in which the estimate was corrected if the correction has an impact solely on the period in which it was made, or in the period in which the correction was made and future periods if the correction has an impact on both the current and future periods.

Judgements made by the CEO in the application of IFRSs which have a material impact on financial statements and judgements which have a high risk of material corrections in the following year are given in the Notes.

2.5. Revenue

Revenue is generated in the Company's ordinary course of business. The Company recognises revenue in such a manner that reflects the transfer of contractual goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for contractual goods or services.

Revenue is recognised for each distinct contractual performance obligation in the amount of the transaction price. The transaction price is the amount of contractual consideration to which an entity expects to be entitled in exchange for transferring contractual goods or services.

Revenue is recognised when performance obligations to transfer the control of contractual goods and services to the customer are satisfied. The control of goods is transferred when the goods are delivered and made fully available to a customer and there is no outstanding liability that could impact the customer's acceptance of goods.

The control of services is transferred at a certain point, and the revenue from providing services is recognised in the period in which the services are performed.

2.6. Finance revenue and expenses

Finance revenue includes the accrued interest on loans granted using the effective interest method, revenues from dividend, foreign exchange gains, and realised and unrealised gains from the increase in the fair value of financial assets.

Finance expenses include the accrued interest on credits, loans and bonds, foreign exchange losses, and realised and unrealised losses from the decrease in the fair value of financial assets.

Borrowing costs directly attributable to the purchase, construction or production of a qualifying asset are capitalised during the period which is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised in the statement of comprehensive income using the effective interest rate method.

2.7. Provisions

Provisions are recognised if the Company has a present (legal or constructive) obligation that has arisen as a result of a past event, if the settlement of this obligation is likely to require an outflow of economic resources, and if the amount of the obligation can be estimated reliably.

Provisions are reviewed at every balance sheet date and adjusted in accordance with the latest best possible estimates. If the effect of the time value of money is material, the amount of the provision is the present value of costs which are expected to be necessary to settle the obligation. In case of discounting, an increase in provisions that reflects the passage of time is recognised as a finance expense, and the carrying amount of provisions is increased each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties related to that obligation. If a provision is measured using an estimate of cash flows necessary to settle the present obligation, the accounting value of the obligation is the present value of those cash flows.

When a third party is expected to return some or all economic benefits that are necessary to settle a provision, the related receivable is recognised as an asset when it is more likely than not that an inflow of benefits will occur and if the amount of the receivable can be measured reliably.

2.8. Taxation

The Company presents tax liabilities in accordance with Croatian regulations. Income tax for the current year includes current and deferred tax.

Current tax is the expected tax payable on the taxable income of the current year using the tax rate in force at the balance sheet date.

Deferred taxes result from temporary differences between the carrying amount of assets and liabilities in the financial statements and the amount used for the purpose of determining the income tax base.

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using the income tax rate applicable to the period when those assets or liabilities will be realised.

Current and deferred tax is recognised as income or expense in the statement of comprehensive income except when relating to items recognised directly in equity, when tax is also recognised directly in equity.

2.9. Government grants

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate. Grant receivables as compensation for expenses or losses already incurred, or for immediate financial support to the Company with no future related costs, are recognised in profit or loss in the period in which they are incurred.

2.10. Intangible assets

Development costs are capitalised as internally developed intangible assets only when development costs can be reliably measured, when the products or processes are technically and commercially feasible, and when it is probable that the future economic benefits will flow to the entity, that the Company has sufficient resources to complete the development and that it will either use or sell the asset. Capitalised costs include costs of materials, direct labour and external services that are directly attributable to preparing the asset for its intended use. Other development costs are recognised in the statement of comprehensive income in the period in which they were incurred.

Costs of licences, software, rights to registration use, investments in non-owned assets and other rights are capitalised as intangible assets based on acquisition costs and costs incurred in bringing the intangible asset to working condition.

Subsequent expenses related to capitalised intangible assets are recognised in the carrying amount of items only if they increase the future economic benefits associated with the asset and if these benefits will flow to the Company. All other costs represent an expense in the statement of comprehensive income in the period in which they were incurred.

Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life of each item and charged to the statement of comprehensive income. Amortisation rates in application are as follows:

	2019	**2018**
Internally developed intangible assets	6.67%	6.67%
Licences	6.67–10%	6.67–10%
Software	20%	20%
Rights to registration use	20–33.33%	20–33.33%
Other intangible assets	6.67–50%	6.67–50%

2.11. Property, plant and equipment

Property, plant and equipment are stated at purchase cost less subsequent accumulated depreciation and impairment. Property under construction is presented at construction cost less recognised impairment losses. Cost includes professional fees and, for qualified assets, borrowing costs capitalised in accordance with the applicable accounting policy of the Company.

Subsequent costs related to property, plant and equipment are recognised in the carrying amount of items only if they increase the future economic benefits associated with the item and if these benefits will flow to the Company. All other costs represent an expense in the statement of comprehensive income in the period in which they were incurred.

The depreciation of these assets begins when an asset is ready for its intended use. Depreciation is calculated by writing off the purchase value of assets, except for property under construction, over their estimated useful life using the straight-line method, at the following rates:

	2019	**2018**
Buildings	1.67–10%	1.67–10%
Right-of-use assets – property	20%	-
Plants and equipment	5–10%	5–10%
Tools, plant inventory and means of transportation	5–50%	5–50%
Right-of-use assets – vehicles	20–50%	-

The estimated useful life, residual value and depreciation method are reviewed at the end of each year, with the effects of any changes in estimates being calculated prospectively.

Owned land is carried at acquisition cost and is not depreciated.

Gains or losses from the sale or disposal of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset recognised in the statement of comprehensive income.

2.12. Leases

The Company chose to apply IFRS 16 using the modified retrospective approach as of 1 January 2019, under which cumulative effects of initially applying the standard are recognised at the date of initial application, and it has accordingly not restated comparative information for 2018, which is permitted in accordance with the standard.

Until 31 December 2018, all leases of property, vehicles and equipment for which the Company bears all the risks and rewards of ownership were classified as finance leases.

Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. The related obligation towards the lessor was included in the balance sheet as the liability for financial leasing.

Lease payments were apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Financing costs were recognised directly in profit or loss. Assets purchased under a finance lease were depreciated on their useful lives.

Leases in which the Company did not bear a significant share of the risks and rewards of ownership were classified as operating leases. Payments made under operating leases were recognised in profit or loss as an expense.

From 1 January 2019, leased assets are classified as right-of-use assets under the item of property, plant and equipment. A lease liability is also simultaneously recognised at the date the asset is ready for use.

Right-of-use assets and lease liabilities are initially recognised at the present value of acquisition cost.

Right-of-use assets are recognised at cost that consists of the amount of the initial measurement of the lease liability, all payments made prior to lease commencement and direct costs.

Right-of-use assets are depreciated over the period of their useful life.

Lease liabilities are discounted using the interest rate implicit in the lease. If this rate cannot be determined directly, an incremental borrowing rate is applied, representing the interest rate that the Company would pay to borrow the funds necessary to obtain an such asset in a similar economic environment.

Lease payments are allocated to the payment of principal and financing costs. Financing cost is recognised in profit or loss.

Leases that mature within 12 months and low-value leases are recognised using the straight-line method in profit or loss over the lease term.

2.13. Impairment of intangible and tangible assets

At each balance sheet date, the Company checks the carrying amounts of its long-term intangible and tangible assets to determine whether there is any indication of impairment losses. If any such indication exists, the recoverable amount of the asset is estimated to determine any impairment loss. If it is not possible to determine the recoverable amount for an asset, the Company determines the recoverable amount for the asset's cash-generating unit. If a realistic and consistent allocation basis can be determined, the assets of the Company are also allocated to individual cash-generating units or, if this is not possible, to the smallest identifiable group of assets that generates cash inflows for which a realistic and consistent allocation basis can be determined.

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

Recoverable amount is the higher of fair value less costs of selling and the value of assets in use. For the purpose of estimating value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks specific to that asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of that asset is reduced to its recoverable amount. Impairment losses are recognised immediately as an expense, except for the asset stated in the revalued amount, in which case the impairment loss is recognised as a decrease in value arising from the revaluation of the asset.

In the subsequent reversal of an impairment loss, the carrying amount of an asset is increased to the revised estimated recoverable amount of that asset in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment losses had been recognised in that asset in previous years. The reversal of an impairment loss is recognised immediately as income, unless the underlying asset is carried at revalued amount according to other standards (for example, under the revaluation model in accordance with IAS 16), in which case the reversal of an impairment loss is recognised as income up to the amount of the previously recognised impairment loss and subsequently as an increase in revaluation.

2.14. Investment property

Investment property is held to generate rental income, to increase the capital value of assets, or both.

Investment property is initially measured at cost plus transaction costs, and subsequent valuation is measured at fair value. The determination of the fair value of investment property is based on a valuation by a qualified independent valuer.

Gains or losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income for the period in which they were incurred.

2.15. Investments in subsidiaries

A subsidiary is an entity that is controlled by the Company, either directly or indirectly. Control is realised when the Company has the right to manage the financial and operating policies of an entity in order to achieve benefits from its activities. Investments in subsidiaries are initially recognised at cost and subsequently valued at cost less impairment. Impairment is performed in the same manner as for other non-current tangible and intangible assets.

2.16. Investments in associates

An associate is an entity over which an investor has significant influence, but not control. A significant influence is the power to participate in the financial and operating policies of the investee, but it does not represent the control or joint control of these policies. Investments in associates are recorded at cost less any impairment losses.

2.17. Financial assets

According to IFRS 9, all recognised financial assets are subsequently fully measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss depending on the business model and the characteristics of the contractual cash flows of financial assets.

As of 1 January 2018, the Company classifies financial assets into the category measured at amortised cost by applying the effective interest rate method, as part of the business model whose objective is to collect contractual cash flows and according to which cash flows are solely payments of principal and interest on the principal amount outstanding. Moreover, financial investments in securities are measured at fair value through profit or loss.

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset is impaired.

The Company ceases to recognise financial assets only when the contractual right to receive cash flows from the asset has expired, or when the financial asset and substantially all of the risks and rewards of ownership are transferred to another entity. If the Company does not transfer nor retain substantially all of the risks and rewards of ownership and continues to have control of the transferred assets, it recognises its continuing involvement in the assets and the related liability in the amounts that it may be required to pay. If the Company retains substantially all of the risks and rewards of ownership of the transferred financial assets, those assets will continue to be recognised, while recognising the secured loan from the proceeds received.

Upon derecognition of the entire financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and the consideration receivable and the cumulative gain or cumulative loss presented in other comprehensive income and accumulated in equity are transferred to profit or loss.

2.17.1. Impairment of financial assets

The Company recognises provisions for expected credit losses on trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect the changes in credit risk since the initial recognition of each financial instrument.

Significant increase in credit risk

The Company compares the risk of a default occurring at the reporting date with the risk of a default occurring on the financial instrument at the initial recognition date as part of its assessment whether there has been a significant increase in credit risk of the financial instrument since initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and available, including historical experience, which can be obtained without undue cost or effort.

The assumption is that the credit risk of a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. A financial instrument has a low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to determine whether there has been a significant increase in credit risk and revises them to ensure that the criteria can identify a significant increase in credit risk before payments are delayed.

Credit impairment of financial assets

Financial assets are credit-impaired when one or more events occur that have an adverse effect on the estimated future cash flows of those financial assets. Evidence that a financial asset is credit-impaired includes available information about the following events:

- significant financial difficulty of the borrower;
- occurrence of a default;
- the entity, for reasons relating to the borrower’s financial difficulties, granted the borrower a concession that would not otherwise be considered;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties.

2.17.2. Write-off policy

The Company will write off financial assets when there is information indicating that the borrower is in serious financial difficulty and that there is no realistic prospect of recovery (liquidation, bankruptcy). Written-off financial assets may still be subject to enforcement activities under the borrower’s recovery procedures, taking into account legal advice where appropriate. Recovery is recognised in the profit or loss.

2.18. Receivables

Receivables are initially measured at fair value. At each balance sheet date, receivables expected to be collected in a period longer than one year are carried at amortised cost using the effective interest rate method less impairment loss for incurred and expected credit losses. Current receivables are carried at initially recognised nominal amount less the appropriate impairment allowance for incurred and expected credit losses.

A receivable is impaired and impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset when it has an effect on estimated future cash flows from receivables that can be determined reliably. At each balance sheet date, it is estimated whether there is any objective evidence of impairment of an individual receivable and whether there are indicators of significant risk deterioration that would require the recognition of expected credit losses. If there is objective evidence of impairment of a receivable, the amount of the loss is measured as the difference between the carrying amount and estimated future cash flows. The carrying amount of a receivable will be reduced directly or using a separate value adjustment account. The amount of the loss is recognised in profit or loss for the current year.

2.19. Cash and cash equivalents

Cash and cash equivalents are reported in the statement of financial position at cost. In the statement of cash flows, cash and cash equivalents consist of cash at bank and in hand.

2.20. Inventories

Inventories are reported at the lower of cost or net realisable value. Net realisable value is the expected selling price of inventories in the ordinary course of business minus the associated selling costs.

Inventory costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories include the purchase price, import duties and other taxes (except those which the entity can recover from tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities.

The use of inventories is measured using the weighted average cost method.

Small inventory is completely written off when being put to use.

2.21. Equity instruments issued by the Company

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

Share capital

a) *Ordinary shares*

Share capital is the nominal value of shares issued. Capital gain includes the premium earned on the issue of shares. Any transaction costs associated with the issue of ordinary shares are recognised as a decrease in equity.

b) Repurchase of share capital

The amount of consideration paid for the repurchase of share capital, including direct dependent costs, is recognised as an impairment in equity and reserves. Repurchased shares are classified as own shares and represent a deductible item from total equity and reserves.

2.22. Financial liabilities

2.22.1. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as financial liabilities at fair value in profit or loss when they are either intended for trade or defined by the Company as such. A financial liability carried at fair value through profit or loss is measured at its fair value, and the related gain or loss is recognised in the statement of comprehensive income. Net gain or loss recognised in the statement of comprehensive income includes interest on the financial liability.

2.22.2. Other financial liabilities

Other financial liabilities, including credits and loans, are initially measured at fair value less transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with the interest cost recognised on the basis of effective yield.

Effective interest rate method is the method for calculation of the amortised cost of a financial liability and distribution of the interest expense in a given period. Effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, where more appropriate, through a shorter period.

2.22.3. Derecognition of a financial liability

The Company derecognises a financial liability when, and only when, it is discharged, cancelled or expires.

2.23. Contingent assets and liabilities

Contingent assets are not recognised in the Company’s financial statements, but are recognised when they become a probable inflow of economic benefits.

Contingent liabilities are not recognised in the Company's financial statements, but are only published in the notes to the financial statements.

2.24. Key estimates and judgements and uncertainties in the preparation of financial statements

During the preparation of the financial statements, the CEO used certain estimates and judgements that affect the net carrying value of assets and liabilities of the Company, the disclosure of contingent items at the balance sheet date, and the disclosed income and expenses of the period then ended.

The estimates used include, without limitation: calculation and period of depreciation and residual values of property, plant and equipment and intangible assets, impairments estimates, impairment allowances for inventory and doubtful and disputed claims, and provisions for employee benefits and court disputes.

More details about the accounting policies for these estimates can be found in other parts of this note and in other notes to the financial statements. Future events and their effects cannot be predicted with certainty. This is why accounting estimates require judgements, and those used in the preparation of financial statements are subject to the occurrence of new events, gaining additional experience, receiving additional information, and changes in the environment in which the Company operates. Actual results can differ from the estimates.

2.25. Events after the date of the financial statements

Events after the reporting date that provide additional information on the Company's position on the balance sheet date (adjusting events) are recognised in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements if they are of material significance.

2.26. The effect of introducing changes in the accounting policies

As stated in Note 2.1, the adoption of the new IFRS 16 standard "Leases," effective for annual periods beginning on or after 1 January 2019, resulted in changes to the Company's accounting policies. This change had no impact on the initial principal balance as at 1 January 2019.

The effect of IFRS 16 adoption on assets and liabilities is shown as follows:

	01/01/2019
Right-of-use assets	9,967,433
Operating lease liabilities	(9,967,433)
Net effect on principal	-

3. Sales revenue

Sales revenue includes revenue from the sale of products, goods and services.

	2019		2018	
Revenue from sales in foreign markets	417,559,599	77%	320,447,044	72%
Revenue from sales on the domestic market	125,230,527	23%	121,831,363	28%
Total	**542,790,126**	100%	**442,278,407**	100%

Revenue from the sales of products and services realised with subsidiaries amounts to HRK 199,169,743 (HRK 153,128,985 in 2018).

3.1. Operating revenue by segments – programmes

	2019		2018	
Aqua Maris programme	214,766,559	40%	170,730,713	39%
Prescription drug programme	139,077,122	26%	126,126,817	29%
Non-prescription programme	91,515,993	17%	81,954,906	19%
Contract manufacturing and licensing out	86,028,479	16%	53,344,675	12%
Services	7,706,206	1%	8,396,492	2%
Other programmes	3,695,767	1%	1,724,804	0%
Total	**542,790,126**	100%	**442,278,407**	100%

3.2. Operating revenue by segments – regions

	2019		2018	
CIS	236,441,042	44%	177,956,669	40%
South-East Europe	167,030,051	31%	161,119,937	36%
Global markets	85,936,789	16%	60,570,107	14%
Black Sea	53,382,244	9%	42,631,693	10%
Total	**542,790,126**	100%	**442,278,407**	100%

4. Other revenue

	2019		2018	
Revenue from grants and subsidies	3,027,513	37%	2,971,967	35%
Revenue from sales of brands and licences	987,464	12%	1,996,331	23%
Revenue from sales of property, plant and equipment	868,410	11%	447,667	5%
Other revenue	3,372,013	40%	3,164,952	37%
Total	**8,255,400**	100%	**8,580,917**	100%

Revenue from grants and subsidies refers to income from preferential interest, revenue from co-financing of employment, revenue from government grants and subsidies, and revenue from free receipts of property.

Revenue from sales of non-current assets realised with subsidiaries amounts to HRK 764 (HRK 450 in

2018).

Other revenue includes revenue from write-offs of liabilities, surpluses, revenue from damage reimbursement, revenue from previous periods, revenue from the cancellation of provisions, revenue from increase in fair value of investment property, revenue from increase in fair value of assets held for sale and other revenue not mentioned above.

5. Change in inventories

The value of the finished goods inventory at the end of 2019 decreased by HRK 5,653,059 compared to the initial amount of the period (increase of HRK 9,027,470 in 2018).

6. Material costs

	2019	**2018**
Costs of materials, energy and small inventory	147,797,567	168,059,764
Costs of goods sold	50,816,618	11,797,372
Other external service costs	74,360,876	70,393,093
Total	**272,975,061**	**250,250,229**

Under the item “Costs of materials, energy and small inventory”, the amount of HRK 138,708,077 (HRK 158,784,596 in 2018) is related to the costs of raw and advanced materials, of which HRK 73,788 was realised with subsidiaries (HRK 3,326 in 2018). The remaining amount is related to office and packaging materials, small inventory, electricity and fuel.

Under the item “Other external service costs”, the amount of HRK 22,977,675 (HRK 17,524,775 in 2018) was reported for costs of promotion, sponsorships and conventions, HRK 7,465,627 (HRK 6,251,806 in 2018) for costs of intellectual services, and HRK 9,121,400 (HRK 11,958,410 in 2018) for costs of maintenance and protection. Under the item “Intellectual services”, costs of auditing and tax consulting services were reported in the amount of HRK 215,284 (HRK 223,267 in 2018). The remaining amount is related to the costs of telephone, mail and transport, software maintenance, registration and maintenance services for means of transportation, lease, utility services, external entertainment services. Other external service costs realised with subsidiaries amount to HRK 622,625 (HRK 2,522,811 in 2018).

7. Employee costs

As at 31 December 2019, the Company had 578 employees (546 employees in 2018).

	2019	**2018**
Net salaries	62,909,082	53,652,915
Tax, surtax and contributions from salary	26,580,800	23,294,515
Contributions on salaries	13,643,399	11,934,378
Total	**103,133,281**	**88,881,808**

In the ordinary course of business, regular payments of contributions on employee salaries are paid in accordance with the law. Mandatory pension contributions paid to funds are expressed as part of salary expense at the time of calculation.

8. Depreciation

	2019	2018
Depreciation of tangible assets	21,506,138	26,428,142
Depreciation of tangible right-of-use assets	8,803,360	-
Depreciation of intangible assets	6,577,690	5,743,930
Total	**36,887,188**	**32,172,072**

9. Value adjustment

In 2019, the value adjustment for expected credit losses amounted to HRK 317,111 (HRK - in 2018).

10. Other operating expenses

	2019	2018
Other employee costs	9,825,339	8,075,054
Remuneration of the Board of Directors and allocation of shares	9,299,524	4,061,380
Costs of expensed raw materials	8,879,054	2,954,100
Unamortised value of scrapped non-current assets	3,087,653	270,745
Insurance costs	2,686,864	2,702,132
Costs of own product registration	2,073,239	2,892,326
Banking costs	1,117,168	1,237,482
Costs of subsequent approvals	1,068,853	756,608
Costs of professional training	895,153	563,659
Costs of own product representation	696,328	301,547
Costs of donations	255,877	213,988
Costs of professional literature	108,081	51,077
Direct write-offs	-	2,737
Unrealised loss – IAS 40 and IFRS 5	-	397,777
Other operating costs	10,298,203	5,891,782
Total	**50,291,336**	**30,372,394**

The most significant other operating costs refer to the costs of provisions for risks in the amount of HRK 2,389,110 (HRK 1,672,811 in 2018) and other costs realised with subsidiaries in the amount of HRK 5,338,273 (HRK 811,752 in 2018).

11. Net finance expenses

	2019	2018
Revenue from exchange rate differences	23,105,702	3,110,522
Revenue from interest	1,719,732	2,326,870
Revenue from dividend	44,507	2,025,673
Total finance revenue	**24,869,941**	**7,463,065**
Interest expenses	(16,414,621)	(19,521,028)
Expenses from foreign exchange differences	(5,186,982)	(27,278,233)
Value adjustment of financial assets	(3,406,519)	-
Interest expenses for leases	(1,843,655)	-
Other finance expenses	(3,077,102)	(1,578,000)
Total finance expenses	**(29,928,879)**	**(48,377,261)**
Net finance expenses	**(5,058,938)**	**(40,914,196)**

In 2019, the Company realised revenue from interests from its subsidiaries in the amount of HRK 1,717,572 (HRK 2,231,027 in 2018).

Other financing costs realised with subsidiaries in 2019 amounted to HRK 730,720 (HRK 1,578,000 in 2018).

12. Income tax

	2019	2018
Current tax	(611,749)	(72,122)
Deferred tax	1,758,888	1,591,187
Total	**1,147,139**	**1,519,065**

	2019	2018
Profit before tax	**76,729,552**	**17,296,095**
Base increase	16,198,080	9,435,414
Government grants for development and education	(876,427)	(429,065)
Other base reduction	(3,789,315)	(2,875,636)
Tax base	**88,261,890**	**23,426,808**
Tax at regular rate	(15,887,140)	(4,216,825)
Tax incentive for investment	15,275,391	4,144,704
Tax payable	(611,749)	(72,122)
Creation of deferred tax assets	11,668,897	9,910,009
Cancellation of deferred tax assets	(9,910,009)	(8,318,822)
Total income tax	**1,147,139**	**1,519,065**

On 26 February 2014, the Company was assigned the status of a recipient of incentive measures for its Svilno 2 project from the Ministry of Economy pursuant to the Act on Investment Promotion and Development of Investment Climate.

The Company uses tax reliefs in the form of reduced corporate income tax rate, which amounts to 0%. In 2019, the Company reported tax payable in the amount of HRK 611,749 and settled it with tax paid abroad based on withholding tax for licence sales and interest.

The amount of investment incentive for which deferred tax assets were not created amounts to HRK 27,217,589.

13. Intangible assets

Movement of intangible assets during 2019:

Description	Internally developed intangible assets	Patents, licences, trademarks, registration of own products	Intangible assets in preparation	Total intangible assets
	in HRK	in HRK	in HRK	in HRK
Purchase value of intangible assets				
As at 31 December 2018	24,585,656	54,293,150	25,295,045	**104,173,851**
Direct increases	258	2,751,220	13,581,517	**16,332,995**
Increase by transfer from assets in preparation	3,206,028	4,026,134	(7,232,162)	-
Expenses and sale	(674,918)	(311,496)	(2,678,593)	**(3,665,007)**
As at 31 December 2019	**27,117,024**	**60,759,008**	**28,965,807**	**116,841,839**
As at 31 December 2018	10,363,616	30,796,538	-	**41,160,154**
Accrued depreciation for 2019	1,906,445	4,671,245	-	**6,577,690**
Value adjustment for scrapped and sold assets	(420,754)	(303,252)	-	**(724,006)**
As at 31 December 2019	11,849,307	35,164,531	-	47,013,838
Current value of intangible assets as at 31 December 2018	14,222,040	23,496,612	25,295,045	63,013,697
Current value of intangible assets as at 31 December 2019	15,267,717	25,594,477	28,965,807	69,828,001

Movement of intangible assets during 2018:

Description	Internally developed intangible assets	Patents, licences, trademarks, registration of own products	Intangible assets in preparation	Total intangible assets
Purchase value of intangible assets	in HRK	in HRK	in HRK	in HRK
As at 31 December 2017	22,019,910	42,034,623	24,142,302	**88,196,835**
Direct increases	11,576	-	20,262,627	**20,274,203**
Increase by transfer from assets in preparation	2,554,170	16,324,860	(18,879,030)	**-**
Expenses and sale		(4,066,333)	(230,854)	**(4,297,187)**
As at 31 December 2018	**24,585,656**	**54,293,150**	**25,295,045**	**104,173,851**
As at 31 December 2017	8,727,066	30,755,491		**39,482,557**
Accrued depreciation for 2018	1,636,550	4,107,380		**5,743,930**
Value adjustment for scrapped and sold assets	-	(4,066,333)	-	**(4,066,333)**
As at 31 December 2018	**10,363,616**	**30,796,538**	**-**	**41,160,154**
Current value of intangible assets 31 December 2017	**13,292,844**	**11,279,132**	**24,142,302**	**48,714,278**
Current value of intangible assets 31 December 2018	**14,222,040**	**23,496,612**	**25,295,045**	**63,013,697**

14. Property, plant, equipment

Movement of property, plant and equipment during 2019:

Description	Land	Buildings	Right-of-use assets – property	Plants and equipment	Tools, plant and office inventory, furniture, means of transportation, devices	Right-of-use assets – equipment	Right-of-use assets – vehicles	Other tangible assets	Tangible assets in preparation	Total tangible assets
Purchase value of tangible assets										
As at 31 December 2018	40,328,585	282,974,011	-	288,090,094	28,437,588	-	-	832,480	654,764	**641,317,522**
Direct increases / Application of IFRS 16		89,500	5,745,987	1,017,286	5,888	-	8,181,978	-	22,844,825	**37,885,464**
Increase by transfer from assets in preparation	-	112,854	-	13,997,485	314,938	7,644,688	-	-	(22,069,965)	
Other increases/decreases	28,487	1,302,704	-	-	-		-	-	-	**1,331,191**
Reclassification	-	-	-	(92,844,614)	(7,493,970)	100,338,584	-	-		**-**
Expenses and sale	(8,880)	-	-	(3,949,185)	(3,905,787)			-	-	**(7,863,852)**
As at 31 December 2019	40,348,192	284,479,069	5,745,987	206,311,066	17,358,657	107,983,272	8,181,978	832,480	1,429,624	672,670,325
Accumulated depreciation and impairment of tangible assets										
As at 31 December 2018	-	49,418,387	-	119,744,220	20,988,753	-	-	-	-	**190,151,360**
Accrued depreciation for 2019		6,504,570	1,149,197	13,523,280	1,478,288	5,747,088	1,907,075	-	-	**30,309,498**
Reclassification	-	-	-	(21,262,832)	(2,441,526)	23,704,358	-	-	-	**-**
Value adjustment for scrapped and sold assets		-	-	(3,364,898)	(3,798,222)	-	-	-	-	**(7,163,120)**
As at 31 December 2019		55,922,957	1,149,197	108,639,770	16,227,293	29,451,446	1,907,075	-	-	213,297,738
Prepayments for tangible assets as at 31 December 2018										**198,555**
Prepayments for tangible assets as at 31 December 2019										**3,294,880**
Current value of tangible assets 31 December 2018	40,328,585	233,555,624	-	168,345,874	7,448,835	-	-	832,480	654,764	451,364,717
Current value of tangible assets 31 December 2019	40,348,192	228,556,112	4,596,790	97,671,296	1,131,364	78,531,826	6,274,903	832,480	1,429,624	462,667,467

Movement of property, plant and equipment during 2018:

Description	Land	Buildings	Plants and equipment	Tools, plant and office inventory, furniture, means of transportation, devices	Other tangible assets	Tangible assets in preparation	Total tangible assets
	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets							
As at 31 December 2017	40,319,705	281,686,121	264,616,461	29,182,167	832,480	5,076,475	**621,713,409**
Direct increases	-	-	-	-		22,743,798	**22,743,798**
Increase by transfer from assets in preparation	8,880	1,287,890	24,677,651	1,191,088	-	(27,165,509)	-
Other increases/decreases	-	-	-	-	-	-	-
Reclassification	-	-	(36,435)	36,435		-	-
Expenses and sale		-	(1,167,583)	(1,972,102)			**(3,139,685)**
As at 31 December 2018	**40,328,585**	**282,974,011**	**288,090,094**	**28,437,588**	**832,480**	**654,764**	**641,317,522**
Accumulated depreciation and impairment of tangible assets							
As at 31 December 2017	-	42,962,040	103,283,206	20,080,929	-	-	**166,326,175**
Accrued depreciation for 2018	-	6,456,347	17,198,185	2,773,610	-	-	**26,428,142**
Reclassification	-	-	(36,435)	36,435	-	-	-
Value adjustment for scrapped and sold assets	**-**		(700,736)	(1,902,221)	-	-	**(2,602,957)**
As at 31 December 2018	**-**	**49,418,387**	**119,744,220**	**20,988,753**	**-**	**-**	**190,151,360**
Prepayments for tangible assets as at 31 December 2017							**12,044**
Prepayments for tangible assets as at 31 December 2018							**198,555**
Current value of tangible assets 31 December 2017	**40,319,705**	**238,724,081**	**161,333,255**	**9,101,238**	**832,480**	**5,076,475**	**455,399,278**
Current value of tangible assets 31 December 2018	**40,328,585**	**233,555,624**	**168,345,874**	**7,448,835**	**832,480**	**654,764**	**451,364,717**

A lien was registered on part of the property owned by the Company as security for loan repayment. The carrying value of properties in lien as at 31 December 2019 was HRK 257,716,346.

15. Investment property

Description	**Investment Property IAS 40 – Land**	**Investment Property IAS 40 – Buildings**	**Total assets IAS 40**
As at 31 December 2017	3,376,039	13,494,825	16,870,864
Increase/decrease in fair value	126,667	220,450	351,117
As at 31 December 2018	**3,502,706**	**13,715,275**	**17,221,981**
Increase/decrease in fair value	101,020	384,025	485,045
Reclassification	(26,017)	(1,189,753)	(1,215,770)
As at 31 December 2019	**3,577,709**	**12,909,547**	**16,487,256**

16. Investments in subsidiaries

	Ownership share	**2019**	**2018**
Pablo d.o.o. Zagreb	100%	33,768,528	33,768,528
JGL d.o.o. Beograd – Sopot	100%	25,448,065	25,448,065
Adrialab d.o.o.	100%	12,200,000	12,200,000
Jadran – galenski laboratorij, d.o.o. Ljubljana	100%	963,101	963,101
Farmis d.o.o. Sarajevo	100%	170,228	170,228
JADRAN LLC Moskva	100%	4,425	4,425
JGL North America LLC	100%	-	3,406,518
Total		**72,554,347**	**75,960,865**

In 2019, the Company decreased the value of investments in subsidiaries by HRK 3,406,518 (HRK - in 2018).

17. Other financial assets

The other financial assets relate to investments in equity and shares:

	2019	**2018**
Kanal Ri d.o.o.	845,000	845,000
Wiener osiguranje Vienna Insurance Group d.d.	337,575	337,575
Galena d.o.o.	49,000	49,000
Total	**1,231,575**	**1,231,575**

There is not enough information for the assessment of the fair value for these entities, so the best assessment of the fair value of these investments is their acquisition cost. The total value of these financial assets is not materially significant.

18. Deferred tax assets

	2019	2018
Unused tax reliefs	11,279,594	9,108,095
Temporary tax differences – provisions	288,204	257,788
Temporary tax differences – IFRS 9	57,080	-
Temporary tax differences – IFRS 16	44,020	-
Temporary tax differences – value adjustments	-	229,423
Temporary tax differences – value adjustments under IFRS 5	-	314,703
Total	**11,668,898**	**9,910,009**

19. Inventories

	2019	2018
Raw materials	80,819,002	61,606,294
Finished goods	44,192,156	73,179,053
Goods	26,519,663	10,420,505
Non-current assets held for sale	9,211,024	12,400,640
Work in progress	98,893	91,105
Total	**160,840,738**	**157,697,597**

The amount of the finished goods inventory that was recognised as an expense in 2019 is HRK 239,182,319 (HRK 214,269,522 in 2018). The amount of finished goods inventory write-off in 2019 is HRK 4,879,819 (HRK 5,127,567 in 2018).

19.1. Non-current assets held for sale

Movement of non-current assets held for sale:

As at 31 December 2017	12,657,110
Increase/decrease in fair value	(256,470)
As at 31 December 2018	**12,400,640**
Increase/decrease in fair value	802,890
Expenses and sale	(3,992,506)
As at 31 December 2019	**9,211,024**

20. Receivables

	2019	2018
Receivables from subsidiaries	176,830,177	117,240,746
Trade receivables	106,489,300	106,017,201
Government receivables	3,692,354	2,691,663
Other current receivables	1,866,648	3,518,872
Employee receivables	86,242	6,031
Total	**288,964,721**	**229,474,513**

20.1. Trade receivables

	2019	2018
Domestic trade	25,002,387	42,637,088
Foreign trade	81,486,913	63,380,113
Total	**106,489,300**	**106,017,201**

Structure of trade receivables by currency, expressed in kuna:

	2019	2018
EUR	74,851,893	54,837,805
HRK	29,151,643	42,637,088
USD	2,485,764	766,450
RUB		7,775,858
Total	**106,489,300**	**106,017,201**

Age structure of matured trade receivables except for receivables from affiliates for which value adjustment has not been performed:

	2019	2018
0–90 days	9,300,353	12,740,737
91–180 days	4,651	1,498,910
181–360 days	1,527,154	313,681
over 360 days	133,900	7,073,335
Total	**10,966,058**	**21,626,663**

20.2. Receivables from subsidiaries

	Basis for the receivable	2019	2018
JADRAN LLC Moskva	Sales	143,175,735	79,316,301
Pablo d.o.o. (group)	Cessions	14,823,345	10,499,209
JGL d.o.o. Beograd – Sopot	Sales	8,809,426	11,328,656
Farmis d.o.o. Sarajevo	Sales	8,676,046	9,019,849
Jadran galenski laboratorij d.o.o. Ljubljana	Sales	1,323,535	3,159,531
Adrialab d.o.o.	Sales	11,685	347,529
Pablo d.o.o. (group)	Sales	10,405	10,976
JADRAN LLC Moskva	Interest	-	3,558,695
Total		**176,830,177**	**117,240,746**

20.3. Other current receivables

	2019	2018
Receivables for prepayments	1,866,648	3,509,953
Receivables for cessions	-	8,919
Total	**1,866,648**	**3,518,872**

21. Current financial assets

	2019	2018
Loans to subsidiaries	24,971,775	33,498,290
Loans granted and deposits	-	100,000
Total	**24,971,775**	**33,598,290**

22. Cash at bank and in hand

	2019	2018
Giro account	31,288,387	2,996,662
Foreign currency account and non-resident accounts	26,148,324	9,602,889
Cash in hand	9,484	8,174
Foreign exchange cash in hand	420	1,239
Total	**57,446,615**	**12,608,964**

	2019	2018
HRK	31,297,871	3,004,836
EUR	14,390,179	3,525,467
RUB	11,386,175	5,520,697
USD	126,406	208,840
UAH	126,292	148,235
other	119,692	200,889
Total	**57,446,615**	**12,608,964**

23. Other receivables

Other receivables relate to prepaid expenses and amount to HRK 1,382,038 as at 31 December 2019 (HRK 1,107,985 in 2018).

24. Share capital

As at 31 December 2019, the share capital of the Company amounts to HRK 119,255,000 (HRK 118,472,000 in 2018) and is divided into 1,192,550 shares (1,184,720 in 2018) with a nominal value of HRK 100 per share. The increase resulted from issuing 7,830 new ordinary shares.

25. Reserves

As at 31 December 2019, the Company has reserves in the amount of HRK 62,012,370 (HRK 52,709,171 in 2018). This change results from the share premium account and the creation of reserves to cover development costs shown under assets that have not been written off.

26. Profit or loss brought forward

At the end of 2019, the total profit brought forward of the Company amounted to HRK 371,724,630 (HRK 364,573,767 in 2018).

By the Resolution of the General Meeting as of 17 June 2019, profit from 2018 in the amount of HRK 18,815,160 was allocated into the legal reserves of the Company to cover development costs that haven't been written off, shown under assets in the amount of HRK 6,233,838. The remaining amount of profit in the amount of HRK 12,581,322 was allocated to the Company's profit brought forward. A decision was also made to pay the dividend against the profit brought forward of 2007 and 2008 in the total amount of HRK 6,677,898.

In 2019, HRK 1,790,440 was returned to the profit brought forward due to the decrease in reserves for the repurchase of own shares.

Reserves were created out of the profit brought forward in 2019 for the repurchase of own shares in the amount of HRK 543,000.

27. Financial year profit

In 2019, the Company realised a net profit in the amount of HRK 77,876,691 (HRK 18,815,160 in 2018).

Net profit per share in 2019 amounted to HRK 70 (HRK 17 in 2018).

28. Provisions

	2019	2018
Provisions for anniversary bonuses and severance	1,601,131	1,432,157
Provisions for initiated court disputes	1,088,464	298,751
Total	**2,689,595**	**1,730,908**

Changes in provisions during 2019 were as follows:

	2019	2018
Provisions as at 01 January	**1,730,908**	**1,093,963**
Cancellation of provisions	(175,987)	(867,963)
Additional provisions	1,134,674	1,504,908
Provision as at 31 December	**2,689,595**	**1,730,908**

29. Non-current liabilities towards banks and financial institutions

	2019	2018
Liabilities towards banks	178,051,836	204,519,340
Liabilities towards financial institutions	-	23,468,894
Total	**178,051,836**	**227,988,234**

The average interest rate for non-current debt in 2019 was 3.18% (3.04% in 2018).

A lien was registered on part of the property owned by the Company as security for the payment of a CBRD loan. The carrying value of properties in lien as at 31 December 2019 was HRK 257,716,346.

Non-current liabilities towards banks	As at 01/01/2019	New debt and exchange rate differences	Transfer to the short-term position	As at 31/12/2019
	204,519,340	(89,423)	(26,378,081)	178,051,836
Total	**204,519,340**	**(89,423)**	**(26,378,081)**	**178,051,836**

Maturity of non-current loan liabilities:

	Current maturity 2020	2021–2024	2025 – forward
Liabilities towards banks	27,270,831	106,354,698	71,697,138
Total	**27,270,831**	**106,354,698**	**71,697,138**

30. Non-current lease liabilities

	2019	2018
Lease liabilities	21,885,573	-
Total	**21,885,573**	**-**

Non-current lease liabilities	As at 31/12/2018	New debt and exchange rate differences	Transfer to the short-term position	As at 31/12/2019
	23,468,894	17,258,501	(18,841,822)	21,885,573
Total	**23,468,894**	**17,258,501**	**(18,841,822)**	**21,885,573**

The effect of introducing IFRS 16 is shown in the new debt column.

Maturity of long-term lease liabilities:

	Current maturity 2020	2021–2024
Lease liabilities	18,841,822	21,885,573
Total	**18,841,822**	**21,885,573**

31. Non-current security liabilities

Non-current security liabilities as at 31 December 2019 amount to HRK 127,835,906, and relate to liabilities for issued long-term bonds (HRK 127,032,106 in 2018).

On 21 December 2015, the Company issued bonds in the amount of HRK 200,000,000, with the fixed annual interest rate of 5.8125% and maturity on 21 December 2020.

On 19 February 2016, the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga, HANFA) issued a Decision Class: UP/I-976-02/16-01/01 Ref. No: 326-01-770-772-16-7, approving a single prospectus of bonds in the amount of HRK 200,000,000, code JDGL-O-20CA, in registered dematerialised form, denominated in HRK 1, with a fixed interest rate of 5.8125% and maturity on 21 December 2020, on a regulated market.

On 21 July 2017, the Company performed an early voluntary repurchase of a part of a bond issue, ISIN code HRJDGLO20CA4, in the nominal amount of HRK 70,000,000, leaving in circulation bonds in the nominal amount of HRK 130,000,000.

On 10 July 2018, the Company repurchased a part of a bond issue of the HRJDGLO20CA4 series in the amount of HRK 2,500,000, through which JGL d.d. gained treasury bonds and reduced its non-current liability with the nominal amount toward bondholders from HRK 130,000,000 to HRK 127,500,000.

On 21 November 2019, HANFA issued a Decision Class: UP/I-976-02/19-01/06 Ref. No: 326-01-60-62-19-12, approving a single prospectus of bonds in the amount of HRK 130,000,000, in registered dematerialised form, denominated in HRK 1, with a fixed interest rate and maturity of 5 years, on a regulated market.

On 18 December 2019, the Company issued bonds in the amount of HRK 130,000,000, code JDGL-O-24XA, ISIN HRJDGLO24XA2, with a fixed annual interest rate of 1.75% and maturity on 18 December 2024.

The holders of bonds with the code HRJDGLO20CA4 were offered bond exchange and/or repurchase. Bonds in the nominal amount of HRK 80,735,740 were collected and added to own bonds in the amount of HRK 2,500,000, and bonds in the nominal amount of HRK 83,235,740 in total were cancelled. Liabilities remain towards the holders of bonds with the code HRJDGLO20CA4, in the amount of HRK 46,764,260 and maturity on 21 December 2020.

32. Current liabilities towards banks and financial institutions

	2019	2018
Liabilities towards banks	27,270,831	36,170,038
Liabilities towards financial institutions	-	15,456,970
Liabilities for guarantees received	-	400,000
Total	**27,270,831**	**52,027,008**

Current liabilities towards banks

	As at 01/01/2019	Yield, new debt and exchange rate differences	Payment	As at 31/12/2019
	36,170,038	25,498,824	(34,398,031)	27,270,831
Total	**36,170,038**	**25,498,824**	**(34,398,031)**	**27,270,831**

33. Current lease liabilities

	2019	2018
Lease liabilities	18,841,822	-
Total	**18,841,822**	-

Current lease liabilities	As at 31/12/2018	Yield, new debt and exchange rate differences	Payment	As at 31/12/2019
	15,456,970	22,910,794	(19,525,942)	18,841,822
Total	**15,456,970**	**22,910,794**	**(19,525,942)**	**18,841,822**

The effect of introducing IFRS 16 is shown in the new debt column.

34. Trade payables

	2019	2018
Domestic suppliers	28,158,014	29,893,646
Foreign suppliers	44,780,761	33,037,565
Total	**72,938,775**	**62,931,211**

Structure of liabilities towards suppliers by currency:

	2019	2018
EUR	46,629,151	32,993,417
HRK	25,617,105	29,753,545
USD	658,932	11,036
CHF	27,279	48,811
RUB	-	13,374
Other currencies	6,308	111,028
Total	**72,938,775**	**62,931,211**

35. Current security liabilities

Security liabilities as at 31 December 2019 amount to HRK 53,094,414 and refer to bonds issued in the amount of HRK 46,694,414 and promissory notes to suppliers in the amount of HRK 6,400,000 (only promissory notes in the amount of HRK 4,800,000 in 2018).

36. Other liabilities

	2019	2018
Liabilities towards employees	12,015,343	7,130,554
Liabilities for taxes, contributions and other fees	11,997,783	6,541,740
Liabilities for accrued charges	6,237,319	5,071,180
Liabilities towards subsidiaries	555,854	824,821

Accrued outstanding financial liabilities	197,721	275,159
Liabilities for received advances	13,297	616,803
Other current liabilities	3,548,671	1,646,371
Total	**34,565,988**	**22,106,628**

Liabilities towards subsidiaries are as follows:

	2019	**2018**
Jadran LLC	310,005	588,986
Adrialab d.o.o.	222,846	96,873
JGL d.o.o. Beograd – Sopot	20,500	138,962
Jadran galenski laboratorij d.o.o. Ljubljana	2,503	-
Total	**555,854**	**824,821**

37. Risk management

37.1. Financial risk factors

In its ordinary course of business, the Company is exposed to various financial risks which are connected to foreign currency, interest rate, credit and liquidity risks. The Company is monitoring these risks and trying to reduce their potential effect on the Company's financial exposure.

The most significant risks, along with the methods used to manage them, are described below.

37.2. Foreign currency risk

The Company is exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. Foreign currency risk is present due to possible foreign exchange rate fluctuations. The dominant share of export in the Company's sales results in the exposure to foreign currency in such a manner that foreign currency assets exceed the amount of foreign currency liabilities. The existing policies of the Company include active risk protection.

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 denominated, type of hedge accounting and its price. As at 31 December 2019, the Company did not have any active forward contracts.

The following table shows the carrying amounts of assets and liabilities in foreign currencies as at 31 December 2019.

Thousand HRK

	Liabilities		**Assets**	
	2019	**2018**	**2019**	**2018**
EUR	115,367	72,596	347,549	102,752
RUB	1,875	1,020	180,956	129,983
USD	912	-	4,448	1,106
Other currencies	2,711	1,654	6,075	794

The Company is primarily exposed to the foreign currency risk from the fluctuation of the kuna (HRK) in relation to EUR, USD and RUB. The Company invoices products for the Russian market in the Russian rouble. The exchange rate of the rouble is strongly influenced by the political situation between the USA and Russia and by the price of oil on global markets. During 2019, due to the stabilisation of the Russian economic situation, the volatility of the Russian rouble decreased, and a trend of this currency's strengthening can be noticed.

An overview of the EUR-RUB exchange rate movement for the period 01/01/2019 – 31/12/2019
Source: ECB

In the first half of 2019, the average value of EUR-RUB was 73.74, and in the second half of 2019, it was 71.22 EUR-RUB. The average for the entire year was 72.46 EUR-RUB.

Should the exchange rate of EUR increase by 1% against the exchange rate of HRK on 31 December 2019, provided that all the other indicators remain the same, the net profit for the reporting period would be HRK 2,321,829 higher (HRK 301,560 higher in 2018). The sensitivity analysis includes foreign currency assets and liabilities. In case of an inversely proportional change in the value of the euro against the Croatian kuna, the effect on profit would be equal and opposite.

Should the exchange rate of RUB increase by 1% against the exchange rate of HRK on 31 December 2019, provided that all the other indicators remain the same, the net profit for the reporting period would be HRK 1,790,811 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 1,289,636 in 2018). The sensitivity analysis includes foreign currency assets and liabilities. In case of an inversely proportional change in the value of the Russian rouble against the Croatian kuna, the effect on profit would be equal and opposite.

37.3. Interest rate risk

The Company's business activities expose its cash flow to a minimum interest rate risk since the majority of interest rate debt is contracted at a fixed interest rate, which exposes the Company to the fair value interest rate risk.

The average interest rate on bank loans in 2019 was 3.18% (3.04% in 2018).

The Company does not use derivative instruments for active protection against interest rate risk exposure (cash flow interest rate risk and fair value interest rate risk), but it actively monitors interest rate movements on the market.

For the purposes of short-term financing, the Company uses funds from the lines of credit arranged with its commercial banks at favourable interest rates.

The Company is partially exposed to the change in interest rates as part of financial leasing with a variable interest rate linked to EURIBOR. The proportion of such interest is of small material significance on the total interest paid by the Company. Newer financial leasing contracts were arranged at a fixed interest rate (from 2.75% to 3.50%).

37.4. Credit risk and liquidity risk

Assets that can potentially expose the Company to credit risk include short-term financial assets, cash and trade receivables.

Credit risk in connection with trade receivables is limited since these receivables are spread across various geographical areas and customers. More specifically, 76% of trade receivables are foreign trade receivables. The company tries to protect itself by obtaining payment insurance instruments and by selecting customers based on the evaluation of their creditworthiness. In order to further protect the collection of our foreign receivables, we have been insuring trade receivables from Russia since 2003, as well as from other countries (CIS, SEE, Global markets) since 2011.

The Company has insurance policies for export receivables contracted with the Croatian Bank for Reconstruction and Development (CBRD) and Hrvatsko kreditno osiguranje (HKO – Croatian Credit Insurance). Most foreign trade receivables that have an arranged deferral of payment are insured, with the exception of several customers in the CIS region and the EU.

With the transition to a new business model and establishment of an affiliate company LLC JADRAN in Russia in April 2017, the insurance of export into Russia through CBRD stopped and receivables started to be insured locally, through the Euler Hermes insurance company. The company has been continuously cooperating with those partners on increasing the share of insured customers in the total amount of receivables.

An overview of insured amounts by country in the period from 2016 to 2019

	2016	**2017**	**2018**	**2019**
RUSSIA	EUR 16,800,000	- EUR	- EUR	- EUR
KAZAKHSTAN	EUR 1,000,000	EUR 1,600,000	EUR 2,400,000	EUR 3,900,000
UKRAINE	EUR 0	EUR 1,200,000	EUR 1,600,000	EUR 4,200,000
BELARUS	EUR 250,000	EUR 700,000	EUR 1,100,000	EUR 1,770,000
GEORGIA	EUR 350,000	EUR 350,000	EUR 350,000	EUR 400,000
OTHER COUNTRIES	EUR 1,080,000	EUR 2,280,000	EUR 3,787,271	EUR 4,160,000
	EUR 19,480,000	**EUR 6,130,000**	**EUR 9,237,271**	**EUR 14,648,906**

Credit risk is related both to short-term financial assets and to cash at bank. The Company protects itself against these risks by keeping funds and performing other business operations through commercial banks, which are among the leading banks in the Republic of Croatia and possess satisfactory levels of capital adequacy.

The Company is a part of the healthcare system and as such is indirectly subject to the payment maturity risk. The security risk connected to receivables in the pharmacy system is reduced through the market position of the affiliate entity LJEKARNA PABLO, whose purchase from wholesale pharmacies is based on the share of a wholesale pharmacy in JGL sales. JGL ensures nearly 90% of its pharmaceutical wholesale in Croatia by directing the purchase policy of its affiliate, so the payment security risk is virtually non-existent.

In recent years, the system of financing expenditure in Croatian healthcare has been recording a constant decrease in payment deadlines from 150 to 74 days.

The liquidity risk is manifested as the risk that the Company will not be able to fulfil its obligations towards creditors or that it will not be able to collect cash fast enough and sell its less liquid assets (receivables and inventories). The Company manages its liquidity risk by maintaining sufficient amounts of liquid assets and working capital, and by negotiating favourable credit lines with various commercial banks, allowing for a fast withdrawal of short-term funds under more favourable conditions.

In 2019, credit lines in EUR were approved and contracted with commercial banks, in the total amount of EUR 4,700,000. These lines are used as a liquidity reserve and there was no need for their use in the last year.

Tables below show the contractual maturity of financial liabilities and financial assets of the Company at the end of each reporting period. The tables were prepared using non-discounted cash flows based on contractual conditions at the reporting date and include cash flows on principal and interest. An analysis of the liquidity risk below points to the possible lack of liquidity of the Company in the shorter term.

Thousand HRK

Company as at 31/12/2019	**Net carrying value**	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Non-interest-bearing liabilities:					
Trade payables	**72,939**	72,939	72,939	-	-
Liabilities towards affiliates and other liabilities	**33,137**	33,137	33,137	-	-
Interest liabilities:					
Loan liabilities	**228,429**	228,429	32,749	122,640	73,040
Bond liabilities	**190,421**	190,421	51,669	138,752	-
Lease liabilities	**41,777**	41,777	19,681	22,096	-
	566,703	**566,703**	**210,175**	**283,488**	**73,040**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	**288,965**	288,965	288,965	**-**	**-**
Cash and cash equivalents	**57,447**	**-**	**-**	**-**	**-**
Interest-bearing assets:					
Loans granted	**26,470**	26,470	26,470	**-**	**-**
	372,881	**315,434**	**315,434**	**-**	**-**
Net liquidity position	**(193,822)**	**(251,269)**	**105,259**	**(283,488)**	**(73,040)**

Thousand HRK

Company as at 31/12/2018	**Net carrying value**	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Non-interest-bearing liabilities:					
Trade payables	**62,931**	62,931	62,931	-	-
Liabilities towards affiliates and other liabilities	**21,392**	21,392	21,392	-	-
Interest liabilities:					
Loan liabilities	**276,167**	276,167	35,063	127,236	113,868
Bond liabilities	**142,322**	142,322	7,411	134,911	-
Leasing liabilities	**41,115**	41,114	16,693	24,421	-
	543,927	**543,927**	**143,491**	**286,568**	**113,868**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	**229,475**	229,475	229,475	-	-
Cash and cash equivalents	**12,609**	-	-	-	
Interest-bearing assets:					
Loans granted	**35,782**	35,782	35,782	-	-
	277,866	**265,257**	**265,257**	-	-
Net liquidity position	**(266,061)**	**(278,670)**	**121,766**	**(286,568)**	**(113,868)**

37.5. Market risk

The pharmaceutical industry is characterised by significant investments in research and development, which are at the same time a significant generator of the Company's future growth and development. The success of research and development of new products is inherently uncertain. Research and development in the pharmaceutical industry in the segment of medicinal products is a multi-annual process, and there is a possibility of changes in market conditions from the beginning of a project.

Another important aspect of the pharmaceutical industry are regulations. Pharmaceutical companies are exposed to the possibility that the national regulatory authorities withhold or revoke their approval of pharmaceutical products or processes, and in some markets frequent regulatory changes make it difficult to predict the duration and time of obtaining an approval. The Company's inability to obtain an approval for its pharmaceutical products or processes, or the withdrawal of any such approval, could have an adverse effect on its operations, financial position, business performance and prospects.

Because of this, the Company invests significant funds, knowledge and experience into sophisticated production facilities, equipment and manufacturing processes that guarantee that regulatory approvals will be obtained and maintained, in accordance with the rules of the pharmaceutical industry and the current Good Manufacturing Practice (cGMP).

In addition to investments and regulations, the pricing policy in the pharmaceutical industry also has a strong impact on business operations.

The pharmaceutical industry is characterised by changes in market prices of medicinal products, which can be caused by healthcare reforms, changes in the CIHI list of medicines, tax reforms, market instability, etc. Prices for OTC products are not regulated and can rise and fall depending on market competition. In case of changes in market prices, the Company can keep the same level of profitability by decreasing operating costs (other external service costs – promotions, entertainment, consulting services, etc. and negotiating lower costs of purchase of raw materials).

The Company manages its market risks through a diversified product portfolio, sophisticated technology and manufacturing processes, and through investments in highly skilled staff and research and development.

37.6. Capital management

The Company manages its credit debt by regulating the proportion of self-financing versus financing from external sources. Financing from other sources is based on non-current assets with extremely favourable interest rates, and does not represent a burden on the Company's liquidity.

With regard to debt type, JGL has long-term liabilities for received loans, leasing and issued bonds.

The liability for the long-term HBOR loan used to finance an investment in a new production facility Svilno 2 amounts to HRK 204,519,340. This loan was negotiated at very favourable terms, with a deferment until 2019. At the beginning of 2019, Appendix VI to the Loan Agreement with HBOR was concluded, establishing an earlier start of loan repayment and the change from annual payment to quarterly payment (first instalment on 28/02/2019, the second instalment on 31/03/2019, and every quarter thereafter until the final loan repayment on 30/09/2027). The amount of the short-term HBOR loan due in 2020 is HRK 26,588,675.

The Company has obligations toward the holders of bonds with the code HRJDGL020CA4, in the amount of HRK 46,764,260, with maturity on 21/12/2020, and a new issue of bonds with the code HRJDGLO24XA2, in the amount of HRK 130,000,000, with maturity on 18/12/2024. The holders of bonds with the code HRJDGL020CA4 were offered bond exchange and/or repurchase. Bonds in the nominal amount of HRK 80,735,740 were collected and added to own bonds in the amount of HRK 2,500,000, and bonds in the nominal amount of HRK 83,235,740 in total were cancelled.

The decrease of debt and shorter deadlines for collection of receivables resulted in financial stability, company liquidity, creditworthiness, and a good net-debt-to-capital ratio.

The capital structure of the Company consists of total liabilities, cash and cash equivalents, and total capital.

The capital structure is measured based on the financial leverage ratio, which is calculated as the ratio of net debt and total capital. Net debt is calculated as the difference between total liabilities (current and non-current liabilities) and cash and cash equivalents. Total capital is calculated as the sum of total capital shown in the balance sheet and net debt.

	2019	**2018**
Debt		
Short-term and long-term debt	420,720,075	407,047,347
Cash and cash equivalents and loans granted	(82,418,390)	(46,207,254)
Net debt	**338,301,685**	**360,840,093**
Total capital and reserves	630,868,691	554,570,098
Net debt / capital and reserves	0.54	0.65

Financial leverage ratio	34.91%	39.42%

37.7. Categories of financial instruments

	2019	2018
Financial assets at fair value		
Investments in securities	1,182,575	1,182,575
Total	**1,182,575**	**1,182,575**
Financial assets at amortised cost		
Trade receivables and other receivables	283,319,477	223,257,947
Cash and cash equivalents	57,446,615	12,608,964
Other financial assets	33,598,290	24,971,775
Total	**374,364,382**	**260,838,686**
Financial liabilities at amortised cost		
Loan liabilities	205,322,667	240,589,379
Liabilities arising from securities	180,930,321	131,832,106
Liabilities towards suppliers and other liabilities	73,494,628	63,756,032
Liabilities towards financial institutions	-	38,925,864
Lease liabilities	40,727,396	-
Total	**500,475,012**	**475,103,381**

38. Fair value

According to the CEO's assessment, the fair value of financial assets and liabilities is equal to their carrying amounts shown in the balance sheet.

39. Contingent liabilities

There are several ongoing court disputes against the Company, for which the CEO believes that the potential final liability for disputes and appeals will not have a significant impact on the financial position or future business performance of the Company.

40. Key management remuneration

	2019	2018
Net salaries	3,382,122	2,433,017
Taxes and contributions from salary	2,258,965	1,802,205
Contributions on salary	926,311	728,756
Remuneration of the Board of Directors and allocation of shares	9,299,523	4,061,380
Total	**15,866,921**	**9,025,358**

In 2019, annual awards and bonuses to key management were calculated in the amount of HRK 4,827,256, and 6,030 free shares were allocated (HRK 666,634 in bonuses and 1,266 shares in 2018).

41. Reclassification of items in the financial statements for 2018

In 2019, the Company reclassified certain items in the balance sheet and the statement of comprehensive income for 2018 so that they are comparable to the information for 2019, because of changes in the presentation of certain items.

41.1. Change in inventories and costs of goods sold

	2018 after reclassification	2018 before reclassification	Reclassification effect
Change in inventories	(9,027,470)	(4,244,459)	(4,783,011)
Costs of goods sold	11,797,372	7,014,361	4,783,011
Total	**2,769,902**	**2,769,902**	-

In the original statement of comprehensive income for 2018, the sale of purchased finished goods was reported under the item "Change in inventories". This amount was reclassified and reported under the item "Costs of goods sold".

41.2. Inventory

	2018 after reclassification	2018 before reclassification	Reclassification effect
Finished goods	54,558,822	73,179,053	(18,620,231)
Goods	29,040,736	10,420,505	18,620,231
Total	**83,599,558**	**83,599,558**	-

In the original balance sheet for 2018, the purchased finished goods were reported under the item "Finished goods". This amount was reclassified and reported under the item "Goods".

42. Events after the date of the financial statements

In light of the declared pandemic of the COVID-19 virus, measures were introduced both in Croatia and the world to restrict the movement of persons and goods with the aim of combating the pandemic. These measures have a significant impact on the Croatian and global economy, causing a significant slowdown and decline in economic activity. This decline in economic activity could have an impact on the Company's business operations. However, neither the duration and effect of these measures nor their impact on the Company's business can be reliably determined at this point.

Thanks to its financial and market performance achieved in recent years, stable growth and decrease in net debt, the Company is flexible enough to handle the crisis that could result from the COVID-19 pandemic. The Company's Board of Directors believes that this will not endanger the going concern principle of the Company.

There were no significant events after the date of the financial statements that would require adjustment or disclosure in financial statements.

43. Approval of financial statements

Financial statements shown on the previous pages were prepared and approved for issuing by the Company's CEO on 31 March 2020.

15 JGL d.d.
Svilno 20 Rijeka

Za JGL d.d.

Mislav Vučić, Izvršni direktor

JADRAN - GALENSKI LABORATORIJ
joint stock comapny
R I J E K A
Svilno 20
MANAGEMENT BOARD
2. Convocation

EXTRACT FROM
M I N U T E S

from the meeting of the Management Board of the Jadran - Galenski laboratorij, joint stock company from Rijeka, 2nd convocation held on March 05, 2020 starting at 10.00 in the premises of the Jadran - Galenski laboratorij, joint stock company in Rijeka, Svilo 20.

Under the point 2 of the daily Agenda:
"Consideration of yearly financial reports of JGL d.d. for 2019, composed by the Executive Director for period 01.01.-31.12.2019 and determination of yearly financial reports of the JGL d.d. for period of 01.01.-31.12.2019",

this decision was made:

DECISION

I
The Management Board of Jadran - Galenski laboratorij, joint stock company confirms the validity of financial reports of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2019 as composed by the Executive Director.

II
Management Board of Jadran - Galenski laboratorij, joint stock company determined the financial reports of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2019.

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

All members of the Board of Directors voted in favor of the decision.

PRESIDENT OF THE MANAGEMENT BOARD

JADRAN - GALENSKI LABORATORIJ
joint stock comapny
R I J E K A, Svilno 20
MANAGEMENT BOARD
2. Convocation

EXTRACT FROM
M I N U T E S

from the meeting of the Management Board of the Jadran - Galenski laboratorij, joint stock company from Rijeka, 2nd convocation held on March 05, 2020 starting at 10.00 in the premises of the Jadran - Galenski laboratorij, joint stock company in Rijeka, Svilo 20.

Under the point 4 of the daily Agenda:
Consideration of proposal of use of profit of JGL, joint stock company and definition of proposal of Management Board that will be made on the Ordinary General Assembly

this decision was made:

DECISION

I
It is proposed to the Ordinary General Assembly to make a decision as follows:
a)
It is determined that the Company in year that ended 31.12.2019 retained profit in amount of HRK 77,876,691.07.

b)
Profit of the Company in amount of HRK 6,005,485.54 is allocated to other reserves of the Company to cover costs of development that are not yet written off as shown in the assets position in the balance sheet.

c)
Remaining amount of Profit of the Company in amount of HRK 71,871,205.53 is allocated to retained profit of Company.

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

All members of the Board of Directors voted in favor of the decision.

PRESIDENT OF THE MANAGEMENT BOARD