INTEGRATED ANNUAL REPORT FOR JGL GROUP 2020

jgl

JADRAN - GALENSKI LABORATORIJ d.d. ("JGL", "Company" or "Parent Company") accepts responsibility for the content of this integrated annual report for the JGL Group, which includes the Management Report and the Sustainable Development Report.

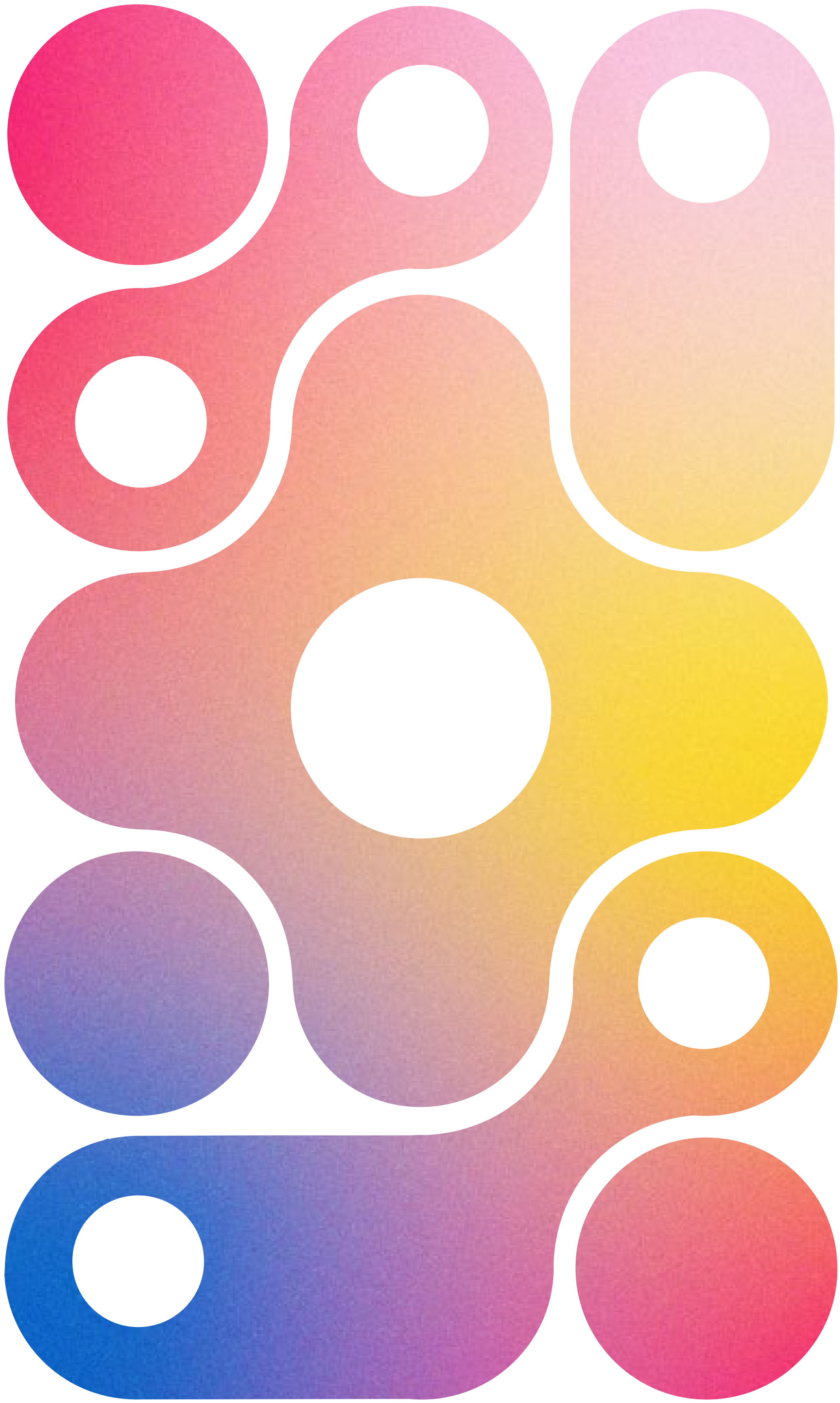
Given the belief and all discoveries and information available to JGL, information in this report represents a complete and truthful presentation of assets and liabilities, losses and gains and the financial position of the JGL Group, and to the best knowledge of the Company, no fact has been left out 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 2019 to 31 December 2019, while the "current period" relates to the period from 1 January 2020 to 31 December 2020.

Rijeka, April 2021

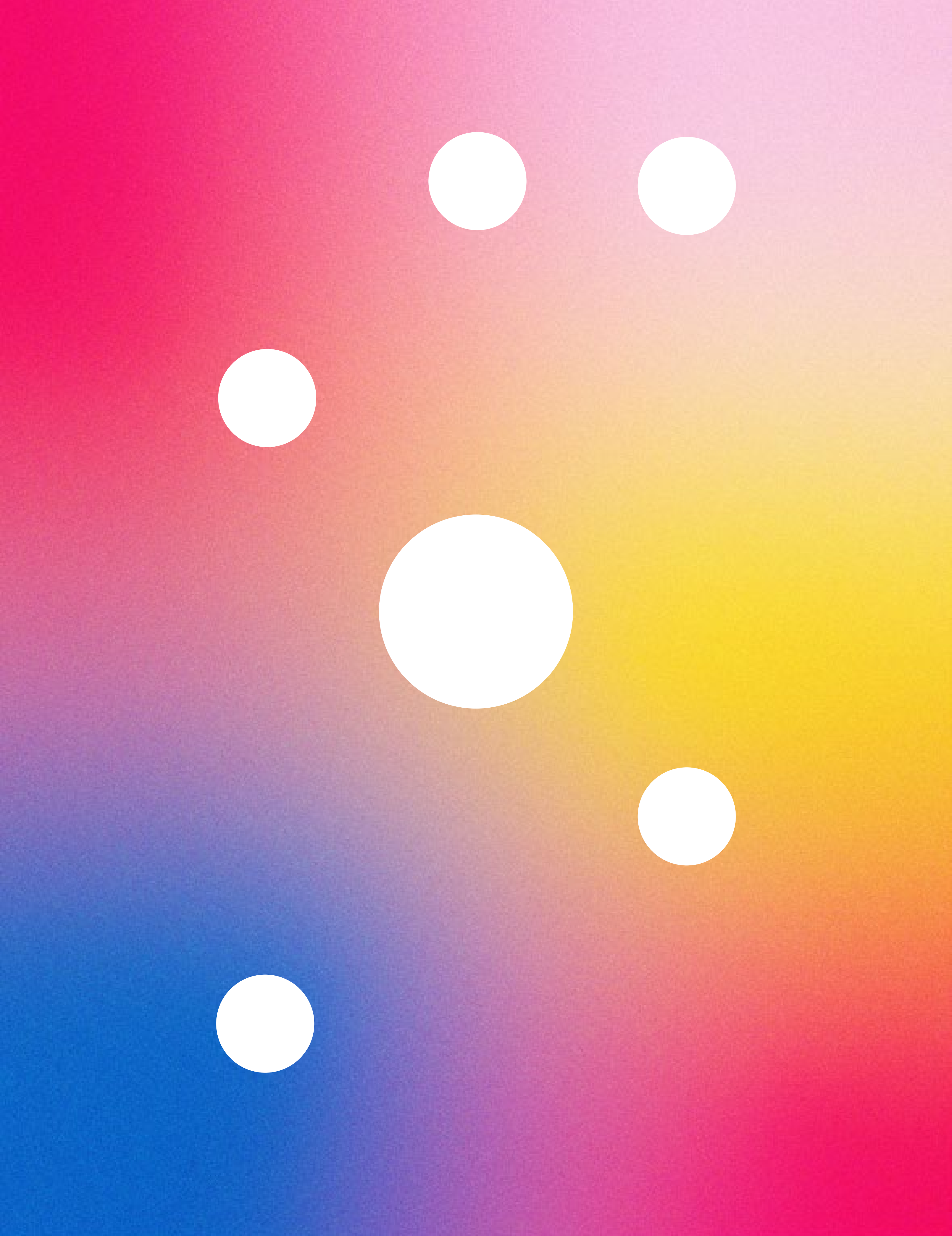
TABLE OF CONTENTS



MANAGEMENT REPORT

2020 – JGL GROUP

TABLE OF CONTENTS



Ivo Usmiani,
President of JGL's Management Board

Dear Stakeholders,

Behind us is a very challenging year marked by a global pandemic, a year that leaves a deep mark on the whole world, Croatia, and the JGL Group. With all the unpredictable circumstances that befell us in 2020, I am proud that the pharmaceutical industry has once again proven itself to be one of the strongest sectors of the economy. As a key partner of the national health system, the pharmaceutical industry continued to focus on maintaining the production, supply and distribution of medicines in 2020 and proved to be a key driver of the economy whose strength lies in excellence stimulated by the ever-stricter legislation and the constant need for additional investment in high technology, research and development, innovation, and employee knowledge. New circumstances have once again shown us how important it is to have production in Croatia and the European Union.

The year 2020 is a record year in JGL Group's history, for which I sincerely congratulate and thank every employee! Thanks to their enormous effort and work in a not-at-all easy and predictable time, we have achieved double-digit growth. Breaking the HRK 1bn threshold in total revenue places us among the top twenty manufacturing companies in Croatia.

I am proud that with this result we have become the largest Croatian pharmaceutical company, in the year in which we celebrate 30 years of JGL and 10 years of one of our key brands, Meralys. Despite the many difficulties we encountered within the company in the context of the global health pandemic and the weakening macroeconomic situation, thanks to the fantastic enthusiasm and motivation of our people, we were able to achieve great results and numerous accomplishments. Our primary focus for the entire twelve months has been investing in people, technology, new products, new markets and job creation.

We have also embarked on a new investment cycle as part of the Integra 2020 project which involves further investment in our technological capacity and capabilities, as well as R&D, which puts JGL well above the European average for companies that invest in their development. The investment of HRK 373 million envisages a 60% increase in the capacity of sterile production, the construction of a new development and quality facility with a pilot plant, and a new automated robotic logistics centre. The new investment carries a new, developmental dimension to JGL's future on the path to stable and sustainable growth.

Since the beginning of the pandemic, we have invested 1.5 million kuna in the protection of employees and their families, and despite the great caution and uncertainty caused by the crisis, we have taken measures to support business growth, primarily by creating new jobs. In recent months, caring for the health of employees and patients, along with job security, were our highest priority. Thanks to outstanding effort and adaptability, we have successfully dispersed risks and expanded our areas of operation and markets.

After the first confirmed case of infection in Croatia, we established an internal crisis management team. It is tasked with following and monitoring daily developments related to COVID-19, including its impact on health, business and the wider economic situation, and communicating with employees on a regular basis. We have reorganised our work in the markets, introduced numerous preventive measures, and responsibly strengthened our advisory and professional services in pharmacies. We have further digitalised processes and continue to develop in this direction. We are especially proud of the awards for quality in human resource management given to us in 2020, especially in times of crisis, which place our company among the top five best employers in Croatia.

Thanks to the strong positions of our products in markets around the world, we ended the year with very favourable financial results and achieved growth in all key brands, in all markets where we have our own operations. In our core business, we achieved HRK 670 million in operating revenue in export markets, which represents 85% of exports in total sales. Although operating in very complex circumstances, in 2020 we set many new records in primary and secondary sales. It reaffirmed that our products can fully meet the needs regarding maintaining health in conditions of influenza, colds and COVID (Aqua Maris and Meralys), the need to work in new digital circumstances (Vizol S and Viset), and the need for a confident appearance (Aknekutan, Zerkalin).

We will also remember the year 2020 by record growth rates in the B2B segment, record quantities of products produced and delivered, numerous developments in the innovative concept of production, equipment and transfer in the Group, digitalisation of processes and work practices in all markets and our sales chain of

Pablo pharmacies, two significant anniversaries - the sale of the 200 millionth unit of Aqua Maris, one of the most successful Croatian export brands, and the celebration of three decades of baby ointment (*Dječja mast*) JGL, our first product that is today in the portfolio of the associated company Adrialab.

We also continued to invest and develop integrated infrastructure and create an innovative ecosystem between industry, science and culture. In October, as a result of networking and synergy, JGL opened a unique, first Croatian specialised museum of pharmacy which gives the citizens of Rijeka and its visitors valuable cultural and educational content which will serve to demonstrate how advanced Croatian pharmacy has been and still is, and how in step it is with world trends in pharmacy.

Furthermore, I am extremely proud of the continued development of valuable cooperation with the University of Rijeka which granted JGL the status of a collaborative teaching institution of the Department of Biotechnology. With joint efforts, investments and vision, we established the first GMP laboratory at any university in Croatia. This collaboration has strengthened JGL in terms of scientific support as part of the improvement of quality of existing drugs and support in the development of new drugs.

Last year was also marked by the Decision on the award of grants from the European Union from the programme "IRI 2" in the amount of HRK 14 million for the development of an innovative nasal spray based on natural ingredients with antiviral action. This is a project that we are building in collaboration with the Centre for Proteomics of the Medical Faculty of the University of Rijeka, led by Prof. Jonjić and his scientific team, and the Faculty of Pharmacy and Biochemistry in Zagreb.

To foster the more efficient establishment and maintenance of quality systems through education of professional staff in the fields of drug development, production and distribution according to applicable regulations for the pharmaceutical industry, JGL wholeheartedly supports the establishment of Pharmacy Studies at the Medical Faculty of the University of Rijeka. We aim to continue to further connect the real sector with the scientific, teaching and research sector and promote the development of innovation, technology transfer and knowledge.

JGL's approach to sustainability entails insisting on sustainability throughout the value chain, which is something I strongly believe many of our customers recognise. We will continue adhering to the principles of corporate responsibility and creating values that contribute to society and the environment, with a focus on improving the standard of life for stakeholders.

KEY FINANCIAL INDICATORS

1,020,136

Total revenue
JGL Group
(thousand HRK)

1,077

Number of employees
JGL Group

162,761

EBITDA
JGL Group
(thousand HRK)

811,934

Business revenue
JGL Pharma
(thousand HRK)

18.6%

EBITDA margin
JGL Pharma

2.21

NET debt / EBITDA
JGL Pharma

Thousand HRK

	JGL GROUP		JGL PHARMA[1]		JGL d.d.	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Total revenue	**1,020,136**	**932,648**	**820,583**	**754,162**	**609,738**	**575,916**
Operating revenue	1,011,442	909,205	811,934	730,721	585,537	551,046
EBITDA	**162,761**	**136,386**	**150,903**	**127,344**	**126,397**	**118,993**
Profit before tax	**70,444**	**81,507**	**64,119**	**77,065**	**61,051**	**76,730**
EBITDA margin	16.1%	15.0%	18.6%	17.4%	21.6%	21.6%
Net debt	349,151	369,056	332,761	351,947	334,912	338,162
Net debt / EBITDA	2.15	2.71	2.21	2.76	2.65	2.84
Number of employees	**1,077**	**1,002**	**905**	**834**	**636**	**578**

[1] JGL Pharma (core business of JGL Group) excludes PABLO d.o.o. Zagreb, Ljekarna Pablo Health Institution Rijeka, and Adrialab d.o.o. Rijeka

JGL GROUP
JGL D.D.

ABROAD

- Jadran LLC Moskva
- Jadran – Galenski laboratorij d.o.o., Ljubljana
- JGL d.o.o. Beograd – Sopot
- Farmis d.o.o. Sarajevo
- JGL North America LLC New York USA

CROATIA

- Adrialab d.o.o. Rijeka
- Pablo d.o.o. Zagreb
  - Pablo Health Institution Rijeka

An overview of affiliated companies in the JGL Group

JGL GROUP MEMBERS

Consolidated financial statements of the JGL Group include financial statements of the parent company JGL d.d. and entities controlled by the Parent Company and subsidiaries specified below. Control exists if the Parent Company is able to manage financial and business policies of an entity so as to benefit from its activities.

Consolidated financial statements of the JGL Group include financial statements of the following companies:
Parent Company

- *JGL d.d. Rijeka*

Subsidiaries

- *JADRAN LLC Moskva*
- *Adrialab d.o.o. Rijeka*
- *JGL d.o.o Beograd - Sopot*
- *Farmis d.o.o. Sarajevo*
- *Jadran - Galenski laboratorij d.o.o. Ljubljana*
- *Pablo d.o.o. Zagreb*
- *Pablo Health Institution Rijeka*
- *JGL North America LLC, New York, USA (dormant company)*

Entity significantly influenced by the parent company

- *Galena d.o.o. Rijeka*

BUSINESS PRINCIPLES

JGL aims to be the leading international company specialised in the development and production of value-added sterile products in ophthalmology and otorhinolaryngology, and the leader *in using the benefits of seawater for health purposes.*

With the mission of improving the quality of life through taking care of our customers' health and the slogan "as precious as a drop of water", JGL strives for a safe and efficacious product, providing a sincere and dedicated service, and building solid partnerships.

JGL's strategic focus is based on four pillars:

1. Internationalisation of business operations
2. Closeness with customers and partners
3. Operational efficiency
4. Technological focus

The values that are built into JGL's business are:

1. Teamwork
2. Excellence
3. Operational efficiency
4. Closeness with customers

By building relationships with its customers and partners on such principles, JGL has grown into a successful and profitable company driven by a scientifically and technologically advanced environment with a focus on sterile pharmaceutical forms.

HISTORY

1991

Founding of JGL d.d. under the leadership of Ivo Usmiani, MPharm, registration of the first medicinal product, Carbo Medicinalis, production of baby ointment Dječja mast JGL

1992-1993

Founding of the company in Slovenia, launch of the brands Holyplant, Dr. Bezz and Sunce moje malo, and the products Nazol, Paracetamol and Vizol

1994 - 1995

Inpex Gold Medal (Pittsburgh, USA) for the Holyplant and Sunce moje malo lines, launch of the products Hepan and Athyrazol

1996

Launch of the products Diazepam Jadran, Timalen and Folacin, Inpex Gold Medal (Pittsburgh, USA) for the Holyplant line and Silver Medal for the Dobri kućni duh line

1997 - 1998

JGL representative offices established in Bosnia and Herzegovina and Russia, launch of the products Disoyiramide, Rozamet, Isosorbide MN Jadran

1999

Launch of Aqua Maris, JGL's key brand, cooperation agreement signed with the American multinational company Bristol Myers Squibb, launch of the products Lithium Carbonate Jadran and Potassium Chloride Jadran

2000 – 2001

Launch of Septogal, Maxipime, Dolocaine gel, Duracef and Monopril, Gold Diploma (City of Rijeka, 2nd Innovation Exhibition) and Gold Medal (Brussels, Eureka) for Aqua Maris, JGL representative office established in Serbia and Macedonia

2002

Launch of Dramina, Prolife, Contral, Duracef and Monopril, opening of the production site Svilno 1

2003 – 2004

Silver Medal for Septogal spray (Brussels, Eureka), launch of the Vitalia, Tusifan and Ranix brands, establishment of the company in Serbia and representative office in Ukraine, and launch of sales in Poland, Hungary, Azerbaijan and Georgia, CE Certificate Medical Devices (Directive 93/42//EEC)

2005

Establishment of Ljekarna Pablo Health Institution, first generic clopidogrel (Pigrel) launched in licensed cooperation with Krka, launch of the brands Lactogyn, Pantexol, Prolax, Doxazin and Cefzil

2006

Establishment of a representative office in Kazakhstan, distribution agreement signed and launch of sales in Armenia and Montenegro, launch of Fluconax, Zalasta, Betazon, Simvay, Amicor, Amicor H, Sonalia, Ortalox, Gentamicin Jadran, construction of Svilno 1 ointment plant, first issue of corporate bonds in the amount of HRK 125m

2007 – 2008

Launch of the Adrience brand, the products Almirin, Valora, Larona, EU GMP certificate obtained and exclusive distribution agreement concluded with Gedeon Richter for the Aqua Maris brand for the Hungarian market, launch of sales in the Czech Republic, Slovakia, Romania and Moldova, establishment of the JGL representative office in Kosovo, Investor of the Year Award (HGK - Croatian Chamber of Economy), Superbrands Croatia for the Aqua Maris and Adrience brands

2009 - 2010

Golden Key Award for the best exporter to Russia (HIZ - Croatian Exporters), contract for the production of the first generic latanoprost (Latanox) concluded with the Swiss company Siegfried, launch of Normia, Librol, Atenolol Jadran and Nasol N

2011 – 2012

Construction of a plant for sterile solutions and a control and analytical laboratory at Svilno 1, registration of the company JGL North America, the company issued corporate bonds in the amount of HRK 140m, launch of the Meralys brand and the CSR Index Award for corporate social responsibility (HR PSOR), Golden Key Award for best exporter to Russia (HIZ), launch of Escontral, Mupiron, Modiar, Zoprax, Artas and Quelapin

2013

Launch of Vizol S, Blocar, Maromycin, Ziora, Glaumax, Dorzol and Bicalutamide JGL, subsidiary Adrialab established, cooperation agreement signed with the American multinational company Abbott, the Charter of the Republic of Croatia, Inpex Gold Medal (Pittsburgh, USA) for Aqua Maris and Meralys

2014

Establishment of a representative office in Belarus and cooperation agreement signed with the Greek company Pharmathen for the production of eye drops, launch of Montelux, Fungilac, Eksemestan Jadran, Cefixim Jadran, EBRD financing in the amount of EUR 20m, CSR Index Award for corporate social responsibility (HR PSOR), Golden Key Award for the best exporter to Russia (HIZ), financing by HBOR in the amount of HRK 239m, introduction of a one-tier management system

2015

Opening of the Pharma Valley complex, start of production in Serbia, Canadian GMP obtained, launch of Meralys HA Liorin, Tramadox, Escital, Bimanox, Ideos, Polygynax, Melpamid, Blocar Plus, Faxiven, Potassium citrate JGL, Desart, Ostea, Letrozole JGL, Terbinafine JGL, Lysobact, Cefuroxime JGL, Anastrazole JGL

2016

Launch of the first generic xylometazoline hydrochloride and ipratropium bromide (Nasoryl M), Lider Invest Award for the largest production investment (Pharma Valley), launch of sales in Thailand, Vietnam, Singapore and Malaysia, obtained Russian GMP and ISO 50001:2011, launch of Clavius, Candepres, Candepres plus, Rhinostop, Trandolapril JGL, Alfabiotic, Reflustat and Fungilac

2017

Golden Kuna Award for the most successful large enterprise in Primorje-Gorski Kotar County (HGK), Golden Key Award for the best exporter to Russia in 2016 (HIZ), launch of Adrienne, Capecitabine JGL, Fosfomycin JGL, Ciprofloxacin JGL

2018

Golden Kuna Award for the most successful exporter (HGK), award for the most innovative exporter in 2017 (HIZ), launch of Magnesium TOP Direkt

2019

Launch of Magnolicomb HCT, Dexketoprofen JGL, Ezotera, Spazur, Etoricoxib JGL, Daltex, Dalmevin, Medoclav and Siranalen, new issue of corporate bonds in the amount of HRK 130m

2020

More than a billion kuna in total revenue at JGL Group level, 200,000,000 units of Aqua Maris sold, strategic cooperation agreement with the largest Polish pharmaceutical company Polpharma, TOP 5 Employee Partner in Croatia, Golden Key Award for the best exporter to Russia (HIZ), opening of the JGL Pharmacy Museum, launch of Neodol, Onaceron Forte, Almirincomb, Dulmod, Sagilia, Onelar, Aktiprol, Zykalor

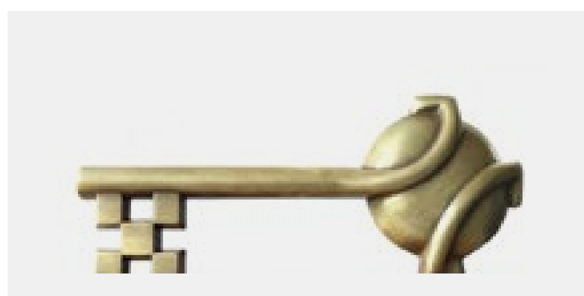
AWARDS IN 2020

These important successes are an impelling responsibility, which is why the company remains committed to continuous improvement, new investments and new learning.

In 2020, JGL received three significant recognitions related to its export results, successful business operations and employer-employee relationships, and contribution to the Croatian economy.

Through a comprehensive analysis of the employee management system within the Employer Partner Certificate project, independent human resources experts from Selectio rated JGL as an TOP 5 Employer Partner in 2020. The list of TOP 5 Employer Partners consists of organizations that in the past year of all organizations certified under the project Employer Partner Certificate achieved the highest results and thus showed the exceptional development of their human resources management systems.

The Golden Key for the best exporter to the Russian Federation and the Golden Marten of the Croatian Chamber of Commerce - Rijeka prove that the efforts made have been noticed and recognized as valuable.



EMPLOYEES

The total number of employees (except for employees on vocational training) in the JGL Group on 31 December 2020 was 1,077, in JGL Pharma 905, and 636 in the Parent Company.

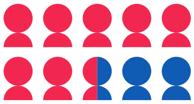
The Croatian market is the largest in terms of the number of employees, with 680 employees working within the parent company JGL d.d., the company Adrialab and Pablo Health Institution. The Russian market is the second largest in terms of the number of employees (Jadran LLC Moskva) with 217 employees.

Out of the total number of employees in the JGL Group during the 2020 business year, 75% are women, and 25% are men. The percentage of employees with university degrees is 66%, and their average age is 42.

Structure of employees in 2020 by market and key area of work

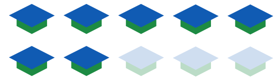
75%

Percentage of women at JGL Group



66%

Percentage of employees with university degree



Number of employees on 31 December 2019 and 2020 in the JGL Group

	31/12/2020	31/12/2019
JGL d.d.	**636**	**578**
Croatia	508	461
Macedonia	5	5
Russia	5	5
Belarus	19	17
Ukraine	56	50
Kazakhstan	42	39
Kosovo	1	1
Affiliated companies	**441**	**424**
JGL d.o.o. Beograd – Sopot	**27**	**19**
Farmis d.o.o. Sarajevo	26	26
Jgl d.o.o. Ljubljana	4	6
Adrialab d.o.o. Rijeka	26	28
Ljekarna Pablo Health Institution	146	140
Jadran LLC Moskva	212	205
Total for JGL Group	**1,077**	**1,002**

KEY INVESTMENT PROJECTS

PHARMA VALLEY

The construction of the JGL Pharma Valley at Svilno was completed in 2015 according to our own balance and sustainability formula. It was the first and most comprehensive phase of the most significant corporate strategic investment venture.

This was an integrated approach that combines the best practices in the management of production processes, state-of-the-art technology in pharmaceutical production and the highest standards of environmental protection.

This production and technological development complex has significantly improved the technological standard crucial to global competitiveness, and created preconditions for further development of key brands on the global health market.

New technologies, as well as the installed capacity, tripled in facilities for sterile pharmaceutical forms, provide key resources for achieving the strategic vision of sustainable profitable growth over the planning horizon of ten years. The total surface area of

the complex is 99,000 m², with a total production capacity of 104,000,000 units. The new technology and new production plant enable the expansion of the existing portfolio with new own development products in key pharmaceutical forms.

Production at the JGL Pharma Valley site:

- The concept of continuous production
- An automated, robotised storage facility with over 5,000 pallet places
- Flexible packaging lines adapted to market requirements

Sterile pharmaceutical
production at the JGL
Pharma Valley complex

INTEGRA 2020

The most significant event for the company in 2020 was the new investment as part of the Integra 2020 project. It is an investment in the amount of HRK 373 million in three areas - research and development, commercial production and logistics center. The investment is partially self-financed and partially financed by a long-term loan of the Croatian Bank for Reconstruction and Development in the amount of HRK 280 million.

The project started at the end of 2019 with the aim of integrating development, production and storage capacities, which will create the technological preconditions for the future growth of the company. Integra 2020 encompasses three areas - research and development, commercial production and logistics center.

Visit of the delegation of the Government of the Republic of Croatia in November 2020

R&D / Pilot plant / Quality Control

G15 is a new R&D and Quality Control facility that will complement the impressive visual identity of the Svilno site. The modern contour of the facility conceals not only laboratory spaces, but will also include a pilot plant that will serve as a GMP production plant for smaller series. In addition, the building will have a social segment that will provide employees with additional facilities - a restaurant with a kitchen for the preparation of food, a multifunctional conference hall for professional lectures, a meeting place for employees, and the JGL Pharmacy Museum. The construction of the G15 facility will begin in Q1 2021.

Production of sterile forms

The production plant within the existing G60 facility will provide a 60 per cent increase in capacity in the sterile spray, drops and BOV production segment. All key elements of the project were contracted in 2020, including cleanrooms and clean media and filling lines that constitute state-of-the-art technology in the pharmaceutical production segment. The first equipment installation is expected in Q3 of 2021, with the production plant ready for the first test series by the end of 2021.

Future view of the R&D facility, Pilot plant and Quality Control

Automated high-bay warehouse

G20 is a brand new logistics centre at Kukuljanovo, which will provide an additional 15,500 pallet places in a modern, fully automated high-bay warehouse with its own expedition.

The installation of the automated high-bay warehouse will begin in early March 2021, and trial operation of the system is planned for November 2021.

Future view of the logistic center

PRODUCTION

TECHNOLOGY PLATFORM

JGL's key strategic technologies are associated with the production of sterile pharmaceutical solutions. The lines are divided into pharmaceutical forms:

- sterile drops (for nose and eyes),
- sterile sprays (for nose, throat, ear, for topical application), and
- Bag-on-Valve technology (for nose, throat, topical application)

BOV provides a modern and currently superior spray dispersion solution that improves and enhances product properties and facilitates application, offering:

- sprays with 360° applications and a continuous stream,
- microbiological purity with a preservative-free formulation,
- complete emptying of the bottle and usage of the product,
- longer shelf life,
- controlled spraying regardless of the application angle.

In addition to key technologies, JGL also produces traditional pharmaceutical forms, which include:

- solid oral forms (tablets, capsules and granules),
- non-sterile solutions (syrups and drops), and
- semi-solid forms (ointments, creams and gels).

Adhering to all regulatory requirements, with high standards of quality, is imperative for safe production.

QUALITY AND CERTIFICATION

An integral part of JGL's business policy is the reliance on self-developed products. As a globally-oriented company, JGL has from the very beginning been developing its own quality system in line with the national requirements of the markets in which the company is present.

The notion of quality at the company is not limited to strict compliance with regulatory requirements, but implies integration of quality in all product realisation processes and includes all internal resources.

Only lasting care, ethics and the application of the principle of continuous improvement in everyday operations result in the quality required for each stage of the product life cycle. The quality of all products and services is a key priority.
JGL is certified according to the following standards:

- EU GMP
- Russian GMP
- ISO 9001:2015 Quality Management
- DS/EN ISO 13485:2016 Quality Management - Medical Devices
- ISO 22000:2005 Food Safety Management
- DIN/EN ISO 50001:2011 Energy Management Systems
- CE certificate (Dir. 93/42/CEE) - Manufacture of medical devices

RESEARCH AND DEVELOPMENT

The R&D department primarily focuses on the following:

- creating a product development strategy
- developing value-added products for the consumer
- developing formulations with optimal packaging
- developing and optimising the technological process
- developing and validating analytical methods
- monitoring the stability of finished products in global markets
- improving products in the portfolio

KEY BRANDS

AQUA MARIS

Natural products based on seawater

Products based on seawater from the Adriatic Sea, rich in minerals and oligoelements, are the most prominent programme in our portfolio. Utilising the long Mediterranean tradition of using seawater for human health, JGL is dedicated to the research and development of products with the healing effect of seawater which can be used all year round - at home, at work or wherever you may be.

Launched in 1999, the brand consists of 100% natural products on the basis of Adriatic seawater for the prevention and treatment of upper respiratory tract ailments. The products are preservative- and additive-free, manufactured according to pharmaceutical sterility standards and European quality practice. In 2020, the production of two hundred million units of this product was celebrated.

VIZOL S

Drops for dry eyes, preservative-free

Through years of experience, JGL has specialised in developing and manufacturing drugs for the senses. The Vizol S artificial tears relieve symptoms of dry and very dry eyes, irritations, burning sensations and discomfort. The products are innovative and unique on the market in many ways - they do not contain harmful preservatives thanks to a bottle-fitted filter, they moisturise the surface of the eye for longer, and they have a unique applicator for easy application.

The Vizol S artificial tears relieve symptoms of dry and very dry eyes, irritations, burning sensations and discomfort. They are used for tired eyes and can be used by people who wear contact lenses.

MERALYS HA

Innovative decongestant, preservative-free

Two decades of experience in developing medicines and preparations based on seawater resulted in an innovation that brings added value to all decongestant users. For the very first time, a decongestant was dissolved in a seawater solution which supports natural nasal cleaning mechanisms. The extension of the line under the brand Meralys HA is enriched with hyaluronic acid, which further protects and moisturises the nasal mucosa.

Besides alleviating breathing, a clear nasal passage also prevents possible infections of sinuses and ears, which is a problem, especially in children. Meralys combines a reliable drug, xylometazoline, with healing effects of seawater, and has a patented pump with an anatomic applicator that optimally disperses droplets.

DRAMINA

Medicine for the prevention of nausea associated with motion sickness

Motion sickness, travel sickness, seasickness, or “kinetosis” in professional terms, is manifested by unpleasant symptoms such as dizziness, fatigue, nausea and vomiting.

For a number of years, an antihistamine called dimenhydrinate, an active component of Dramina, has been recommended as the first choice of treatment for people suffering from travel sickness.

AKNEKUTAN

One of JGL’s key brands in the Russian market is an innovative drug for the systemic treatment of acne.

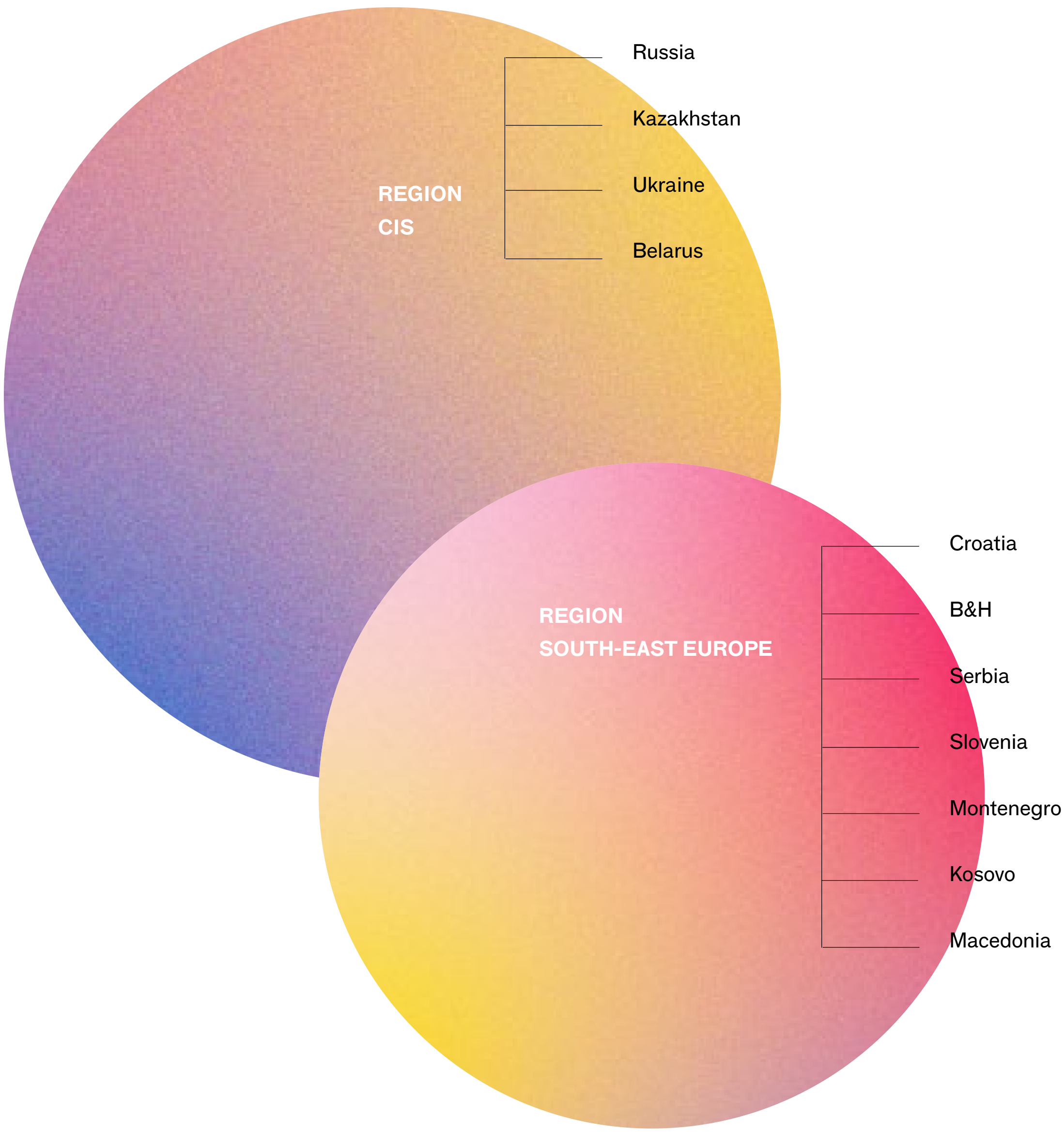
It is produced according to the patented LIDOSE® technology, which increases the bioavailability of isotretinoin by 20 per cent, which improves the tolerability of the drug while maintaining maximum therapeutic efficacy for acne.

INTERNATIONAL PRESENCE

Key markets are the markets in the CIS region - Russia, Kazakhstan, Ukraine and Belarus, and in the SEE region - Croatia, Bosnia and Herzegovina, Serbia, Slovenia, Montenegro, Kosovo and Macedonia, where JGL is present with its own operations. The markets where the company operates with a B2B model currently make up 15% of business and are in propulsive growth (EU, MENA region, ASEAN region). Through its partners, the company operates in approximately 50 additional global markets.

JGL cooperates with international partners through several cooperation models:

- through the distribution of JGL brands and cooperation through licensing, JGL products are widely present in Europe and the ASEAN and MENA regions
- JGL cooperates with large pharmaceutical manufacturers through contract manufacturing



OWNERSHIP STRUCTURE / SHARE TRANSACTIONS

The share capital of the Company is divided into 1,205,600 shares, 1,128,643 of which are shares with voting rights, while those remaining are own shares.

Based on the authorisation given by the Decision of the General Meeting of 28 February 2020, On 1 April 2020, the Management Board issued a Decision on the issue of 13,050 new I series shares, with a nominal amount of HRK 100 per share. This increased the share capital from HRK 119,255.00 to HRK 120,560,000.00.

The company is a domestically owned joint-stock company. At the beginning of 2020, the company owned 72,737 own shares. By 31 December 2020, the company repurchased 6,250 and according to the liability from 2019 allocated 2,030 own shares, so the number of own shares in the portfolio was 76,957 as at 31 December 2020.

The increase of the share capital was performed by entry into the court register of the Commercial Court in Rijeka, under No Tt-20/8350-3, with the delivery of the consolidated text of the Articles of Association of JGL on 28 September 2020.

Ownership structure of JGL d.d. as at 31 December 2020

Owner	Number of shares	% in capital	% in capital with voting rights
Ivo Usmiani	369,134	30.62%	32.71%
Small shareholders	351,333	29.14%	31.13%
Zdravko Saršon	240,496	19.95%	21.31%
Own shares	76,957	6.38%	-
Eva Usmiani Capobianco	30,532	2.53%	2.71%
Marina Pulišić	29,296	2.43%	2.60%
Grozdana Božić	29,262	2.43%	2.59%
Vesna Črnjarić	24,512	2.03%	2.17%
Đurđica Miletović Forempoher	19,800	1.64%	1.75%
Sanja Vujić Šmaguc	19,678	1.63%	1.74%
Majid Hejja	14,600	1.21%	1.29%
Total	**1,205,600**	**100.00%**	**100.00%**

SIGNIFICANT EVENTS

IN THE REPORTING PERIOD

NEW INVESTMENTS IN PRODUCTION CAPACITIES

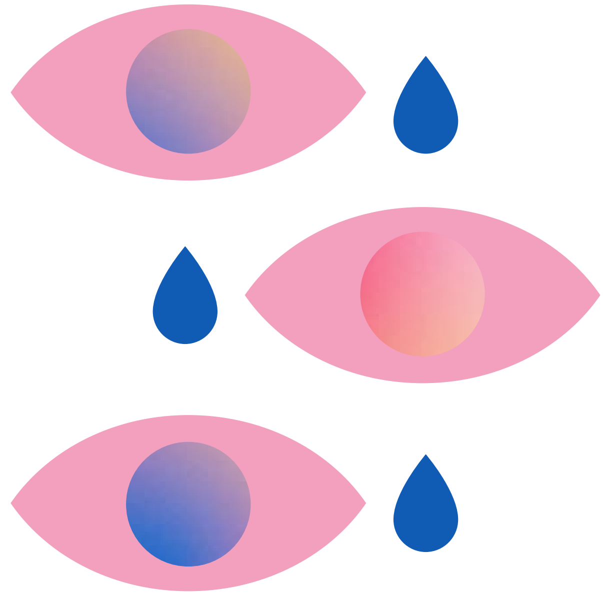
The most significant event in 2020 was the new investment as part of the INTEGRA 2020 project.

It involves an investment of HRK 373 million in the expansion of production capacities, equipping of a development laboratory, construction of a new pilot plant, development of office space, and construction of a logistics centre. The investment is partially self-financed and partially financed by a long-term loan of the Croatian Bank for Reconstruction and Development in the amount of HRK 280 million.

The loan agreement with HBOR was signed in November 2020. It is a long-term loan with an interest rate of 1.50%, a draw period until 30 June 2022, a grace period of three years and a repayment period of nine years. The funds will be drawn according to the stages of project implementation, and in December 2020, the first request for the withdrawal of funds in the amount of HRK 24.4 million was submitted and approved.

Furthermore, 2020 saw the successful start of the "Transfer of Production" project worth EUR 300,000, which concerns the transfer of the production process from JGL Rijeka to JGL Beograd - Sopot, Serbia. It involves the extension of the finished products warehouse, cold chamber, HVAC, starting materials warehouse, purchase of a capsule filling machine, change of the production site layout, and increase in the number of staff.

The improvement of production facilities was also carried out at Adrialab d.o.o. Rijeka. The warehouse on Pulac was renovated into a new production plant with new machines installed. This is a response to increasingly stringent regulatory requirements and will allow the continued production of Aqua Maris salts.



Investment has also been made in a new mixer for the production of semi-solid forms and solutions with three times the capacity to meet market demand and increase efficiency and production capabilities.

STRATEGIC PARTNERSHIP WITH POLPHARMA

With the signing of the Agreement on the transfer of eye drop production in JGL in March 2020, the strategic cooperation between JGL and Polpharma, which began with the Strategic Partnership Agreement in 2019, continued. Polpharma is the largest Polish pharmaceutical company with 7,500 employees, which has over 600 products in its portfolio and an additional 200 in development. Eye drops are a significant and strategic segment for the company, with 40 products and several products in development. It was JGL that was chosen as Polpharma's strategic partner for eye drops.

In the initial product package, JGL will produce five established high-volume products for Polpharma - tetryzoline drops, tropicamide drops (two strengths), amikacin drops and hyaluronic acid drops. Given the complexity of the transfer, the implementation has been ongoing throughout 2020 and will continue in 2021. Commercial production is planned for 2023 with a production volume of 10 million bottles per year.

INVESTMENTS AND INCENTIVES

In 2020, the JGL Group invested a total of HRK 73,636,219 in non-current assets.

Investments in intangible assets amount to HRK 15,671,885, of which HRK 4,488,422 relates to investments in computer programs, HRK 1,100,365 for the acquisition of licences, HRK 1,974,333 for registration of own products, HRK 5,649,262 for investments in development projects, HRK 2,265,356 for investments in non-owned assets, and HRK 194,147 for developing an online store.

Investments in tangible assets amount to HRK 57,964,334, of which HRK 15,191,866 relates to the improvement of functions of buildings owned by JGL. A further HRK 42,772,486 was invested in the purchase of production, IT and transport equipment and furniture.

JGL d.d. invested a total of HRK 67,579,486 in non-current assets.

Investments in intangible assets amount to HRK 14,783,337, of which HRK 4,379,240 relates to investments in computer programs, HRK 1,100,365 for the acquisition of licences, HRK 1,974,333 for registration of own products, HRK 5,549,988 for investments in development projects, and HRK 1,779,411 for investments in non-owned assets.

Investments in tangible assets amounted to HRK 52,796,149. HRK 14,639,793 was invested in the improvement of functions of buildings owned by the company, with a further HRK 38,156,356 invested in the purchase of production, IT and transport equipment, and furniture.

ESTABLISHMENTS / SALES / RESTRUCTURING WITHIN THE GROUP

From 1 April 2020, the business activities of Jadran - Galenski laboratorij d.d. in Ukraine were expanded to include the following:

- Registration, marketing and advertising for all Jadran - Galenski laboratorij products produced either in Croatia or in other countries;
- Registration, marketing and advertising for all products of affiliated companies Adrialab d.o.o. Rijeka, Croatia and JGL Beograd - Sopot, Serbia;
- Communication with distributors of products of Jadran - Galenski laboratorij d.d. Rijeka, Adrialab d.o.o. Rijeka, Croatia and JGL Beograd - Sopot, Serbia;
- Participation in tenders on behalf of Jadran - Galenski laboratorij d.d. Rijeka;
- Cooperation with pharmaceutical chains for the growing demand for products of Jadran - Galenski laboratorij d.d. Rijeka, Adrialab d.o.o. Rijeka, Croatia and JGL Beograd - Sopot, Serbia.

The activities are performed on the territory of Ukraine, Georgia and Azerbaijan (without the creation of separate organisational units), with the representative office of Jadran - Galenski laboratorij d.d. in Ukraine becoming a permanent business unit in terms of the Ukraine tax law.

JGL PHARMACY MUSEUM ESTABLISHED

By the decision of the Commercial Court in Rijeka Tt-20/1348-6 of 1 April 2020, changes in the company's objects, implementation of the increase of authorised capital and amendments to the Articles of Association were entered in the court register, all based on the decision of the Extraordinary General Meeting of 28 February 2020 amending the provisions of the Articles of Association in Art. 6(1) (activities), Art. 7(1) (subsidiaries) and adding Art. 12a (approved share capital for which the share capital of the company can be increased).

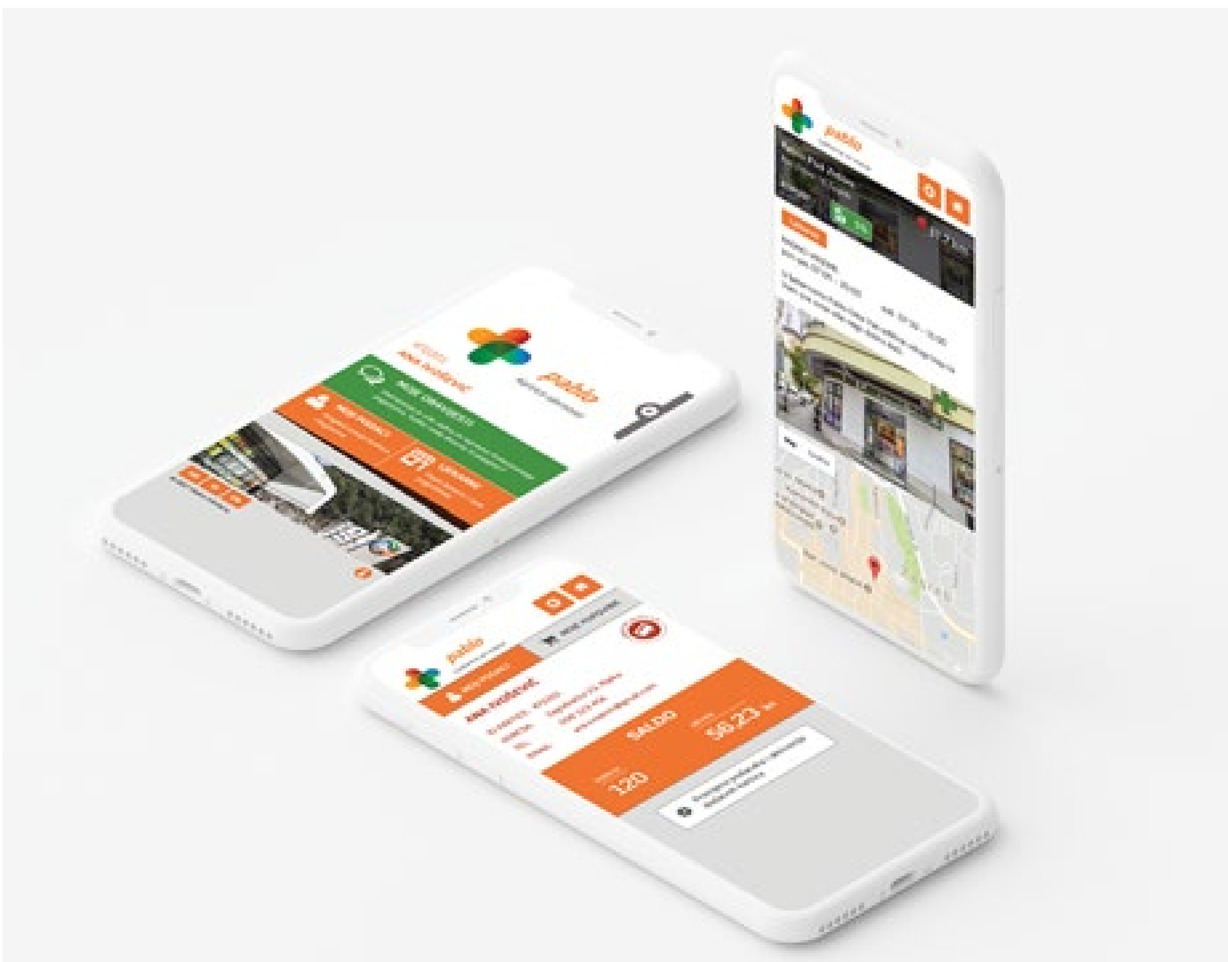
In relation to the company's objects, the activities Retail sale of clothing and Retail sale of souvenirs were registered. On 21 October 2020, after obtaining the decision of the Ministry of Culture and Media of 2 October 2020 and the prior decision of the Management Board of 2 October 2020 on the establishment of the JGL Pharmacy Museum subsidiary, museum activity

was entered in the court register of the Commercial Court in Rijeka by decision (Tt-20/10435-5) and the establishment of a subsidiary under the ordinal number 001, i.e. JADRAN - GALENSKI LABORATORIJ d.d., JGL PHARMACY MUSEUM Branch, Užarska 11, Rijeka by decision (Tt - 20/10436-6). The person authorised to represent the subsidiary is Marin Pintur.

The museum is a specialised museum whose mission is the affirmation of pharmacy and the production of medicines as part of the health and cultural identity which has throughout history been a significant factor in the spiritual and economic progress of the city and the county and remains so today. The founders also want the museum to actively be a part of the life of the local community as a place to meet, learn and have fun, as well as to be a reference point in researching the history of pharmacy, a tourist attraction and an educational centre for future pharmaceutical workers.

LAUNCH OF THE PABLO ONLINE STORE

As part of the growing presence of the JGL Group on digital channels, and to ensure simpler, faster and easier access to products, at the end of 2020, the Pablo online store and home delivery service were launched. In addition to stepping into a new and increasingly popular sales channel, the new Pablo online store offers integrated communication with a pharmacist, via chat or call, to assist the customer in choosing a product or to offer advice in order to make the online shopping experience identical to that in a physical pharmacy. Further steps will include creating a micro online store for JGL and Adrialab within the Pablo online store, with the aim of opening new opportunities to strengthen the company's brands and related companies.

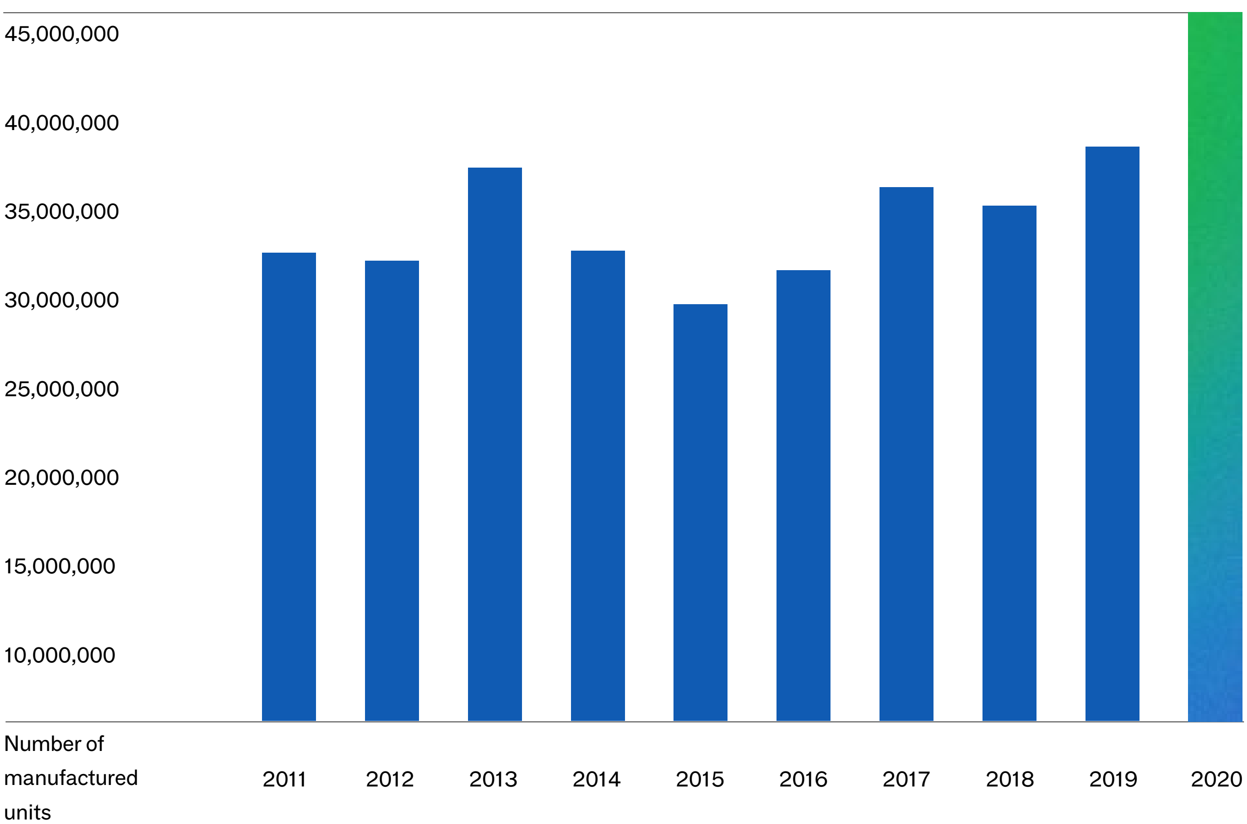


PRODUCTION

The year 2020 was marked by a significant jump in production to almost 45,000,000 units, which is a significant 20 per cent more than the best years to date.

This was the year of numerous innovations in terms of new production equipment - from increasing the capacity of sterile production, implementing large standard series of key sterile products, all the way to new work practices.

Trend of manufactured pieces of products in the past nine years



PORTFOLIO PERFORMANCE

During the reporting period, the following was recorded in the JGL product portfolio management segment:

- 57 new products launched in B2C business (Business-to-Consumer),
- 45 regulatory procedures completed and marketing authorisation decisions obtained,
- 47 applications submitted into the regulatory procedures for obtaining an MA (Marketing Authorisation),
- More than 50 SKUs (*Stock Keeping Units*) ended their life cycle.

The mentioned 57 launches were implemented in a total of 11 markets, of which 43 products were launched in the markets of South-East Europe, and 14 products in the CIS markets. One of the main KPIs for 2020 was the fulfilment of preconditions for the launch of new products. The number of preconditions secured in 2020 amounts to as many as 77, which provided the preconditions for the realisation of launches in 2020 and Q1 2021.

During the year, significant work was done on portfolio optimisation - multilingual packaging project / PLM software project / optimisation project - with work continuing in 2021.

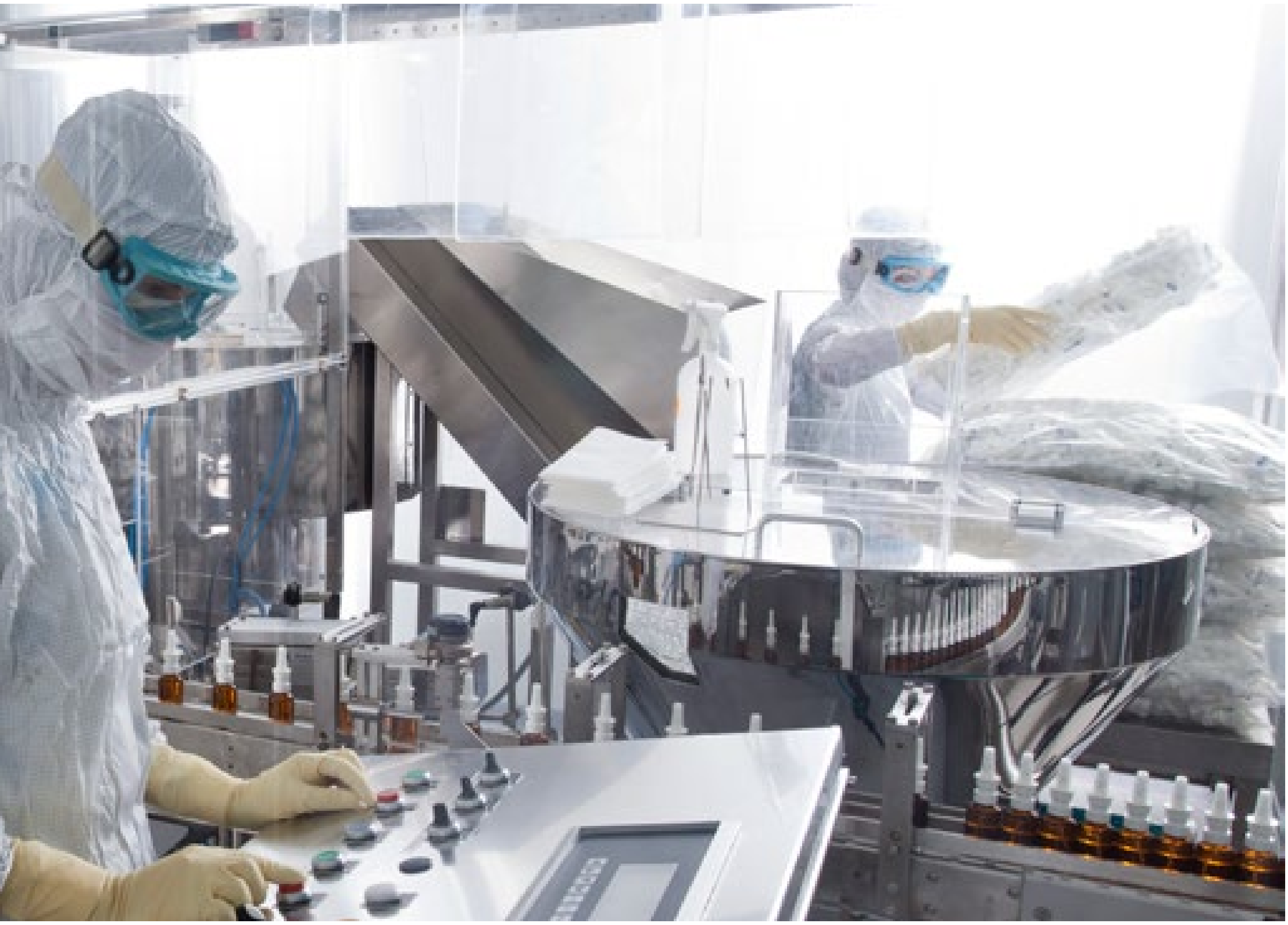
Work also continued on the preparations for certification according to the new EU regulation (MDR), which was supposed to come into effect on 26 May 2020. However, due to the COVID-19 pandemic, the implementation of Regulation (EU) 2017/745 on medical devices was extended for a year, until 26 May 2021.

Furthermore, although the implementation of a new regulation on medical devices in the EEU region was also postponed from 1 January 2022 to 1 January 2026 (for a period of five years), due to the great importance of the MD portfolio for the company and its business operations in the EEU region, preparations for the registration of products as per the new regulation were continued to ensure free movement of products from 1 January 2026.

RESEARCH AND DEVELOPMENT

Research and development of new technologies, in addition to the work on the development of new products and partner technology transfers to JGL, are the constant focus of the work of the R&D Department. Throughout 2020, in somewhat difficult conditions, numerous activities related to technology transfers to JGL necessary for the operational implementation of the concluded partnerships were carried out.

In 2020, there were a total of 23 active projects in various stages of technological maturity, 14 projects for the development of own products, and nine technology transfers for partners. Progress has been made in researching the technological readiness for the production and development of nano-emulsions and suspensions, which will expand JGL's area of expertise and



potential new products. It has also been adopted and applied in the process of planning equipment for the future pilot plant within the Integra 2020 project.

Among other activities to be highlighted is the work on digitalisation projects in analytical control processes, and on the Integra 2020 project, more precisely, on the design of new laboratories and pilot plant, which will be an invaluable tool in the increasingly complex upcoming projects.

AUDITS

In 2020, there were 18 inspections and audits carried out (five were postponed due to the epidemiological situation caused by the COVID-19 virus). Due to travel restrictions, most audits were not conducted on-site but through applications (online). Despite the inability of all auditors to visit the company and check compliance on - site, certificates required for operation and/or marketing of products continued to be issued.

Concerning the more important audits, of particular significance was the inspection by the Ministry of Industry and Trade of Russia for the renewal of the GMP certificate, the inspection of sterile production by HALMED, recertification by the notified body SIQ for Vizol S Intensiv, and a transitional audit for the latest edition of the ISO 50001 standard for energy management systems.

Inspectors praise the infrastructure, quality system and expertise of employees. Due to constant changes and increasingly rigorous regulatory requirements, the continuous implementation of improvements in the system is required.

INTERNATIONALISATION

The Business - To - Business (B2B) segment, in which JGL operates with a number of different business partners around the world through licensing and contract manufacturing, generated revenue of one million euros in licenses and projects, and became a second largest business / market within JGL. Over the 12-month period, a total of 24 new contracts were signed and as many as 64 products were launched.

In addition to the launch of contract manufacturing products, those in the licensing segment are especially important, where in cooperation with the largest pharmacy chain in the European Union-Dr. Max-Meralys H was launched in the Czech Republic, Slovakia, Poland and Romania. Furthermore, Vizol S and Viset were launched in Poland with the strategic partner Polpharm and as many as 45 launches were implemented in other European Union markets with key contract production partners.

The reporting year also saw the continued expansion of the Aqua Maris and Vizol S brands in international markets. Vizol S eye drops were launched in key markets in the Middle East - in Saudi Arabia and the United Arab Emirates. Aqua Maris nasal sprays were launched in Cambodia, with a presence in the South-East Asian markets of Thailand, Malaysia, Indonesia, the Philippines and Laos. Aqua Maris Classic, Strong and Baby nasal sprays are now available in Cambodia, while Aqua Maris nasal spray with ectoin has been available in Thailand since the middle of the year.

Activities in the Middle East have also included the launch of Aqua Maris Plus and Baby in the UAE, with the rest of the line of nasal sprays becoming available in the second half of 2021. The long - standing presence of Aqua Maris products in Hungary was strengthened in 2020 by the launch of Aqua Maris Plus, which can be purchased in Hungarian pharmacies from December along with Aqua Maris Classic, Strong and Baby.

Net sales by most significant B2B market in 2020

MANAGEMENT REINFORCEMENTS AFTER THE REPORTING PERIOD

After the JGL Management Board, based on the Decision of the Extraordinary General Meeting of 22 December 2020, extended the term of office of the Chief Executive Officer Mislav Vučić for the next five years (from 31 December 2020 to 30 December 2025), the existing JGL management team was joined by four experienced experts in 2021:

- *Anton Barbir as Chief Financial Officer (CFO),*
- *Darko Pejnović, Director of Croatia and SEE markets,*
- *Zdravka Knežević, PhD as Scientific Operations Director and*
- *Marijo Volarević, Director of Digital Excellence.*

This marks a new business phase for JGL, with the strengthening of intellectual capital coming at a time when the company is entering a new investment cycle Integra 2020, which will enable the company to take advantage of new business and financial opportunities, increase productivity, and compete even more successfully with the best pharmaceutical companies in the world.

Anton Barbir brings over 20 years of international experience, mostly in manufacturing companies, including the pharmaceutical industry, as well as in auditing. Barbir takes on the new role at JGL as the current director of central finance for Croatia at Atlantic Grupa, where he has covered all legal entities in Croatia.

Darko Pejnović is the new Director for Croatia and SEE markets at JGL. His previous position was director of OTC at Pliva, and he is also the president of the Croatian Association of the Self - Medication Industry (CASI).

Zdravka Knežević, PhD takes on the role of Scientific Operations Director with 25 years of experience in research and development and registration. Prior to joining JGL, Knežević was the Research and Development Director of Abdi Ibrahim in Turkey, the Director of Research and Development of Generics and OTC Products at Pliva / Teva and a member of the Management Board of Pliva.

With more than 20 years of international experience, Marijo Volarević held responsible positions related to advanced IT systems, business digitalisation, quality, and supply chain at Pliva, HT and Croatia Osiguranje. Volarević is JGL's new Director of Digital Excellence.

REPORTING YEAR FOR JGL GROUP MEMBERS

PHARMACEUTICAL BUSINESS

JADRAN LLC MOSKVA

Although 2020 was an extremely challenging and unpredictable year worldwide that required continuous adjustment and additional implementation of tools to achieve the set goals, an additional challenge in the Russian market was the significant decline in the value of the local currency.

Recorded product sales revenues at the end of 2020 reached HRK 311,3 million, which is a slight increase compared to 2019. As in the previous reporting period, Jadran LLC recorded a high market growth of 12% in the segments in which the portfolio competes, which grew by only 5%, remaining among the fastest growing pharmaceutical companies in the market.

Due to the instability caused by the global pandemic, the fall of local currencies, and the consequent unavailability of products, an exceptional achievement is the EBITA performance where, compared to 2019, growth of 12% was achieved, with HRK 13,5 million. Profit after tax amounted to HRK 1,975,318.

The strategy in 2020 also involved strengthening the position of JGL in all market segments with an emphasis on pharmacy chains, with a key JGL product portfolio, as well as in new therapeutic groups. According to the independent agency DSM, they recorded the same or faster growth than the corresponding market.

12 %

Growth in the Russian market compared to the previous year

Slower-than-market growth was recorded for the key products of the Aqua Maris line, but in December 2020, the brand again took first place in the seawater market share in the number of units sold. In addition, within the same line, great potential was shown in the segment of BOV forms and Thalassotherapy, with Aqua Maris 4Allergy recording faster-than-market growth throughout the year (15% vs. 8%).

Faster-than-market growth was recorded by the brands:

- Rinomaris/Meralys (11% vs. market growth of 1%),
- Dramina, which confirmed its leading position with 82% market share and achieved growth of 4% compared to the market which decreased by 3%,
- Acnecutan which grew by 35% while the market grew 26%,
- Optinol/Vizol S, which recorded 68% growth and a 3% share of the market that grew by 15%.

In conclusion, despite facing the pandemic and adapting the business, by moving to online cooperation with partners, adapting digital activities, implementing new legal requirements such as serialisation of drugs in the Russian market and successfully auditing the product and process quality control - the goals achieved by Jadran LLC Moskva will again play a significant role in the business results of the JGL Group.

JGL D.O.O. BEOGRAD – SOPOT

The 2020 business year, which was a crisis year for everyone, was marked by slight revenue growth. Total revenues amounted to HRK 14 million, of which HRK 6.9 million was generated from the sale of goods (JGL products) and HRK 3.6 million from the sale of own products in the country and abroad. Revenue from the sale of goods and products in the country amounts to HRK 9.9 million, while revenue from the sale of products abroad is HRK 900 thousand, and the rest falls on other revenues. Expenditures were slightly lower than revenues and profit after tax amounted to HRK 1,013,831.

The company has expanded its portfolio of dietary products from its own portfolio (Folinova and Ferro TOP DIREKT), it holds marketing authorisations for four new drugs (Adrienne, Escontral, Fungilac SET, Moksacin) and is an authorised manufacturer's representative for MD (Aqua Maris Hypertonic). In the field of marketing and sales, the company is still focused on working in the segments of pharmacies, consumers, paediatricians, gynaecologists, ENT and ophthalmologists. In the field of production, the focus is on the production of drugs and dietary products for sale in Serbia and the surrounding markets. In addition to revenue growth, at the beginning of 2020, the company entered into a production transfer project for certain products from the parent company. The project included four products: Lactogyn oral capsules, Feminal capsules, Normia capsules and Normia sachets. The project also involved the extension of the finished products warehouse, purchase of a capsule filling machine from the parent company, upgrading of the HVAC system and an alteration of the production site layout. As part of the project, the number of employees was increased from 20 at the beginning of the year to 27 at the end. The entire project was realised with a financial investment of approximately HRK 2.3 million in tangible assets and about HRK 200,000 for staff. Through the project, JGL d.o.o. Belgrade - Sopot became an indirect exporter for the markets of Ukraine, Kazakhstan and Belarus through the parent company and for the Russian market through the Hungarian partner Egis. This transfer is expected to significantly accelerate the growth and progress of the company in the Serbian market.

JADRAN – GALENSKI LABORATORIJ D.O.O. LJUBLJANA

JGL d.o.o. Ljubljana was founded in 1992 in Ljubljana, and in 2020 had an average of five employees. During all 12 months of the reporting period, intensive work was done on promotion, education, relationships and communication with partners and clients, with the aim of integrating them into the many activities in our own organisation or the organisation of the South-East Europe Region. Due to the epidemiological situation, most of the activities were carried out online.

In several market segments and in several key brands, significant sales growth rates were recorded compared to the previous year. For example, Vizol S eye drops recorded 9% growth, and Aqua Maris results were particularly exciting, growing by as much as 23% compared to the previous year and taking the second market position in 2020. The growth of Reflustat has strengthened its position in a highly competitive market, and Ferro Top and Folinova, products of JGL d.o.o. Beograd - Sopot, were successfully launched. In the period from 1 January to 31 December 2020, a net profit of HRK 551.601 was realised.

FARMIS D.O.O. SARAJEVO

Farmis d.o.o. was founded in 2000 in Sarajevo. In 2020, the company had an average of 26 employees. High standards of business, focus and responsibility towards customers, but also towards employees and owners, have helped build a recognisable image of Farmis as part of JGL in the market of Bosnia and Herzegovina. The business is in line with the EN ISO 9001:2015 quality management system and the requirements of GDP standards, which guarantees the safety, quality and stability of cooperation to customers and partners. In addition to the portfolio of the JGL Group (JGL d.d., JGL Beograd - Sopot and Adrialab), Farmis also offers products from suppliers/partners from Germany, Slovenia, Croatia, the UK, Serbia, Turkey and domestic partners. The year 2020 was successful, especially since compared to 2019, sales were higher by 23%, which is the result of the total efforts of all Farmis employees. Business revenues for the year amounted to HRK 60.7 million, of which the majority of sales were realized on the market of Bosnia and Herzegovina. Expenditures were slightly lower than revenues and profit after tax amounted to HRK 1,059,935. Brands producing excellent results are key JGL brands such as Aqua Maris, Meralys, Visol S, Reflustat, Rx drugs such as Potassium, Folacin and the ophthalmic range, and other products from other manufacturers.

PHARMACY AND COSMETICS

PABLO HI RIJEKA, PABLO D.O.O ZAGREB

In 2020, Pablo Health Institution had 30 pharmacies and 146 employees, with an increase in sales revenue of 13% (14% in the Rx segment, and 12% in cash revenue). Total operating revenues amounted to HRK 189 million, which is 13% more than in 2019 while operating expenses are 11% higher than last year.

An operating profit (EBIT) of HRK 5.9 was achieved. EBITDA with a rate of 5.4% amounts to HRK 10.2 million. Profit after tax is realized in amount of HRK 4,269,524. Excellent results were achieved this year in terms of costs by optimising certain operating costs, thus achieving greater financial independence within the JGL Group. During the reporting period, Pablo d.o.o. achieved a result of HRK 8,629.

ADRIALAB D.O.O.

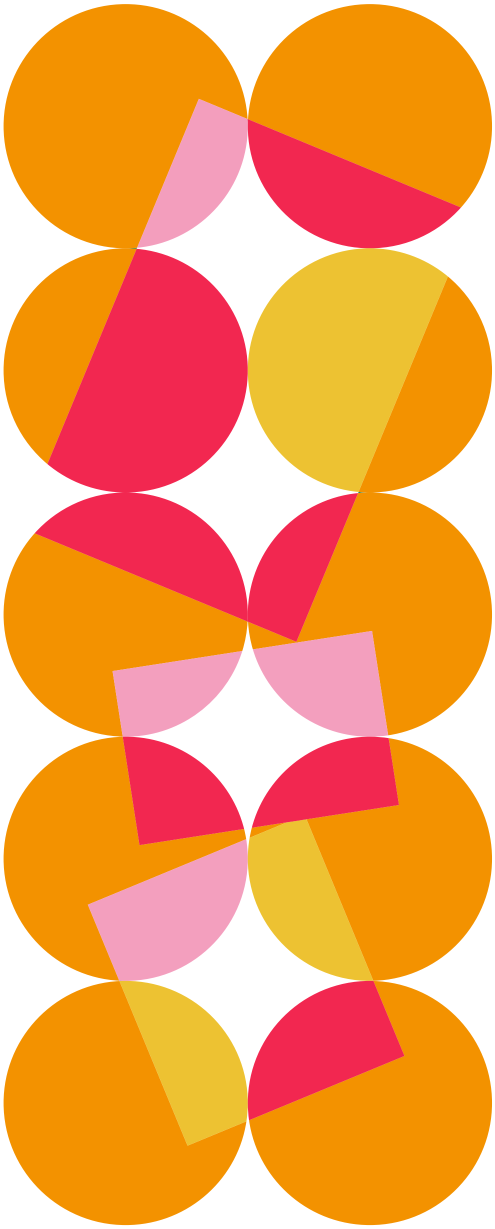
The 2020 business year was marked by the growth of sales revenues in the Croatian market, investments in the development of own products and continued optimisation of operating costs and raw material costs, all with the aim of increasing the growth of Adrialab, as a member of the JGL Group, which positions its business dominantly in Croatia and the markets of South-East Europe. According to financial indicators for 2020, HRK 15.9 million of revenue was generated, which is 16.9% more than in 2019. Certainly, the main growth factor was the situation caused by COVID-19, i.e. increased market needs for the disinfectant category of the Adrialab portfolio. However, it should be noted that similar growth was planned before COVID, so that for the most part there was a redistribution of business focus in the new circumstances. Realised EBITDA amounts to HRK 2.7 million. The pharmacy segment recorded an annual growth rate of 30%. It is worth noting the positive trend of 1% growth in the retail network segment, with the growth of 23% also recorded in revenues with the parent company JGL d.d.

With an increase in sales of 13% in independent sales channels, Adrialab continued the trend of attaining a respectable position in the Croatian market, focusing its marketing and sales activities on key brands - JGL baby ointment, Galenia topical pharmaceuticals, Vitalia dietary supplements, Holyplant cosmetics, Dr. Bezz repellents, and in response to the situation Dermospray and Denatured alcohol topical antiseptic. The sales of antiseptics were 3.7 times higher than in 2019, but it is also worth noting the growth of the Vitalia line at a rate of 19% compared to the previous year and the 2% growth of the largest brand Dječja mast JGL (baby ointment), which was challenging in a pandemic. The product was also marketed to mark 30 years of market presence.

The main growth factor was the situation caused by the COVID-19 pandemic, i.e. increased market needs for the disinfectant category of the Adrialab portfolio.

As expected, summer season products recorded a decline compared to the 2019 record year, but their position is not in question, and with the stabilisation of the situation in society, a return and exceeding of previous trends is expected. The reporting period was also marked by a policy of continued active monitoring of non-current inventories, with a value adjustment made in the amount of HRK 200,000. All of the above leads to the conclusion of another successful year for Adrialab, which ended with a positive financial result, a profit of HRK 1,712,062. Finally, it should be noted that in September 2020, Adrialab continued to successfully maintain the quality system according to ISO 9001:2015 and 22716:2008 standards, with the HACCP certificate of the Institute of Public Health of the Primorje-Gorski Kotar County. Compliance with these standards allows export to key markets of JGL d.d. in the categories of medical products, cosmetics and dietary supplements and offers an additional opportunity to the JGL Group in meeting increasingly stringent, but due to the number of markets, also differentiated, regulatory requirements.

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.). (https://www.hanfa.hr/media/4098/zse_kodeks_hr.pdf), but implements it in the appropriate manner. The Code is published on the company's website (www.jgl.hr). JGL d.d. operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal control, fostering personal responsibility, and corporate social responsibility. The company duly fulfils the obligation of reporting to HANFA on the application of the Code. JGL d.d's organisational structure follows the one-tier model, in which the functions of governance and supervision are carried out by the Management Board, elected by the General Meeting, while the Executive Director (appointed by the Management Board) represents and manages the company's operations. In its business activities, JGL d.d. applies internal policies and procedures with clearly defined procedures for the work of the Management Board and Executive Director, 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 Management Board 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). Additionally, the company adopted the Rules on the procedure for appointing confidential persons and on internal reporting of irregularities, which entered into force on 29 December 2019. In accordance with the provisions of the Rules, a Confidential Person and a Deputy Confidential Person were appointed.

FINANCIAL RESULTS

Statement of profit or loss of JGL Group as at 31/12/2020 and 31/12/2019 (in thousand HRK)[2]

	JGL GROUP		
	31.12.2020.	31.12.2019.	Index
Operating revenue	**1,011,442**	**909,205**	**111.24**
Sales revenue	983,635	884,716	111.18
Other revenue	27,807	24,489	113.55
Operating expenses	**898,672**	**820,611**	**109.51**
Change in inventory value	(32,089)	6,047	-
Material costs	448,074	362,274	123.68
Personnel costs	188,618	172,631	109.26
Depreciation cost	49,077	47,025	104.36
Other costs	244,992	232,634	105.31
Financial revenue	**8,654**	**23,394**	**36.99**
Financial expenses	**51,020**	**30,531**	**167.11**
Share in profit/ loss from affiliated companies	**40**	**49**	**81.63**
Total revenue	**1,020,136**	**932,648**	**109.38**
Total expenses	**949,692**	**851,142**	**111.58**
Profit before tax	**70,444**	**81,506**	**86.43**
Income tax and deferred tax assets	**4,782**	**3,064**	**156.07**
Profit after tax	**65,662**	**78,442**	**83.71**

[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

Statement of profit and loss of JGL Pharma and JGL d.d. as at 31/12/2020 and 31/12/2019 (in thousand HRK)[2]

	JGL PHARMA			JGL D.D.		
	31.12.2020.	31.12.2019.	Index	31.12.2020.	31.12.2019.	Index
Operating revenue	**811,934**	**730,721**	**111.11**	**585,537**	**551,046**	**106.26**
Sales revenue	798,524	720,305	110.86	574,863	542,790	105.91
Other revenue	13,410	10,416	128.74	10,674	8,256	129.30
Operating expenses	**706,090**	**646,443**	**109.23**	**498,873**	**469,257**	**106.31**
Change in inventory value	(31,350)	5,533	-	(30,972)	5,653	-
Material costs	295,548	227,641	129.83	240,120	198,615	120.90
Personnel costs	163,399	148,696	109.89	115,187	103,133	111.69
Depreciation cost	44,240	42,298	104.59	39,507	36,887	107.10
Other costs	234,253	222,275	105.39	135,031	124,969	108.05
Financial revenue	**8,648**	**23,392**	**36.97**	**24,201**	**24,870**	**97.31**
Financial expenses	**50,373**	**30,654**	**164.33**	**49,814**	**29,929**	**166.44**
Share in profit/ loss from affiliated companies	**-**	**49**	**-**	**-**	**-**	**-**
Total revenue	**820,582**	**754,162**	**108.81**	**609,738**	**575,916**	**105.87**
Total expenses	**756,463**	**677,097**	**111.72**	**548,687**	**499,186**	**109.92**
Profit before tax	**64,119**	**77,065**	**83.20**	**61,051**	**76,730**	**79.57**
Income tax and deferred tax assets	**3,415**	**2,119**	**161.16**	**(5,055)**	**(1,147)**	**440.71**
Profit after tax	**60,704**	**74,946**	**81.00**	**66,106**	**77,877**	**84.89**

[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 Group as at 31/12/2020 and 31/12/2019 (in thousand HRK)[3]

	JGL GROUP		
	31.12.2020.	31.12.2019.	Index
Assets	**1,326,981**	**1,265,845**	**104.83**
Non-current assets	**697,894**	**655,812**	**106.42**
Current assets	**629,087**	**610,033**	**103.12**
Inventories	216,053	206,233	104.76
Trade receivables	355,050	314,858	112.77
Current financial assets	19,807	202	9.805.45
Cash at bank and in hand	32,591	85,193	38.26
Other receivables	5,586	3,547	157.49
Liabilities	**1,326,981**	**1,265,845**	**104.83**
Capital and reserves	**681,885**	**624,963**	**109.11**
Non-current liabilities	**348,910**	**353,028**	**98.83**
Non-current provisions	3,429	2,988	114.76
Liabilities for leasing and banks	213,564	218,559	97.71
Bond liabilities	128,285	127,836	100.35
Deffered tax liabilities	3,632	3,645	99.64
Current liabilities	**296,186**	**287,854**	**102.89**
Trade payables	173,925	120,366	144.50
Financial liabilities	4,000	53,094	7.53
Liabilities toward bank and lease	59,700	61,363	97.29
Other shortterm liabilities	58,561	53,031	110.43

[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*

Balance sheet of JGL Pharma and JGL d.d. as at 31/12/2020 and 31/12/2019 (in thousand HRK)[3]

	JGL PHARMA			JGL D.D.		
	31.12. 2020.	31.12. 2019.	Index	31.12.2020.	31.12.2019.	Index
Assets	**1,236,786**	**1,198,035**	**103.23**	**1,208,838**	**1,168,043**	**103.49**
Non-current assets	**669,083**	**626,395**	**106.81**	**675,386**	**631,143**	**107.01**
Current assets	**567,703**	**571,640**	**99.31**	**533,452**	**536,900**	**99.36**
Inventories	192,309	186,561	103.08	170,710	160,840	106.14
Trade receivables	327,052	305,189	107.16	325,884	292,259	111.51
Current financial assets	19,743	138	14.306.52	21,970	24,972	87.98
Cash at bank and in hand	24,316	77,346	31.44	11,878	57,447	20.68
Other receivables	4,283	2,406	178.01	3,010	1,382	217.80
Liabilities	**1,236,786**	**1,198,035**	**103.23**	**1,208,838**	**1,168,043**	**103.49**
Capital and reserves	**662,730**	**611,282**	**108.42**	**690,829**	**630,869**	**109.50**
Non-current liabilities	**333,595**	**337,572**	**98.82**	**328,623**	**330,338**	**99.48**
Non-current provisions	2,816	2,565	109.79	2,816	2,565	109.79
Liabilities for leasing and banks	202,468	207,132	97.75	197,522	199,938	98.79
Bond liabilities	128,285	127,836	100.35	128,285	127,835	100.35
Deffered tax liabilities	26	39	66.67	-	-	-
Current liabilities	**240,461**	**249,181**	**96.50**	**189,386**	**206,836**	**91.56**
Trade payables	137,104	99,245	138.15	104,335	73,495	141.96
Financial liabilities	4,000	53,094	7.53	4,000	53,094	7.53
Liabilities toward bank and lease	46,067	47,769	96.44	42,952	46,113	93.15
Other shortterm liabilities	53,290	49,073	108.59	38,099	34,134	111.62

[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*

JGL Group, in accordance with the consolidated, unaudited financial results for 2020, exceeded one billion HRK in total revenues, thus achieving a business record, and all this in the most difficult year for business worldwide. Thanks to the quick and successful adjustment of business priorities, as well as adjustment of employees to the new working conditions in the pandemic crisis, JGL Group recorded double-digit growth, and with HRK 1,020 million in total revenues it became the largest Croatian pharmaceutical company.

In 2020, the JGL Group realized a total revenue of HRK 1,020,136,100, of which HRK 1,011,441,839 was revenue from business activities, and a profit before tax of HRK 70,444,315. In addition to this, double-digit growth in sales revenue (11%) and double-digit EBITDA margin (16%) was recorded. Profit after tax of the JGL Group, ie the result of the period, amounts to HRK 65,661,809.

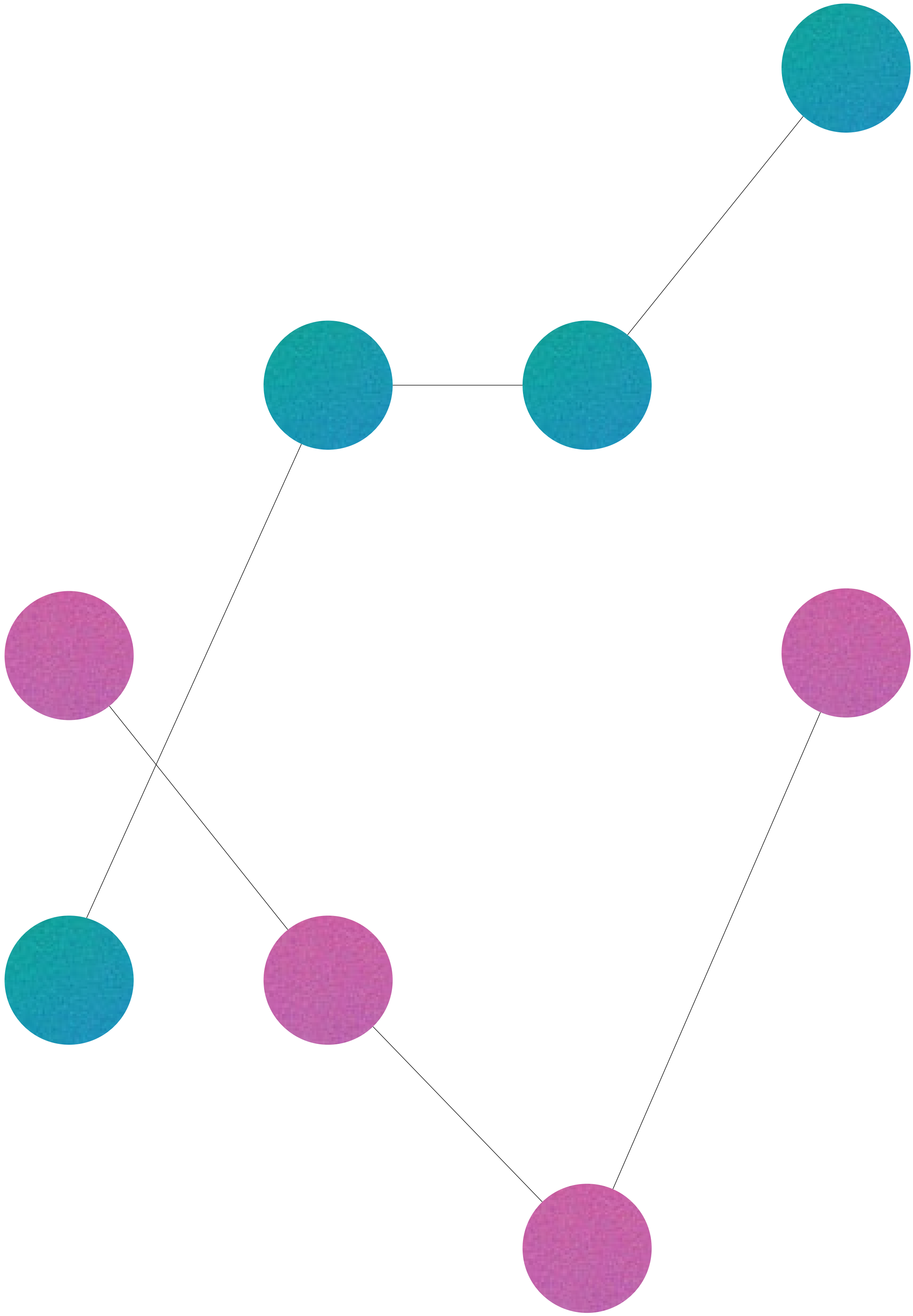
JGL Group recorded significant changes in assets compared to 2019 in terms of increase in current assets specifically trade receivables, which is a result of sales growth in 2020 compared to the previous reporting period. In the area of cash and financial assets, there is a noticeable decrease in cash and an increase in short-term financial assets as a result of the purchase of bonds maturing at the end of the year (HRK 47 million) and the investment of surplus cash in a financial fund. Revenue and profitability growth spilled over into employment growth, so at the end of 2020, the JGL Group had 75 more employees than in 2019.

On the liabilities side, the Group's balance sheet records an increase in equity caused by an increase in retained earnings. There is also a noticeable correction in short-term liabilities, in liabilities to suppliers which are higher due to the new investment INTEGRA 2020 which started at the end of the year, and in the area of liabilities to securities, where bonds matured and were redeemed in 2020 (HRK 47 million).

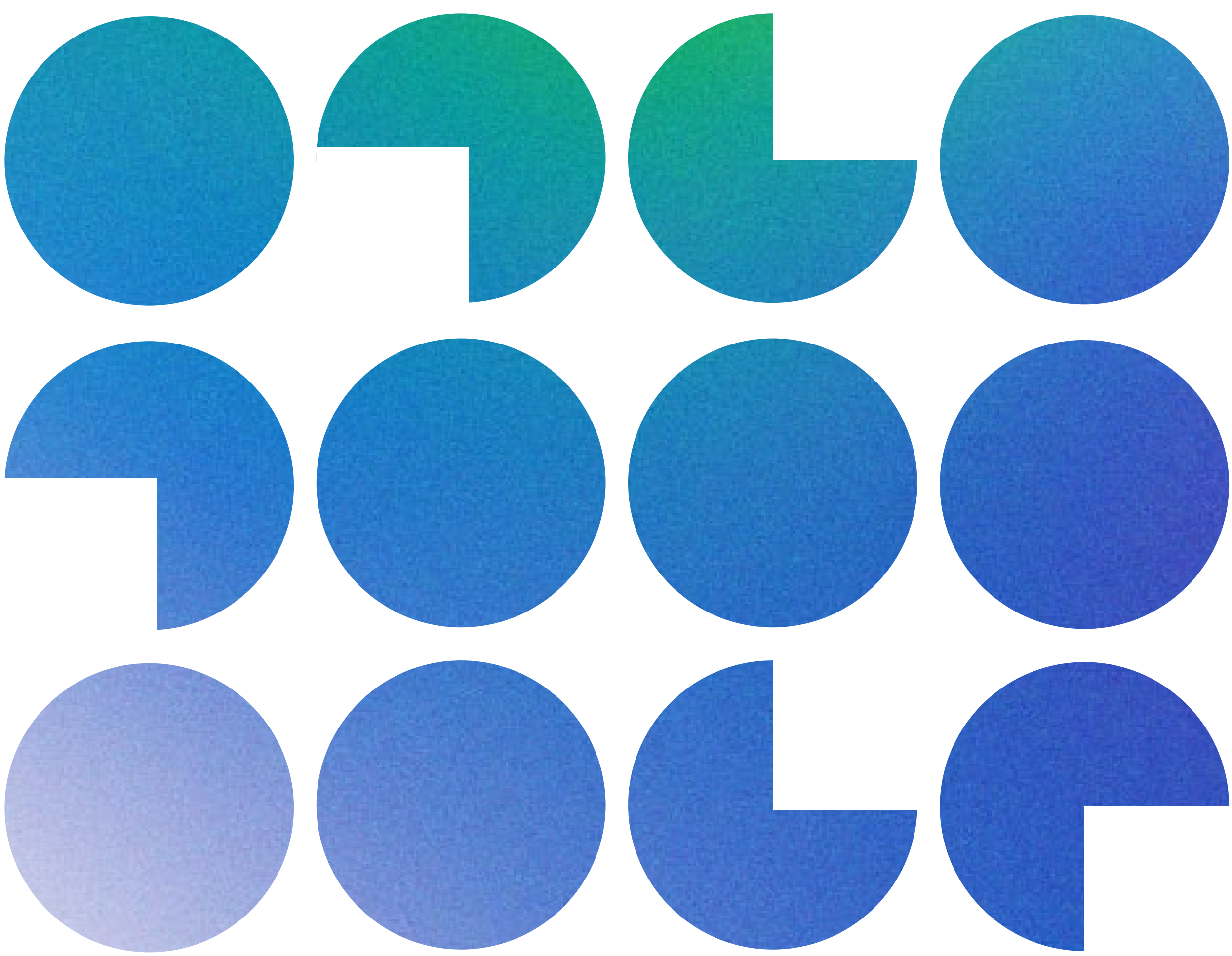
The reporting period was marked by an increase in sales revenues in the core business, ie the pharmaceutical part of the business (JGL Pharma), by 11% compared to the previous period, which was mostly contributed by sales growth in Ukraine, Russia and BiH.
In its core business, in 2020 JGL also saw double-digit revenue growth. Business revenues exceeded HRK 800 million, with the EBITDA margin increasing by more than one percentage point, to 18.6 percent. The growth of business profit and the reduction of indebtedness through the repayment of existing credit liabilities outweighed the decline in liquidity, primarily in the Croatian market, so that the indebtedness factor (net debt / EBITDA) decreased from 2.76x to 2.21x EBITDA during the year.

Last year, JGL Pharma achieved growth in all three corporate strategic therapeutic areas - flu and cold segment, ophthalmology and dermatology. In the sales structure of JGL Pharma, Russia accounts for 39% of revenues, followed by the Croatian market with 15% of revenues, and B2B sales. When it comes to brands, Aqua Maris carries a 36 percent share of sales, followed by an increasingly significant B2B portfolio with 15 percent, then Aknekutan and Meralys, each with a seven percent share, and Vizol S, whose share in sales doubled in 2020. Also, during the last year, business cooperation with a strategic partner, the Polish pharmaceutical company Polpharma, continued unhindered in both directions. On the one hand, transfers of development and commercial projects continued successfully, while on the other hand, the launch of Vizol S and Viseta on the Polish market was realized.

The financial indicators show a positive business trend of the JGL Group. By reducing indebtedness and net debt, financial stability, liquidity, higher profitability, a solid return on assets and capital, and excellent creditworthiness was achieved.



SALES RESULTS

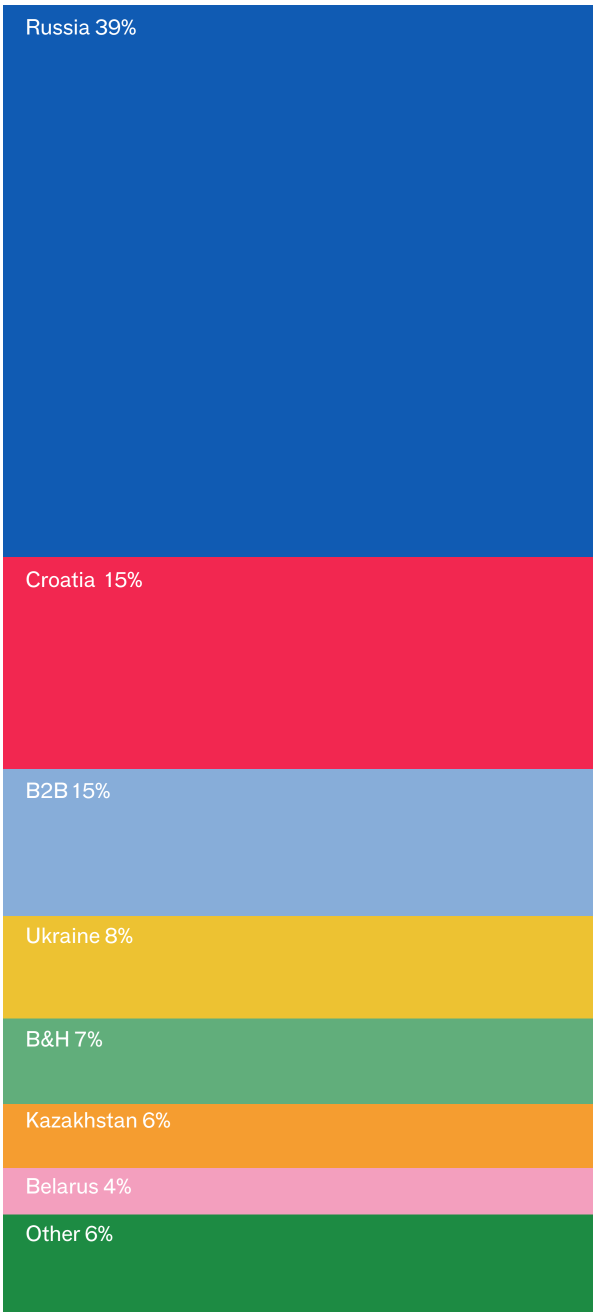


777,000,000

Net sales in 2020 (HRK)

14%

Growth in net sales compared to the previous year



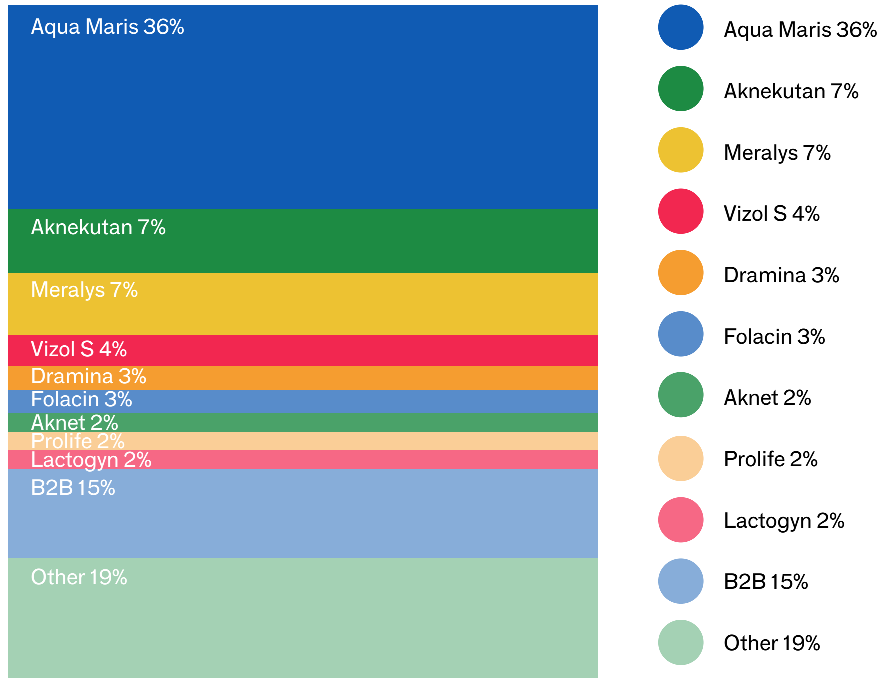
JGL reported a double-digit revenue increase in 2020 in its pharmaceutical business. Compared to the previous year, net sales increased by 14% and amounted to HRK 777 million, increasing net revenues by HRK 96 million.

According to the share in total net sales, Russia is still the largest market with a 39% share, followed by Croatia and the B2B market with a visible increase in share year to year. B2B business is followed by Ukraine, which increased its share of sales by two percentage points, and B&H, a market that is at the level of last year's share. Kazakhstan and Belarus increased their share in total sales by one percentage point.

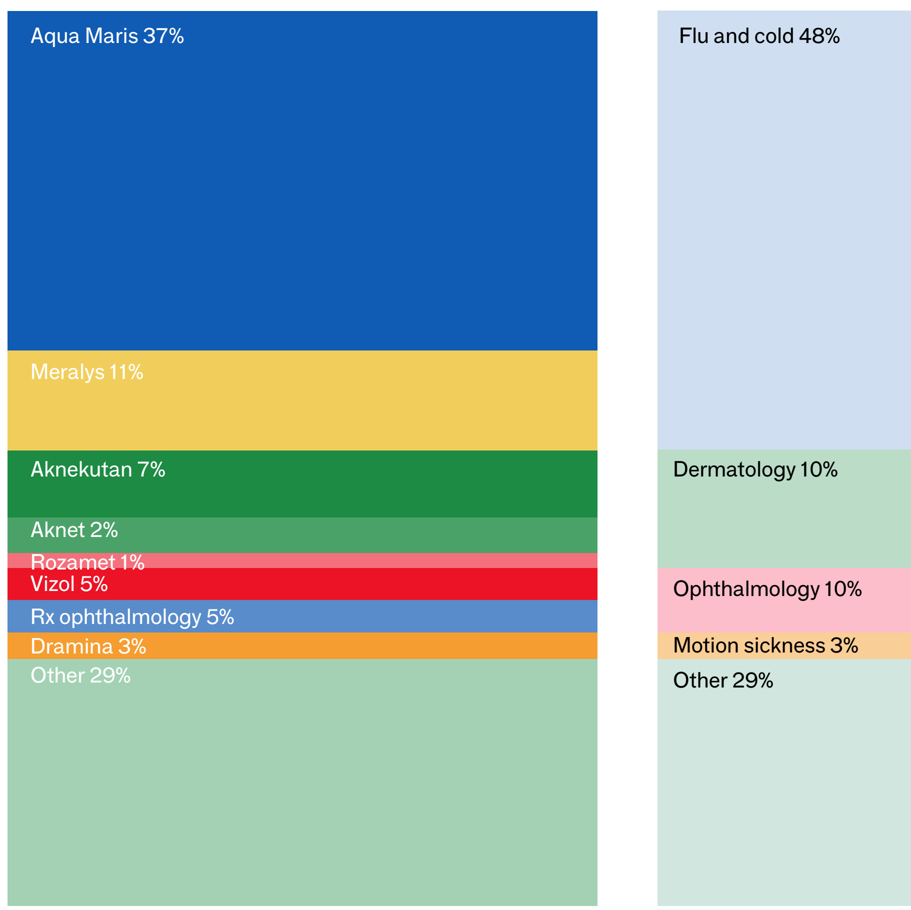
The structure of net sales by brands this year shows a significant change in the shares of Aknekutan, Vizol S and Dramina in the total net sales of JGL Pharma. With 39% higher sales in 2020, Aknekutan is in second place in terms of sales share, just behind Aqua Maris. Vizol S also significantly increased its share in sales due to a 77% increase in revenue. Dramina recorded a decrease in sales of 43%, which reduced its share in sales from 6% to 3%.

The sales structure of JGL Pharma by market in the period from 1 January to 31 December 2020

The sales structure of JGL Pharma by brand in the period from 1 January to 31 December 2020



Sales structure by therapeutic area in 2020



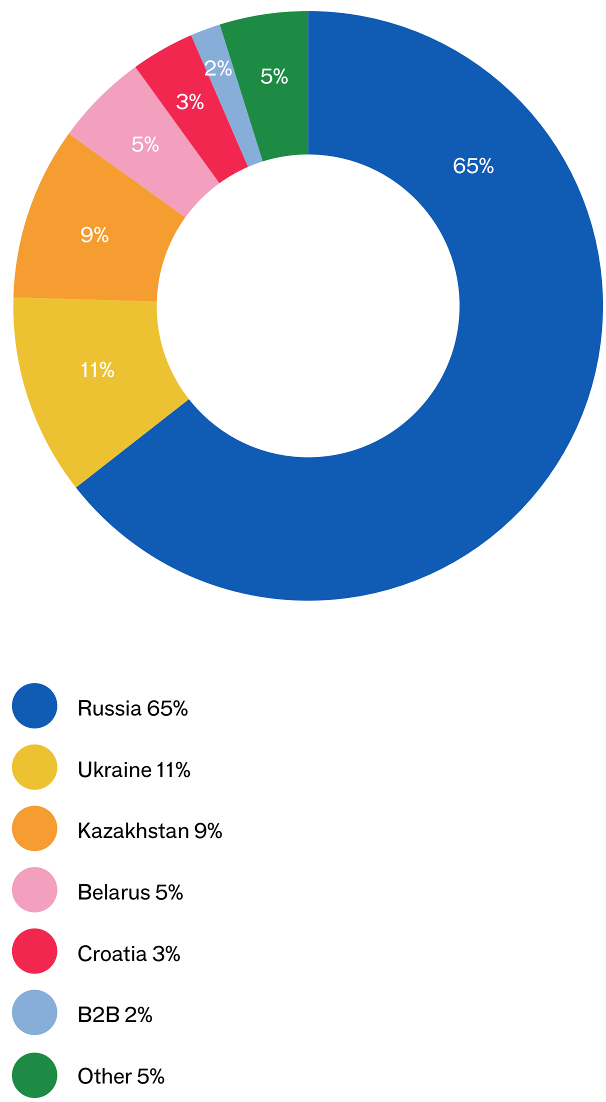
AQUA MARIS®

In 2020, the Aqua Maris brand achieved net sales of HRK 283 million, which is an increase of 9% compared to the previous year.

Sales increased in absolute terms by HRK 24 million compared to 2019. The biggest drivers of growth are the markets of Kazakhstan (+42%) and Ukraine (+30%), each with HRK 7 million higher sales compared to the previous year. They are followed by the markets of Belarus (46% growth) and Croatia (73% growth) with an increase in sales of four million kuna.

The market with the largest share in sales is still Russia with a 65% share in brand sales. As in previous years, Russia is followed by the market of Ukraine with an 11% share, Kazakhstan with a 9% share and Belarus with a 5% share. Compared to the previous year, the share of sales in the Russian market decreased from 70% to 65%, as a result of which the shares in the markets of Ukraine, Kazakhstan and Belarus increased.

The sales structure of the Aqua Maris brand by market in the period from 1 January to 31 December 2020

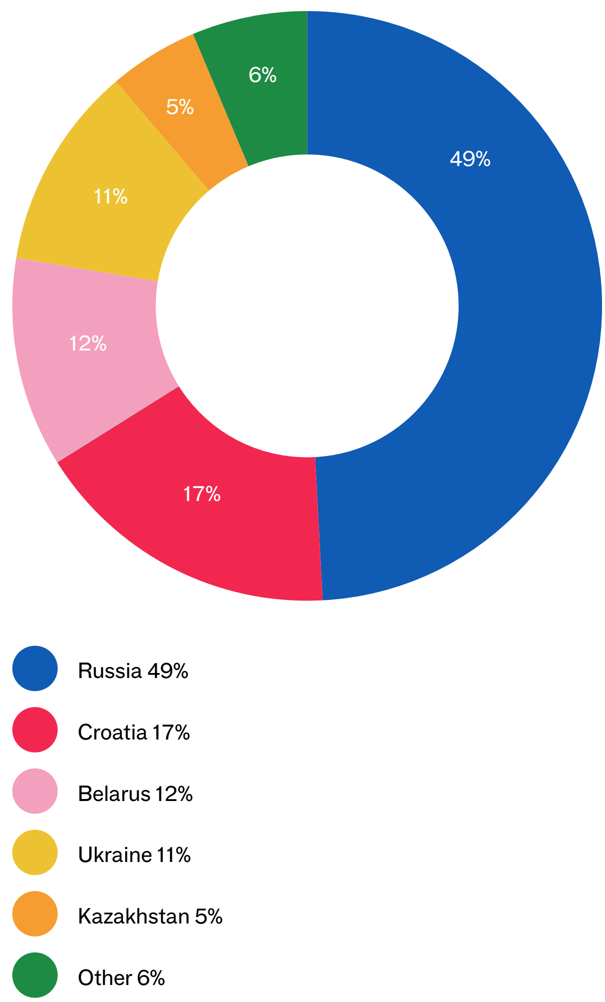


MERALYS

Total sales of the Meralys brand in 2020 amounted to HRK 56 million and grew by 5% compared to the previous year. The biggest drivers of growth are the markets of Belarus, Ukraine and Kazakhstan, while the two markets with the largest share in sales remained at the level of the previous year. Sales in Belarus increased by HRK 1.7 million (growth of 35%), in Ukraine by HRK 1.5 million (growth of 33%) and in Kazakhstan by HRK 1.4 million (growth of 113%).

The market with the largest share in Meralys sales is Russia with a 49% share, followed by Croatia with a 17% share, Belarus with a 12% share and Ukraine with an 11% share.

The sales structure of the Meralys brand by market in the period from 1 January to 31 December 2020



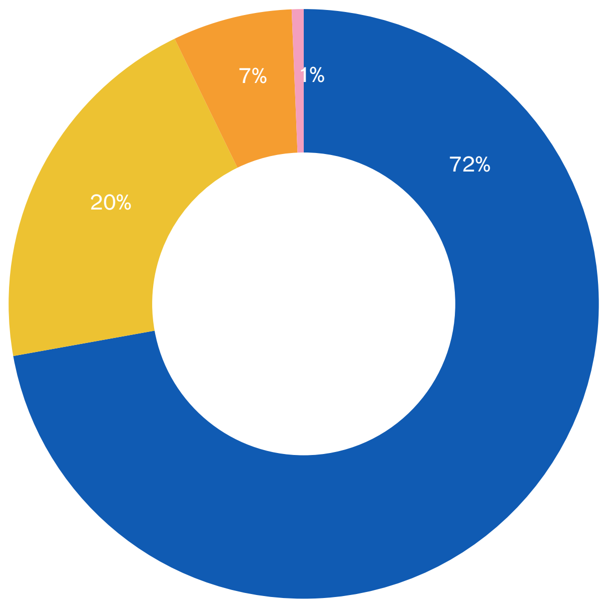
Акнекутан®

Aknekutan (Isotretinoin) is a brand sold in the markets of Russia, Ukraine, Kazakhstan and Belarus. In 2020, brand net sales increased by 39% (+ HRK 16.3 million) compared to the previous year.

The largest increase was recorded in Russia, which also holds the largest share in the brand's sales, 72%. Russia realised sales in the amount of HRK 42 million, which is an increase of 31% (+ HRK 10 million) compared to the previous year. Sales in the Ukrainian market increased by 61%, and Kazakhstan by 156%. Belarus is the only market to record a decline in sales of the brand in 2020.

Compared to 2019, the share of brand sales decreased in Russia from 77% to 72% and increased for the markets of Ukraine from 18% to 20% and the market of Kazakhstan from 4% to 7%.

The sales structure of the Aknekutan brand by market in the period from 1 January to 31 December 2020



Russia 72%

Ukraine 20%

Kazakhstan 7%

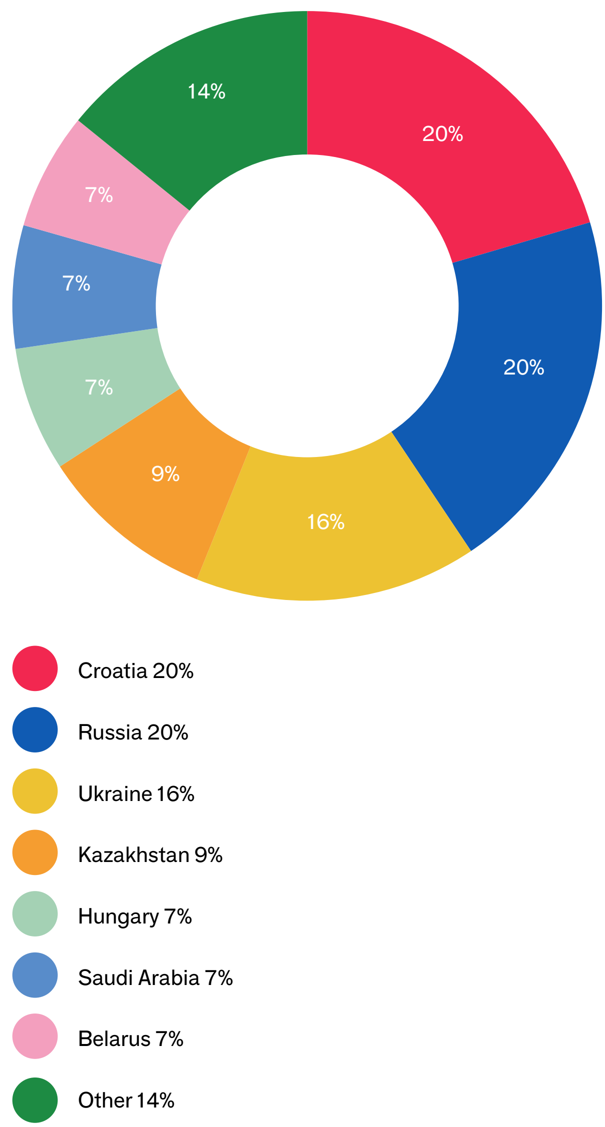
Belarus 1%

vizol S

Vizol S is the brand with the highest growth percentage compared to the previous year. In 2020, sales increased by 77% (+ HRK 14.3 million) compared to the previous year. The most significant growth, partly because of the change in business model (from B2B to own operations), was recorded in Russia, as much as 407% (+ HRK 5.3 million), 118% in Ukraine (+ HRK 2.8 million) and 682% in Kazakhstan (+ HRK 2.7 million). Two new markets were opened - Saudi Arabia and the United Arab Emirates, where net sales of HRK 2 million were recorded in Saudi Arabia and HRK 1 million in the United Arab Emirates.

With this increase in sales, the Russian market took as much as 20% of the brand's sales, which is a significant increase compared to last year's share of 7%. Croatia's market share decreased from 36% to 20%, and Hungary's from 14% to 7%. Saudi Arabia, in its first year of operation, occupies a 7% share in brand sales.

The sales structure of the Vizol S brand by market in the period from 1 January to 31 December 2020



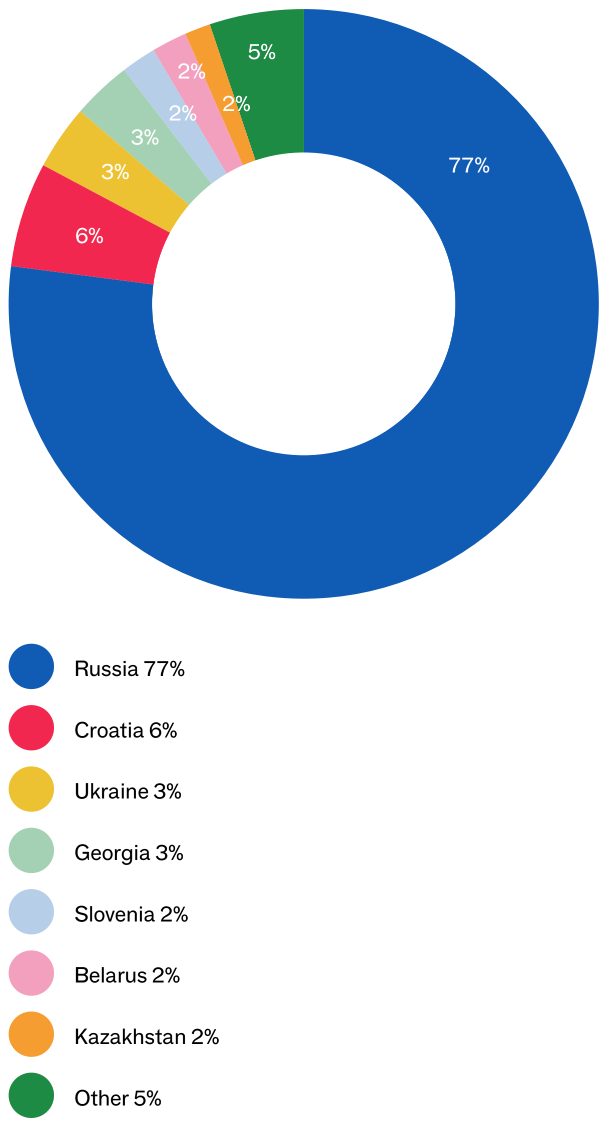
DRAMINA

In 2020, the Dramina brand recorded a decrease in sales of -43% (HRK -18 million). Net sales amounted to HRK 24 million, compared to HRK 42 million realised in 2019.

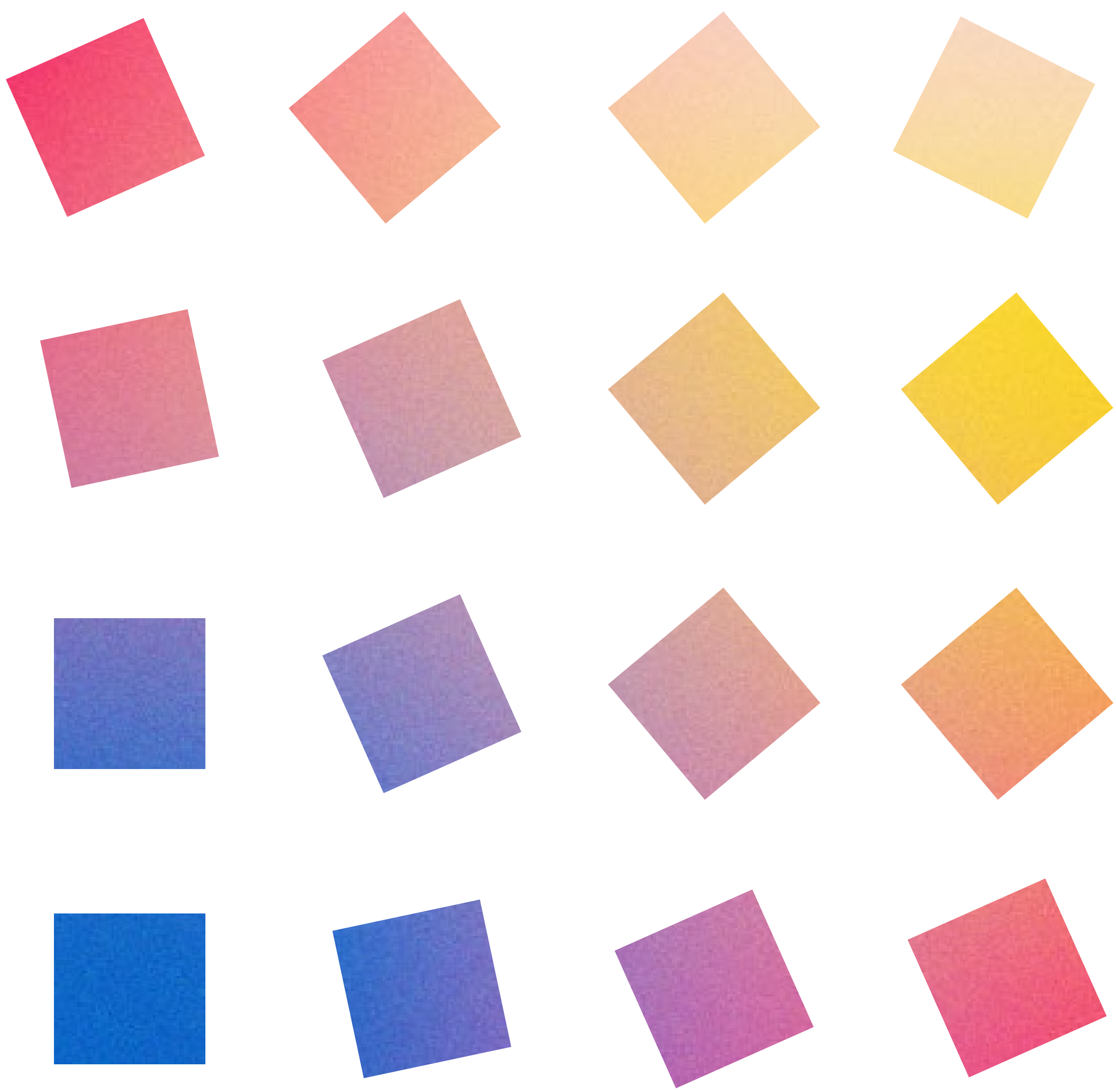
Dramina is used to prevent nausea, vomiting and dizziness associated with motion sickness, so a drop in sales in 2020 was expected given the significant reduction in travel due to the COVID-19 pandemic. The largest decrease was recorded in Russia, where sales decreased by HRK 11 million, or 37%. Sales in Croatia decreased by 43% (HRK -1 million), and in Kazakhstan by 83% (HRK -1.8 million).

As far as the share in Dramina sales is concerned, the largest share belongs to the Russian market (77%). Kazakhstan's market share decreased from 5% to 2% with the remaining markets at last year's level.

The sales structure of the Dramina brand by market in the period from 1 January to 31 December 2020



RISK MANAGEMENT



1 BUSINESS ENVIRONMENT RISK

Business environment risk includes political, macroeconomic and social risks in all markets in which the JGL Group operates. This type of risk cannot be influenced individually and has a direct impact on business.

Political and macroeconomic risk is particularly prevalent in the CIS countries, where the JGL Group generates a large share of its revenues. The Group protects itself from this risk by diversifying, operating in different markets, increasing the share of the B2B segment in total revenues, and consequently reducing its dependence on the CIS region.

COVID-19 CRISIS

In 2020, the entire world was hit by a health and economic crisis caused by the coronavirus pandemic. Given that the protection of the health and safety of employees at work is one of JGL's highest business priorities, the company promptly established its own crisis team, which includes doctors of medicine and pharmacists. The crisis team manages the procedures and measures in the fight against coronavirus on a daily basis, communicates regularly with employees in all markets and is in proactive contact with epidemiologists and other professional staff of the Healthcare Centre of Primorje-Gorski Kotar County and the Teaching Institute for Public Health of the PGC.

Safeguarding employee health has been the highest priority since the beginning of the pandemic. In this segment, work was reorganised to reduce the risks of the potential spread of infection, numerous preventive measures were introduced, and advisory and professional services for all employees were strengthened.

In 2020, JGL invested 1.5 million kuna in the protection of employees and their families, including the purchase and donation of protective masks, disinfectants, protective equipment, prevention and hygiene products, thermometers, flu vaccines and tests for antibodies to the SARS-COV-2 virus. It is important to emphasise that there was no confirmed case of internal transmission of the infection in the company. The investments were especially related to additional care for Pablo pharmacy patients. Protective equipment such as Plexiglas screens, video intercoms and windows with windows have been installed in all pharmacy units, all with the aim of providing maximum protection for patients and pharmacists during the COVID-19 pandemic.

In cooperation with the Healthcare Centre of the PGC, the company conducted regular serological tests, as well as flu vaccination, on the basis of which the epidemiological situation in the company was successfully managed. Measures were continued with the same intensity in 2021.

After the outbreak of the crisis, it seemed that the supply chain would be interrupted, however, these obstacles were quickly eliminated by adapting the way of working so that there were no delays or negative effects within the EU. It is important to emphasize that key products of JGL Group are 100% EU and that the Group achieved record revenues and financial results. The company did not ask nor received any financial help from the Republic of Croatia.

In the pharmaceutical industry, this crisis has once again raised the issue of returning production within European borders, which would further prevent dependence on distant markets such as China and India. The topic has been brought into sharp focus of European and local policies. Namely, being dependent on the procurement of certain raw materials from distant countries means small savings in procurement costs but great consequences for the quality and security of supply. What the JGL Group is already focusing on and the reason for the impact of the crisis having been minimal in terms of supply is the production and sale of domestic, high-quality products for treatment and prevention and stimulating increased production, new employment, and investment in development and people.

What has negatively affected the business is the macroeconomic situation in Russia, an extremely important market of the Group. Even before the crisis caused by the coronavirus, the exchange rate of the Russian rouble was volatile. Due to the general slowdown in the economy and falling oil prices, and a consequent reduced purchasing power, negative effects were visible through the weakening of the Russian rouble by 30%. Also, given that the Croatian budget lost out on revenues and liquidity, the HZZO began to be late with payments, which left further negative consequences. The Group manages this risk by placing a greater focus on adapting to customer needs, sales and exports, and on further expanding cooperation in key therapeutic segments.

During 2020, but also in the future, the focus of the JGL Group is to adjust strategic plans, develop different types of economic scenarios and consequences of this crisis, as well as the benefits brought by the flexibility of jobs in terms of location and working hours.

COMPETITIVE RISK

The JGL Group has strong competition in all segments of its business, both in the production and sale of medicines and in the pharmaceutical segment. Generic and OTC medicines face stiff competition. Generic drug prices are often reduced, sometimes dramatically, especially as additional generic pharmaceutical companies (including low-cost generic manufacturers based in China and India) receive authorisation and enter the market for a particular product, and competition intensifies. Consequently, the ability to maintain sales and profitability of any product over time is affected by the number of companies selling such a product, including new market participants and authorisation times. OTC drugs have even more lenient regulatory requirements and it is easier for new competitors to penetrate markets. There is strong competition in the market of JGL's key brands with great opportunities to invest in research and development, marketing, and global brand recognition. The Croatian market and the markets in the region show a high affinity for tradition as well as for previously acquired consumer habits, indicating a demand for domestic products. With a strategic focus on developing quality products and recognisable brands, we strive to reduce competitive risks.

The competition in the pharmacy segment consists of city and county pharmacies, private pharmacies owned by individuals and chains of private pharmacies with OTC products. The JGL Group secures its competitive advantage by managing the pharmacy business following best pharmacy practice, creating added value for customers through additional discounts and loyalty programmes, and developing a platform for the online purchase of OTC medicines, cosmetics, children's products and other products carried by Pablo pharmacies.

OPERATIONAL RISK

Operational risk is the risk of loss due to inadequate internal procedures or omissions, due to human or system errors and external circumstances.

The Group protects itself from this type of risk by respecting and reviewing internal procedures, ensuring high-quality technology and processes, and continuously working on the improvement, further development and implementation of new technologies in day-to-day operations. Through the division of functions and responsibilities, precisely prescribed methodologies and procedures, and regular internal and external audits, the JGL Group strives to minimise operational risks, but also to improve the quality, efficiency and transparency of operations.

The Group also uses various types of insurance to protect against external events such as natural disasters, theft, cyber-attacks, as well as internal events such as floods, machinery breakdowns, employee injury insurance and management liability insurance.

RISKS DUE TO CLIMATE CHANGE

Climate change is one of the major economic, social and environmental challenges of our time. The effects of climate change exist in all parts of the world. Extreme weather conditions and rain are becoming more frequent in some regions, while others experience increasingly intense heat waves and droughts.

The physical impact of climate change on health is already clear. In some regions, the number of heat-related deaths has increased, while in others the number of cold-related deaths has decreased. Changes in the prevalence of some water-borne diseases and disease vectors can already be seen. Damage to property and infrastructure and human health is a major cost to society and the economy.

According to a report by the European Commission, more than 5.5 million people were affected by floods between 1980 and 2011, resulting in direct economic losses of over EUR 90 billion. Particularly affected are the sectors that depend heavily on specific temperatures and rainfall, such as agriculture, forestry, energy and tourism. These effects are expected to become even more intense in the coming decades. Additional risks associated with climate change are regulatory risks arising from the introduction of regulations related to greenhouse gas emissions.

The impact of risks due to climate change in the JGL Group is indirect and relates to potential damage to property and infrastructure, supply chain disruptions, increased employee health problems and increased costs related to regulatory compliance.

The Group protects itself from these risks by improving energy efficiency, constantly taking care of its environmental footprint and minimising harmful gas emissions, investing in infrastructure and improving work and climate conditions at all sites, and by educating employees about the health consequences of climate change.

2 FINANCIAL RISKS

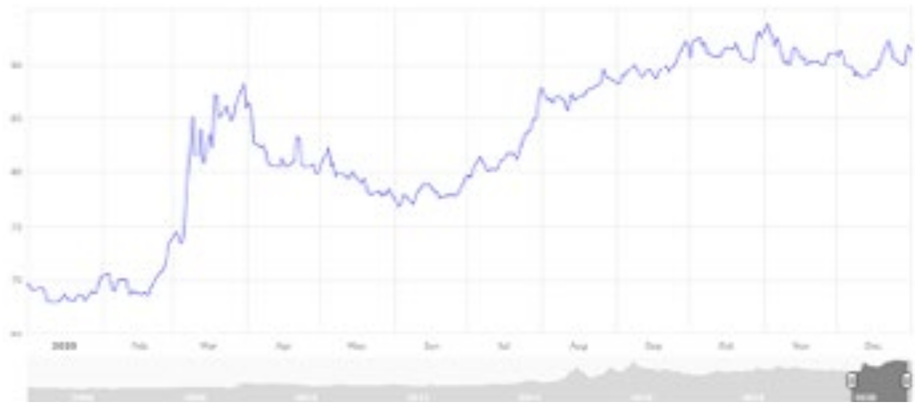
In its ordinary course of business, the JGL Group is exposed to financial risks which are linked to foreign currency, interest rate, credit, market and liquidity risks. The Group is monitoring these risks and trying to reduce their potential effect on the companies' financial exposure. The most significant risks, along with the methods used to manage them, are described below.

FOREIGN CURRENCY RISK

The Group is exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. The Group is exposed to transaction risk, which is the risk of a negative impact of the exchange rate on cash flows from operating activities, as well as balance sheet risk which manifests as a lower value of net monetary assets in foreign currencies. Currency risk is also present in the presentation of the performance of foreign subsidiaries, which is presented in HRK in the consolidated reports. 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 exposure to foreign currency risk is constantly monitored and hedge accounting is used as necessary. The decision on hedging depends on the currency in which the receivables are expressed and the type of hedge accounting as well as on its price. As at 31 December 2020, the parent company did not have any active forward contracts. The Group is mostly exposed to the currency risk of changes in the exchange rate of the HRK against the EUR and the RUB. The most significant of the two, is the change in HRK vs. RUB, and this risk bear the parent company JGL and affiliated company JADRAN LLC in 50:50 share.

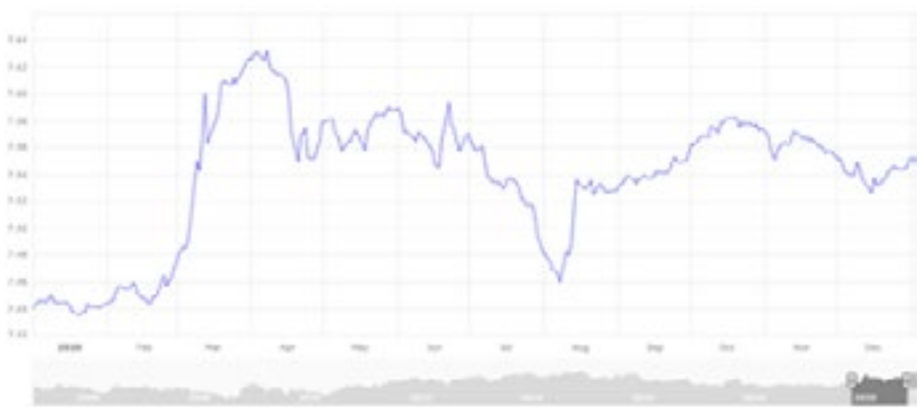
Exposure to currency risk of changes in the exchange rate of the euro

JGL d.d. is naturally protected from the effects of changes in the euro exchange rate, namely foreign currency assets and liabilities are equal. Also, the move-



Exposure to currency risk of changes in the exchange rate of the EUR vs. RUB

Source: ECB



Exposure to currency risk of changes in the exchange rate of the EUR vs. HRK

Source: ECB

ment of the euro exchange rate against the kuna is less volatile, with an absolute change of less than 2% occurring during the year.

Exposure to currency risk of changes in the exchange rate of the rouble

JGL d.d. invoices products for the Russian market in the Russian rouble. In 2020, the exchange rate of the rouble was strongly influenced by the health and economic crisis caused by COVID-19, the political situation between the USA and Russia, and by the price of oil on global markets.

During 2020, with the economic and health COVID-19 crisis, there was a significant depreciation of the Russian rouble against the euro. In this period, the Russian rouble lost about 30% in value, and with it, the parent company JGL d.d.'s receivables from the related company Jadran LLC also reduced in value. In addition to direct losses related to the reduced value of receivables, there are also indirect losses related to the reduced purchasing power of Russian consumers.

In 2021, the rouble exchange rate risk will be reduced by holding security stocks in HRK on the consignment warehouse, reducing the payment days within the Group, establishing a policy of managing the rouble in accounts, and, if necessary, hedging the EUR-RUB currency pair with forward contracts.

INTEREST RATE RISK

As the JGL Group does not have significant assets that generate interest income, income and cash flow from operating activities are not significantly dependent on changes in market interest rates. The Group's interest rate risk arises from long-term loans and bonds issued.

Within the JGL Group, the parent company is indebted and therefore bears most of the interest rate risk. If we take into account that most of the long-term interest debt is contracted at a fixed interest rate, the parent company is minimally exposed to the interest rate risk. This, in turn, potentially exposes JGL to the fair value interest rate risk. JGL does not use derivative instruments to actively hedge its exposure to interest rate risk (cash flow interest rate risk and fair value interest rate risk), but actively monitors market interest rate movements and takes the necessary measures to reduce interest rates if they are too high through refinancing mechanisms with another lender or a reduction in the interest rate with an existing lender. For the purposes of short-term financing, JGL uses funds from the lines of short-term credit arranged with its commercial banks at favourable interest rates which are reviewed annually.

LIQUIDITY RISK

The liquidity risk is manifested as the risk that the JGL Group 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 Group manages liquidity risk by planning cash flow on a monthly basis, and by maintaining a sufficient amount of liquid assets and working capital. This risk is further mitigated by contracting favourable credit frameworks with various commercial banks that allow for the rapid withdrawal of short-term funds on favourable terms. In 2020, credit lines in EUR were approved and contracted with commercial banks in the total amount of EUR 7,200,000. These lines are used as a liquidity reserve and there was no need for their use in 2020.

CREDIT RISK

Credit risk is the risk arising from the default of customers, i.e. the risk associated with the collection of receivables. The accounts receivable risk is significantly diversified through the distribution of JGL Group receivables by various geographical areas and customers (CIS, SEE, global markets). The Group tries to protect

An overview of insured amounts in EUR for JGL d.d. by country in the period from 2020 to 2017

	2020	2019	2018	2017
Kazakhstan	5,700,000.00	3,900,000.00	2,400,000.00	1,600,000.00
Ukraine	4,400,000.00	4,200,000.00	1,600,000.00	1,200,000.00
Belarus	2,920,000.00	1,770,000.00	1,100,000.00	700,000.00
Other Countries	3,860,000.00	4,160,000.00	3,787,271.00	2,280,000.00
	16,880,000.00	**14,030,000.00**	**8,887,271.00**	**5,780,000.00**

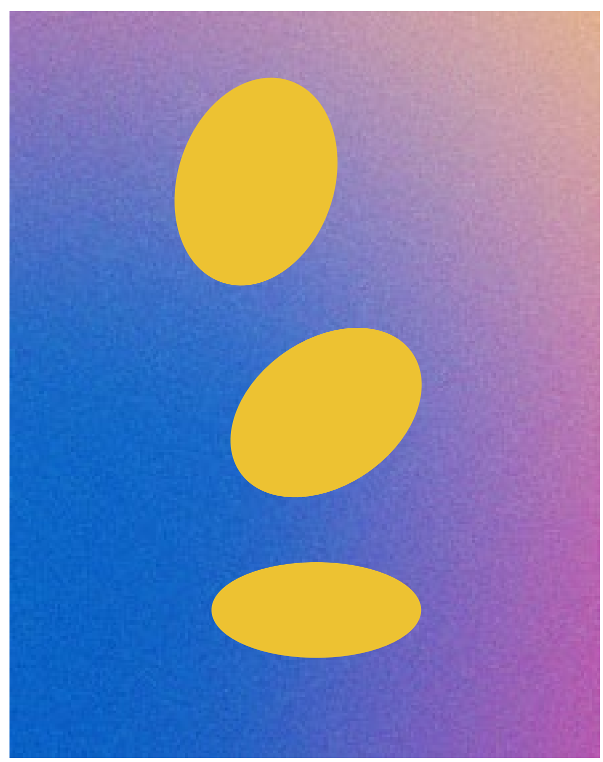
itself from this risk by obtaining payment insurance instruments and by selecting customers based on the evaluation of their creditworthiness, as well as by insuring export receivables. Receivables from Russia are being insured since 2003, and receivables from customers from other countries (CIS, SEE, global markets) since 2011. The receivables of the associated company Jadran LLC are insured in Russia through the insurance company Euler Hermes. The total insured credit limit for all customers in Russia in 2020 was EUR 26,763,738. JGL d.d.'s receivables are insured with the Croatian Bank for Reconstruction and Development (HBOR) and the Croatian Credit Insurance (HKO). 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. Information on customers is collected together with insurers, and the risk, creditworthiness and liquidity of insured customers are systematically monitored. All insured customers have agreed credit limits that are constantly monitored, which is how the JGL Group's exposure to each customer, as well as the collection of receivables, is controlled. The limits have been approved by the insurers of the JGL Group, and are continuously revised and changed as required.

In the last few years, the Group has recorded a constant increase in insured amounts, which is a consequence of the growth in turnover and the increase in insured amounts with existing customers and the introduction of new customers in insurance. Despite the corona crisis in 2020, there were no claims related to the insurance of accounts receivable.

The parent company is part of the healthcare system of the Republic of Croatia and is indirectly subject to the risk of collection maturity related to collection from customers within the HZZO system. JGL manages this risk through the market position of the affiliate HI Ljekarna Pablo, which bases its purchase from wholesalers on the share of each wholesaler in the sales of the parent company JGL d.d. JGL ensures nearly 90% of its pharmaceutical wholesale in Croatia by directing the purchase policy of its affiliate, so the payment security risk is reduced to a minimum.

Although the JGL Group does not deal directly with the healthcare system, due to operating with wholesale pharmacies, the stated payment collection deadlines in healthcare significantly affect the Group's operations. In the last few years, the system of financing spending in Croatian healthcare has recorded a constant reduction of payment deadlines, from the former 150 to 74 days in 2019, only to rise again to 120 days in 2020 due to the coronavirus crisis.

In Russia, the most important export market, the average collection from wholesale pharmacies is also 120 days. The situation is similar in other markets. In the home countries of other member companies, the average customer collection period ranges from 30 to 90 days, whereas the average collection period from wholesalers has been extended and typically ranges from 90 to 120 days.



MARKET RISK

Research and Development

The pharmaceutical industry is characterised by significant investments in research and development, which are at the same time a significant generator of the JGL Group'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. The Group protects itself from this risk by detailed planning and management of the entire research and development process.

Regulation

Another important aspect of the pharmaceutical industry is regulations. Due to significant operations in the CIS and Eurasian Economic Union countries, the JGL Group is exposed to the risk of change in the regulatory framework for processes, existing and new products, as well as the implementation of serialisation in Russia, and harmonisation of product registration within the Eurasian Economic Union. The pharmaceutical industry is characterised by the obligation to comply with strict regulatory rules, and without its timely and continuous implementation, it is not possible to conduct regular business.

Companies operating in the pharmaceutical industry are exposed to the possibility that the national regulatory authorities withhold or revoke their approval of pharmaceutical processes and products, and in some markets frequent regulatory changes make it difficult to predict the duration and time of obtaining an approval and market authorisation for medicinal products and other pharmaceutical products. The company's inability to obtain approval for its pharmaceutical processes or products, or the withdrawal of any such approval, could have a negative effect on the Group's operations, financial position, business performance and prospects. By continuously investing significant funds in advanced technological solutions and equipment, investing in acquiring the necessary knowledge and skills of employees and through constant efforts aimed at optimising production processes and achieving demanding performance, the company ensures the prerequisites for obtaining and maintaining regular approvals, in accordance with pharmaceutical industry rules and those of current good manufacturing practice - cGMP.

Pricing Policy

Pricing policy also has a strong impact on business. The Group's operations are exposed to price risk associated with changes in the prices of key raw materials, transport, other production costs, as well as strong pressures from competitors and customers. The pharmaceutical industry is characterised by frequent changes in prices of medicinal products, which can be caused by healthcare reforms, changes in the policy of including medicines on the approved medicines list, tax reforms, market instability, etc. Prices of OTC products are not regulated. In case of market price decreases, the JGL Group 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 Group 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

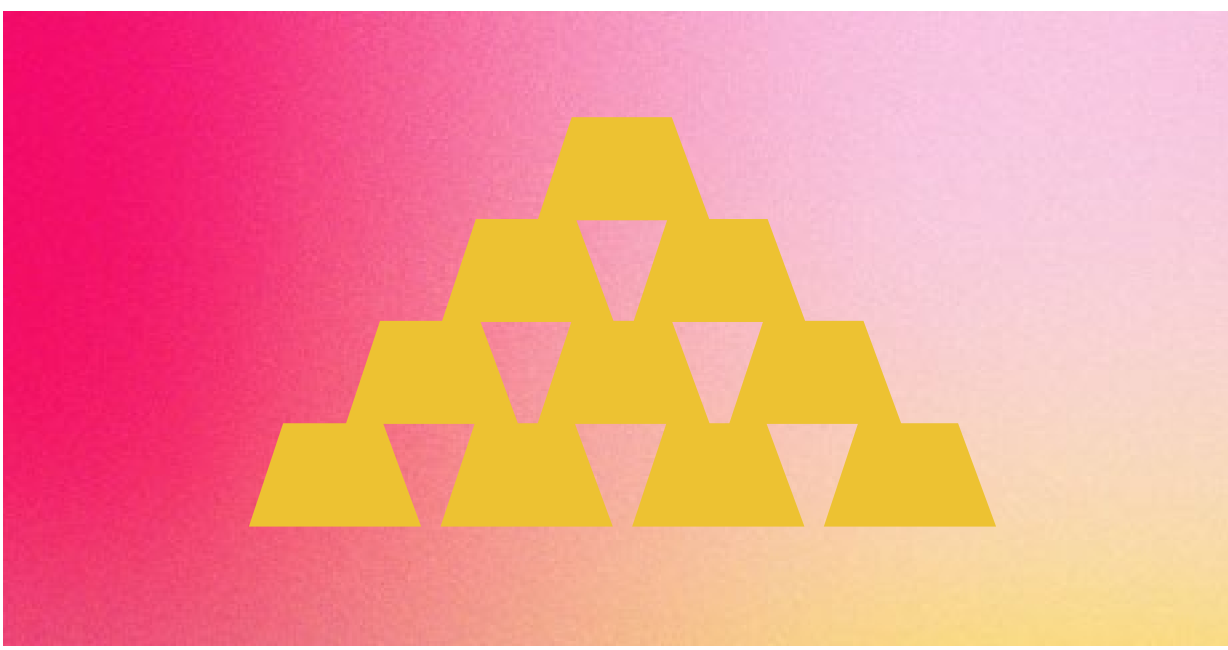
The JGL Group manages its capital by regulating the proportion of self-financing versus financing from external sources. Financing from other sources is based on non-current assets with favourable interest rates, and does not represent a burden on the Company's liquidity. With regard to debt type, the parent company has long-term liabilities for received loans, leasing and issued bonds. Long-term loan liabilities consist of two long-term loans obtained from the Croatian Bank for Reconstruction and Development. The liability for the long-term HBOR loan used to finance the investment in the Svilno 2 production plant amounts to HRK 179,473,553. Repayment of the principal began in 2019, and in 2020 an addendum to the contract was signed which reduces the interest rate and adds to the reducing of interest costs.

In 2020, the parent company embarked on a new investment called INTEGRA 2020, which includes expanding production capacity, equipping a development laboratory, building a new pilot plant, developing office space, and building a logistics centre. The investment is partially self-financed and partially financed by a long-term loan of the Croatian Bank for Reconstruction and Development in the amount of HRK 279,830,372.74 with a favourable fixed interest rate.

In 2020, JGL d.d. settled its liabilities to bondholders under the code HRJDGLO20CA4 by paying the principal in the amount of HRK 46,764,260 and the related interest of HRK 2,718,173. JGL has liabilities under the issue of bonds under the code HRJDGLO24XA2, in the amount of HRK 130,000,000 with a maturity date of 18 December 2024; the interest on these bonds is fixed and amounts to 1.75%. Long-term lease liabilities are divided into those for operating and financial leasing. The contracts are for four or five years with favourable fixed interest rates.

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) and cash and cash equivalents. Total capital is calculated as the sum of total capital shown in the balance sheet and net debt.



FUTURE COMPANY DEVELOPMENT

One of the most challenging crisis years is behind us, a year in which, despite many unpredictable challenges, from the COVID-19 pandemic, the sharp fall in exchange rates in Russia, Ukraine and Kazakhstan, which account for over 50 per cent of our sales, to reduced consumer purchasing power, we accomplished our plans and achieved exceptional results.

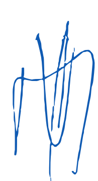
In 2021, JGL enters a new business phase. Given that in the past we have managed to reduce indebtedness to 2.0x EBITDA, withstand the impact of the coronavirus pandemic without liquidity issues, refinance bonds at interest rates below 2%, invest in employees and technology, and still increase revenue, we can say that this phase has been successfully completed.

Ahead of us is a new business phase that involves refining priorities for new pipeline products, defining solid but flexible go-to-market strategies for our key therapeutic areas and brands based on patient and consumer needs and supported by medical and scientific data, taking advantage of new business opportunities, compliance with regulatory changes, digitalisation and increasing productivity, and business integration within the company. The new Integra 2020 investment will help us to establish ourselves even more strongly as an important factor in both the pharmaceutical industry and exports. It will help us raise the company's global competitiveness and development and technological competencies. We are especially proud that such an investment will raise both Croatian and European pharmaceutical standards, as this is a significant investment and development of the Croatian hi-tech industry and modern, digital technologies in the pharmaceutical industry in general. The Integra 2020 project will also enable the further transfer of the production of sterile ophthalmic products of our Polish partner to Croatia, and the export of finished products to Poland and other markets. This will further strengthen the export capacity of JGL and the Croatian pharmaceutical industry as a whole.

It is investing in digitalisation and robotisation that is the key to further progress of every business, including ours. I firmly believe that the JGL Group faces a promising future with many opportunities in which it will be crucial to properly direct our potential, be agile, efficient and competitive enough and know how to make the most of the wave of recovery that will hopefully be faster than expected. Our clear strategic priorities will allow us to make the most of the opportunities.

Thanks to the rapid and successful adjustment of business priorities, as well as all employees to the new working conditions in the pandemic crisis, JGL Group recorded double-digit growth in 2020 and with the realized total revenues became the largest Croatian pharmaceutical company.

Mislav Vučić
Executive Director



REPORT ON SUSTAINABLE

DEVELOPMENT

2020 – JGL GROUP

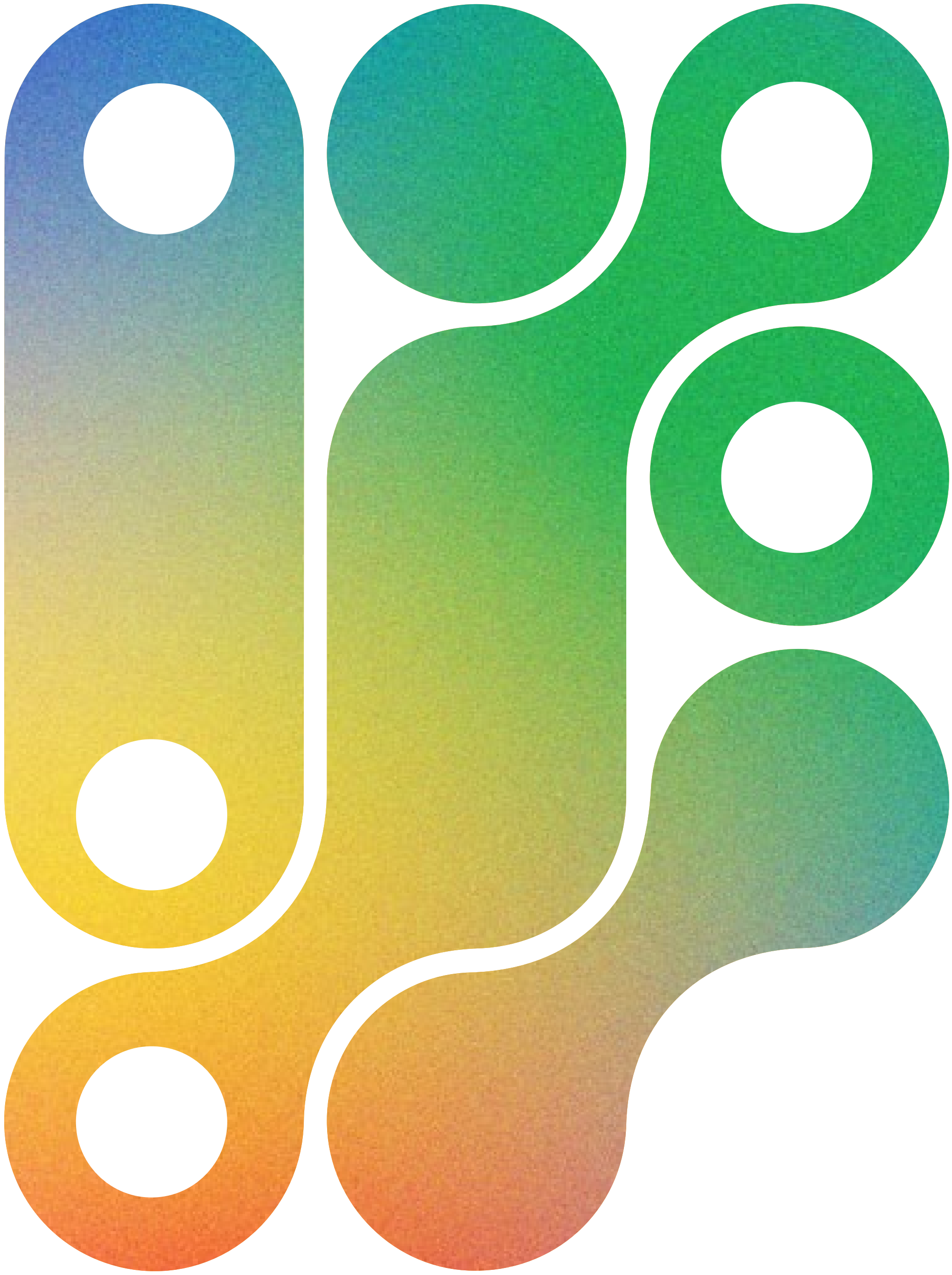
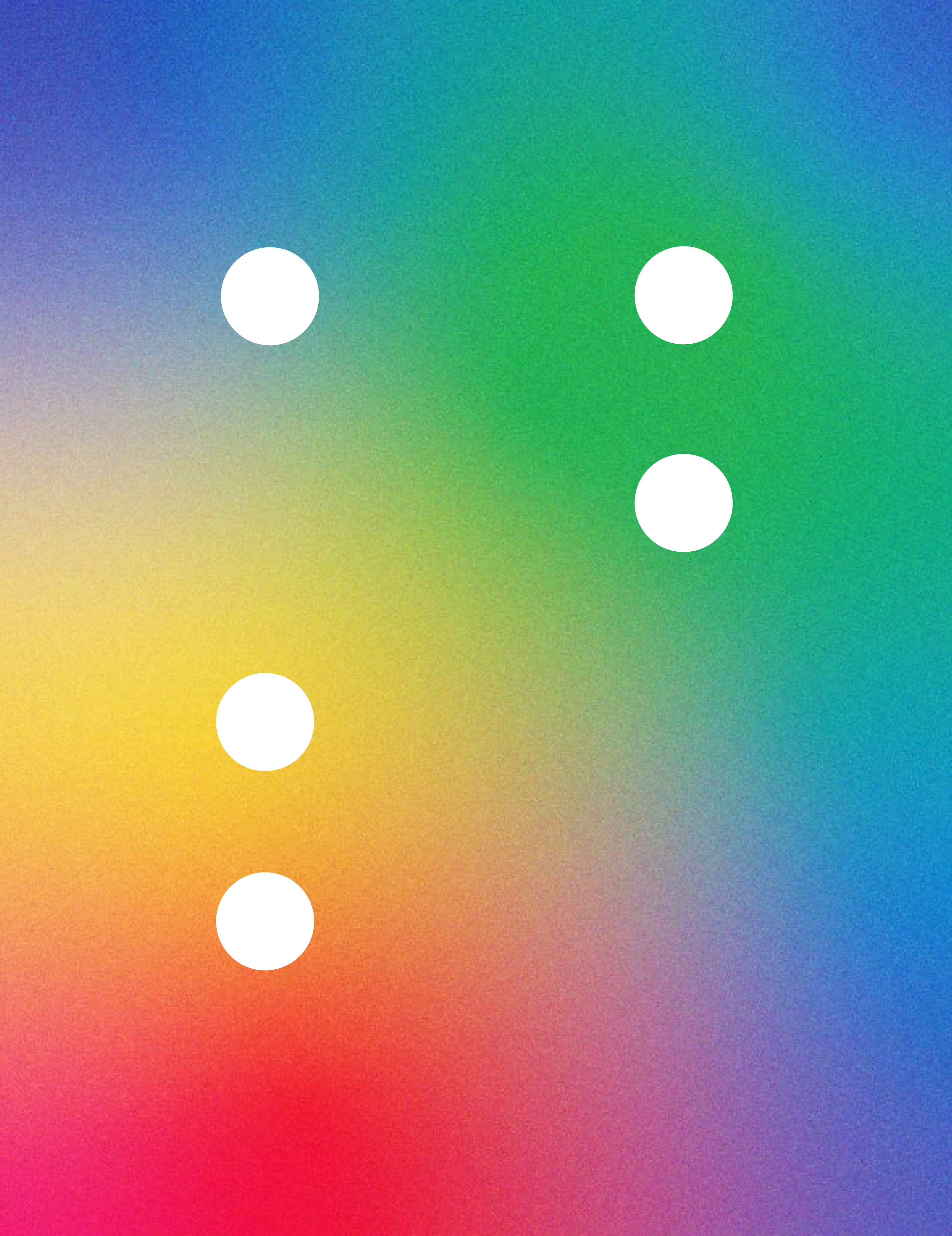


TABLE OF CONTENTS



GLOBAL DEVELOPMENT

PROGRAMME UNTIL 2030

17 SUSTAINABLE DEVELOPMENT GOALS

In its report made in accordance with the Global Reporting Initiative (GRI) Standards, JGL's corporate sustainability programme activities are sorted into three key groups of indicators based on company mission and vision, long-term strategic plan, and material feedback from key stakeholders, including shareholders, employees, doctors, pharmacists, end consumers and the financial community:

Economic:

- Sustainable financial growth
- Ensuring drug availability
- Constant work on product improvement and providing an additional value to customers
- Constant work on increasing professional competencies of employees
- Investments in own research and development capacities
- Internationalisation of business and partnerships with suppliers
- Operational efficiency

Social:

- Continuous development of close relationships with customers and partners
- Constant investments in developmental activities and innovations, employee training, payroll and reward system
- Work on improving culture and two-way communication
- Including employees in the community and sharing knowledge
- Memberships in Croatian and international societies and associations
- Supporting and co-financing health-related initiatives, projects and activities
- Sport, student projects, consumer education

Environmental:

- Constant investments in work conditions and improvements of processes and technology, with a focus on environmental protection and energy savings
- Constant education of employees on environmental protection, with a special emphasis on the sea as a significant component of JGL products
- Monitoring corporate social responsibility of partners and suppliers
- Encouraging employees to volunteer in sea clean-up, forestation, ragweed removal and charitable activities...

In connection with the above, we devote particular attention to the integration of six global goals in our overall business process and activities:

- Goal No 3 Ensure a healthy life and promote well-being for people of all generations
- Goal No 5 Achieve gender equality and empower women and girls
- Goal No 8 Promote inclusive and sustainable economic growth, full employment and dignified work for all
- Goal No 9 Build adaptable infrastructure, promote inclusive and sustainable industrialisation, and foster innovation
- Goal No 12 Ensure sustainable forms of consumption and production
- Goal No 14 Preserve and sustainably use oceans, seas and sea resources for sustainable development

This report shows our efforts in their implementation and promotion.

GENERAL STANDARDS

GRI 102 – GENERAL DISCLOSURES

1 ORGANISATIONAL PROFILE

102-1 NAME OF THE ORGANISATION

"JADRAN" - GALENSKI LABORATORIJ d.d. / JGL d.d.

JGL GROUP

102-3 LOCATION OF HEADQUARTERS

Svilno 20, 51 000 Rijeka,
Republic of Croatia

102-4 LOCATION OF OPERATIONS

The company has its headquarters in Rijeka, where production facilities are also located. There are also two other offices in Croatia; in Zagreb and Split. Except in Croatia, the company is also present in other markets in Central and Eastern Europe with its operations and products, and outside Europe, the key markets are Russia, Ukraine, Kazakhstan and Belarus. JGL's products are present in more than 50 markets. JGL owns other companies that make up the JGL Group (Adrialab d.o.o., Ljekarna Pablo Health Institution, Pablo d.o.o. in Croatia, Farmis d.o.o. in Bosnia and Herzegovina, JGL d.o.o. Beograd - Sopot in Serbia, Jadran - Galenski laboratorij d.o.o. Ljubljana in Slovenia, and Jadran LLC Moskva in Russia). The pharmaceutical part of the business (JGL Pharma), i.e. the core business, includes the parent company JGL d.d. and foreign daughter companies.

Key manufacturing activities are located at three addresses:

- JGL d.d. - Svilno 20, 51000 Rijeka, Republic of Croatia
- Adrialab d.o.o. - Pulac 4a, 51000 Rijeka, Republic of Croatia
- JGL d.o.o Beograd - Sopot - Milosava Vlajića 110, 11000 Beograd, Sopot, Serbia

Subsidiary	Country	Core business
Pablo d.o.o. Zagreb	Croatia	Retail of pharmaceutical preparations
Ljekarna Pablo	Croatia	Pharmacy
Adrialab d.o.o. Rijeka	Croatia	Production of pharmaceutical preparations
Jadran LLC Moskva	Russia	Sale of pharmaceutical preparations
JGL d.o.o Beograd – Sopot	Serbia	Sale of pharmaceutical preparations
Farmis d.o.o. Sarajevo	Bosnia and Herzegovina	Sale of pharmaceutical preparations
Jadran – Galenski laboratorij d.o.o. Ljubljana	Slovenia	Sale of pharmaceutical preparations
JGL North America LLC New York USA – the company is not active	USA	Sale of pharmaceutical preparations

List of JGL's subsidiaries with an indication of their core business

102-7 SCALE OF THE ORGANISATION (2)

A large part of the data related to the size of the organization (number of employees, business activities, net sales, product quantity) is stated in the Financial part of this Report.

Here we provide data on total capitalization. In 2020, JGL Group had a 51.39% share of capital in sources of funds, which means that it participated in the total sources of financing with 51.39%.

When comparing the 2020 indicator with previous years, it is clear that the self-financing coefficient is more favourable than in previous years, which is primarily the result of a decrease in net debt of the parent company, and redemption of maturing bonds at the end of the year in the amount of HRK 47 million.

The self-financing ratio is more favourable than in previous years, which is mostly the result of a decrease in the company's net debt and an increase in retained earnings or capital.

Indicator	Self-financing ratio
2020	51.39%
2019	49.37%
2018	48.78%
2017	45.76%
2016	35.08%
2015	31.92%

102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS (2)

An overview of the number of employees on 31 December 2017, 2018 and 2019 in the JGL Group

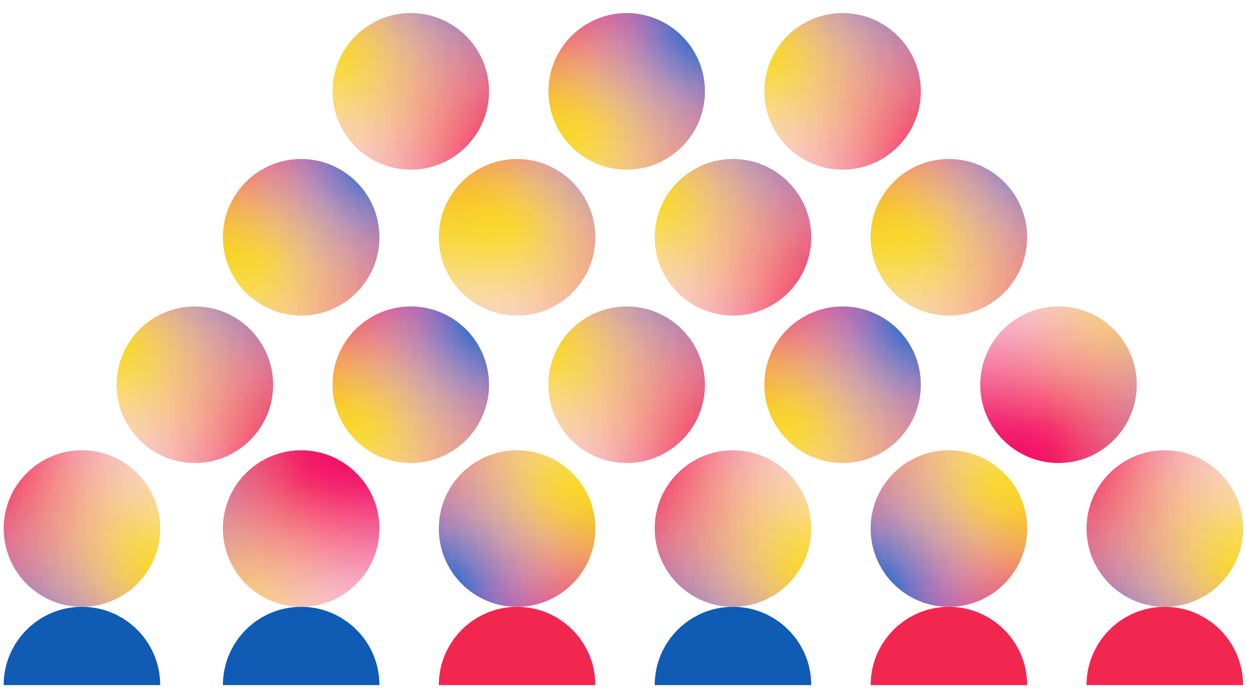
	2020	2019	2018
JGL d.d.	**636**	**578**	**546**
Croatia	508	461	431
B&H	0	0	1
Macedonia	5	5	5
Russia	5	5	5
Belarus	19	17	15
Ukraine	56	50	47
Kazakhstan	42	39	41
Kosovo	1	1	1
Affiliated companies	**441**	**418**	**418**
JGL d.o.o. Beograd – Sopot	27	19	18
Farmis d.o.o. Sarajevo	26	26	26
JGL d.o.o. Ljubljana	4	6	6
Adrialab d.o.o. Rijeka	26	28	27
Ljekarna Pablo Health Institution	146	140	144
Pablo d.o.o.	212	205	197
Jadran LLC Moskva	210	197	205
Total for JGL Group	**1,077**	**1,002**	**964**

	Women	Men
<29	114	59
30 – 49	564	173
>50	135	32
Total	**813**	**264**

An overview of the number of employees in the JGL Group in 2020 according to age and gender

	Women	Men
<Secondary education	10	7
Secondary education	228	117
Post-secondary education	23	14
University education	533	121
>University education	**19**	4
Total	**813**	**238**

An overview of the number of employees in the JGL Group in 2020 according to gender and professional qualification



	Permanent contract	Fixed-term contract
JGL d.d.	**475**	**103**
Croatia	396	65
B&H	0	0
Macedonia	5	0
Russia	5	0
Belarus	0	17
Ukraine	50	0
Kazakhstan	18	21
Kosovo	1	0
Affiliated companies	**377**	**47**
JGL d.o.o. Beograd – Sopot	16	3
Farmis d.o.o. Sarajevo	21	5
JGL d.o.o. Ljubljana	5	1
Adrialab d.o.o. Rijeka	24	4
Ljekarna Pablo Health Institution	121	19
Jadran LLC Moskva	190	15
Total	**852**	**150**

An overview of the number of employees in the JGL Group according to employment contract type in 2020

	Full time	Part time
JGL d.d.	**574**	**4**
Croatia	457	4
B&H	0	0
Macedonia	5	0
Russia	5	0
Belarus	17	0
Ukraine	50	0
Kazakhstan	39	0
Kosovo	1	0
Affiliated companies	**419**	**5**
JGL d.o.o. Beograd – Sopot	19	0
Farmis d.o.o. Sarajevo	26	0
JGL d.o.o. Ljubljana	6	0
Adrialab d.o.o. Rijeka	28	0
Ljekarna Pablo Health Institution	135	5
Jadran LLC Moskva	205	0
Total	**993**	**9**

An overview of the number of employees in the JGL Group according to the type of employment in 2020

102-9 SUPPLY CHAIN

JGL cooperates with a large number of suppliers in its supply chain - a total of 635 during 2020. All suppliers have to meet the high standards of the pharmaceutical industry, with materials and services only procured from an approved source of consistent quality.

The selection and approval of a new supplier is a complex and lengthy process, starting with supervision and understanding of the quality process of a potential supplier. In addition to initial verification, both new and long-term suppliers are regularly subjected to inspections (every two to three years), where besides the quality system, their overall business is also evaluated. In addition to the formal audits and questionnaires that we regularly send to suppliers, we also evaluate them through everyday work and contacts with them.

Relationships with partners are built on trust, mutual understanding and mutual respect of wishes and needs. Establishing a partnership creates the prerequisites for meeting delivery deadlines, and maintaining sustainable and fair prices and the quality of products and services. Partnerships with suppliers are also a prerequisite for supply chain management, which directly affects company savings and profitability.

Particular attention is paid to how much our partners care for the community and the environment, as well as for their employees and other stakeholders. Companies that apply the principles of corporate social responsibility have an advantage during our selection process, and for our key suppliers, it is a necessary prerequisite. All of JGL's suppliers are certified according to ISO 9001, a standard that refers to quality management.

Within the supply chain, companies that provide transportation services also have an important role. It is expected from the suppliers to prove themselves in terms of quality, speed, innovation and full expense transparency. We select companies that regularly service and properly maintain their vehicles and have lower emission levels of harmful gases.

The selection of a new supplier, in addition to all of the above, includes a tendering process or the necessary fulfilment of all pre-defined technical and commercial conditions for suppliers and products. There were no significant changes in the structure, location, selection, and termination of supplier relationships in the reporting period compared to the previous year.

635

Number of suppliers with which JGL cooperates

102-11 PRECAUTIONARY APPROACH

In order to protect human health and the environment, JGL is guided by the precautionary approach. When there are threats of serious or irreversible damage to human health or the environment, JGL does not delay in taking the necessary safeguards, even if the danger is not fully scientifically explored. Risk management is applied appropriately in different processes and activities.

Risk management principles should be implemented in project activities, new product development, design of production equipment and space, change management, non-compliance management, production processes and marketing. For example, a detailed risk analysis is conducted before and during product development. Based on the results of the analysis, a risk management plan is drawn up, which includes risk reduction or elimination and risk control.

In certain stages of development, the evaluation of the achieved results must be performed to determine that the individual requirements have been met and the result must be verified before moving to the next stage. Before the start of normal production and application of the new product, it is necessary to carry out the validation of the production process in order to confirm that the production process is reliable and that reproducibility is ensured, meaning that the production process is always capable of delivering a product of defined quality.

If any changes occur during development (e.g. change of requirements), it is necessary to assess the need for rating, verification and validation of the change. Records are being kept on all stages of development, including risk analysis and developmental changes.

102-13 MEMBERSHIP IN ASSOCIATIONS

Membership in Croatian and international organisations and associations provides us with an opportunity to constantly monitor and implement new standards and educational programmes, as well as exchange experience and connections with experts in the fields of pharmacy, economics and development.

- Croatian Business Council for Sustainable Development
- Croatian Chamber of Economy
- CEA's Association of Medicines Manufacturers
- The European Generic Medicines Association
- Croatian Managers' & Entrepreneurs' Association
- Croatian Association for Automatic Identification, Electronic Data Interchange (EDI) and Business Process Enhancement
- Leader's Club of Exporters
- Croatian Pharmaceutical Society
- Croatian Pharmacological Society
- Licensing Executives Society
- Association of the Croatian Business Forum
- Croatian Health Cluster
- Croatian Association of the Self-Medication Industry

In 2020, JGL joined the Kvarner Health Tourism Cluster that brings together members from the medical, tourism and university sectors. Its goal is to create a recognisable and competitive health tourism product both locally and regionally. Furthermore, after many years of partnering in various scientific, teaching and development activities, the University of Rijeka's Senate has awarded JGL the status of a collaborative teaching institution for one of its constituent units - the Department of Biotechnology.

Through this new form of collaboration, the two will actively promote the values of interconnecting science and business, innovation and transferring technologies and knowledge using a smart specialisation scheme - intended for both biotechnology students and JGL's employees.

102-15 KEY IMPACTS, RISKS, AND OPPORTUNITIES (2)

From the very beginning, JGL has been dedicated to aligning its business with the principles of sustainable development, and every year represents a new challenge in this field. New investments, when it comes to manufacturing medicinal products, must take into account sustainability, for the company, the environment and the community. Previously mentioned projects, such as "JGL - An Energy Efficient Company," and the new "E3 - Energy efficiency of the JGL production complex" open up the possibility for us to implement measures for achieving energy efficiency and use renewable energy sources in our production facilities. Such projects will continue to be implemented in the future, particularly because potential impacts and risks in that area are evaluated better every year.

Some of the possible environmental impacts that are considered in the planning of production and infrastructure projects and activities include:

- Impact on the microclimate and vegetation of the Svilno area
- Risk of releasing hazardous substances into waste water
- Risk of releasing gasses into the environment.

Equally, the company's role in the community is considered responsibly, so the following is taken into account:

- Impact on creating greater opportunities in the local/regional labour market
- Impact on developing a qualified workforce, and increasing the employment of young people
- Impact on raising awareness of environmentally friendly behaviour, and the protection of nature and its resources

However "clean" it may be, industry always carries certain risks. Some of the risks taken into account in the company when planning processes and during their realisation and optimisation include:

Human resources

- Risk of injuries caused by working with machines and tools
- Risk of traffic injuries
- Risk of occupational diseases

Environmental impact (ecological)

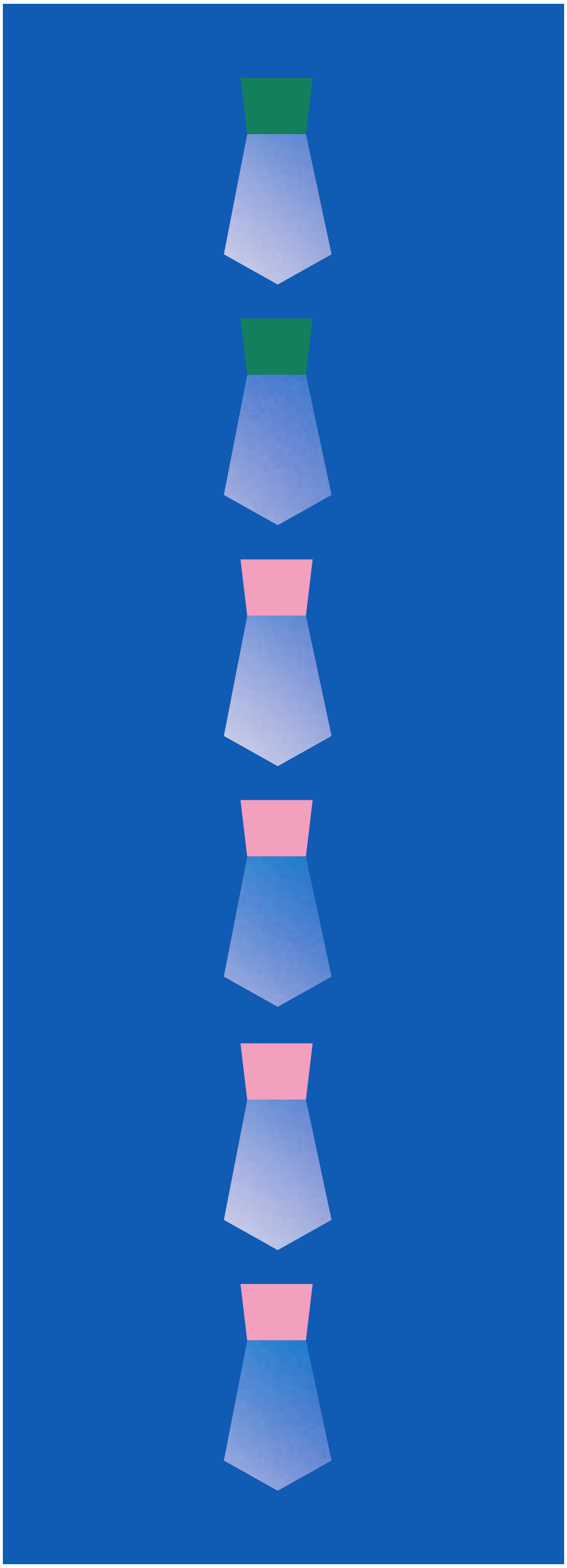
- CO_2 emissions from own/supplier vehicle fleet
- Destruction of indigenous vegetation of the area affected by a growing company

Environmental impact (social)

- Unemployment of qualified workers from the nearest professional schools and universities

Measures taken to reduce the impacts listed above are also presented in this report.

The JGL Group recognises its opportunities in the area of comprehensive use of renewable energy and more efficient energy consumption as the only way to mitigate the risks arising from the fast-growing demand and limited inventories, and in encouraging the availability of high-quality, safe and effective products for treatment, self-treatment and prevention for every human being. By following trends in the pharmaceutical industry, JGL is continuously striving to improve the existing capacities, having in mind the framework consisting of high regulatory and environmental standards, as well as very stringent and demanding rules of good manufacturing practice in pharmaceutical production. To increase its competitiveness in the global market, which requires investments in key technologies and overall business efficacy, the company is continuously investing in analytical, technological and digital production processes, increasing the competencies of employees, employing new, qualified workers, and improving the operational level of the business.



2 MANAGEMENT

102-18 GOVERNANCE STRUCTURE

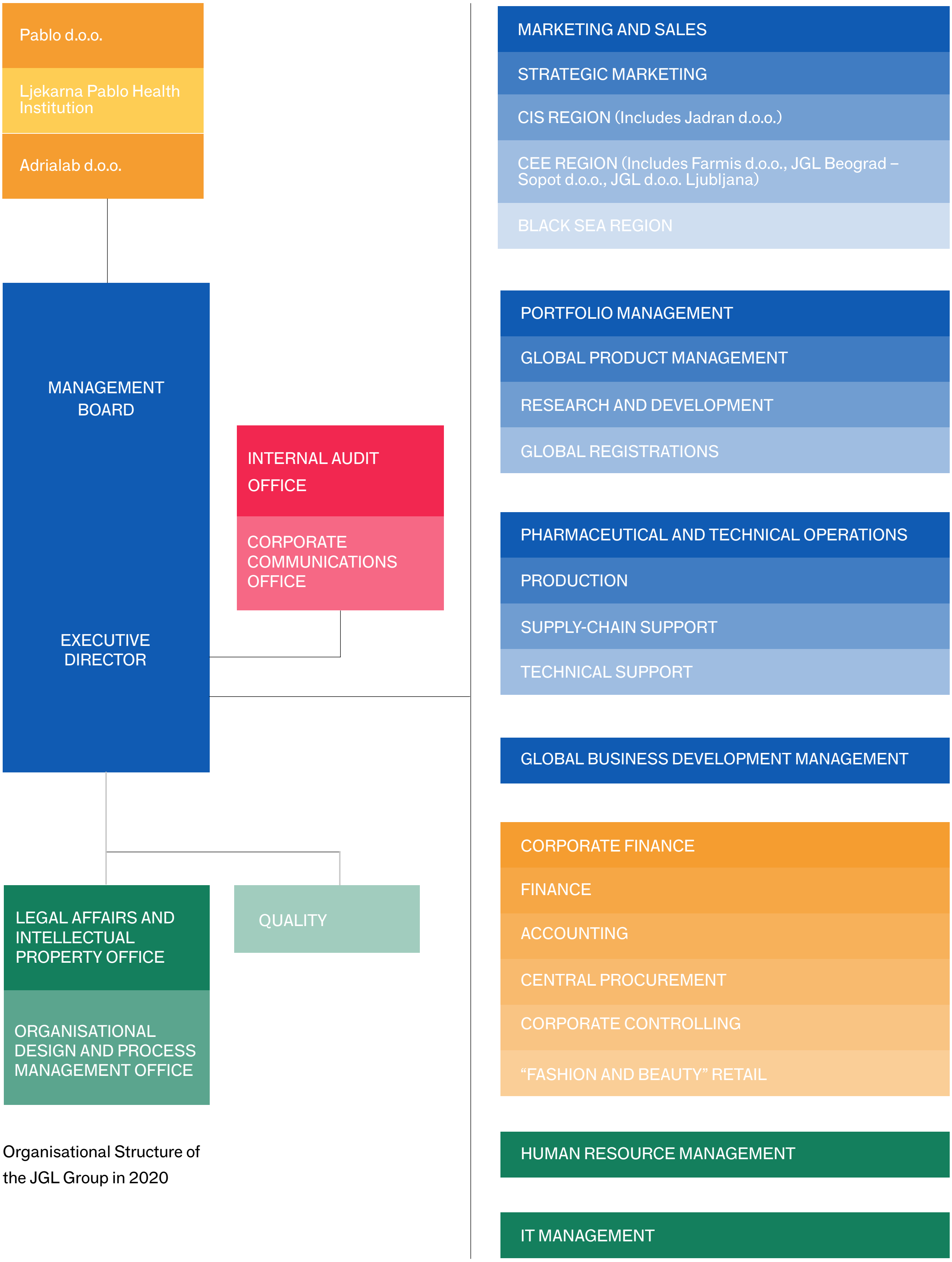
JGL d.d. Rijeka has a one-tier management structure, and the Management Board of the company has both a leadership and a supervisory role. The Management Board of JGL d.d. is composed of:

- Ivo Usmiani - President of the Management Board,
- Zdravko Saršon - Deputy President of the Management Board,
- Marina Pulišić - member of the Management Board,
- Grozdana Božić - member of the Management Board,
- Eva Usmiani Capobianco - member of the Management Board,
- Dorotea Pernjak Banić - member of the Management Board, workers' representative.
  Appointed a member of the Management Board by the decision of the Works Council of JGL d.d. as workers' representative on 19 June 2020, with the beginning of the term of office on 19 June 2020.

During the reporting period, the Executive Director, who is also a member of the Management Board and the person responsible for representing and managing the company's operations, was:

- Mislav Vučić, Executive Director.
  Mislav Vučić, according to the Decision of the Extraordinary General Meeting of 22 December 2020, was re-elected Executive Director and Member of the Management Board with the term of office beginning on 31 December 2020 and ending on 30 December 2025.

The business address of all members of the Management Board, Executive Directors and the new Executive Director is Svilno 20, Rijeka. There is no conflict of interest between the members of the Management Board and Executive Directors / Executive Director with regard to the functions and activities performed by them and their personal interests, i.e. their functions and activities outside the company. In the area of economic, environmental and social impacts, responsibilities are linked to Finance, Accounting and Controlling, Technical Support and Corporate Communications, and the Human Resources Management Department.



Organisational Structure of the JGL Group in 2020

3 STAKEHOLDER ENGAGEMENT

102-40 LIST OF STAKEHOLDER GROUPS

JGL Group stakeholders are employees, doctors and pharmacists, end consumers, partners, suppliers, students, government bodies, the financial community, the local community, the media.

102-42 IDENTIFYING AND SELECTING STAKEHOLDERS

In the process of involving and selecting key stakeholders in the assessment of relevant topics in the broader context of sustainability, during the reporting period, a targeted survey was conducted for the first time among all the above stakeholders.

The basis for identifying JGL Group stakeholders is mutual influence. Stakeholders who can influence the company's operations and those affected by the company's operations were qualitatively included based on mutual influence, according to the priority of interests or influence.

In order to collect, consider and take into account the relevant expectations and interests of stakeholders in the process of determining the content of the report, the company has undertaken the following:

- A questionnaire was sent by e-mail to stakeholder representatives on the topic of assessing the importance of sustainability issues, as well as the impact of JGL on relevant topics;
- A reminder was sent on two occasions to encourage involvement in important areas of expectations and stakeholder interest for non-financial information.

ENGAGED STAKEHOLDERS

- Employees/shareholders
- End users
- Doctors/pharmacists
- Students
- Suppliers

102-43 APPROACH TO STAKEHOLDER ENGAGEMENT

Based on the survey, we asked the involved stakeholders questions related to their needs, expectations and interests in terms of the economic, social and environmental impacts of JGL. Respondents expressed their agreement with each offered topic on a scale of one to five, with five indicating extreme importance and one no importance of the topic to stakeholders.

102-44 KEY TOPICS AND CONCERNS RAISED

A total of 57 of the 120 stakeholders involved participated in the survey, and 97% of those involved considered each topic important or extremely important. The focus of the reporting is on the topics that are defined by all involved as extremely important:

- Compliance with environmental regulations
- Waste water and waste
- Water
- Energy
- Customer health and safety
- Occupational health and safety

97%

Percentage of stakeholders who consider sustainability issues to be extremely important

4 REPORTING PRACTICES

102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of JGL Group are available at https://www.jgl.hr/en/about-us/jgl-today/financial-reports and include the following entities:

- JGL d.d.
- Farmis d.o.o. Sarajevo
- Jadran - Galenski laboratorij d.o.o. Ljubljana
- Adrialab d.o.o. Rijeka
- Pablo Health Institution Rijeka
- LLC Jadran Moskva
- JGL d.o.o. Beograd - Sopot
- Pablo d.o.o. Zagreb

JGL's non-financial report includes, in part, reports from the parent company JGL d.d., and for the most part (economic and social dimension), the JGL Group's complete business operations.

102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

The material topics reported on were determined on the basis of internal and external factors. The mission of the company is to improve the quality of life with regard to healthcare, and the strategic guidelines are linked to the internationalisation of business, operational efficiency, technological focus, and continuous development of close relationships with customers and partners.

At the core of the business are instrumental values that engender togetherness and reject isolation: responsibility towards the whole, the importance of the greater good, equality and inclusion, respect for all lifestyles and unconditional care.

Along with the listed internal factors, external factors that have influenced the definition of material topics refer to the directly expressed interests of the stakeholders.

Summing up the answers received leads to the following expectations, both our own and those of our key stakeholders, according to which the relevant material topics were identified:

- Ensuring drug availability,
- Continued investment in environmental protection,
- Constant care and improvement of investments in occupational health and safety,
- Inclusion and sharing of knowledge,
- Sustainable financial growth.

JGL Group is associated with impacts through its own activities, but also through activities that are the result of business relationships with other bodies.

102-47 LIST OF MATERIAL TOPICS

GRI 200 Economic Topics

- GRI 201 Economic Performance
- GRI 202 Market Presence

GRI 300 Environmental Topics

- GRI 302 Energy
- GRI 303 Water
- GRI 306 Effluents and Waste

GRI 400 Social Topics

- GRI 402 Labour/Management Relations
- GRI 403 Occupational Health and Safety
- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity
- GRI 416 Customer Health and Safety

102-48 RESTATEMENTS OF INFORMATION

Regarding the information provided in previous reports, but also beyond them, there have been no significant changes in the company.

102-49 CHANGES IN REPORTING

In relation to the previous reporting period, there are no changes compared to last year's reporting.

102-50 REPORTING PERIOD

This is the twelfth edition of JGL's Sustainable Development Report, which includes a one-year reporting cycle, i.e. the period between 1 January and 31 December 2020.

102-51 DATE OF MOST RECENT REPORT

The last, eleventh edition of JGL's Sustainable Development Report was published on 30 August 2020. All published JGL Sustainable Development Reports are available on the link https://www.jgl.hr/en/about-us/jgl-in-the-community/sustainable-development-reports.

102-52 REPORTING CYCLE

JGL has published the first two reports (2006/2007 and 2008/2009) in a two-year reporting cycle and has since continued to report continuously in a one-year cycle.

102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT

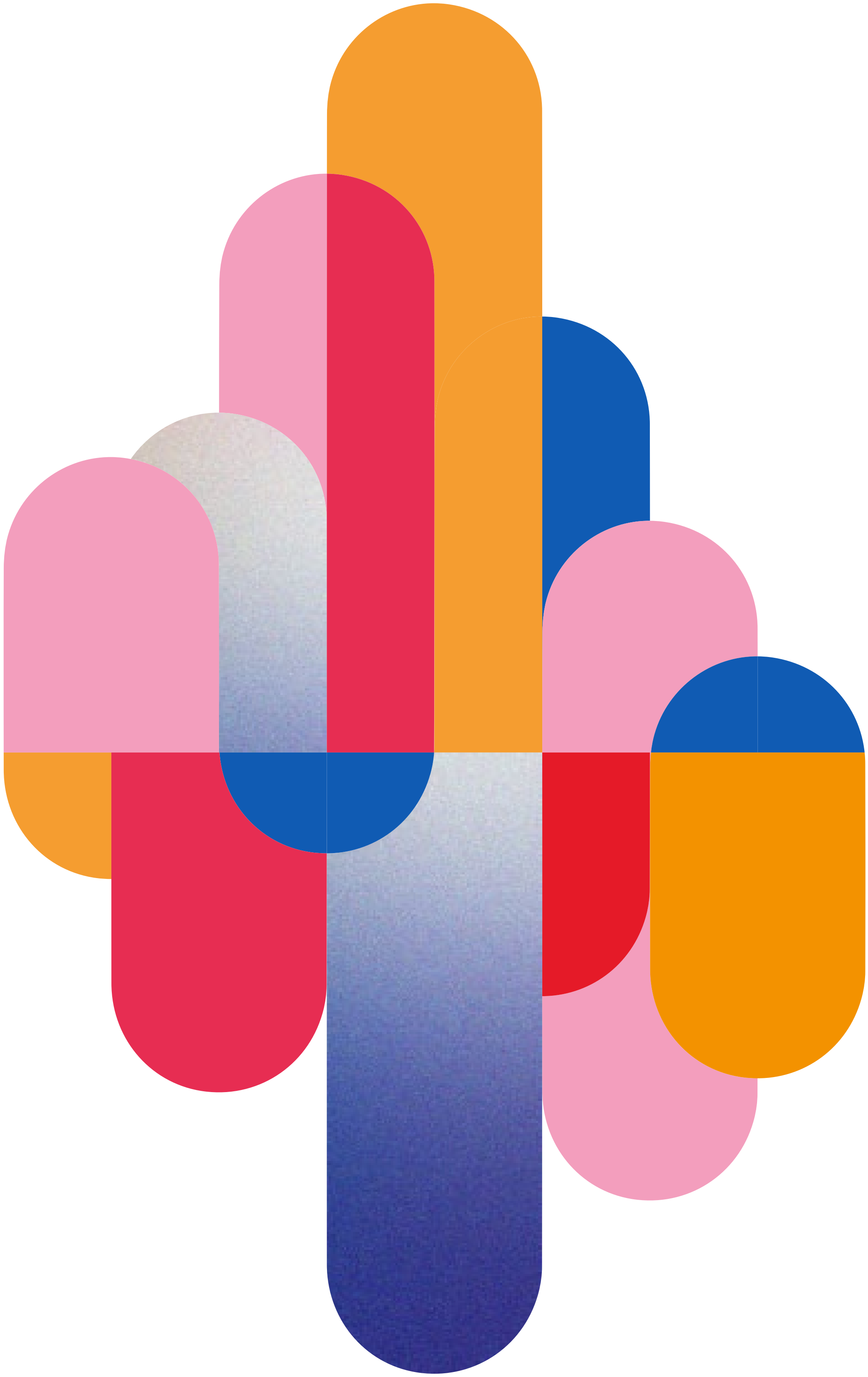
In case of any questions related to this Report, the need for deeper analyses and/or a wider range of data, the contact person is Dea Demić, Head of Corporate Communications, dea.demic@jgl.hr.

102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS

This report has been prepared in accordance with the GRI Standards from 2016: Core option

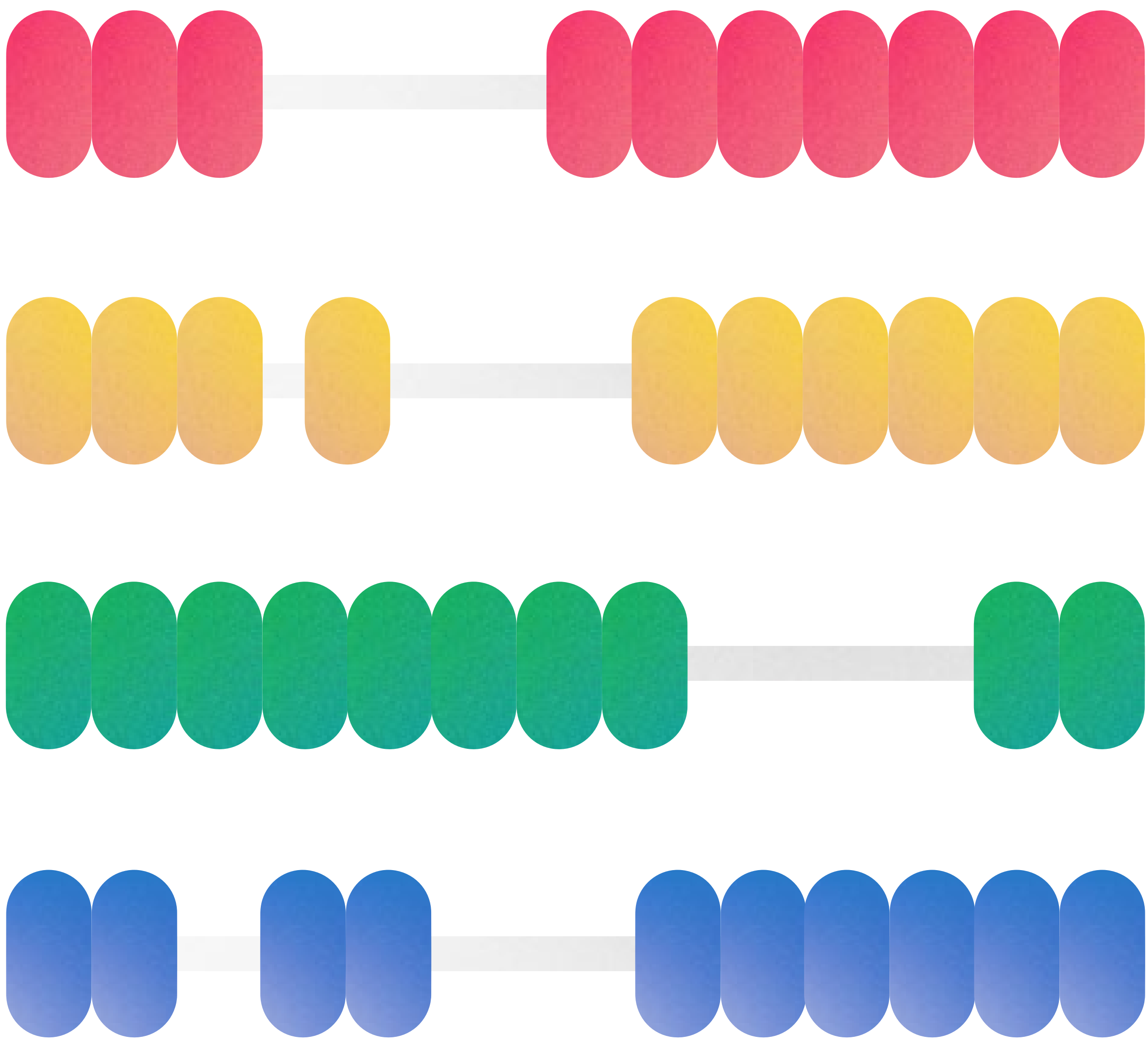
102-56 EXTERNAL ASSURANCE

Under the with the continuous and comprehensive support of the Croatian Business Council for Sustainable Development (HR BCSD), JGL has, for each published report, sought the opinion of the HR BCSD Management Board to be included in the Report. This issue is no exception either - HR BCSD is most often called upon when it comes to promoting corporate social responsibility in the Republic of Croatia, and we appreciate their opinions and verification of the Report.



102-55 GRI CONTENT INDEX

ECONOMIC TOPICS



201 – ECONOMIC PERFORMANCE

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to its significant economic impacts on stakeholders and local, regional, national and international economic systems. The material nature of the topic is confirmed by the expectations and interests of stakeholders, who place the focus of the company's business on economic performance. To determine significant impacts related to economic performance, the JGL Group conducts systematic monitoring and analysis of its economic performance and reports on it through quarterly, semi-annual and annual reports. Economic performance has a significant impact within the entire JGL Group, while outside the Group, it impacts local communities and countries where the Group operates and our business partners.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL manages economic performance through a diverse product portfolio, sales dispersion in existing markets, sophisticated technology and manufacturing processes, investing in highly educated staff, research and development, and opening up new markets.

The long-term strategy of the JGL Group is based on increasing the share in sales of other regions and markets and reducing the share of the CIS region. During the reporting period, new markets were opened for licensing business models and several new markets were opened with distribution contracts in the Asia and Middle East clusters.

Additional use of technology of sterile forms is realised through projects of simultaneous development of contract manufacturing with partners. The Group also reduces the risk of securing the collection of receivables through the diversification of sales across different markets, the creation of customer credit ratings, credit limits and insuring foreign receivables.

JGL's income is significantly exposed to volatility due to a relatively high revenue concentration on a small number of customers. JGL manages this risk through active and frequent communication with key customers, acquiring new customers and tracking relevant competitors and market conditions both locally and internationally.

The Group also uses financial derivatives to hedge against sharp exchange rate fluctuations, manage liquidity risk by maintaining sufficient cash and working capital, and by contracting credit lines that allow quick withdrawal of short-term funds.

The Group minimises the risk of debt by regulating the share of financing with its own resources in relation to financing from other sources.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Mechanisms that the company uses to monitor the management approach effectiveness include external, independent auditing, monitoring the realisation of corporate goals, daily metering and analysing systems, and feedback from stakeholders.

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

		in HRK 000
	2020	**2019**
Direct generated economic value	**1,026,110**	**909,353**
Net sales revenue	1,003,766	904,909
Revenue from the lease and sale of assets	7,676	4,296
Revenue from interest	14,668	148
Distributed economic value	**843,157**	**732,120**
Operating costs	629,096	534,653
Salaries and employee benefits	188,618	172,631
Payments to providers of capital	14,668	19,548
Payments to government	10,059	4,892
Investments into the community	716	395
Economic value retained	**182,953**	**177,232**

201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

The parent company qualified for state incentives in the amount of HRK 11,229,603 in 2020. Incentives were realised through tax deduction based on education, investment, employment of long-term unemployed persons and volunteers, and preferential credit interests.

GRI 202 – MARKET PRESENCE

MANAGEMENT APPROACH DISCLOSURES 103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to its significant impact on the economic conditions of employees, on economic systems at the local, regional, national and international levels, and on the assessments and decisions of stakeholders. To determine significant impacts related to market presence, JGL Group systematically includes members of local communities into senior management and monitors the impact of their inclusion in its management teams. Significant impacts related to market presence occur in the entire JGL Group, as well as outside the Group, in local communities and in all markets where the Group operates.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL manages this topic through developing a thriving and cooperative culture oriented towards success by developing leadership and management skills and ensuring the accountability and independence of all employees, in all markets where it has sales operations. The basic salary is determined based on job value (ten evaluation factors that represent the company's strategic orientation and corporate culture), which is used to determine the complexity of jobs and levels of responsibility, and an additional scale for the required level of competence of each individual employee (knowledge, skills and delivery level) in a specific position, which is used to establish an employee's salary. Based on job value, the impact on defining and/or realising the business strategy and goals, and the expected levels of impact on creating an additional job value, all of the positions are divided into three categories: management, professional and support. Each group of jobs is further defined through three career levels of impact and responsibility.

202-1 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

	JGL Croatia	Croatia	JGL Russia	Russia
	initial gross 1 salary	**minimum salary**	**initial gross 1 salary**	**minimum salary**
2018	HRK 4,500.00	HRK 3,439.80	HRK 4,382.37	HRK 1,892.30
2019	HRK 5,000.00	HRK 3,750.00	HRK 4,574.10	HRK 1,892.30
2020	**HRK 5,000.00**	**HRK 4,062.51**	**HRK 5,812.41**	**HRK 2,078,55**
	average gross 1 salary	**average salary in the private sector**	**average gross 1 salary**	**average salary in the private sector**
2018	HRK 12,512.22	data not available	HRK 13,280.08	HRK 4,373.15*
2019	HRK 11,848.85	data not available	HRK 14,276.21	HRK 4,373.15*
2020	**HRK 12,415.98**	**data not available**	**HRK 13,122.91**	**HRK 4,770.00***

**Data taken from Mazars' Central and Eastern European Tax Guide 2020*

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Employees at JGL progress in their career either hierarchically or, to a larger degree, through the change of responsibilities in their existing job, or through internal transfers to other jobs where they can develop new skills and develop and share existing knowledge with other employees.

202-2 PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

In the JGL Group, there is no difference in starting salary for men and women, and the business performance of the company is reflected in employee benefits. Significant places of business are considered to be the markets with the largest number of employees (Croatia and Russia), those that account for more than 95% of the total JGL Group production (Croatia), as well as those with the most significant share in total revenue (Russia and Croatia). All of the senior management (the Management Board, the Executive Director, the first line of directors, managers, and department heads) are employed from the local community in significant places of business, whereby the definition of a local community is the country of the business location. The same applies to middle and lower management.

203-2 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

The JGL Group has a significant positive impact on the business environment. The intensity and types of indirect economic impacts of the JGL Group differ depending on the surroundings of individual Group members. The largest positive impact is made by the parent company, which employs the largest number of people and generates indirect economic impacts through:

- Improving skills and knowledge within the professional community
- Increasing production capacities and creating new jobs
- Stimulating local producers and increasing the number of jobs in the supply chain
- Taking part in many charitable initiatives
- Enabling direct foreign investments

ENVIRONMENTAL TOPICS

GRI 300 – ENVIRONMENTAL TOPICS

In 2020, JGL launched the project "E3 - Energy efficiency of the JGL production complex" which was submitted to the tender of the European Regional Development Fund for the implementation of measures to increase energy efficiency and the use of renewable energy sources in manufacturing industries. The aim is to achieve a return on investment of approx. 69%. The planned savings that the company wants to realise relate to the following segments:

- Replacement of the non-sterile production cooler which will achieve energy savings of 32.7%;
- Replacement of lighting in the sterile solutions department, which will achieve 64% savings in electricity consumption;
- Replacement of the non-sterile DHW system bringing an alternative energy source through solar collectors and 66.1% energy savings;
- A centralised system of measuring electricity consumption at the location Svilno 1;
- A non-integrated photovoltaic power plant at Svilno 2.

The latter is also the most important part as the construction of a photovoltaic power station for own use reduces the dependency on the energy supplied from the main power grid. The non-integrated photovoltaic power plant is planned for an annual production of 0.137 MWh of energy. The construction of the new plant is expected to save 1.6% in relation to the total needs of all locations.

The key goals of the "E3 - Energy efficiency of the JGL production complex" project are:
Reduce energy consumption in the designed units from the current 456.7 MWh to 271.7 MWh;
Save 185 MWh or 40.51% in energy supplied;

- Reduce CO_2 by 106.5 t/year.

The total project value is planned at HRK 4.5, of which HRK 3.2 will be provided by the European Regional Development Fund. As a reminder, in 2016, JGL introduced the ISO 50001:2011 standard for energy management systems, based on which consumption is continuously controlled and opportunities for improvement are sought. This year, the energy management system was successfully recertified to the new ISO 50001:2018 standard, without non-compliance.

At the very beginning of the year, the system of remote monitoring of energy consumption was implemented with own funds at the location Svilno 2, and at the end of the year, at the location Svilno 1. Further investments in the control and monitoring of consumption through co-financing by the Fund will create a single system of control over energy consumption. In addition to enabling a more systematic analysis of consumption, the system will also have a networked alarm in case of increased consumption, enabling us to react promptly and undertake corrective actions to resolve the problem.

GRI 302 – ENERGY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

To increase competitiveness, in the segment of investing in energy efficiency of the facilities, JGL has successfully managed the energy aspect through the "ISO 50001:2018 energy management system". The 2020 recertification has confirmed the success of our implementation so far.

The topic of "Energy" is material for the JGL Group due to significant ecological and economic impacts related to energy and the shareholders' reasonable expectations and interests in the company's systematic care about the following:

- Control over energy losses in development, production and distribution through the implemen-

tation of preventive methods for network maintenance and investments in the entire system;
- Ensuring the availability of information and data, continuous improvement of methods for the analysis of data on energy source consumption (electricity, water, fuel, gas), and recognising opportunities and implementing activities for the improvement of energy performance;
- Permanently raising awareness on the importance of energy efficiency among all users;
- Procurement of energy-efficient machines, devices and vehicles, and energy services;
- Energy efficiency when designing, upgrading and modernising the company's systems;
- Continuous improvements of the energy management system in accordance with the requirements of the ISO 50001 standard;
- Permanent harmonisation and intention of surpassing legal and other requirements in the field of energy management, and in all other areas applicable to the business.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

The energy management system is applied to activities of development, production and distribution of medicines, medical devices, cosmetics, food supplements, food for special medical purposes, and other support activities.

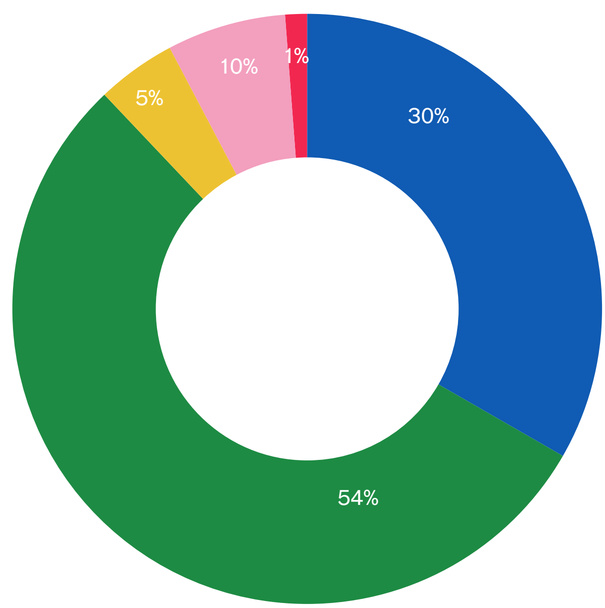
To achieve the above, the Management Board defines goals for energy system management and provides resources for their attainment. At the same time, participation in the energy management system is a duty of all JGL Group employees, who have a key role in carrying out the system activities. Our Energy Management Policy is a public document, available to all employees, partners, and other interested parties.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

The monitoring of the energy management system is carried out by an external audit in accordance with the ISO 50001:2018 standard, based on continuous systems of measurement, analyses and goals that are approved by the Management Board, which monitors their realisation.

302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION

The main energy sources used within JGL are electricity and extra light fuel oil (ELFO). By encouraging sustainable economic growth within the environment, JGL continues to use only electricity produced from renewable sources. ELFO is a relatively new energy source that has been in use since the opening of the new production plant within the Pharma Valley complex. Seeing as JGL is not in the position to use a more environmentally friendly energy source due to the remote location of the facility, it will continue to use ELFO for now. In the long run, a facility that uses ELFO as fuel is also prepared to use natural gas as an energy source and the transition is planned as soon as possible.

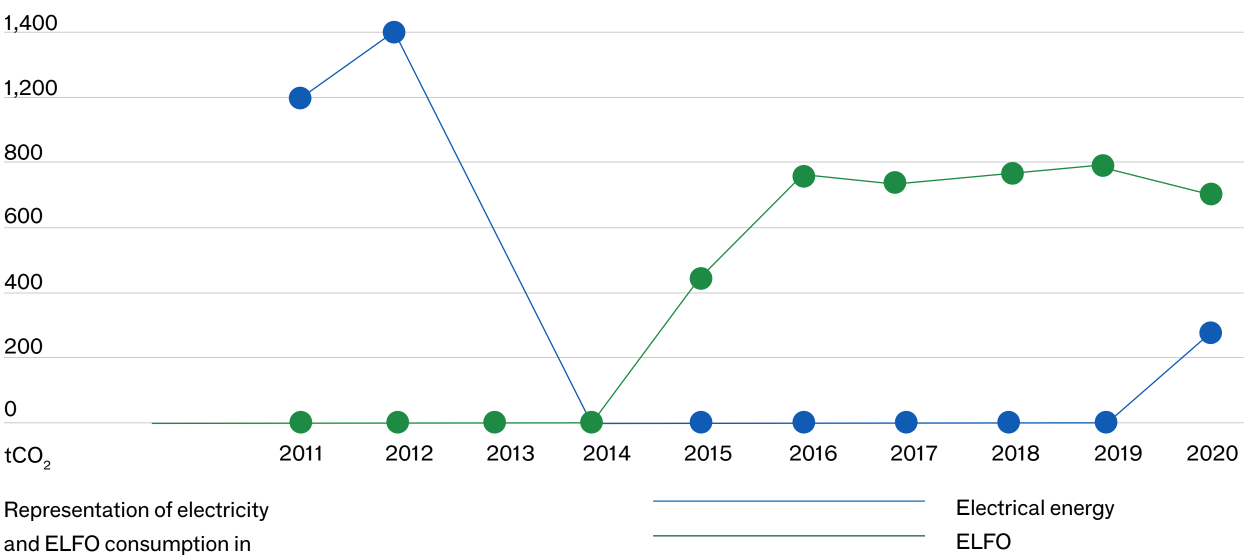


Distribution of invested energy by consumer in 2020

	Electrical energy			ELFO			
	MWh	GJ	tCO_2*	l	MWh	GJ	tCO_2*
2011	4,383	15,779	1,213	0	0	0	0
2012	5,080	18,288	1,406	0	0	0	0
2013	5,821	20,956	685**	0	0	0	0
2014	5,749	20,696	0**	0	0	0	0
2015	7,287	26,233	0**	169,000	1,791	6,449	496
2016	8,193	29,495	0**	260,000	2,756	9,922	763
2017	8,769	31,568	0**	247,000	2,618	9,426	725
2018	8,428	30,341	0**	260,000	2,756	9,922	763
2019	8,327	30,139	0**	273,000	2,894	10,418	801
2020	8,218	29,585	349***	234,000	2,480	8,929	686

The ratio of electricity and ELFO consumption in relation to greenhouse gas emissions (tCO_2) from 2011 to 2020

** Specific CO_2 emissions per kWh of energy produced are 276.75 g/kWh; while for ELFO it is 299.70 g/kWh Source: Manual for Energy Consultants, UNDP*
*** On 1 September 2013, a contract was signed with HEP Opskrba for the supply of electricity from renewable sources (ZelEn – Green Energy)*
**** 1/11/2020 JGL no longer purchases electricity from renewable sources*



Representation of electricity and ELFO consumption in relation to greenhouse gas emissions (CO_2) from 2011 to 2020

302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION

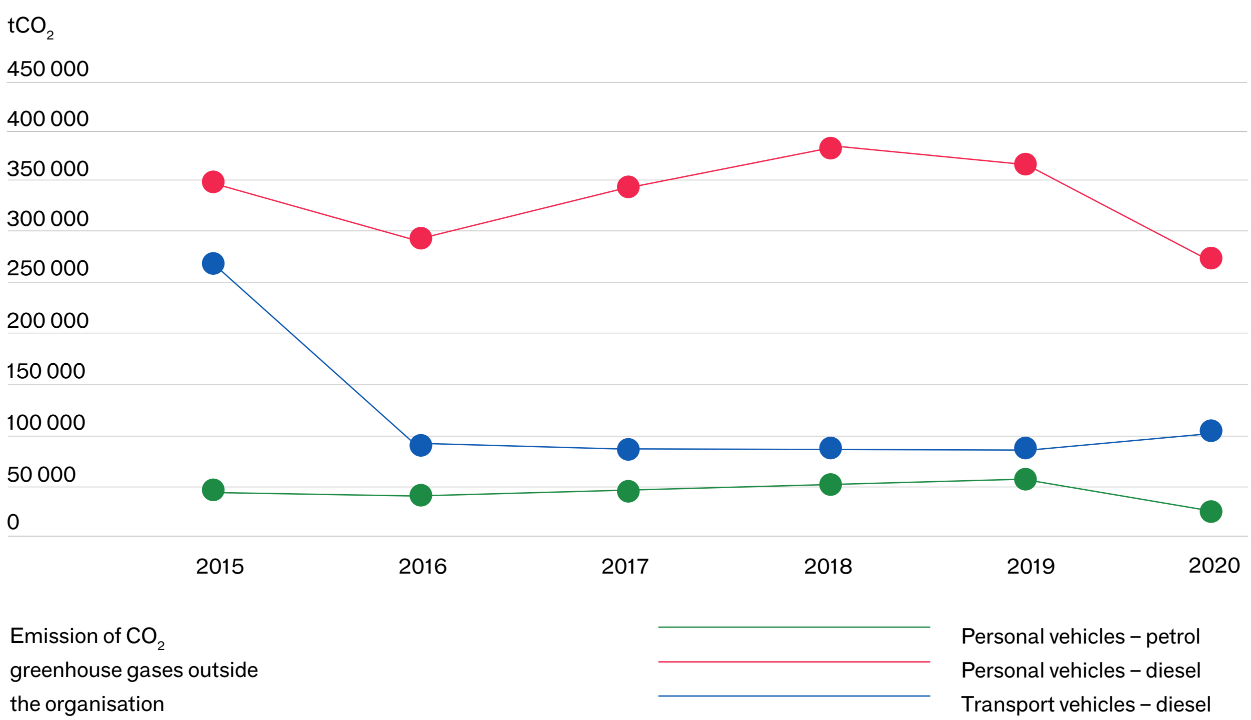
	Personal vehicles – petrol				Personal vehicles – diesel			
	l	MWh	GJ	t CO_2*	l	MWh	GJ	tCO_2
2015	13,305	138,732	498,139	37,687	112,850	1,196,210	4,306,356	346,458.30
2016	12,348	128,422	462,320	34,977	96,330	1,021,098	3,675,953	295,740.61
2017	15,407	160,235	576,846	43,642	109,646	1,162,248	4,184,091	336,621.77
2018	18,200	189,280	681,408	51,552	126,339	1,339,193	4,821,096	387,870.58
2019	19,937	207,345	746,441	56,472	121,718	1,290,211	4,644,759	373,683.75
2020	8.561	89,034	320,524	24,249	91,464	969,518	3,490,266	280,801.61

Relationship between the consumption of eurosuper fuel in personal vehicles, diesel fuels in personal vehicles and diesel fuels in freight vehicles in relation to greenhouse gas emissions (CO_2) from 2015 to 2020

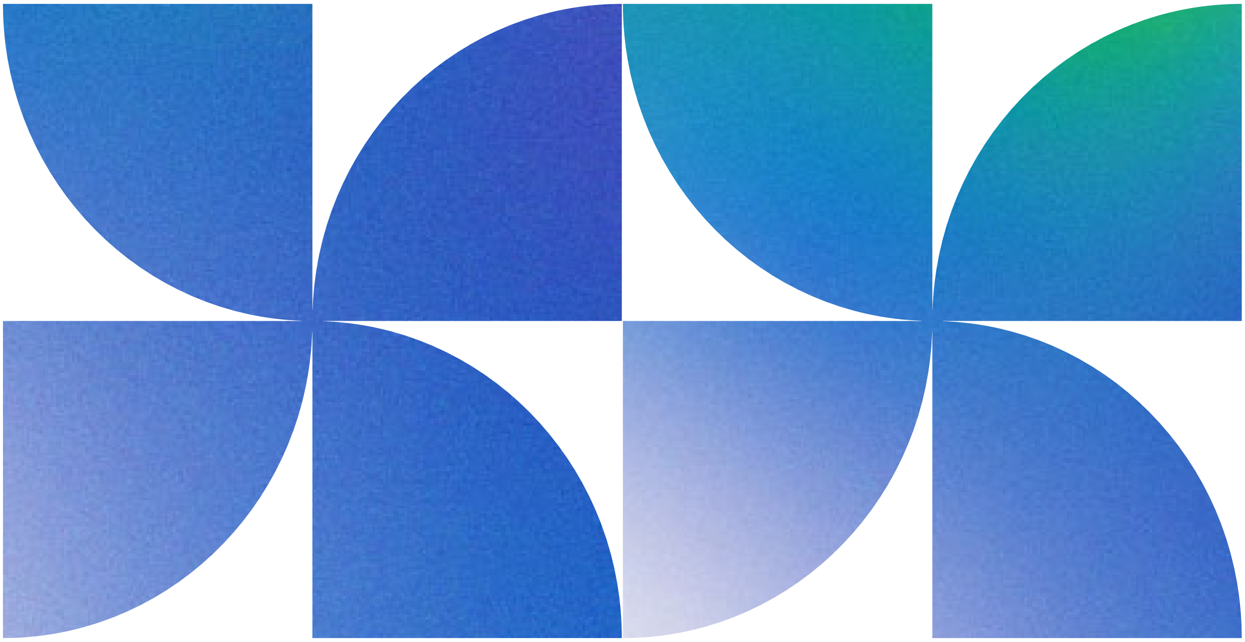
** Specific CO_2 emissions per kWh of energy produced from diesel fuels are 296.45 g/kWh. Source: Manual for Energy Consultants, UNDP*

*** Due to the increase in production, the need for transport, ie fuel consumption, increases.*

	Transport vehicles – diesel			
	l	MWh	GJ	tCO_2
2015	85,888	910,413	3,277,486	263,682.86
2016	28,343	300,436	1,081,569	87,015.22
2017	26,523	281,144	1,012,118	81,427.68
2018	26,523	281,146	1,012,124	81,428.20
2019	25,890	274,434	987,962	79,484.32
2020**	33,482	354,909	1,277,673	102,792.35

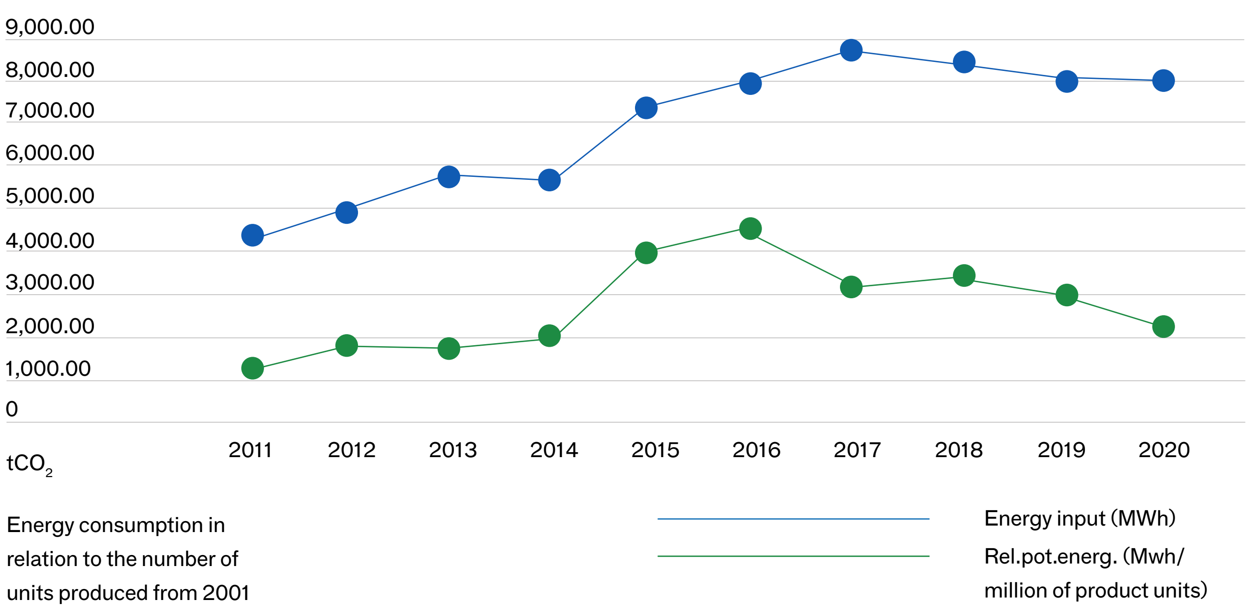


Emission of CO_2 greenhouse gases outside the organisation



302-3 ENERGY INTENSITY

In 2020, the trend of reducing energy consumption continued with an increase in production, i.e. the number of products produced. This trend is planned to continue, with optimisation and continuous monitoring of energy sources and increased production. Energy input includes electricity and ELFO.



Energy consumption in relation to the number of units produced from 2001 to 2020

302-4 REDUCTION OF ENERGY CONSUMPTION

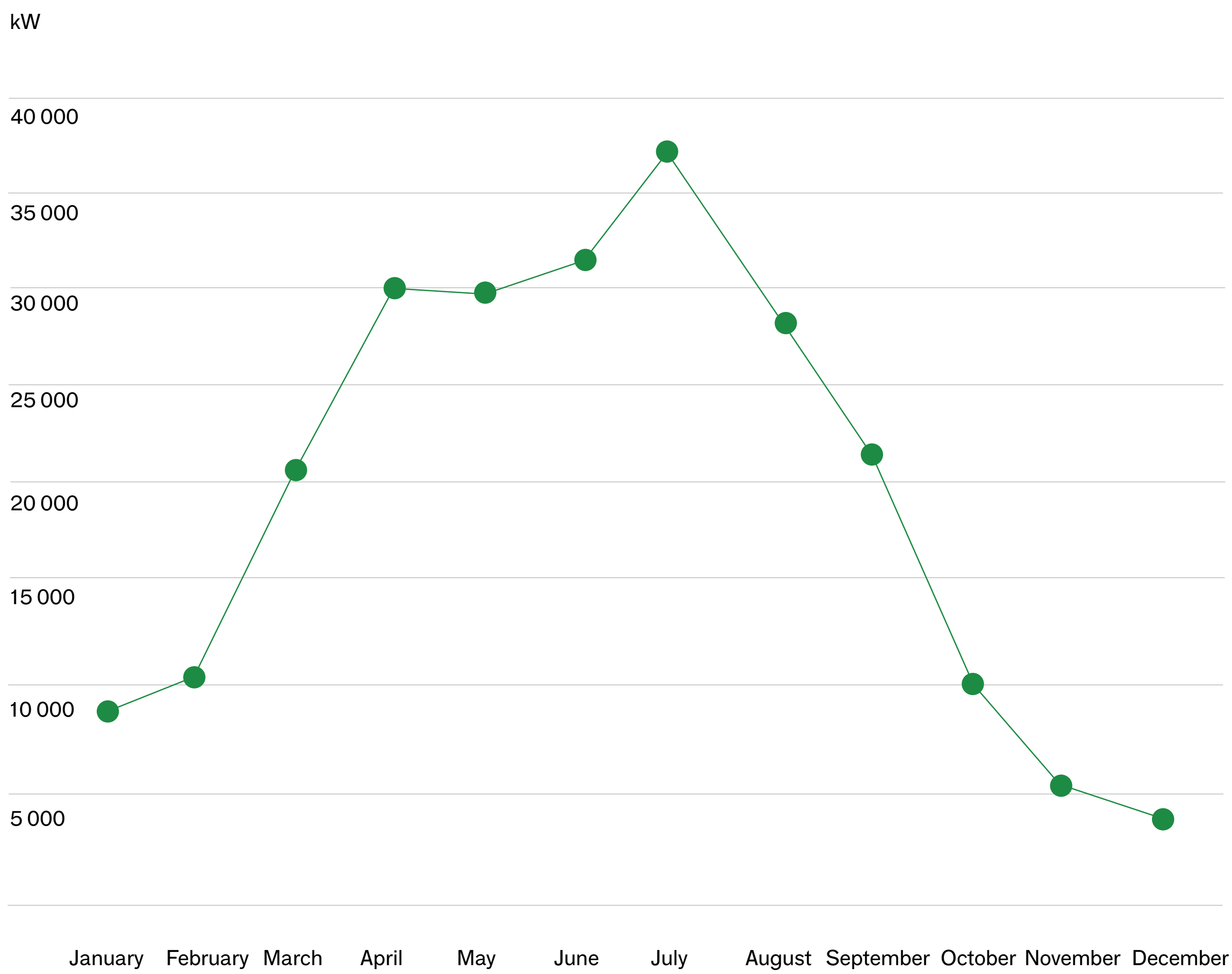
The Company reduces the consumption of electrical energy by using solar energy for heating water, and through its own production of electrical energy from a photovoltaic power station.

In accordance with the ISO 50001:2018 standard for energy management systems, all segments of energy are constantly monitored and in the last five years, noticeable savings in energy consumption have been achieved, and consequently lower emission of harmful substances released into the environment.

In addition to good management and investments in equipment, the following measures to reduce energy consumption were implemented:

- Replacement of existing lighting with LED lights
- Temperature regulation of processes, and operational, storage and office spaces
- Partial use of wasted heat
- Solar preheating of hot water and water softening (preventing limescale deposits on the heating elements)
- System for remote monitoring of the consumption of all energy sources (electrical energy, water and ELFO)

Electricity production from own photovoltaic power plant in 2020



GRI 303 – WATER

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material for JGL Group due to significant environmental impacts related to water and due to stakeholders' expectations and interest in the company's systematic care about:

- Introducing advanced washing and cleaning processes;
- Effective preparation of purified water for industrial needs;
- Use of waste water and collection of rainwater from roofs for the irrigation of green areas;
- Controlled water discharge and treatment of water through biological purifiers before its discharge into municipal systems.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

The goal and purpose of the approach to waste water management are to systematically monitor the quality of waste water on a daily basis through own efforts, as well as to analyse the quality of discharges of authorised partners based on water permits. The obligation to manage waste water is based on compliance with legal regulations and, where possible, even stricter own measures.

Water discharge is controlled and water is treated in biological purifiers before being discharged into municipal systems. At all JGL manufacturing sites, there are a total of three biological purifiers which are continually refurbished according to new technologies.

The systems for collecting rainwater from roofs and water from the production process of purified water at the new production facility Svilno 2 greatly contributes to the reduction of water consumption for irrigation of green areas. The mud residue, or the sludge from the purified water, is collected and ecologically disposed of by authorised external partners.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Mechanisms for monitoring the effectiveness of the management approach include water authority inspections, monitoring of waste water quality through authorised laboratories, and own daily discharge analysis. The processes arising from the above are:

- documentation and data management,
- management of non-compliance and corrective measures,
- resource management,
- analysis and improvement (monitoring, quality review, process performance),
- risk management and management of opportunities.

303-1 WATER WITHDRAWAL BY SOURCE

JGL is supplied with water from the local water supply network and there are no surface flows within the production sites. The implementation of a consumption monitoring system resulted in direct savings and reduced consumption.

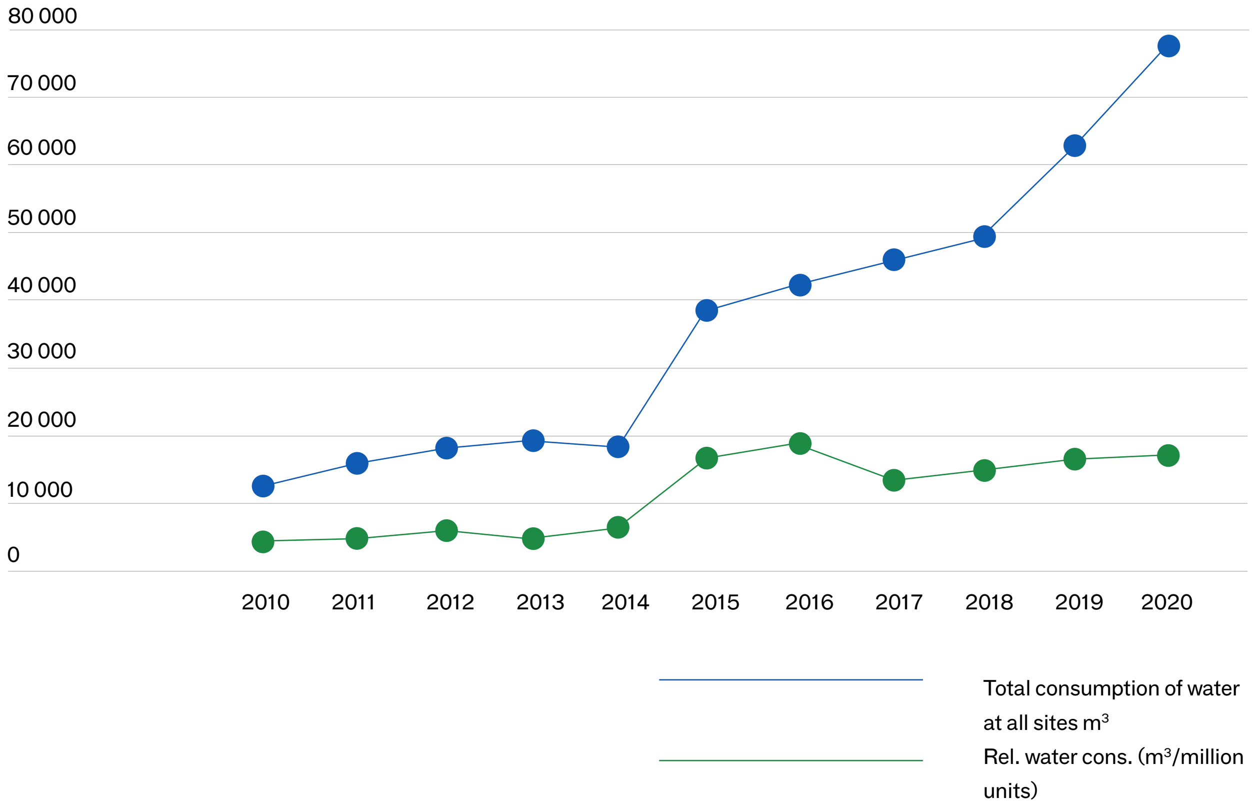
A sharp increase in water consumption was recorded in 2015 due to the opening of a new production site and testing of different systems. By optimising consumption and through continuous remote monitoring of the entire water supply system of the plant, uncontrolled leaks have been greatly reduced. The trend of growth of production stimulated the growth of water consumption, but it remained within the same values in relation to the number of units produced. It is worth pointing out that the discharged water from the clean water production system and rainwater from the roof surfaces is accumulated in the collection pool and used for watering green areas.

303-3 WATER RECYCLED AND REUSED

JGL is undertaking numerous measures for the reduction of water consumption:

- Introducing advanced washing and cleaning processes;
- Effective preparation of purified water for technological needs - less waste water;
- Use of waste water for watering green areas.

Relationship between water consumption and relative consumption per produced product in the period from 2010 to 2020



GRI 305 – EMISSIONS

305-5 REDUCTION OF GREENHOUSE GAS EMISSIONS

Managing gas emissions, i.e. the release of gases into the environment, is one of the biggest priorities for JGL when it comes to caring for the environment. Through our green way of thinking, own production of eco-energy, and the introduction of the ISO 50001:2018 standard, a high degree of environmental consciousness and care was achieved.

The Company regularly monitors and reports on releases into the atmosphere from stationary sources in accordance with legal obligations. The chemical composition of the coolant used in the air-conditioning systems, just like in the majority of all existing systems, is not harmful to the ozone layer. JGL pays particular attention to the monitoring and servicing of this equipment to prevent failures and irregularities that can lead to an unwanted release of harmful gas into the environment. Servicing and repairs are performed exclusively by our authorised partners. In accordance with trends and company needs, the design and execution of new systems are performed using an eco-friendly coolant. New technology coolants which are planned to be used in the near future are: R32, R134A, R513A, R449A, whereas R22 and R404A are planned to be replaced with environmentally friendly equivalents.

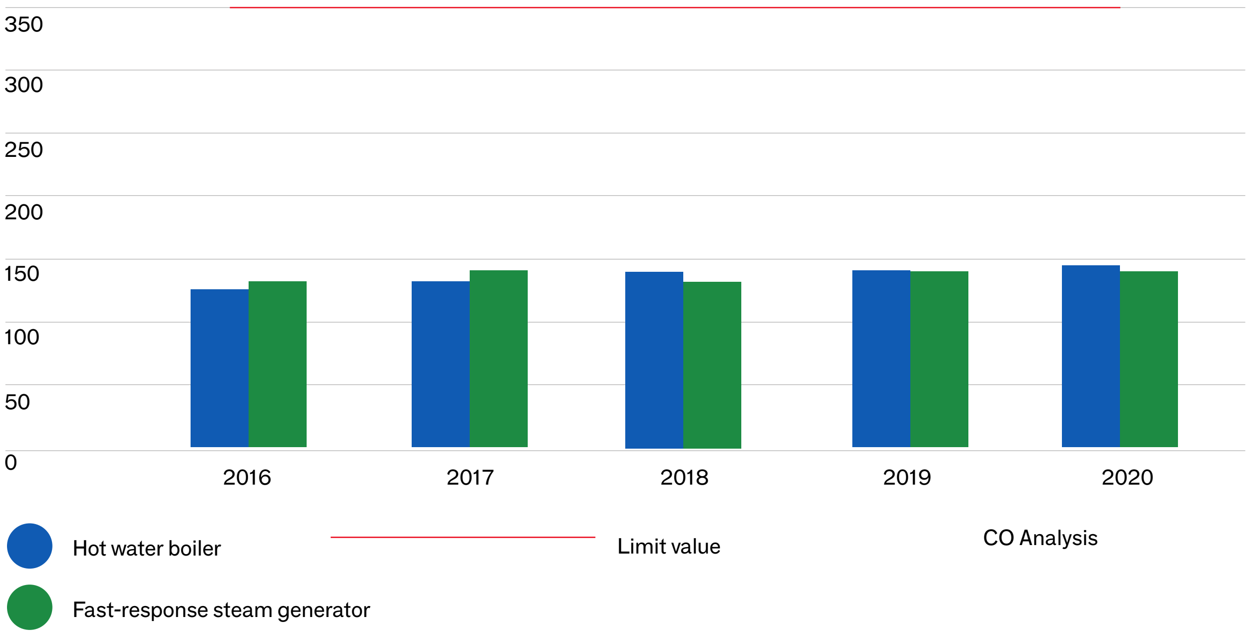
Through planned measurements, as well as preventive and predictive maintenance of air pollutant emissions from stationary sources, in the past year, said emissions were maintained below the legally prescribed limit values.

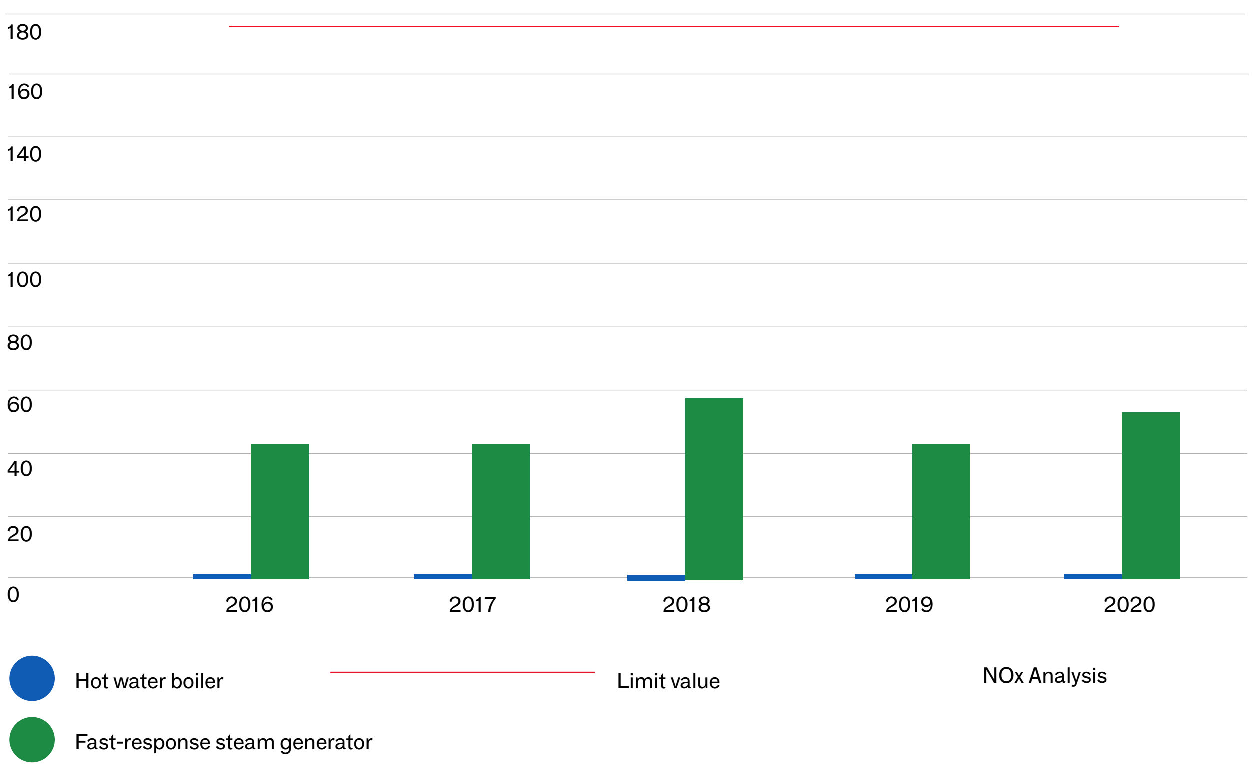
Quantity of coolants used in the company from 2016 to 2020

Quantity in kg

	2016	2017	2018	2019	2020
R22	47	41.71	21.71	20.01	13.66
R407C	165.2	163.15	178.85	133.85	137.1
R410A	382.94	394.94	407.71	430.51	430.51
R32	0	0	0	1.7	1.7
R404A	97.2	97.2	97.2	97.2	10
R134A	532	532	662	662	662
R513A	0	0	0	0	21
R449A	0	0	0	0	45

Analysis of air pollutants
from stationary sources
from 2016 to 2020





GRI 306 – EFFLUENTS AND WASTE

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic was chosen as material because JGL, through its regular operations and activities, generates hazardous and non-hazardous waste, as well as technological waste water. Information related to the above is of significant interest to key stakeholders.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

Until the end of 2020, the Department of Technical Support dealt with environmental protection and management of protection mechanisms at JGL. At the end of 2020, in the process of internal reorganisation, the department was renamed - Safety, Health and Environment, which puts additional emphasis on the importance of quality management of these segments. In the Safety, Health and Environment Department, the ways in which JGL manages waste from the moment it is generated to the moment it is handed over to an authorised waste disposal partner are continuously reviewed. Emphasis is placed on the separation of different types of waste, especially recyclable or otherwise reusable waste, and on the labelling of generated waste in terms of micro-location. This gives JGL better information on the amount and type of waste generated in certain work processes, which is the basis for more efficient waste management and better reporting on its generation. Within the JGL's management process for environmental protection, a responsible attitude towards waste and the development of a proper waste management culture are a top priority for creating a healthy and sustainable business. The company also shows a responsible attitude towards the environment through various cleaning initiatives organised annually in the local community. Members of the wider and immediate community are encouraged to participate through corporate social networks, with JGL rewarding the best for their contribution.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

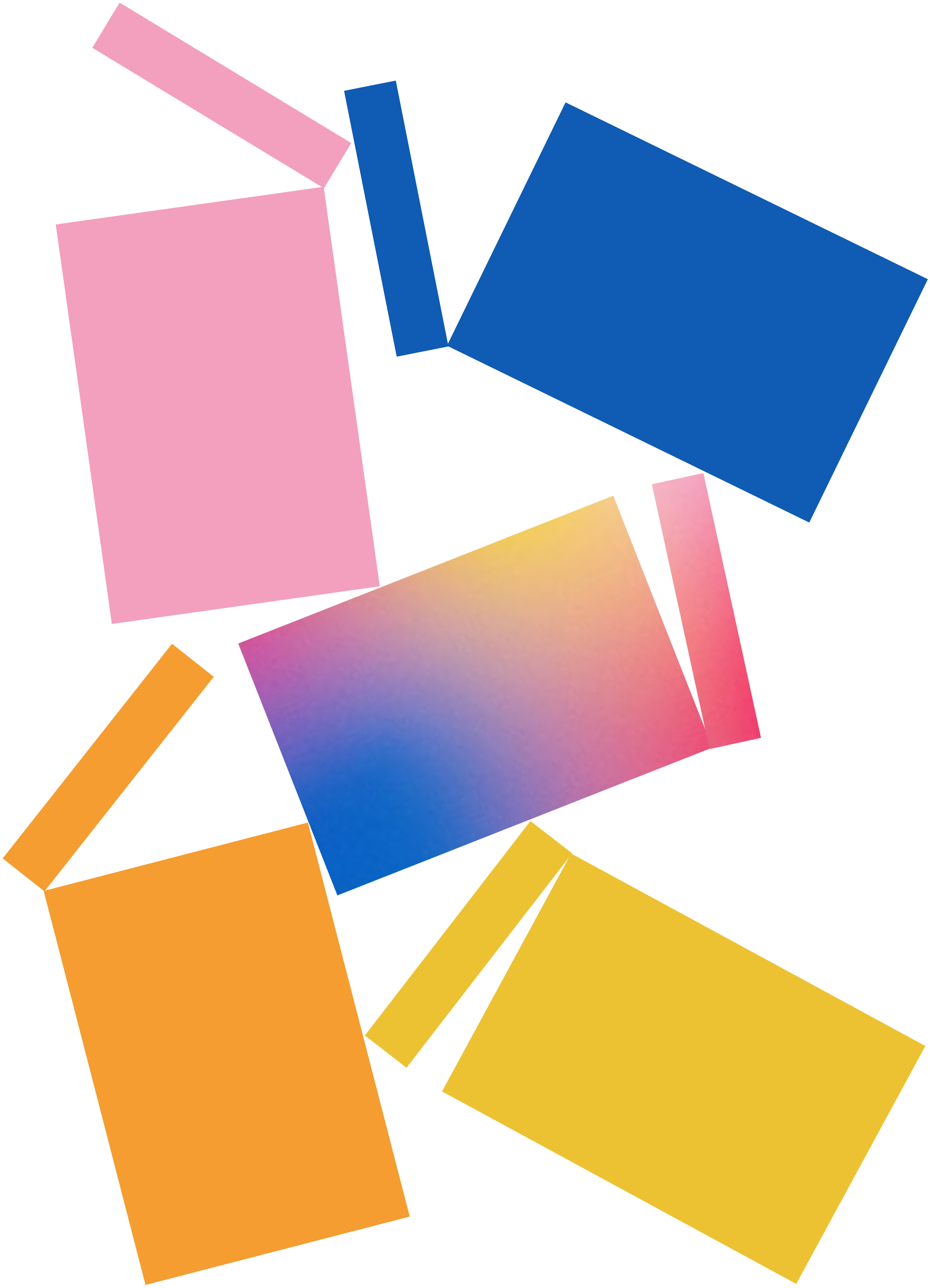
Monitoring the efficiency of the waste water and waste management system is carried out by managing documentation and data. Specifically, an integrated software solution is used for monitoring the amount and type of waste generated that, among other functionalities, provides an overview of the amount and type of waste for any time interval from the start of use of the system. Also, an effective management approach is provided through external and internal audits which identify non-compliances, periodic inspections in the relevant areas, semi-annual laboratory analyses of waste water at discharge sites, as well as feedback from employees and partners.

306-1 WATER DISCHARGE BY QUALITY AND DESTINATION

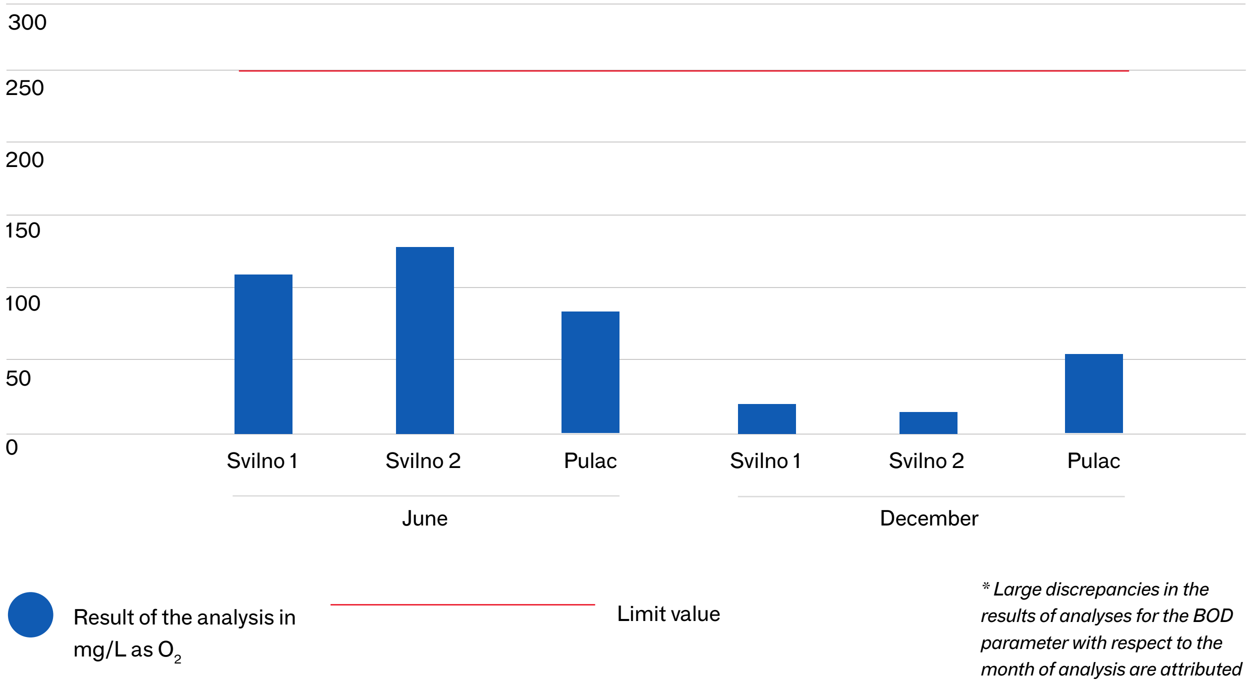
JGL has three discharge points of technological waste water. At the Pulac site, there is a discharge point for waste water from the research and development laboratory. At the Svilno 1 site, there is a discharge point for waste water from the production plant as well as from the quality control laboratory and at the Svilno 2 site, there is a discharge point for waste water from the production plant located at the location. At all three locations, technological waste water is treated in the treatment plants before being discharged into the public sewerage system. At the Svilno site, there are two biological treatment plants, one for each micro-location, while at the Pulac site there is a chemical waste water treatment plant. The analysis of waste water samples collected at discharge points is carried out in authorised laboratories, periodically every six months, in accordance with legal regulations. Water is analysed for parameters determined by valid water permits for each location. Analyses of waste water samples show that all parameters, which the company is obliged to test in accordance with water permits, are below the prescribed limit values.

Waste water analysis parameters at JGL in 2020

No	Parameter	Location	2018	2019
		Svilno 1	Svilno 2	Pulac
1	Water temperature	●	●	●
2	pH	●	●	●
3	Sediments	●	●	●
4	COD	●	●	●
5	BOD	●	●	●
6	Total oils and grease	●	●	●
7	Anionic detergents	●	●	●
8	Suspended matter	●	●	n/a
9	Nitrogen	●	●	n/a
10	Nitrites	●	●	n/a
11	Nitrates	●	●	n/a
12	Total nitrogen	●	●	n/a
13	Total phosphorus	●	●	n/a
14	Colourants	●	●	n/a
15	Non-ionic detergents	●	●	n/a
16	Chlorides	●	●	n/a
17	Sulphites	●	●	n/a
18	Sulphides dissolved	●	●	n/a
19	Sulphates	●	●	n/a
20	Total cyanides	●	●	n/a
21	Free cyanides	●	●	n/a
22	Phenols	●	●	n/a
23	Adsorbable organic halogens	●	●	n/a
24	Volatile chlorinated hydrocarbons	●	●	n/a
25	Total aromatic hydrocarbons	●	●	n/a
26	Copper	●	●	n/a
27	Zinc	●	●	n/a
28	Chromium – total	●	●	n/a
29	Nickel	●	●	n/a
30	Lead	●	●	n/a
31	Mercury	●	●	n/a



Review of the quality of discharged technological waste water expressed through total pollution as BOD



** Large discrepancies in the results of analyses for the BOD parameter with respect to the month of analysis are attributed to a change in the laboratory with which JGL cooperates.*

306-2 WASTE BY TYPE AND DISPOSAL METHOD

JGL produces hazardous and non-hazardous waste. To dispose of the generated waste in a legal and environmentally friendly manner, JGL cooperates with several authorised waste disposal companies in the Republic of Croatia. The partners have all the prescribed permits for performing the required activities, i.e. all permits for hazardous and non-hazardous waste management. The permits were issued by the Administrative Department for Physical Planning, Construction and Environmental Protection of the Primorje-Gorski Kotar County, as well as by the Ministry of Environmental Protection and Energy.

JGL's priority in terms of waste management is to reuse the waste as raw material through recycling and recovery. For this purpose, JGL educates its employees on proper waste separation, and there is a special space intended for the separation of large quantities of waste at the Svilno site. The separated non-hazardous waste (paper, cardboard, plastic, glass, aluminium...) is collected by authorised partners for disposal, who forward it for processing where the waste is treated in appropriate ways and largely becomes a raw material again. Hazardous waste is given to authorised hazardous waste disposal partners who transfer the majority of it to incineration plants in Europe (primarily Austria) for its disposal following the highest European Union standards that ensure minimal impact of the disposal process on the environment. A small part of specific hazardous waste is used as fuel, i.e. as a source of energy.

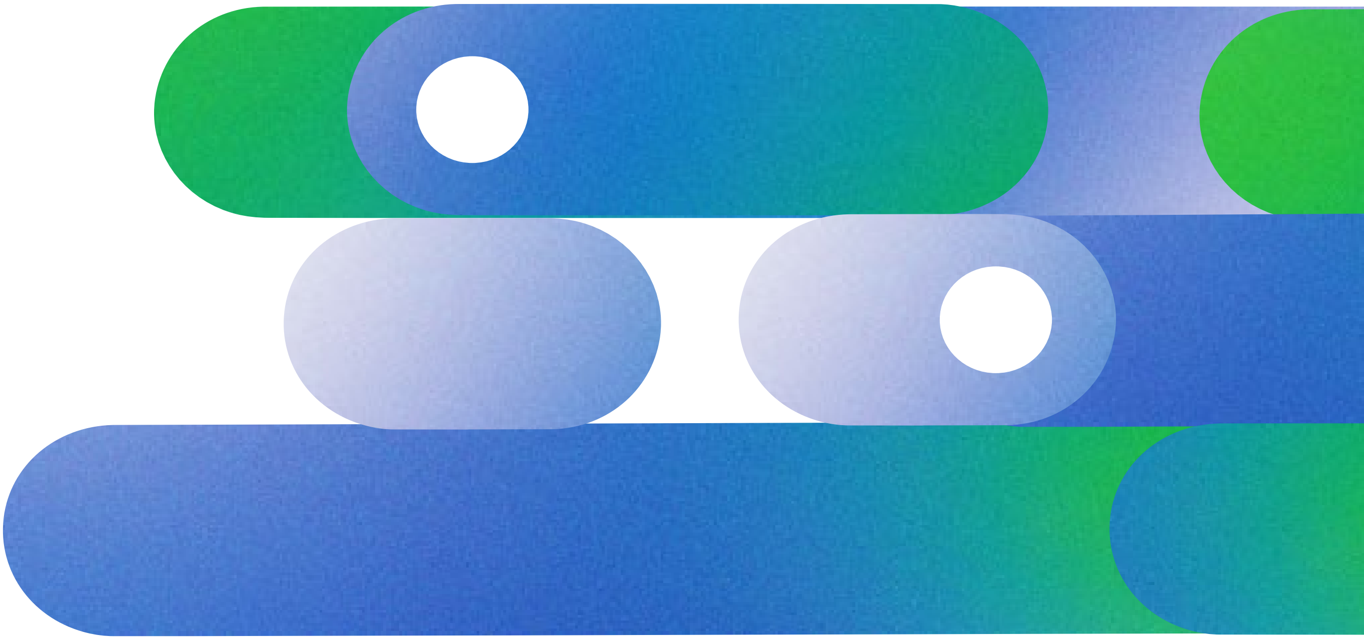
In 2020, JGL d.d. produced a total of 416,421.50 kg of waste, of which 395,970.00 kg is non-hazardous waste and 20,451.50 kg hazardous waste. An overview of the generated waste in the reporting year by waste catalogue number is shown in the table below.

EWC	NAME	Type of waste
02 03 04	Materials unsuitable for consumption or processing	
07 05 14	Solid wastes other than those mentioned in 07 05 13*	Non-hazardous
07 05 99	Wastes not otherwise specified	Non-hazardous
07 06 99	Wastes not otherwise specified	Non-hazardous
15 01 01	Paper and cardboard packaging	Non-hazardous
15 01 02	Plastic packaging	Non-hazardous
15 01 06	Mixed packaging	Non-hazardous
15 02 03	Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02*	Non-hazardous
16 03 04	Inorganic wastes other than those mentioned in 16 03 03*	Non-hazardous
16 06 04	Alkaline batteries (except 16 06 03)	Non-hazardous
18 01 09	Medicines other than those mentioned in 18 01 08*	Non-hazardous
20 03 07	Bulky waste	Non-hazardous
06 01 01*	Sulphuric acid and sulphurous acid	Hazardous
07 05 03*	Organic halogenated solvents, washing liquids and mother liquors	Hazardous
07 05 04*	Other organic solvents, washing liquids and mother liquors	Hazardous
08 03 17*	Waste printing toner containing dangerous substances	Hazardous
13 01 10*	Mineral-based non-chlorinated hydraulic oils	Hazardous
13 02 05*	Mineral-based non-chlorinated engine, gear and lubricating oils	Hazardous
15 01 10*	Packaging containing residues of or contaminated by dangerous substances	Hazardous
15 01 11*	Metallic packaging containing a dangerous solid porous matrix (for example asbestos), including empty pressure containers	Hazardous
16 01 07*	Oil filters	Hazardous
16 02 13*	Discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	Hazardous
16 05 06*	Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	Hazardous
18 01 03*	Wastes whose collection and disposal is subject to special requirements in order to prevent infection	Hazardous
20 01 21*	Fluorescent tubes and other mercury-containing waste	Hazardous
20 01 23*	Discarded equipment containing chlorofluorocarbons	Hazardous
20 01 35*	Discarded electrical and electronic equipment other than those mentioned in 20 01 21* and 20 01 23* containing hazardous components [7]	Hazardous

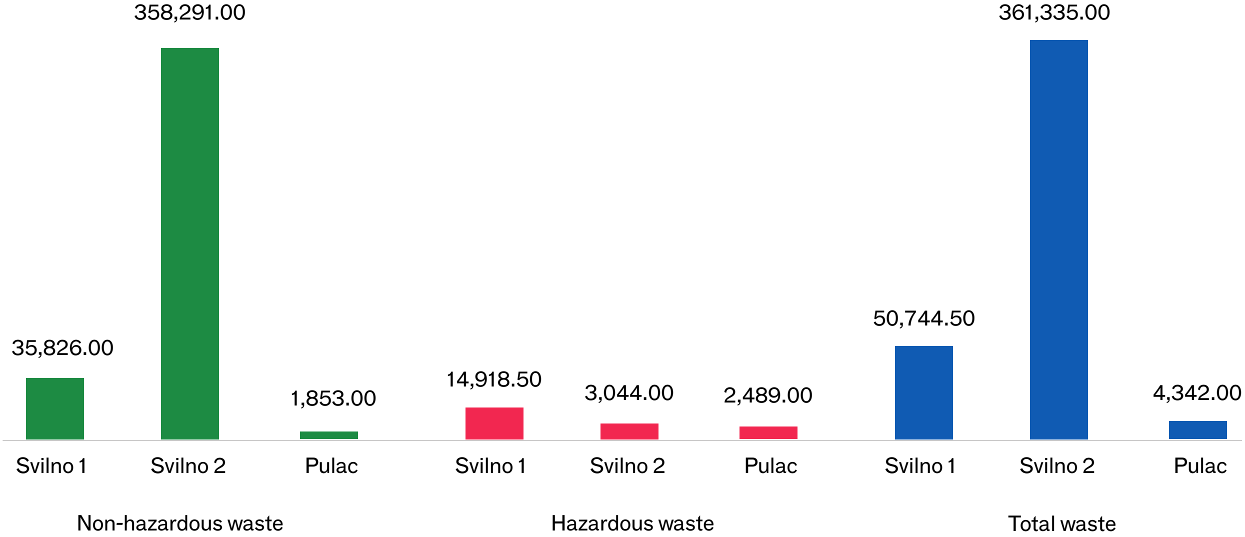
** EWC – European Waste Codes*

EWC	NAME	Svilno 1	Svilno 2	Pulac	Total
02 03 04	Materials unsuitable for consumption or processing	3,200.00	0.00	0.00	3,200.00
07 05 14	Solid wastes other than those mentioned in 07 05 13*	2,540.00	24,115.00	0.00	26,655.00
07 05 99	Wastes not otherwise specified	460.00	865.00	0.00	1,325.00
07 06 99	Wastes not otherwise specified	0.00	37,071.00	370.00	37,441.00
15 01 01	Paper and cardboard packaging	0.00	135,051.00	0.00	135,051.00
15 01 02	Plastic packaging	0.00	21,020.00	0.00	21,020.00
15 01 06	Mixed packaging	10.00	0.00	0.00	10.00
15 02 03	Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02*	1,442.00	0.00	0.00	1,442.00
16 03 04	Inorganic wastes other than those mentioned in 16 03 03*	95.00	0.00	0.00	95.00
16 06 04	Alkaline batteries (except 16 06 03)	0.00	0.00	11.00	11.00
18 01 09	Medicines other than those mentioned in 18 01 08*	28,079.00	45,949.00	1,472.00	75,500.00
20 03 07	Bulky waste	0.00	94,220.00	0.00	94,220.00
06 01 01*	Sulphuric acid and sulphurous acid	10.00	0.00	0.00	10.00
07 05 03*	Organic halogenated solvents, washing liquids and mother liquors	5.00	0.00	36.00	41.00
07 05 04*	Other organic solvents, washing liquids and mother liquors	2,140.00	0.00	1,355.00	3,495.00
08 03 17*	Waste printing toner containing dangerous substances	155.00	0.00	0.00	155.00
13 01 10*	Mineral-based non-chlorinated hydraulic oils	0.00	18.00	0.00	18.00
13 02 05*	Mineral-based non-chlorinated engine, gear and lubricating oils	100.00	0.00	0.00	100.00
15 01 10*	Packaging containing residues of or contaminated by dangerous substances	93.00	0.00	0.00	93.00
15 01 11*	Metallic packaging containing a dangerous solid porous matrix (for example asbestos), including empty pressure containers	338.00	1,132.00	230.00	1,700.00
16 01 07*	Oil filters	0.00	9.00	0.00	9.00
16 02 13*	Discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	1.00	0.00	0.00	1.00
16 05 06*	Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	555.50	0.00	868.00	1,423.50
18 01 03*	Wastes whose collection and disposal is subject to special requirements in order to prevent infection	11,221.00	0.00	0.00	11,221.00
20 01 21*	Fluorescent tubes and other mercury-containing waste	75.00	0.00	0.00	75.00
20 01 23*	Discarded equipment containing chlorofluorocarbons	150.00	840.00	0.00	990.00
20 01 35*	Discarded electrical and electronic equipment other than those mentioned in 20 01 21* and 20 01 23* containing hazardous components [7]	75.00	1,045.00	0.00	1,120.00
Total non-hazardous		35,826.00	358,291.00	1,853.00	395,970.00
Total hazardous		14,918.50	3,044.00	2,489.00	20,451.50
Total waste		50,744.50	361,335.00	4,342.00	416,421.50

** EWC – European Waste Codes*

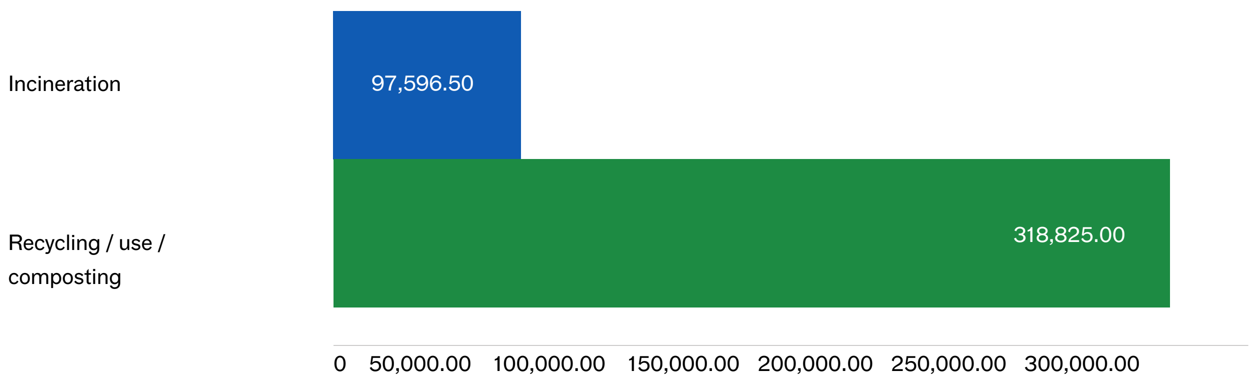


Quantities (in kg) of
generated waste by location
in the reporting year



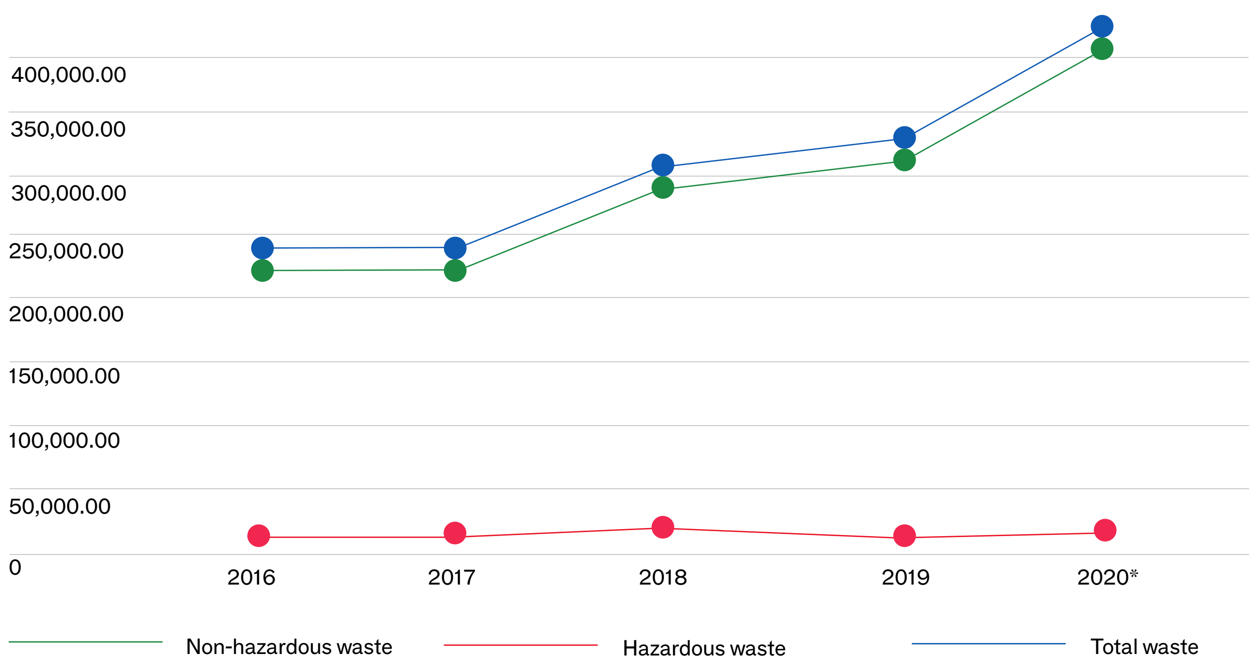
Quantities (in kg) of generated waste by type in the reporting year

Overview of the total amount of waste according to the method of disposal



** data on methods of disposing of certain types of waste were collected from waste disposal partners*

Quantities (m in kg) of produced waste in a five-year period



**The growth of generated waste is due to increased production compared to the previous year, as well as higher expenditures in 2020.*

SOCIAL TOPICS

GRI 400 – SOCIAL TOPICS

The three key areas that marked 2020 in terms of social indicators and which will continue to be the focus in the following year are:

- salary, bonus and benefit system (GRI 201 and GRI 202),
- learning and development (GRI 404-3),
- performance, competency, and career management system (GRI 404-3).

Reward system

Under the corporate action plan 2019/2020, a number of activities continued in the part of the reward system:

1. The harmonisation of pay grades with market data was carried out ensuring competitiveness in this segment;
2. Cycles of regular salary adjustments were conducted at the level of JGL, in accordance with the growth of competencies and delivery of employees, as a result of evaluation as part of the performance management process;
3. A cafeteria-style benefits plan has been introduced where each employee can choose between the options offered and to what extent they will include them in their individual cafeteria-style benefits plan;
4. In addition to regular reward payments (holiday bonuses and Christmas bonuses), employees were also paid bonuses on two occasions - for dedicated work during the COVID pandemic and lock-down, and for successful business results;
5. Models in other reward segments have been developed, with application beginning in 2021.

Learning and development

In 2020, the prerequisites for continuous learning and employee development were secured through the following:

1. A Talent Management system has been established to prepare individuals for further career growth;
2. A *Guide to Career and Competency Management* has been published, which details long-term and short-term development and career planning;
3. An annual calendar of HR activities for managers and employees has been set up, which monitors the processes with customised educational programmes;
4. Criteria and an introduction plan for onboarding new managers have been defined to improve staff agility;
5. LMS platform was launched for managing training programmes;
6. Rules have been defined for employee allocation between representative offices and subsidiaries of the company, as well as rules for the employment of foreign workers.

Defined development needs that have arisen from individual development and career plans are the basis for setting up management and employee training programmes that ensure the growth of the company's intellectual capital. Through the career management system and individual development plans, there were 53 promotions in JGL Pharma in 2020, of which 45 were horizontal promotions / internal rotations and 8 were vertical promotions to managerial positions.

Works Council (GRI 407)

The new Works Council (WC) of JGL was formed in accordance with the Labour Act in the second quarter of 2020. The foundation for the work was laid, the basic acts for the work of the Works Council were reviewed and confirmed: Rules of Procedure of the Works Council and the Agreement on the Conditions for the Work of the Works Council of JGL.

The obligations and powers of the Works Council are to protect and promote the interests of employees by consulting, co-deciding or negotiating with the Employer, and to ensure compliance with the Labour Act, Employee Handbook and other regulations. In 2020, 17 inquiries important for the economic and social position of workers were received. Areas of interest were salaries, working hours, the COVID-19 pandemic, employment obligations, work climate, charity events, etc. By the end of 2020, the Works Council had mediated in the resolution of 11 inquiries, with the remainder still in the process of resolution. The Works Council informs employees monthly and provides news and summary business information through the JGL Newsletter and e-mail address of the Works Council. Since June 2020, and after the confirmation of the new Works Council, the Works Council has introduced a quarterly, informative and educational leaflet in which it deals with topics of interest to employees, as well as points to other sources of information. The aim of using different channels of communication is a proactive approach to both employees and the Employer, and improving understanding in the employees - Works Council - Employer relationship.

Furthermore, a training course entitled "Methods and techniques for work in the Works Council" was held, which was organised by the Works Council with the support of the Management Board. The discussion about a number of practical examples from both JGL practice and other companies was particularly helpful. The lecturer, Danica Lisičar, MSc, coach, mediator and TA-analyst in mediation, presented, thoroughly and systematically, the legislative framework governing the work of works councils, the procedure for their establishment and work, and the legal consequences of avoiding or failing to cooperate with these bodies.

A dialogue based on trust and mutual cooperation continued with the Employer. With guaranteed discretion regarding employees, the WC initiates a dialogue with the Employer or the Employer's representative on open issues of employees and participates in the dialogue until a solution is found. The solution is then communicated to employees, either directly or privately, or through communication channels, thereby raising the awareness of all workers of any open issues and available solutions.

The WC also looks at the broader context and, in accordance with the perceived opportunities for improvement, proactively initiates appropriate steps. In 2020, pensioner care was brought to the attention of the Employer, with an emphasis on the special circumstances due to the COVID-19 pandemic.

In six months, the Workers' representative on the Management Board participated in five Board meetings which, for epidemiological reasons, were held online.

The position of all members of the WC is that in the new term, work should be improved in the following areas:

- Communication with employees through the opening of additional communication channels and systematic, periodic addressing of workers;
- Education on the rights and obligations arising from the Labour Act, both for employees and the Employer;
- Establishing concrete actions to achieve a win-win situation between the employees and the Employer.

COOPERATION IN THE COMMUNITY (GRI 201 AND GRI 413)

JGL Pharmacy Museum

JGL is heir to a long-standing pharmaceutical tradition, which served as a strong foundation for its development into a large domestic company with a global reach. Driven by the desire to host artists of the world, European and Croatian cultural scene in the year in which the city of Rijeka bears the title of European Capital of Culture, to contribute to culture, but above all to further affirm pharmacy as part of our health and cultural identity, JGL in cooperation with Rijeka City Museum and the City of Rijeka, opened the JGL Pharmacy Museum!

In establishing this unique institution in our country, we honour and recognise pharmacists and the pharmaceutical profession, in an effort to preserve these records of our time and not forget that which defines JGL, its employees, partners and customers both professionally and personally.

The permanent exhibit consists of ten interconnected units, which are Hortus sanitatis (the Garden of Health) with live plants, a fascinating timeline showing 18 important events from the history of pharmacy, a pharmacy laboratory, a display of the most renowned people in the history of Croatian pharmacy and chemistry, a pharmacy library, the history of pharmacy in Rijeka, JGL corner, the front-end space (oficina) of an early 20th-century pharmacy, a medicinal herbs section that showcases the entire process from growing a plant to using it for producing medications, and a museum souvenir shop.

The JGL Pharmacy Museum is only the first step in the company's museum activities, given that the project is conceived as a complex museum of science, profession and applied arts with collections of both items and documents. We look forward to expanding and growing in the future!

JGL and the University of Rijeka

In the implementation of the national development strategy until 2030 and its strategic goals, as well as within the framework of smart specialisation, the University of Rijeka and JGL have been developing an integrated infrastructure and creating an innovative ecosystem between industry and science. As a result of such networking and synergy, the Department of Biotechnology and Drug Research of the University of Rijeka was established in 2009, in whose study programme JGL experts have been involved from the very beginning in the area of transferring knowledge and skills to generations of students.

Furthermore, on 21 July 2020, the Senate of the University of Rijeka awarded JGL the status of a collaborative teaching institution for the Department of Biotechnology. With joint efforts, investments and vision, the first GMP laboratory at any university in Croatia was established, which will carry out analyses of drug composition and contribute to the Department's self-sustainability and the strengthening of the region's economy. This collaboration has strengthened JGL in terms of scientific support as part of the improvement of existing drugs and support in the development of new drugs. Furthermore, in cooperation with the Faculty of Medicine, Department of Biotechnology, headed by Prof. Stipan Jonjić, PhD, last year was also marked by the Decision on the award of grants from the European Union from the programme "IRI 2" in the amount of HRK 14 million, for the development of an innovative nasal spray based on natural ingredients with antiviral action. As part of the project, work will be done in synergy on marine dehydration research and technology.

With the aim of fostering the more efficient establishment and maintenance of quality systems through education of professional staff in the fields of drug development, production and distribution according to applicable regulations for the pharmaceutical industry, JGL continues to further connect the business sector with the scientific, teaching and research sector, and promote the development of innovation, technology transfer and knowledge.

JGL and PartneRi

During the 12 months of 2020, the company actively participated in the PartneRi business club, which has 105 members and whose activities are focused primarily on philanthropy in culture. Three tenders for projects in the field of culture and quality of life were implemented, with 16 projects that met the criteria of individual tenders approved and financed. Eight of those have been completed, and the remaining projects are in the execution phase. Through this project, JGL, as one of the founders of PartneRi, continues to reaffirm its philanthropic tradition and care for the local community. Through their volunteer work, JGL's Marina Pulišić as a member of the Management Board and Dunja Siuc Valković, a member of the Programme Council, continue to build this worthy initiative on behalf of JGL.

Donations and Sponsorships

The company has participated in some twenty donation and sponsorship collaborations, particularly noteworthy being two corporate initiatives of voluntary blood donations JGL Drops, solidarity contributions to hospitals and associations of disinfectants and other products during the pandemic, purchase of a respirator for Rijeka's Clinical Hospital Centre, work with the society Naša Djeca, the CeKaDe Association, support for the third Diving Medicine Summer School, Rijeka football club, Croatian National Theatre Ivan pl. Zajc, and the implementation and organisation of two charitable initiatives for the programme "Moje mjesto pod suncem" (My Place in the Sun) and Children's Homes Selce/Lovran in which employees also participated.

Availability of Medicines and Flu Vaccination

As part of the project "Vaccination in Pharmacies 2020", our institution HI Pablo, in cooperation with general practitioners, successfully carried out vaccination of citizens at seven locations. Pharmacies ensured the implementation of anti-epidemic measures by receiving customers one by one in separate rooms of the pharmacy. The citizen response was extremely high. During the year, the company provided its employees with free vaccinations, as well as antigen and PCR tests, in order to protect and care for employees in the unfavourable epidemiological situation, reduce the burden on the health system, avoid crowding and other risks. Protective equipment such as Plexiglas screens, video intercoms and windows with windows have been installed in all pharmacy units, all with the aim of providing maximum protection for patients and pharmacists during the COVID-19 pandemic. Also, in the part of increasing digitalisation, the Pablo online store was launched in 2020, providing customers with access to desired products with just a few clicks.

Visit of the Delegation of the Republic of Croatia led by the Prime Minister

Prime Minister Andrej Plenković, together with a delegation of the Government of the Republic of Croatia, visited JGL on 13 November 2020, on which occasion a new investment project of the company Integra 2020 was presented. During the visit, the delegation visited the technologically advanced production facilities of sterile pharmaceutical forms within the JGL Pharma Valley complex, as well as the construction site of future sterile production within the Integra 2020 project.

GRI 402 – LABOUR/ MANAGEMENT RELATIONS

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to the relationship toward employees and due to stakeholders' expectations/interest in the company's systematic care about the relationship between employees and the management.

The JGL Group systematically creates, monitors and analyses relationships between employees and the management. This material topic has an impact on the entire JGL Group.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

The field of labour/management relations covers information about channel management and the processes of internal, two-way communication, examining employee attitudes, and providing suggestions.

The key topics to be received by all employees are planned at the level of the Management Board, the Executive Director and the senior management team, which includes HR and Corporate Communications representatives. In this reporting period, work was done on the improvement of the internal communication processes and a change in the internal communication culture (more responsibility assumed by the management). In 2020, the Executive Director continued to inform all employees in all markets about company results, goals and business direction through notices and videos in Croatian and Russian. A magazine with current topics is sent to all employees in Croatia and Southeast Europe each month, while employees in the markets of Russia, Ukraine, Kazakhstan and Belarus are included in quarterly reporting. Meetings between the management and teams take place at least once a week or more frequently, as needed. There is a defined policy of meetings of the Management Board, which in addition to the president and members includes the Executive Director and the Works Council representative, who are also members of the Management Board.

One of the steps towards better communication and transparency, and a way of better understanding the position of employees and resolving possible issues and situations in 2020 is the report given to the Works Council by the Employer every quarter on the following topics:

- Performance, business results and work organisation;
- The anticipated development of business activities and their impact on the economic and social position of employees;
- Trends and changes in salaries;
- The scope and reasons for the introduction of overtime work;
- Employment structure and employment development and policy;
- Health and safety in the workplace and measures for improving working conditions;
- The results of inspections carried out in the area of work and safety at work;
- Other issues pertinent to the economic and social position of employees.

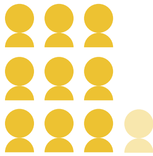
The goals set in 2019 - improving communication with quarterly announcements and senior management's bilingual live addresses - were successfully implemented in 2020 and were met with approval and support of the employees.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Raising the quality of dialogue is a continuous goal of the company, which is analysed through climate and satisfaction research and through the Works Council.

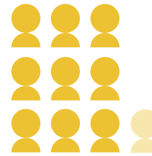
The employee satisfaction survey (climate, culture and engagement survey) for 2018 was conducted in Feb-

90%



Percentage of employees covered by the employee attitude survey

88.6%

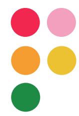


Response of employees to the employee attitude survey

4.07

Total result on the last employee attitude survey

1-5



Scale for evaluating employee attitudes

4.16

Total satisfaction of employees with internal communication

1-5

Scale for evaluating the satisfaction of employees with internal communication

Results of the 2020 employee attitude survey

ruary 2019, while in 2019, a pulse check was carried out which included all dimensions with a focus on the action plan. Fine metrics were defined, as well as principles for measuring success in the areas of climate, employee engagement and satisfaction, with an additional focus on culture through the long-term Employer Branding project launched at the end of 2019 and implemented in 2020. Within it, an EVP statement was defined along with a creative communication concept which will be launched in March 2021.

In January 2021, a comprehensive climate and engagement survey for 2020 was conducted. The research itself has been improved in terms of the quality of analyses with the aim of better insight into the research results and, by extension, better quality action plans. The individual goal related to improving employee engagement, which all managers are assigned, is additionally adjusted and aligned with the improvement of this process by which, from 2021, mandatory action plans are introduced for all teams within the company, except at the corporate level.

In this way, the company places a strong emphasis on encouraging positive change at the team and corporate level in order to increase employee satisfaction and, consequently, a higher level of engagement. During the two-year period, the corporate action plan was 97% implemented with good practice continuing after the presentation of new results.

This ensured the continuity of feedback from employees and the creation of action plans that should increase employee satisfaction and engagement - a KPI included for the first time no longer as a corporate, but rather an individual goal of every manager. The total response was 88.6%.

Special attention was paid to preparing for the communication of results to all employees and to define clear action plans to ensure managers implement them in practice. The results are presented to employees in a cascade manner, so that directors/managers gather the first team of their subordinates and share with them the results of the entire company and of the team gathered on that occasion.

402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

The minimum period of advance notice for significant changes in work defined by the employer and the Works Council is eight days.

Informing employees usually takes place only five to seven days after a meeting of the Management Board where decisions about changes are made.

During the reporting period, several video messages were recorded in which the Executive Director addressed all the employees of JGL Pharma in Croatian and Russian, which was generally followed by a Executive Director's letter in two languages.

In December 2019, the recording of the Executive Director's video message was organised in the production department, to share information and encourage feedback from those groups of employees whose job description does not enable them direct access to email. This way, all employees had the opportunity to find out about the current business results, operating plan and business goals of the company.

Based on the suggestion of employees given as feedback on the company climate, an internal communication guidebook was developed in line with JGL's work principles and culture. Annual rewards have also been introduced for special contributions of individual employees based on their performance and implementation of suggestions for improvement during the operating year. These rewards are given at the annual Christmas party.

8

days - the minimum period of reporting on significant changes in the nature of work defined between the employer and the Works Council

2

address of the Executive Director to all employees of JGL Pharma in two languages – Croatian and Russian

5-7

the usual period for informing the staff following each session of the Management Board where decisions are made on these changes

GRI 403 – OCCUPATIONAL HEALTH AND SAFETY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

JGL chose the topic of Occupational Health and Safety as material and important for its business because life, health and the preservation of work ability, as well as occupational safety as an organised systematic activity, are values of special social interest for the Republic of Croatia as well as JGL, its employees and partners. Since joining the European Union and implementing European legislation in its legislative framework, Croatia has been placing increasing emphasis on quality organisation and implementation of occupational safety as one of the key factors for the success of a company. JGL recognises this and year after year strives to improve the safety and protection of its employees in the workplaces, as well as in various ways outside it.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

In line with the number of employees and legal regulations, JGL has three full-time occupational health and safety experts who, until the end of 2020, worked in the Technical Support Department. At the end of 2020, in the process of internal reorganisation, the department was renamed - Safety, Health and Environment, which puts additional emphasis on the importance of quality management of these segments. Given the wide range of jobs at JGL, especially those with special working conditions, the protection of the health and safety of employees is one of JGL's priorities. Every employee is made aware that it is also their job to promote JGL's efforts in safely implementing work processes for themselves and their colleagues.

Occupational safety at JGL is carried out following the legal regulations governing this area, but also with internal acts by which JGL additionally regulates how occupational safety is organised and implemented. In accordance with legal regulations and internal acts, the employer has transferred its powers of implementation of occupational safety to its authorised persons. With the revised Rulebook on Safety at Work, JGL has determined two types of authorised persons - direct authorised persons who implement occupational safety in their scope of work and the main authorised person who represents the employer in occupational health and safety committees and makes decisions related to occupational safety on behalf of the employer.

JGL also applies its mission "Improving the quality of life through taking care of health" to its employees. In addition to implementing the legal provisions on occupational safety, JGL takes care of the health of its employees outside of the workplace. Besides the benefit of additional health insurance provided by JGL to every employee for many years now, to raise awareness of the importance of daily physical activity and its beneficial impact on health, since 2020, JGL also provides its employees with access to numerous sports facilities throughout Croatia through the use of the MultiSport card.

The impact of the global COVID-19 pandemic in the reporting year was also felt at JGL. To reduce the risk of potential infection of its employees to the lowest possible level, JGL has taken a number of organisational and technical measures, such as:

- Establishing a crisis team tasked with monitoring the epidemiological situation in both Croatia and JGL, and taking appropriate measures in relation to it;
- Placing disinfectant dispensers at entrances to buildings;
- Placing digital wall thermometers at entrances to buildings;
- Periodically distributing face masks, disinfectants, and JGL products that moisturise the nasal mucosa thereby reducing the possibility of infection;
- Organising working from home where possible;

- Implementing advanced online communication channels to which all employees have access in order to reduce face-to-face contact during meetings and numerous education and training sessions;
- Organising periodic serological tests within the company for all interested employees;
- Organising periodic flu vaccination within the company for all interested employees.

To protect employees from COVID-19, JGL surveyed employee interest in vaccinating against the virus. The survey showed that interest exists and JGL plans to organise vaccinating against the virus at the company as soon as the vaccine is available.

In accordance with regulations and in order to prevent occupational accidents and injuries, occupational diseases or any other work-related diseases, as well as to eliminate potential dangers in work areas, a range of activities were conducted in the reporting year.

In addition to conducting all the necessary tests prescribed by the Occupational Safety Act, the Fire Protection Act and their accompanying regulations, and performing the necessary safety at work training, etc., in 2020, JGL trained an additional 10 employees, along with the existing 19, to provide first aid at work and placed all the necessary equipment at their disposal. The plan for 2021 is to appoint additional direct authorised persons of the employer for occupational safety to further improve the implementation of occupational safety at JGL.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

The mechanisms for monitoring the effectiveness of the approach to managing health and safety in the workplace are numerous and, among others, include:

- Analysis of injuries at work, and the causes of injuries at work;
- Internal supervision by occupational safety experts over the implementation of occupational safety measures;
- Internal audits of the quality assurance department;
- External partner audits;
- Supervision of the state inspectorate over the implementation of measures and regulations from the aspect of safety at work;
- Feedback from persons in the occupational safety system - employees, representatives, authorised persons;
- Analysis of reported accidents at work (near misses).

403-1 WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT–WORKER HEALTH AND SAFETY COMMITTEES

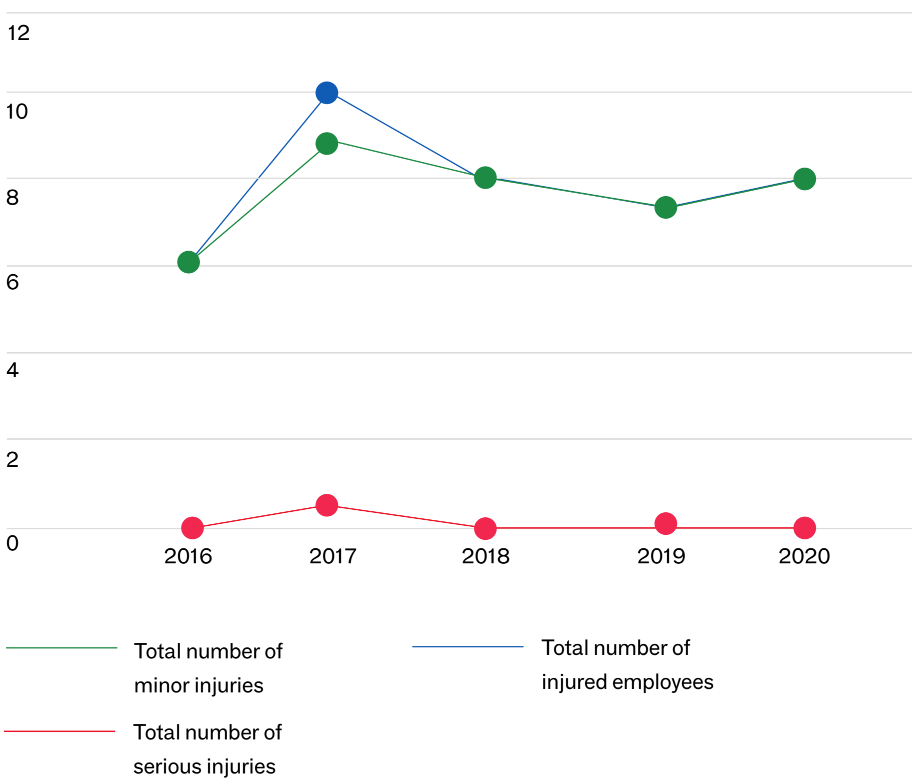
- A Workers' Representative elected by the employees is appointed a permanent member of JGL's Management Board.
- A Works Council has been active in JGL for a number of years, representing the interests of employees in all matters, including occupational safety. Due to the expiration of the mandate, elections for the new Works Council were held in 2020, which began work on 15 June 2020.
- In accordance with the regulations, JGL has an Occupational Health and Safety Committee that meets every six months. The members of the committee are the main authorised person of the employer, occupational health and safety experts, the coordinator of the employee representatives for occupational health and safety and a doctor of occupational medicine. The Committee discusses current issues from the aspect of safety at work, and if necessary, includes experts from other fields in its work.
- Since 2017, occupational safety at JGL has been implemented by 21 authorised persons of the employer for occupational health and safety, with the plan in 2021 to appoint additional authorised persons.
- In 2018, JGL employees elected five employee representatives for safety at work and five deputy employee representatives for safety at work in order to represent their interests from the aspect of safety at work. The representatives elected from among themselves a coordinator of the employee representatives for safety at work who participates in the meetings of the Occupational Health and Safety Committee.

403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

Data on injuries at work and identified occupational diseases at JGL 2016-2020

Type of data	2016	2017	2018	2019	2020
Total number of injured employees	6	10	6	5	6
Total number of minor work-related injuries	6	9	6	5	6
Total number of serious work-related injuries	0	1	0	0	0
Number of injuries on the way from the place of residence to the workplace and vice versa	2	3	2	0	0
Number of workers killed in the workplace / on the way to a health institution and vice versa	0	0	0	0	0
Total number of identified occupational diseases	0	0	0	0	0

Trends in the number of injuries at work in the period from 2016 to 2020

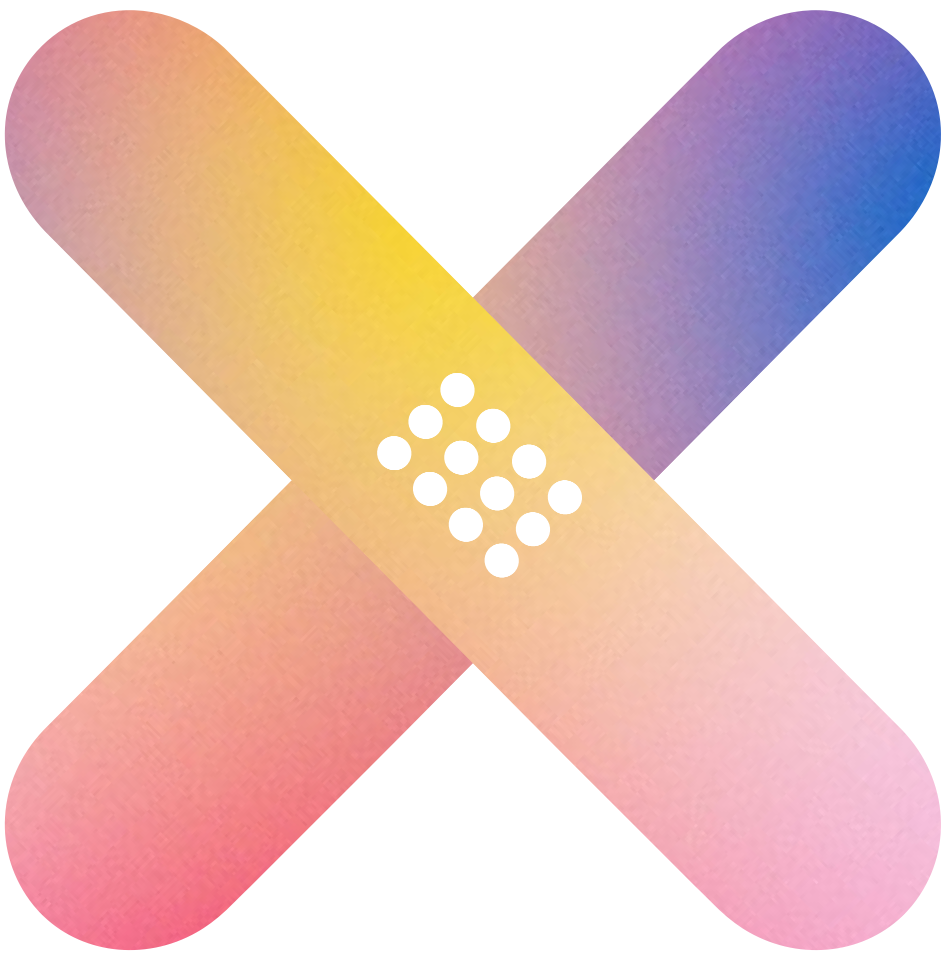


403-3 WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION

Analysis of injuries at work shows that the largest number of injuries at work occurs in jobs in production and quality control.

403-4 HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS

JGL does not have a trade union but a Works Council which actively deals with the protection of workers' interests including active participation in improving the safety at work at JGL.



GRI 404 – TRAINING AND EDUCATION

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to the training and education of employees and due to the stakeholders' reasonable expectations and interest in the company's systematic care about the engagement of employees, their knowledge and experience in the organisation's development to the greatest degree possible, as well as about employee contribution, conducting internal and external training, and programmes for encouraging lifelong employee learning. To determine significant impacts related to employee training and education, the Group monitors and analyses investments in training and education. This material topic has an impact on the entire JGL Group, and outside the company, it affects all local communities and countries where the company operates.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

In 2020, we continued with the continuous development of this area and new opportunities. The SAP LMS system for e-learning and learning management is in use, and all employees are trained on the use of the platform.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Employee development is one of JGL's central focuses. At the end of 2020, a year-round management programme was launched, which will continue in 2021.

The goal of the programme is to develop skills in managing others, understand one's own role in development, and educate on the topic of HR processes and available tools, which help to better manage and develop departments. The programme is designed as a collaboration with an external partner and internal e-learning training.

Prior to each HR process cycle, a series of online webinars and additional prework materials for managers and employees are launched. One of the goals is management calibration.

All new JGL employees undergo a mandatory onboarding programme with a package of corporate materials and training on the LMS platform in the first six months of employment. The platform also provides training for all employees on topics such as personal development, management competencies, internal training on the use of applications or tools, and continues to develop educational content for employees.

Employee development through training is focused on the 70-20-10 model, of which 10% of development programmes are education and training sessions that have elaborated measures before and after, for example, knowledge tests. A further 20% of development programmes involves mentoring and coaching that includes an assessment of effects and a mentor's assessment, as well as a before-and-after assessment arising from the performance agreement. The remaining 70% of development is learning on the job and the results measured are those related to the performance agreement and participation in projects.

The good practice of the JGL Mentor educational and development programme continued throughout 2020. Namely, a database of certified mentors was built in 2019, which continues to be upgraded every year with a new generation.

Certified mentors become internal ambassadors of culture, values and excellence for particular skills and knowledge, and work outside their organisational units. For several years now, we also have in place an external coaching programme, which is not intended

404-1 AVERAGE ANNUAL NUMBER OF TRAINING HOURS PER EMPLOYEE

Professional training performed in the reporting year

Year	% of employees that completed some form of professional training	% of employees that completed some form of professional training (not mandatory by law)
2020	68.2%	66.9%

Total investments in professional training and total number of training hours at JGL Pharma in 2018 and 2019

Year	Total investments in internal training (HRK)	Total investments in external training (HRK)	Total hours of internal training	Total hours of external training
2019	1,956,565	2,059,155	11,529	13,112
2020	816,315	1,493,695	11,779	13,189

Average training costs per employee in the JGL Group in 2019 and 2020

	2020	2019
JGL Croatia	HRK 3,287	HRK 5,489
JGL Ukraine	HRK 238	HRK 6,388
JGL Belarus	HRK 1,045	HRK 2,106
JGL Kazakhstan	HRK 4,120	HRK 4,281
LLC Jadran Moskva	HRK 1,793	HRK 3,620
Farmis d.o.o. Sarajevo	HRK 520	HRK 1,442
Adrialab d.o.o. Rijeka	HRK 982	HRK 1,500
JGL d.o.o. Ljubljana	HRK 2,913	HRK 7,063
JGL d.o.o., Beograd – Sopot	HRK 250	HRK 4,735
Average	**HRK 1,683.00**	**HRK 4,665.00**

exclusively for management but is open to all those who show potential and talent for development and empowerment in various stages of their career. All development programmes are monitored in terms of their success through the analysis of the competency gap. An additional connection has been created between individual KPIs and business goals and results (NMM, brand awareness, net sales, gross 3, OpEx/CapEx realisation, BSC goals realisation).

During the last reporting period, new ways of monitoring performance were introduced through Sales Force Effectiveness (SFE), a tool used to monitor the competency level of the sales force. It includes an initial assessment of associates, definition of a development plan, and an annual evaluation of competencies required for work. In 2020, an internal assessment programme was designed for employees who have shown very good results in overall performance as well as show potential in taking on new responsibilities and functions. Those employees enter the talent pool and will have career plans designed for them based on defined GAPs and strategic needs. The implementation of activities will start in 2021.

Along with specific internal training, a large number of employees participated in the training of new employees through knowledge sharing at work.

Hours of professional development are recorded separately for each employee (who attended the education, and for how long) and include all forms of professional development for which duration can be determined.

The total number of hours of professional development for a certain period is calculated by adding up the hours for each employee and then adding the hours of all employees by department and sector. The number of hours of professional development per employee is calculated using the formula: total number of hours/ total number of employees in the company (separately for internal and external training).

In 2020, there was a significant reduction in the cost of investing in internal and external training at the JGL Group level compared to 2019, which is due to two factors. The first is the epidemiological situation in Croatia, due to which many planned employee trips to training at conferences or seminars were cancelled or postponed. Also, some of these training programmes were held online with lower registration fees, which also led to savings in transport and accommodation costs. The other factor is the introduction and start of use of new communication and e-learning applications, as well as the use of e-learning platforms of external partners that have enabled the digitalisation of primarily internal, but also partly external training.

Significant savings were achieved by investing in the preparation and development of content for training a large number of employees for an affordable or lower price and through lower costs of internal training in the form of hours of preparation and hours spent on training internal educators.

However, the total number of hours of training conducted in 2020, which is slightly higher than in 2019, shows that JGL continuously organised and invested in employee training during the year.

Average annual number of hours for employee training by gender (M and F) and category (management, professional, support) in 2019 and 2020

	Total	M	F	S	P	M
JGL Croatia	28.0	28.6	27.9	32.3	22.1	27.9
JGL Ukraine	1.5	0.7	1.6	0.0	0.0	4.4
JGL Belarus	23.5	8.0	64.4	0.0	48.0	87.6
JGL Kazakhstan	46.0	25.6	50.2	0.0	75.7	5.4
LLC Jadran Moskva	31.0	32.7	30.5	3.4	39.1	9.3
Farmis d.o.o. Sarajevo	14.0	11.1	18.6	0.0	20.4	12.7
JGL d.o.o. Ljubljana	43.0	46.0	41.8	15.5	55.0	46.0
Adrialab d.o.o. Rijeka	13.0	1.7	19.0	1.4	40.1	0.0
JGL d.o.o., Beograd – Sopot	3.0	0.5	1.6	0.2	5.0	2.0
Average for 2020	**22.6**	**17.2**	**28.4**	**5.9**	**33.9**	**21.7**
Average for 2019	**25.5**	**24.5**	**20.0**	**6.5**	**22.7**	**26.0**

Total number of employees who took part in some type of education in 2019 and 2020 at the JGL Group

	2020	2019
JGL Croatia	**472**	**449**
Farmis d.o.o. Sarajevo	16	16
JGL d.o.o. Ljubljana	4	6
JGL Ukraine	7	47
JGL Kazakhstan	38	36
JGL Belarus	18	15
LLC Jadran Moskva	168	162
Adrialab d.o.o. Rijeka	5	15
JGL d.o.o., Beograd – Sopot	17	16
Total	**745**	**760**

404-2 SKILL ACQUISITION PROGRAMMES AND PROGRAMMES SUPPORTING EMPLOYABILITY

The company provides three scholarships for postgraduate, doctoral and specialist studies, with a focus on business needs and the interests of employees, and it also provides an MBA programme for managers each year.

A total of seven employees from the parent company completed, started or attended some of the programmes aimed at acquiring new skills.

404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

Throughout 2020, detailed consultations were conducted with all managers to ensure an unambiguous understanding of Performance Management and insight into valuable feedback to improve the process.

Significant attention was paid to redefining goals, metrics, the bonus curve and realisation curve, and the scale used to evaluate individual performance.

Goals are grouped into Corporate, Business Unit and *Individual/Team*. Performance that provides an answer to the question "what" is measured through several prisms: regular work, goals, and special tasks/projects. Performance answering the question "how" is measured through competencies (knowledge and skills - *job-specific)* and behaviour (*core competency and values*).

Both in theory and in practice (through the tool and application), a strong relationship was established between goals and competencies (what and how) in the overall employee evaluation, which is a precondition for a more objective way to manage performance, rewards (bonus, salary, stimuli), and employee development.

In 2021, the goal is to include 100% of employees with an estimate for 2020, who fulfil the conditions for a complete assessment according to the company's standards, with 100% archiving.

GRI 405 – DIVERSITY AND EQUAL OPPORTUNITY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to diversity and equal opportunities and due to stakeholders' expectations and interest in the company's systematic care for encouraging diversity in the organisation, at managerial positions, and when hiring new employees.

This material topic has an impact on the entire JGL Group, and outside the company, it affects all local communities and countries where the company operates.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

Legally prescribed documents have been prepared for the prevention of discrimination and encouraging diversity in the workplace (as part of JGL's Work Regulations):

- The protection of workers' health and privacy;
- The procedures and measures for the protection of workers' dignity.

Although there is no procedure for taking action in the event of discrimination, two persons have been appointed within the HR department that can record discrimination complaints. The company has an open-door policy and the employees have adopted a habit of reporting discriminatory behaviour. Through various seminars and educations, the HR department has learned more about respecting diversity and preventing discrimination in the workplace. Through the implementation and education of management in the Competency Framework, a clear framework was established for the implementation of the principle of equality in the approach to candidates during selection and interviews, in order to fight discrimination and ensure equal opportunities based exclusively on differences in the competency GAP (questions that may and may not be asked, potential dangers in the assessment of candidates, how to focus on competencies instead of secondary characteristics, etc.).

One of the key principles guiding our strategy for rewarding employees and evaluating work is the policy of diversity and equal opportunities that we implement and promote in all other areas, including recruitment, working conditions and opportunities for career advancement.

A specific characteristic of our industry, and JGL by extension, is a high share of women compared to men, but this makes us all the more motivated to implement the policy of equal opportunities in the workplace, where differences are accounted for exclusively by the level of knowledge, competence and work results, and not external characteristics such as sex. At the highest management level, JGL has 57% women, in top management that percentage is even higher - 70%, while the share of women at the group level is 75%, which is significantly above the Croatian average. As of March 2020, JGL has two Commissioners for the Protection of the Dignity of Workers.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

To determine significant impacts related to diversity and equal opportunities, the Group has a record of diversity, but there are no clearly defined criteria for monitoring diversity on the basis of structures of employed candidates in selection processes, access to development programmes according to diversity criteria, or the number of promotions according to diversity criteria.

405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

The seven people that make up JGL's Management Board can be distributed into the following gender and age categories:

- Women (4) - 57.15%
- Men (3) - 42.85%
- Under 30 years of age (0) - 0%
- Between 30 and 50 years of age (2) - 28.57%
- Over 50 years of age (5) - 71.43%

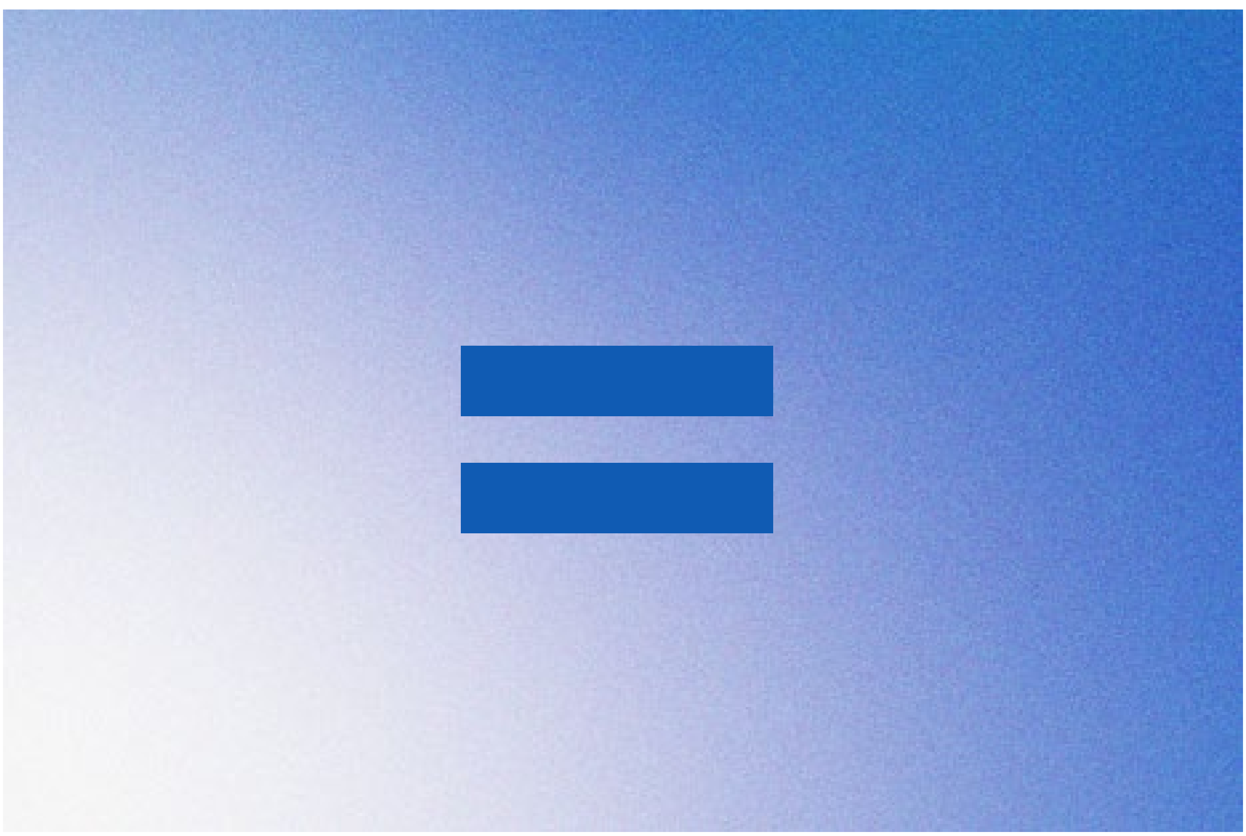
The 1,077 employees employed by JGL Group can be distributed into the following gender and age categories:

- Women (813) - 75.49%
- Men (264) - 24.51%
- Under 30 years of age (173) - 16.06%
- Between 30 and 50 years of age (737) - 68.43%
- Over 50 years of age (167) - 15.51%

405-2 RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

Basic salaries and remuneration for men and women in the JGL Group are equal in all categories in significant places of business, and there are no differences among genders in any evaluation segment, including this one.

Significant places of business are considered to be the markets with the largest number of employees (Croatia and Russia), those that account for more than 95% of the total JGL Group production (Croatia), as well as those with the most significant share in total revenue (Russia and Croatia).



GRI 416 – CUSTOMER HEALTH AND SAFETY

MANAGEMENT APPROACH DISCLOSURES

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

The topic was chosen as material due to the significant interests of all key stakeholders - employees, end-users, doctors and pharmacists, students, shareholders. The company is associated with impacts through its own activities, but also the bodies within the supply chain.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

The realisation of products and services within JGL broadly encompasses the processes of planning, research and development, procurement, production, quality control, product and service delivery, wholesale and appropriate supporting processes. For this reason, proper management and control of these processes are essential for the realisation of products and services that will meet all applicable requirements.

No series of JGL products may be placed on the market before being formally released on the market and/or approved for sale or delivery to the customer, which ensures that the product is effective, safe for use, healthy to use, and properly equipped, all in accordance with applicable legal regulations, internal requirements and regulatory requirements, with respect to the legislative category.

Also, national regulatory authorities have adopted a large number of laws and regulations in the field of the pharmaceutical industry that regulate testing, authorisation, production, import, export, labelling and marketing of drugs, and verification of safety and efficacy of pharmaceutical products. JGL's sophisticated production facilities, equipment and manufacturing processes guarantee JGL acquisition and maintenance of regulatory authorisations for new products. The Group follows trends in the field of pharmaceutical preparations and invests in new technologies each year, as needed. New high-quality equipment, modern manufacturing processes and quality controls ensure that each product is of the highest quality, thereby minimising the risk of potential damage to the health and safety of customers.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Quality management system processes at JGL are processes that are key to achieving, maintaining, and improving product quality and other processes, i.e. processes that will meet the expectations of interested parties, including key stakeholders.

- documentation and data management,
- change management,
- management of non-compliances and preventive/corrective measures,
- validation and qualification management,
- resource management,
- measurement, analysis and improvements (includes management evaluation, internal audit, independent supervision, quality review, process performance, and raw material and product testing),
- supplier management,
- risk management and management of opportunities,
- release of products into circulation.

Quality management system processes are implemented, depending on their suitability, in all key and supporting processes.

416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

At JGL, drugs are produced in accordance with GMP and GDP requirements, medical devices in accordance with the requirements of the ISO 13485 standard, nutritional supplements and food for special medical purposes in accordance with the ISO 22000 standard, and cosmetics in accordance with the ISO 22716 standard. The products also meet other applicable regulatory requirements and requirements of the profession.

In the reporting period, assessments were made to improve impacts on health and safety for all product categories (100 per cent).

Drugs

- Medicinal Products Act (Official Gazette No 76/13)
- Act on Amendments to the Medicinal Products Act (Official Gazette No 90/14)
- Act on Amendments to the Medicinal Products Act (Official Gazette No 100/18)
- Ordinance on amendments to the Ordinance on granting marketing authorisations for medicinal products (Official Gazette No 28/20)
- Ordinance on granting marketing authorisations for medicinal products (Official Gazette No 83/13)
- Ordinance on pharmacovigilance (Official Gazette No 83/13)
- Guideline on good pharmacovigilance (GVP)
- Ordinance on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 86/13)
- Corrigendum to the Ordinance on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 90/13)
- Ordinance amending the Ordinance on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 102/14; 107/15; 72/16)
- Ordinance on the quality control of medicinal products (Official Gazette No 60/14)
- Ordinance on the conditions for granting permits to specialised retail sales outlets of medicinal products (Official Gazette No 122/14)
- Ordinance on the suspension of the placement on and withdrawal of medicinal products from the market (Official Gazette No 122/14)
- Ordinance on clinical trials on medicinal products and on good clinical practice (Official Gazette No 25/15)
- Ordinance on the manner of advertising medicinal products (Official Gazette No 43/15)
- Ordinance on the marketing, labelling and advertising of traditional herbal medicinal products (Official Gazette No 89/10)
- Ordinance on granting marketing authorisations for parallel importation of medicinal products (Official Gazette No 38/20)
- Ordinance on the type of information and manner of preparing reports on the consumption of medicines (Official Gazette No 122/14)
- Ordinance amending the Ordinance on good practice in the distribution of medicinal products, granting permits in the wholesale of medicinal products, granting permits for the brokering of medicinal products and issuing certificates of good practice in the brokering of medicinal products in wholesale (Official Gazette No 19/20)

Cosmetics

- Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products
- Commission Regulation (EU) No 655/2013 of 10 July 2013 laying down common criteria for the justification of claims used in relation to cosmetic products

Food supplements

- Ordinance on dietary supplements, OG 126/13
- Decision on declaring the Act on Nutrition and Health Claims, and Foods Enriched with Nutrients, OG 39/13
- Ordinance on substances that may be added to food and used in the manufacture of food and substances whose use is prohibited or restricted, OG 160/13
- Act on Informing the Consumer about Food, OG 56/13; OG 56/16
- Ordinance on informing the consumer about food, OG 8/13
- ISO 22000: 2005

Medical devices

- Medical Devices Act, OG 76/13
- Act on implementing Regulation (EU) 2017/745 on medical devices and Regulation (EU) 2017/746 on in vitro diagnostic medical devices (Official Gazette No 100/18)
- Act on implementing Regulation (EU) No 536/2014 of the European Parliament and of the Council of 16 April 2014 on clinical trials on medicinal products for human use, and repealing Directive 2001/20/EC (Official Gazette No 14/19)
- Act on implementing Commission delegated Regulation (EU) 2016/161 of 2 October 2015 supplementing Directive 2001/83/EC of the European Parliament and of the Council by laying down detailed rules for the safety features appearing on the packaging of medicinal products for human use (Official Gazette No 126/2019)
- Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices (Official Gazette No. 84/13)
- Ordinance on amending the Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices (Official Gazette No. 126/2019)
- Ordinance on monitoring adverse incidents related to medical devices, OG 125/13
- ISO 13485: 2012
- EN ISO 15223-1: 2012
- EN 1041:2008+A1 2013

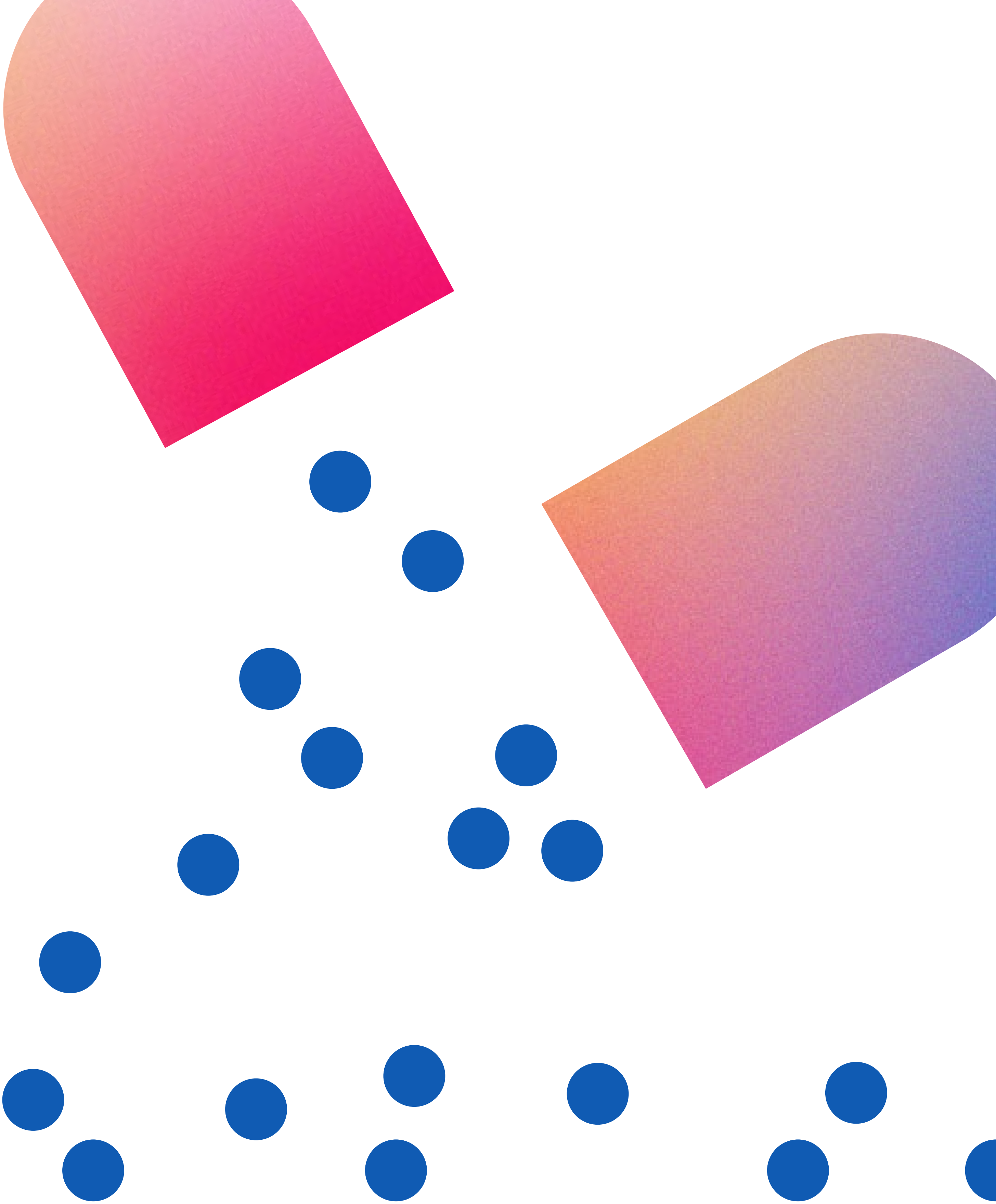
Although drugs approved for the market are safe for use and of the appropriate quality, side effects may occur, even with the use of over-the-counter drugs. Therefore, the Agency for Medicinal Products and Medical Devices of Croatia (HALMED) continually invites healthcare professionals and patients to report any suspected side effects of drugs, thereby actively contributing to the monitoring and maintaining of drug safety.

Patients should inform their doctor, pharmacist or other healthcare workers they come into contact with about any suspicions of drug and vaccine side effects. Also, any doubt about a side effect can be reported directly to HALMED

- 2020 - 242: serious (163), non-serious (79)
- 2019 - 196: serious (105), non-serious (91)
- 2018 - 215: serious (117), non-serious (96)

The number of reported side effects during 2020 increased compared to the previous year. The system for reporting side effects is a reflection of the improvement of the pharmacovigilance system in the Republic of Croatia, HALMED's educational activities, and the connection with the Poison Centre, which provides information about reported side effects and drug overdoses (including accidental overdoses).

The principle of continuous improvement is the key element of JGL's management, development and success. Management ensures continuous improvement of the quality system efficiency through the use of communication, system evaluation by management, auditors, validation and verification activities, risk management and corrective and preventive procedures.



OPINION OF THE COMMISSION OF HR BCSD

FOR NON-FINANCIAL REPORTING - JGL GROUP'S SUSTAINABILITY REPORT FOR 2020

This year's integrated report by the JGL Group represents a consolidated overview of the company's sustainability-related financial and material topics. The report focuses on material economic, environmental and social impacts of JGL Group's business activities in 2020 and meets Croatia's regulations governing the scope, contents and timelines of annual reports. It is also aligned with the Global Reporting Initiative's (GRI) Core Option of sustainability reporting.

The report presents the Group's business activities in one of the most challenging business years Croatia has had to face since gaining its independence. The pandemic that has taken over the world and harmed the global economy has also had a strong impact on business in Croatia. Despite various economic hardships in the broader sense, in 2020, the Group achieved record-breaking results and became the largest Croatian pharmaceutical company. This was also a landmark year for the Group in terms of growth, with it reaching double digits and passing the HRK 1bn threshold in total revenue, which placed JGL among the top twenty manufacturing companies in Croatia. JGL also won a number of export performance awards, which is another indicator of a very successful business year for the company.

In 2020, the company focused its efforts on investments - in people, technology, new products, new markets and job creation - as well as on continued investments in projects intended to further improve energy efficiency. With its significant investments in technological capacities and R&D, the JGL Group scores well above the European average. This level of investing in the company's development greatly contributes to its long-term sustainability and further growth. In 2020, it ranked among the top 5 employers in Croatia, and continued to win awards for good human resource management, especially given the crisis, since an even greater emphasis is being placed on protecting the health of employees and their families.

The Group is especially focused on integrating the six Global Sustainable Development Goals (CORs), which include ensuring healthy lives and promoting well-being at all ages (COR 3), achieving gender equality and empowering women and girls (COR 5), promoting inclusive and sustainable economic growth, full employment and decent work for all (COR 8), building resilient infrastructure and sustainable industrialisation and innovation (COR 9), ensuring sustainable forms of consumption and production (COR 12), and conserving and sustainably using the oceans, seas and marine resources for sustainable development (COR 14).

It is especially commendable that the JGL Group conducted its first-ever targeted survey of interested stakeholders, which included employees and shareholders, end-users, doctors and pharmacists, students and suppliers. The respondents singled out compliance with regulations on environmental protection, wastewater and waste management, water, energy, consumer health and safety, and occupational health and safety as key topics. The survey helped the Group improve the way they communicate with stakeholders and identify material topics, which happen to be topics that the JGL Group already reports on in a transparent manner. The Group is working on improving the quality of reporting further, as well as on innovations and projects that will boost its performance in these segments.

In the past year, the JGL Group launched an extremely valuable project entitled "E3 - Energy efficiency of the JGL production complex". With it, the company aims to achieve significant energy savings at its production facilities, and it was submitted as a tender proposal to the European Regional Development Fund. The topic that perhaps best demonstrates how the company understands its sustainability risks is the approach taken to climate change risks. JGL shows that it has thoroughly considered the effects of unsustainable practices on the company's business activities. It considers the impact of climate change risks on its business to be indirect and believes they will manifest in potential damage to property and infrastructure, supply chain disruptions, increased employee health problems and increased costs related to regulatory compliance. In 2020, JGL continued to actively support a number of community initiatives, with a special focus on healthcare due to the coronavirus pandemic. It places special emphasis on the importance of cooperation between the real sector on the one hand, and science, education and research on the other. Among other things, it supports the establishment of a Department of Pharmaceutical Medicine within the Faculty of Medicine at the University of Rijeka.

JGL continues to make significant investments in sustainable business projects and raise the bar in all of its business segments, and further improve the quality of integrated reporting, which is quite an achievement in the face of global challenges of 2020.

JGL understands its reporting obligations under GRI and provides a very thorough overview of its management of material topics under GRI 103, which it strictly adheres to. In future reports, we would like to see more sustainability topics included in the company President's message because it summarises key topics and events as the company sees them. Focusing on sustainability issues more would send a stronger message of commitment to sustainable business practices. Nevertheless, we consider the JGL report to be one of the better structured sustainability reports published this year in Croatia.

Commission of the Expert Group for non-financial reporting of the HR BCSD

AUDITOR'S REPORT, AND CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2020

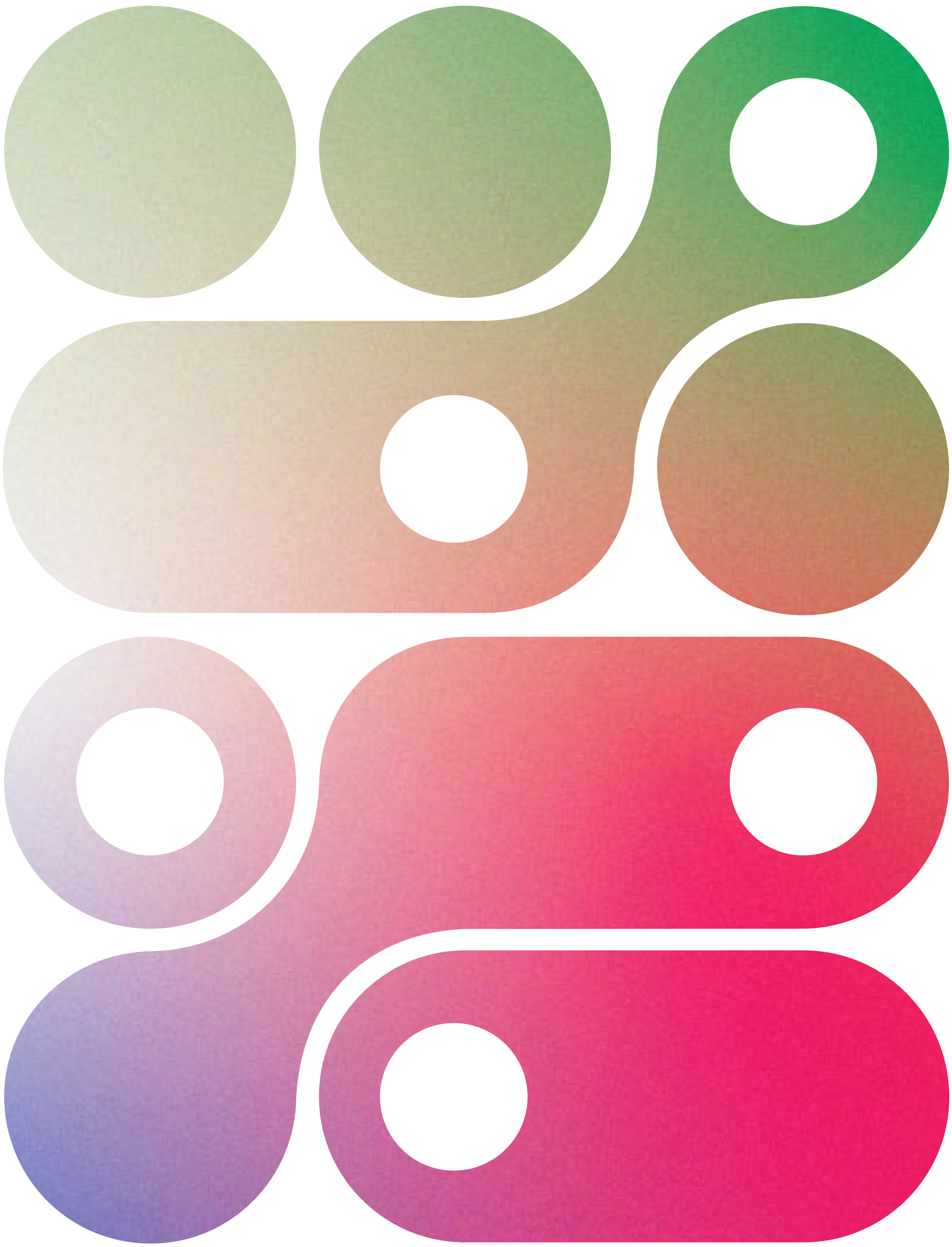
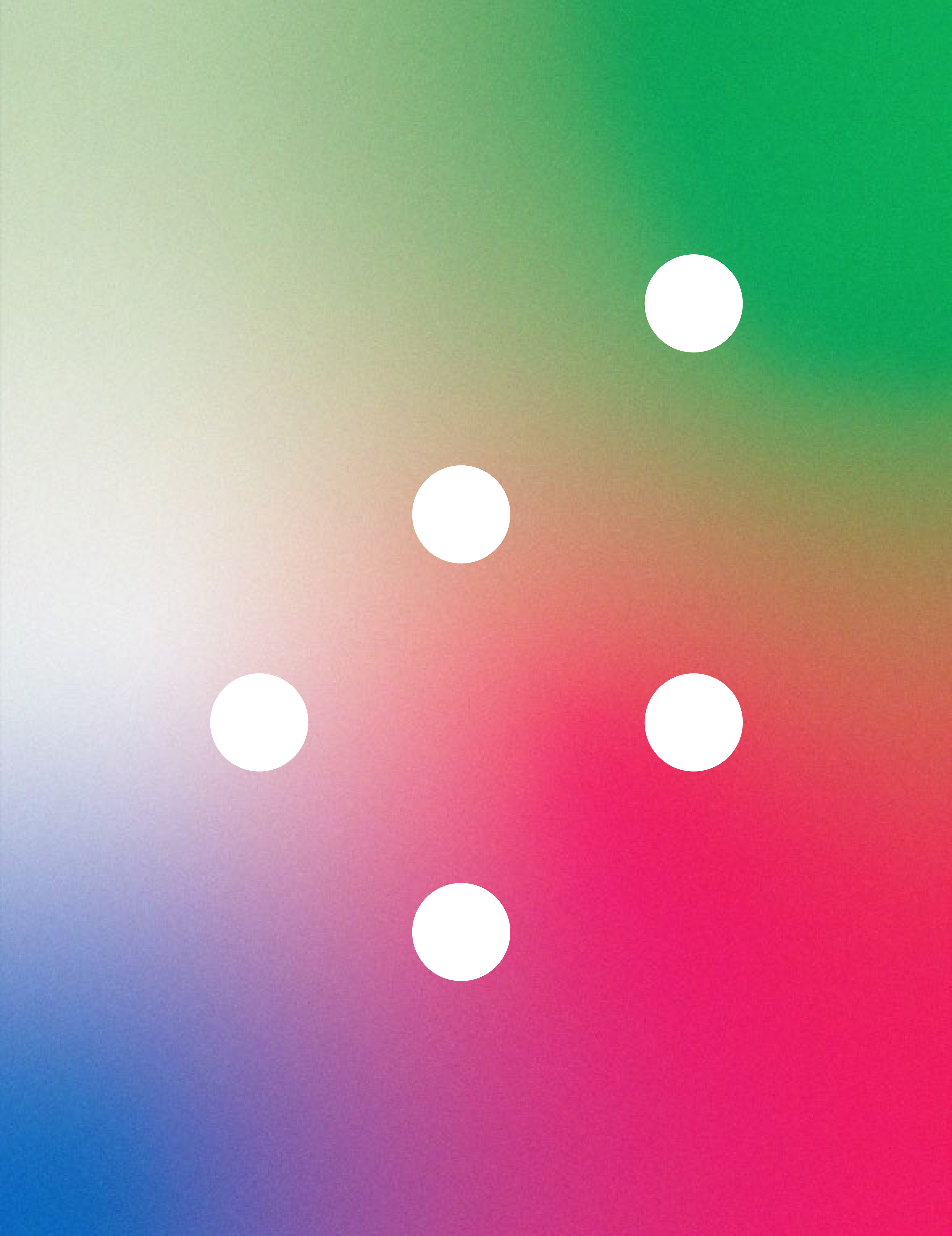
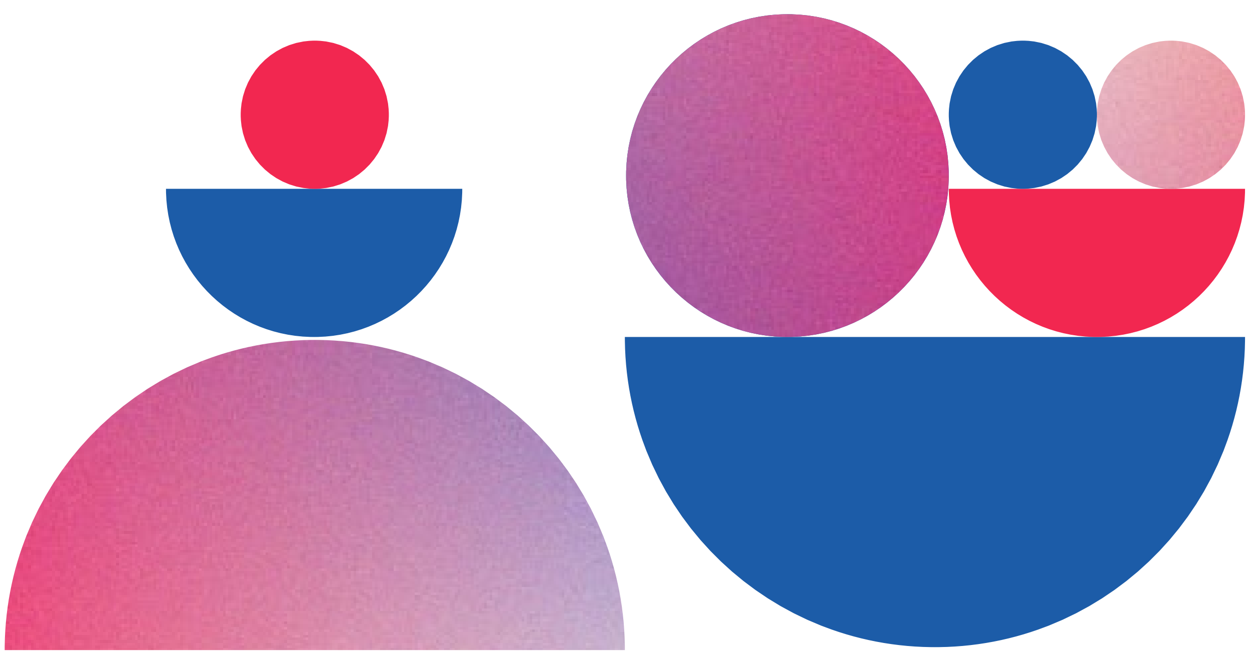


TABLE OF CONTENTS



CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY

FOR THE PREPARATION AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS



In these materials, the "JGL" or the "Company" means JADRAN – GALENSKI LABORATORIJ d.d. while "Group" means the Company and its subsidiaries.

According to the Accounting Act, the Executive Director is responsible for the preparation of financial statements that provide a true and fair view of the Group's and the Company's financial positions and 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 Executive Director has a general responsibility to undertake steps that would, to a reasonable extent, enable the protection of the Group and the Company's assets and the discovery and prevention of fraud or other irregularities.

The Executive Director 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 Group or the Company will continue to operate is inappropriate.

The Executive Director has a reasonable expectation that the Group and the Company have the appropriate resources to continue operating in the foreseeable future. The Executive Director is responsible for submitting annual financial statements to the Company's Management Board for their acceptance.

These statements represent consolidated statements of the Group and unconsolidated statements of the Company. The consolidated and the unconsolidated financial statements were approved by the Executive Director on 27 April 2021 for submittal to the Company's Management Board for their acceptance, as confirmed by his signature.

Mislav Vučić
Izvršni direktor

IZVJEŠĆE NEOVISNOG REVIZORA

DIONIČARIMA DRUŠTVA JGL D.D.

HR-10 000 Zagreb, Ulica grada Vukovara 284
Tel.: +385 1 272 06-40
Fax: +385 1 272 06-60
Email: office@hr.gt.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d.

Report on the Audit of the Annual Nonconsolidated and Consolidated Financial Statements

Opinion

We have audited the annual consolidated and nonconsolidated financial statements of JGL d.d. (Company) and its subsidiaries (Group), which comprise the consolidated and nonconsolidated balance sheet as at 31 December 2020, the consolidated and nonconsolidated statement of comprehensive income, the consolidated and nonconsolidated statement of cash flows, the consolidated and nonconsolidated 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 consolidated and nonconsolidated financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and of their 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 consolidated and nonconsolidated financial statements" section of our independent auditor's report. We are independent of the Group and Company in accordance with the Code of Ethics for Professional Accountants, (IESBA Code) 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 consolidated and nonconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the annual consolidated and nonconsolidated 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 2.6, 3 and 4	
Revenue is one of the key matters for establishing the Group's and 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 Group's and 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 Group's and 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 Group's and 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 receivables – notes 2.19, 24.1. and 24.2.	
On 31 December 2020, the Company had a balance of trade receivables in the amount of HRK 297,964 thousand, while the Group had a balance of trade receivables in the amount of HRK 311,705 thousand. A significant amount of receivables was denominated in the Russian rouble, and considering the economic situation in Russia and 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.	We have gained an understanding of the design and implementation of internal controls in the debt collection process and the credit control process. 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 have carried out the understanding of the process of estimating future cash flows from receivables which can be reliably determined by the Executive Director 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 Executive Director is responsible for all other information. The other information comprises the information included in the annual report, but does not include the annual financial consolidated and nonconsolidated financial statements nor our independent auditor's report thereon.

Our opinion on the annual consolidated and nonconsolidated 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 consolidated and nonconsolidated 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 consolidated and nonconsolidated 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 Executive Director and those charged with governance for the consolidated and nonconsolidated financial statements

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

In preparing the annual consolidated financial statements, the Executive Director is responsible for assessing the Group's and 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 Executive Director either intends to liquidate the Group and Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

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

Auditor's responsibilities for the audit of the annual consolidated and nonconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the annual consolidated and nonconsolidated 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 annual financial statements.

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 annual consolidated and nonconsolidated 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 Group's and Company's internal control.

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

- We conclude on the appropriateness of the Executive Director'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 circumstances that may cast significant doubt on the Group's and Company's ability to continue operating 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 consolidated and nonconsolidated 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 Group and Company to cease to continue as a going concern.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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

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

- Evaluate the overall presentation, structure and content of the annual consolidated and nonconsolidated financial statements, including the disclosures, and whether the annual consolidated and nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We collect sufficient appropriate audit evidence regarding the financial information of entities or business activities within the Group to enable us to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and conducting the group audit. We are solely responsible for our independent auditor's report.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual consolidated and nonconsolidated 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 regulatory requirements

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

1. The Annual General Meeting, as of 15 June 2020, based on the proposal of the Management Board of JGL d.d., adopted the decision to select Grant Thornton revizija d.o.o. as the Group's and Company's auditor for 2019.

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

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)

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 consolidated and nonconsolidated 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 consolidated and nonconsolidated financial statements for 20, we are capable of discovering irregularities, including fraud, and during the performance of an audit we have to consider, whether the Group and 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 consolidated and nonconsolidated 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 consolidated and nonconsolidated financial statements, but compliance with which may be fundamental to the operating aspects of the Group'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 Group and 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. If the Group and 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 annual consolidated and nonconsolidated financial statements for 2020, we have determined the materiality for the financial statements as a whole in the amount of HRK 6.3 million for the Company and 8.0 million for the Group, which represents approximately 5% of the Group's EBITDA. 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 Group's and 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.

Grant Thornton

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)

6. During the period between the start date of the audited annual financial statements of the Group and Company for 2020 and the date of this report, we have not provided the Group nor 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 Group and 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 Group and Company for 2020 is consistent with the accompanying annual consolidated and nonconsolidated financial statements for 2020.

2. In our opinion, based on the tasks we have performed during the audit, the accompanying Management Report of the Group and Company for 2020 was prepared in accordance with the Accounting Act.

3. Based on our knowledge and understanding of the Group's and 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 Group and 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 Group's and Company's annual statement for 2020, is in accordance with the requirements stated in Article 22(1), points (3) and (4) of the Accounting Act.

5. The Statement on the Application of the Code of Corporate Governance, included in the Group's and Company's annual statement for 2020, 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, mr.sc.

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

Zagreb, 27 April 2021

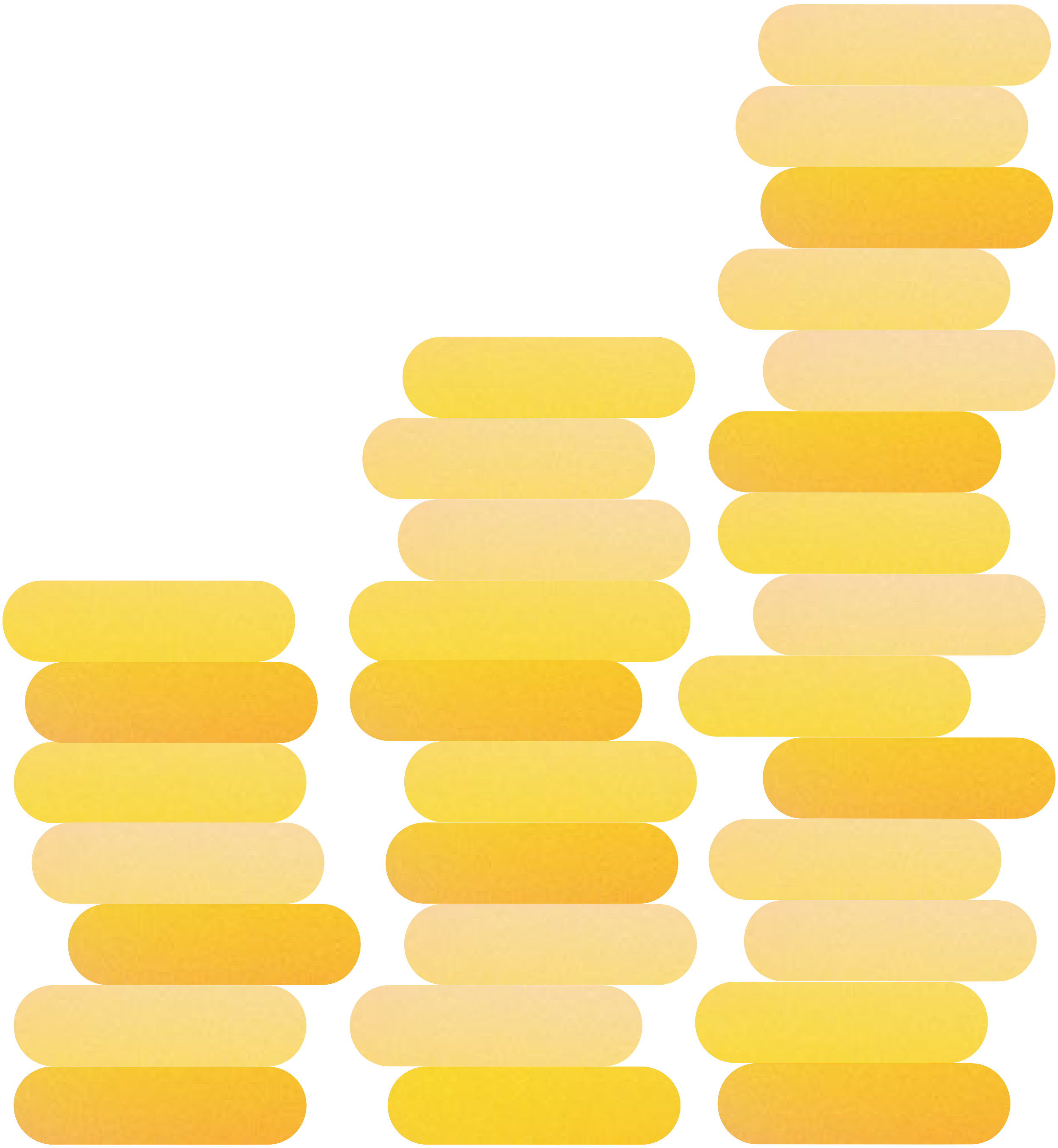
Director
mr.sc. Dalibor Briški

Authorized Auditor
Ivica Bašić

STATEMENT OF COMPREHENSIVE INCOME
FOR 2020

		GROUP		COMPANY	
	Note	**2020**	**2019**	**2020**	**2019**
OPERATING REVENUE		**1,011,441,839**	**909,204,509**	**585,536,769**	**551,045,526**
Sales revenue	3	983,634,615	884,715,500	574,862,914	542,790,126
Other operating revenue	4	27,807,224	24,489,009	10,673,855	8,255,400
OPERATING EXPENSES		**(898,671,971)**	**(820,610,546)**	**(498,873,297)**	**(469,257,036)**
Change in inventories	5	32,088,629	(6,046,899)	30,972,414	(5,653,059)
Material costs	6	(448,073,766)	(362,274,162)	(240,119,811)	(198,614,185)
Services costs	7	(181,021,841)	(172,378,606)	(82,766,785)	(74,360,876)
Employee costs	8	(188,618,189)	(172,631,334)	(115,186,517)	(103,133,281)
Depreciation	9	(49,077,048)	(47,025,115)	(39,506,796)	(36,887,188)
Value adjustment	10	(914,569)	(767,362)	(226,541)	(317,111)
Other operating expenses	11	(63,055,187)	(59,487,068)	(52,039,261)	(50,291,336)
Finance revenue	12	8,654,019	23,394,244	24,201,605	24,869,941
Finance expenses	12	(51,019,814)	(30,530,549)	(49,813,721)	(29,928,879)
Net finance expenses	12	**(42,365,795)**	**(7,136,305)**	**(25,612,116)**	**(5,058,938)**
Share in result of associates	13	40,242	49,125	-	-
PROFIT BEFORE TAX		**70,444,315**	**81,506,783**	**61,051,356**	**76,729,552**
Income tax	14	(4,782,506)	(3,064,443)	5,054,689	1,147,139
PROFIT		**65,661,809**	**78,442,340**	**66,106,045**	**77,876,691**
Foreign exchange gains/ losses from conversion of operations abroad	15	18,031	789,612	-	-
OTHER COMPREHENSIVE RESULT	15	**18,031**	**789,612**	**-**	-
TOTAL COMPREHENSIVE RESULT		**65,679,840**	**79,231,952**	**66,106,045**	**77,876,691**
Earnings per share (basic and diluted)		58	70	59	70

 NOTES ACCOMPANYING THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT OF COMPREHENSIVE INCOME



BALANCE SHEET
ON 31 DECEMBER 2020

		GROUP		COMPANY	
	Note	**2020**	**2019**	**2020**	**2019**
ASSETS					
Non-current assets		**697,893,535**	**655.811.529**	**675,386,055**	**631,142,664**
Intangible assets	16	123,755,933	116.366.072	77,493,972	69,828,001
Property, plant and equipment	17	534,057,140	504.770.664	488,547,816	459,372,587
Investment property	18	17,552,537	16.487.256	17,552,537	16,487,256
Investments in subsidiaries	19	-	-	73,651,819	72,554,347
Other financial assets	20	1,789,360	1.786.087	1,231,575	1,231,575
Deferred tax assets	21	20,738,565	16.401.450	16,908,336	11,668,898
Current assets		**629,087,537**	**610,033,281**	**533,451,852**	**536,900,767**
Inventories	22	216,053,529	197,021,933	170,709,733	151,629,713
Non-current assets held for sale	23	-	9,211,025	-	9,211,025
Receivables	24	355,049,665	314,858,369	325,884,486	292,259,601
Financial assets	25	97,686	201,792	2,261,070	24,971,775
Financial assets at fair value through the income statement	26	19,708,986	-	19,708,986	-
Cash at bank and in hand	27	32,591,258	85,193,456	11,877,531	57,446,615
Other receivables	28	5,586,413	3,546,706	3,010,046	1,382,038
TOTAL ASSETS		**1,326,981,072**	**1,265,844,810**	**1,208,837,907**	**1,168,043,431**

BALANCE SHEET
ON 31 DECEMBER 2020 (continued)

		GROUP		COMPANY	
	Note	**2020**	**2019**	**2020**	**2019**
CAPITAL AND LIABILITIES					
Capital and reserves		**681,885,086**	**624,963,119**	**690,828,759**	**630,868,691**
Share capital	29	120,560,000	119,255,000	120,560,000	119,255,000
Reserves	30	81,529,131	69,968,014	80,829,155	69,286,070
Own shares	31	(7,695,700)	(7,273,700)	(7,695,700)	(7,273,700)
Profit or loss brought forward	32	421,829,846	364,571,465	431,029,259	371,724,630
Financial year profit	33	65,661,809	78,442,340	66,106,045	77,876,691
Non-current liabilities		**348,910,003**	**353,027,803**	**328,622,809**	**330,337,910**
Provisions	34	3,428,857	2,987,555	2,815,556	2,564,595
Liabilities towards banks and financial institutions	35	175,898,272	178,051,836	175,898,272	178,051,836
Lease liabilities	36	37,666,403	40,507,089	21,624,412	21,885,573
Liabilities arising from securities	37	128,284,569	127,835,906	128,284,569	127,835,906
Deferred tax liability	38	3,631,902	3,645,417	-	-
Current liabilities		**296,185,983**	**287,853,888**	**189,386,339**	**206,836,830**
Liabilities towards banks and financial institutions	39	36,501,911	37,270,831	26,501,911	27,270,831
Lease liabilities	40	23,197,917	24,091,558	16,450,142	18,841,822
Trade payables	41	173,925,384	120,365,638	104,335,697	73,494,629
Bond liabilities	42	-	46,694,414	-	46,694,414
Liabilities arising from other securities	43	4,000,000	6,400,000	4,000,000	6,400,000
Other liabilities	44	58,560,771	53,031,447	38,098,589	34,135,134
TOTAL PRINCIPAL AND LIABILITIES		**1,326,981,072**	**1,265,844,810**	**1,208,837,907**	**1,168,043,431**

STATEMENT OF CHANGES IN EQUITY
FOR 2020

GROUP

Previous period	Share capital	Reserve	Own shares	Profit or loss brought forward	Financial year profit	Capital and reserves
As at 31/12/2019	**118,472,000**	**60,394,471**	**(7,685,300)**	**357,329,264**	**17,033,047**	**545,543,482**
Subscription of a new share issue	783,000	3,069,360	-	-	-	3,852,360
Yield from previous year's profit	-	6,233,839	-	10,799,208	-	17,033,047
Financial year profit yield	-	-	-	-	78,442,340	78,442,340
Transactions relating to own shares	-	115,000	(115,000)	1,790,440	-	1,790,440
Consolidation effect	-	681,944	-	2,073,059	-	2,755,003
TOTAL INCREASE	**783,000**	**10,100,143**	**(115,000)**	**14,662,707**	**78,442,340**	**103,873,190**
Prijenos na zadržanu dobit i zakonsku rezervu	-	-	-	-	(17,033,047)	(17,033,047)
Prijenos na obavezu za dividende	-	-	-	(6,677,898)	-	(6,677,898)
Transakcije s vlastitim dionicama	-	(526,600)	526,600	(543,000)	-	(543,000)
Efekt konsolidacije	-	-	-	(199,608)	-	(199,608)
UKUPNO SMANJENJE	-	(526,600)	526,600	**(7,420,506)**	**(17,033,047)**	**(24,453,553)**
Neto promjena	783,000	9,573,543	411,600	7,242,201	61,409,293	79,419,637
Stanje 31.12.2019.	**119,255,000**	**69,968,014**	**(7,273,700)**	**364,571,465**	**78,442,340**	**624,963,119**

STATEMENT OF CHANGES IN EQUITY
FOR 2020 (continued)

GROUP

Current period	**Share capital**	**Reserve**	**Own shares**	**Profit or loss brought forward**	**Financial year profit**	**Capital and reserves**
As at 31/12/2019	**119,255,000**	**69,968,014**	**(7,273,700)**	**364,571,465**	**78,442,340**	**624,963,119**
Subscription of a new share issue	1,305,000	5,115,600	-	-	-	6,420,600
Yield from previous year's profit	-	6,023,517	-	72,418,823	-	78,442,340
Financial year profit yield	-	-	-	-	65,661,809	65,661,809
Transactions relating to own shares	-	598,500	(598,500)	998,760	-	998,760
TOTAL INCREASE	**1,305,000**	**11,737,617**	**(598,500)**	**73,417,583**	**65,661,809**	**151,523,509**
Transfer to profit brought forward and legal reserve	-	-	-	-	(78,442,340)	(78,442,340)
Transfer to liability for dividend	-	-	-	(10,094,337)	-	(10,094,337)
Transactions relating to own shares	-	(176,500)	176,500	(3,471,000)	-	(3,471,000)
Consolidation effect	-	-	-	(2,593,865)	-	(2,593,865)
TOTAL DECREASE	**-**	**(176,500)**	**176,500**	**(16,159,202)**	**(78,442,340)**	**(94,601,542)**
Neto promjena	1,305,000	11,561,117	(422,000)	57,258,381	(12,780,531)	56,921,967
Stanje 31.12.2020.	**120,560,000**	**81,529,131**	**(7,695,700)**	**421,829,846**	**65,661,809**	**681,885,086**

STATEMENT OF CHANGES IN EQUITY
FOR 2020

						COMPANY
Previous period	**Share capital**	**Reserves**	**Own shares**	**Profit or loss brought forward**	**Financial year profit**	**Capital and reserves**
As at 31/12/2018	**118,472,000**	**60,394,471**	**(7,685,300)**	**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	-	115,000	(115,000)	1,790,440	-	1,790,440
TOTAL INCREASE	**783,000**	**9,418,199**	**(115,000)**	**14,371,761**	**77,876,691**	**102,334,651**
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	-	(526,600)	526,600	(543,000)	-	(543,000)
TOTAL DECREASE	**-**	**(526,600)**	**526,600**	**(7,220,898)**	**(18,815,160)**	**(26,036,058)**
Net change	783,000	8,891,599	411,600	7,150,863	59,061,531	76,298,593
As at 31/12/2019	**119,255,000**	**69,286,070**	**(7,273,700)**	**371,724,630**	**77,876,691**	**630,868,691**

STATEMENT OF CHANGES IN EQUITY
FOR 2020 (continued)

						COMPANY
Current period	**Share capital**	**Reserves**	**Own shares**	**Profit or loss brought forward**	**Financial year profit**	**Capital and reserves**
As at 31/12/2018	**119,255,000**	**69,286,070**	**(7,273,700)**	**371,724,630**	**77,876,691**	**630,868,691**
Subscription of a new share issue	1,305,000	5,115,600	-	-	-	6,420,600
Yield from previous year's profit	-	6,005,485	-	71,871,206	-	77,876,691
Financial year profit yield	-	-	-	-	66,106,045	66,106,045
Transactions relating to own shares	-	598,500	(598,500)	998,760	-	998,760
TOTAL INCREASE	**1,305,000**	**11,719,585**	**(598,500)**	**72,869,966**	**66,106,045**	**151,402,096**
Transfer to profit brought forward and legal reserve	-	-	-	-	(77,876,691)	(77,876,691)
Transfer to liability for dividend	-	-	-	(10,094,337)	-	(10,094,337)
Transactions relating to own shares	-	(176.500)	176,500	(3,471,000)	-	(3,471,000)
TOTAL DECREASE	**-**	**(176.500)**	**176,500**	**(13,565,337)**	**(77,876,691)**	**(91,442,028)**
Net change	1,305,000	11,543,085	(422,000)	59,304,629	(11,770,646)	59,960,068
As at 31/12/2019	**120,560,000**	**80,829,155**	**(7,695,700)**	**431,029,259**	**66,106,045**	**690,828,759**

STATEMENT OF CASH FLOWS – DIRECT METHOD FOR 2020

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
CASH FLOW FROM OPERATING ACTIVITIES	**109,238,010**	**79,585,816**	**85,195,551**	**53,977,982**
Cash inflow from operating activities	**1,029,487,760**	**963,047,904**	**580,623,970**	**515,128,035**
Cash inflows from customers	1,011,196,522	943,749,573	564,628,459	497,514,163
Cash inflows from insurance for damage compensation	466,894	621,230	326,035	461,078
Cash inflows from tax refund	14,641,827	13,769,253	14,298,127	13,769,253
Other cash inflows from operating activities	3,182,517	4,907,848	1,371,349	3,383,541
Cash outflows from operating activities	**(920,249,750)**	**(883,462,088)**	**(495,428,419)**	**(461,150,053)**
Cash outflows to suppliers	(655,704,374)	(626,633,443)	(353,156,065)	(331,716,759)
Cash outflows for employees	(133,422,322)	(125,254,800)	(77,253,404)	(67,037,032)
Cash expenditures for damage compensation insurance	(1,926,433)	(1,554,839)	(1,832,164)	(1,554,839)
Cash outflows for interest	(11,853,464)	(16,957,179)	(11,582,421)	(16,778,561)
Other cash outflows from operating activities	(116,035,553)	(111,140,312)	(51,311,896)	(44,046,785)
Cash expenditures for paid income tax	(1,307,604)	(1,921,515)	(292,469)	(16,077)

STATEMENT OF CASH FLOWS – DIRECT METHOD FOR 2020 (continued)

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
CASH FLOW FROM INVESTMENT ACTIVITIES	**(73,168,832)**	**(14,105,255)**	**(50,057,924)**	**7,407,716**
Cash inflows from investment activities	**319,365,222**	**130,263,731**	**50,600,673**	**25,157,375**
Cash inflows from sales of non-current tangible and intangible assets	3,068,203	4,992,651	2,911,160	4,887,129
Cash inflows from sale of financial instruments	26,382,565	-	26,382,565	-
Cash inflows from interest	6,701	11,157	664,258	5,236,009
Cash inflows from dividends	-	44,507	-	2,044,143
Cash inflows from payment of loans granted	105,962	320,115	20,642,690	12,990,094
Other cash inflows from investment activities	289,801,791	124,895,301	-	-
Cash outflows from investment activities	**(392,534,054)**	**(144,368,986)**	**(100,658,597)**	**(17,749,659)**
Cash outflows for acquiring non-current tangible and intangible assets	(58,330,268)	(19,617,286)	(53,585,549)	(17,651,727)
Cash outflow for acquiring equity and debt financial instruments	(44,626,422)	-	(44,706,422)	-
Cash outflows for loans granted	(82,350)	-	(2,366,626)	(97,932)
Other cash outflows from investment activities	(289,495,014)	(124,751,700)	-	-

STATEMENT OF CASH FLOWS – DIRECT METHOD FOR 2020 (continued)

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
CASH FLOW FROM FINANCING ACTIVITIES	**(85,886,423)**	**(9,560,977)**	**(77,921,758)**	**(16,938,260)**
Novčani primici od financijskih aktivnosti	**40,918,847**	**57,249,920**	**30,918,847**	**47,249,920**
Novčani primici od povećanja temeljnog (upisa-nog) kapitala	1,305,000	783,000	1,305,000	783,000
Novčani primici od izdanih vlasničkih i dužničkih financijskih instrumenata	5,115,600	46,446,920	5,115,600	46,446,920
Novčani primici od glavnice kredita, pozajmice i drugih posudbi	34,428,247	10,000,000	24,428,247	-
Ostali novčani primici od financijskih aktivnosti	70,000	20,000	70,000	20,000
Novčani izdaci od financijskih aktivnosti	**(126,805,270)**	**(66,810,897)**	**(108,840,605)**	**(64,188,180)**
Novčani izdaci za povrat kredita	(36,628,730)	(34,773,114)	(26,628,730)	(34,773,114)
Novčani izdaci za isplatu dividende	(10,088,937)	(6,681,498)	(10,088,937)	(6,681,498)
Novčani izdaci za najmove	(29,910,734)	(24,725,285)	(21,946,069)	(22,102,568)
Novčani izdaci za otkup vlastitih dionica	(3,471,000)	(611,000)	(3,471,000)	(611,000)
Ostali novčani izdaci od financijskih aktivnosti	(46,705,869)	(20,000)	(46,705,869)	(20,000)
Nerealizirane tečajne razlike po novcu	(2,784,953)	390,213	(2,784,953)	390,213
Novac i novčani ekvivalenti na početku razdoblja	**85,193,456**	**28,883,659**	**57,446,615**	**12,608,964**
Povećanje/ smanjenje novca i novčanih ekvivalenata	(49,817,245)	55,919,584	(42,784,131)	44,447,438
Novac i novčani ekvivalenti na kraju razdoblja	**32,591,258**	**85,193,456**	**11,877,531**	**57,446,615**

 NOTES ACCOMPANYING THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT OF CASH FLOW.

1. GENERAL INFORMATION

These financial statements for the year ended on 31 December 2020 comprise the unconsolidated statements of JADRAN – GALENSKI LABORATORIJ d.d. („JGL" or „Company") and consolidated statements consisting of statements of the Company and its subsidiaries (jointly the „Group").

The company was established and operates in Croatia. The Company is headquartered in Rijeka, Svilno 20.

The Group consists of the Company and its subsidiaries:

	2020	2019
Farmis d.o.o. Sarajevo	100%	100%
Jadran - Galenski laboratorij d.o.o. Ljubljana	100%	100%
JGL d.o.o. Beograd - Sopot	100%	100%
Pablo d.o.o. Zagreb	100%	100%
Pablo Rijeka Pharmacy	100%	100%
JGL North America LLC	100%	100%
Adrialab d.o.o.	100%	100%
Jadran LLC Moskva	100%	100%

Entity under significant influence of the Company:

	2020	2019
Galena d.o.o. Rijeka	49%	49%

The Group and the Company have transactions with affiliate persons:

	GROUP		COMPANY	
	2020	2019	2020	2019
Jadran informatika d.o.o.	x	x	x	x
Kanal RI	x	x	x	x
Natura Pharma d.o.o.	x	x	x	-
Poliklinika Pablo	x	x	-	-
Bruno Mihanović	x	x	-	-

The Group and the Company do not have unlimited liability over other companies.

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.

The Group's subsidiaries perform the activities of distribution of pharmaceutical products in retail and wholesale, as well as production of pharmaceutical products.

1.3. Ownership structure

The share capital of JGL d.d. Rijeka is HRK 120,560,000 (HRK 119,255,000 in 2019) and is divided into 1,205,600 (1,192,550 in 2019) shares with a nominal value of HRK 100 per share, namely 7,500 A series shares, 30,000 B series shares, 18,750 C series shares, 8,500 D series shares, 524,790+9 E series shares.

At the beginning of the period, the Company owned 72,737 of own shares. By the end of the financial year, the Company acquired an additional 6,250 and allocated 2,030 own shares under 2019 liability, so the number of own shares in the Company's portfolio on 31 December 2020 amounted to 76,957. In 2020, there were no allocations of own shares to affiliated persons.

In accordance with the provisions of the Companies Act, the Company created reserves for the repurchase of own shares which, as at 31 December 2020, amounted to HRK 26,934,053 (HRK 24,461,813 in 2019).

Legal and other reserves of the Group and the Company are created in accordance with the Companies Act and the Articles of Association of JGL d.d., Rijeka. Legal reserves as at 31 December 2020 amounted to HRK 48,113,134 (HRK 42,107,648 in 2019).

Other reserves of the Group as at 31 December 2020 amounted to HRK 2,840,754 (HRK 2,882,723 in 2019). Other reserves of the Company as at 31 December 2020 amounted to HRK 2,140,779 (HRK 2,140,779 in 2019).

By the resolution of the General Meeting of the Company, a total of HRK 10,094,337 (HRK 6,677,898 in 2019) was allocated for dividend from profit brought forward generated in 2020, to the holders of A, B, C, D, E, F, G and H series ordinary shares, in the amount of HRK 9.00 per share with dividend rights.

Net profit of the Group in the current year amounts to HRK 65,661,809 (HRK 78,442,340 in 2019), representing the profit realised according to the Income statement. Net profit of the Company in the current year amounts to HRK 66,106,045 (HRK 77,876,691 in 2019), representing the profit realised according to the Income statement.

Other comprehensive income of the Group as at 31 December 2020 amounted to HRK 65,679,840 (HRK 79,231,952 in 2019).

Net profit of the Group per share as at 31 December 2020 amounted to HRK 58 (HRK 70 per share in 2019) while net profit of the Company per share amounted to HRK 59 (HRK 70 in 2019) 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 Management Board.

Members of the Management Board on 31 December 2020 are:

- 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 Executive Director.

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 Group and 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, unless stated otherwise. Financial statements are prepared on an accrual basis under the going concern assumption.

The financial statements of the Group and the Company are prepared with the Croatian kuna (HRK) as the measurement or reporting currency of the Company. As at 31 December 2020, the exchange rate for 1 EUR was HRK 7.536898 (HRK 7.44258 in 2019), and the exchange rate for 1 RUB was HRK 0.084009 (HRK 0.107175 in 2019).

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:

- 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 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;
- Amendments to IFRS 16 "Leases" – amendments related to COVID-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020);

The adoption of these amendments to existing standards and interpretations did not result in material changes to the accounting policies or financial statements of the Group and the Company.

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

- IFRS 1 "First-time Adopter of the IFRS" – amendments related to Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022);
- IFRS 3 "Combinations" – amendments related to References to the Conceptual Framework (Amendments to the IFRS 3) – (effective for annual periods beginning on or after 1 January 2022);
- 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);
- IFRS 9 "Financial Instruments" – amendments related to Annual Improvements to IFRS Standards 2018–2020 (effective for periods beginning on or after 1 January 2022);
- IFRS 16 "Leases" – amendments related to Annual Improvements to IFRS Standards 2018–2020 (effective for periods beginning on or after 1 January 2022);

- IFRS 16 "Leases" – amendments related to Interest Rate Benchmark Reform – Phase II (effective for annual periods beginning on or after 1 January 2021);
- IFRS 17 "Insurance Contracts" – amendments including Extension of the Temporary Exemption from Applying Standards (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 "Presentation of Financial Statements" – amendments related to Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- IAS 16 "Property, Plant and Equipment" – amendments related to Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – amendments related to Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022).

The Group and the Company have chosen not to apply the new standards, amendments to existing standards and interpretations before the effective date. The Company Executive Director 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 Group and the Company in the period of their first application.

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

By the date of this statement, there were no standards and interpretations published by the IASB and not yet adopted in the European Union.

2.2. Consolidation

Subsidiaries are all companies over which the Company has control. Control is achieved if the Company has dominance, if it is exposed or has rights in relation to the variable yield based on its participation in that entity and is able to influence its yield based on its dominance, i.e. power. The subsidiary is consolidated or ceases to be consolidated, from the moment the Company acquires or loses control over it. In the Company's financial statements, these investments are stated using the cost method of impairment losses, if any.

The acquisition method is used to state the acquisition of subsidiaries by the Company. The cost of purchase is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of purchase, increased by costs directly attributable to the purchase. Acquired identifiable assets, liabilities and contingent liabilities in a business combination are initially measured at fair value at the acquisition date, regardless of the minority share. The excess of the cost of acquisition over the fair value of the Company's share in the net acquired assets of the subsidiary is recognised as goodwill. If the cost of acquisition is less than the fair value of the net acquired assets of the subsidiary, the difference is recognised directly in the statement of comprehensive income.

All intra-Group transactions, balances and unrealised gains from intra-Group transactions are eliminated on consolidation. Unrealised losses are also eliminated, unless there is evidence of impairment of the transferred assets. Where necessary, the accounting policies of the subsidiary are amended to harmonise them with policies applied by the Group and the Company.

2.3. 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.

2.4. Foreign currencies

The items included in the financial statements of the Group and 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 Group and the Company are presented in the Croatian kuna, the functional and presentation currency of the Group and 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.

2.5. The use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires from the Executive Director 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 Executive Director 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.

2.6. Revenue

Revenue is generated in the ordinary course of business of the Group and the Company. The revenue is recognised in a manner that reflects the transfer of contractual goods or services to the customer in an amount that reflects the consideration to which they expect 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 the Group or the Company expect 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.

2.7. 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.

2.8. Provisions

Provisions are recognised if the Group or the Company have 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.

2.9. Taxation

The Group presents its tax liability in accordance with the tax laws of the country in which the specific company has its registered office. The Company thus presents tax liabilities in accordance with Croatian tax 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 expense or income in the statement of comprehensive income except when relating to items recognised directly in equity, when tax is also recognised directly in equity.

2.10. Government grants

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the company within the Group 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 within the Group recognises expenses for the related costs which the grants are intended to compensate. Grant receivables as compensation for expenses or losses already incurred, or for immediate financial support to the Group with no future related costs, are recognised in profit or loss in the period in which they are incurred.

2.11. 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 Group or the Company, that the Group or 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 Group or the Company. All other costs represent an expense in the statement of comprehensive income in the period in which they were incurred.

Costs incurred by the Group through acquisition of retail pharmacy licences indispensable for its retail pharmaceutical operations are capitalised up to the amount for which future economic benefit is likely. Licences have an indefinite validity and are not depreciated, but are assessed annually for impairment.
Goodwill arises during the acquisition of a subsidiary or jointly controlled entity and represents the difference between the fair value of the cost of acquisition and the fair value of the Group's share in the net identifiable assets of the acquired company at the date of acquisition.

Separately represented goodwill is reviewed annually for impairment and is stated at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated for the purpose of testing impairment losses to cash-generating units, or groups of cash-generating units, that are expected to benefit from the business merger in which the goodwill arose. Each cash-generating unit or set of cash-generating units to which goodwill is allocated represents the lowest level within the Group at which the Executive Director tracks goodwill for internal purposes.

Any income or loss due to conversion to fair value is presented through income or loss. Gains and losses from the sale of an entity include the carrying amount of goodwill relating to the sold entity.

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:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Internally developed intangible assets	6,67%	6,67%	6,67%	6,67%
Licences	6,67%-indef.	6,67%-indef.	6,67-10%	6,67-10%
Software	10-50%	10-50%	10-20%	10-20%
Rights to registration use	20-33,33%	20-33,33%	20-33,33%	20-33,33%
Other intangible assets	6,67-50%	6,67-50%	6,67-50%	6,67-50%

2.12. 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 Group.

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 Group. 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:

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.

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Buildings	1,67-10%	1,67-10%	1,67-10%	1,67-10%
Right-of-use assets – property	7,95-80%	7,95-80%	10-50%	20%
Plants and equipment	5-10%	5-10%	5-10%	5-10%
Tools, plant inventory and means of transportation	5-50%	5-50%	5-50%	5-50%
Right-of-use assets – vehicles	20-50%	20-50%	20-50%	20-50%
Right-of-use assets – equipment	5-20%	5-20%	5-20%	5-20%

2.13. Leases

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 or the agreed lease term whichever is shorter.

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 Group or the Company would pay to borrow the funds necessary to obtain such an 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.

2.14. Impairment of intangible and tangible assets

At each balance sheet date, the Group and the Company check the carrying amounts of their long-term intangible and tangible assets to determine whether there are any indications 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 Group and the Company determine the recoverable amount for the asset's cash-generating unit. If a realistic and consistent allocation basis can be determined, the assets of the Group and 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.

2.15. 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.

2.16. 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.

2.17. Investments in associates

An associate is an entity over which the Group or the Company have significant influence, but no 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, while the equity method is applied in consolidated statements adjusting the investment on account of the Group's stake in capital of the associate.

2.18. 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.

The Group and the Company classify 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 Group and the Company assess whether there is objective evidence that a financial asset is impaired.

The Group and the Company cease 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 Group or the Company do not transfer nor retain substantially all of the risks and rewards of ownership and continue to have control of the transferred assets, they recognise their continuing involvement in the assets and the related liability in the amounts that they may be required to pay. If the Group or the Company retain 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.

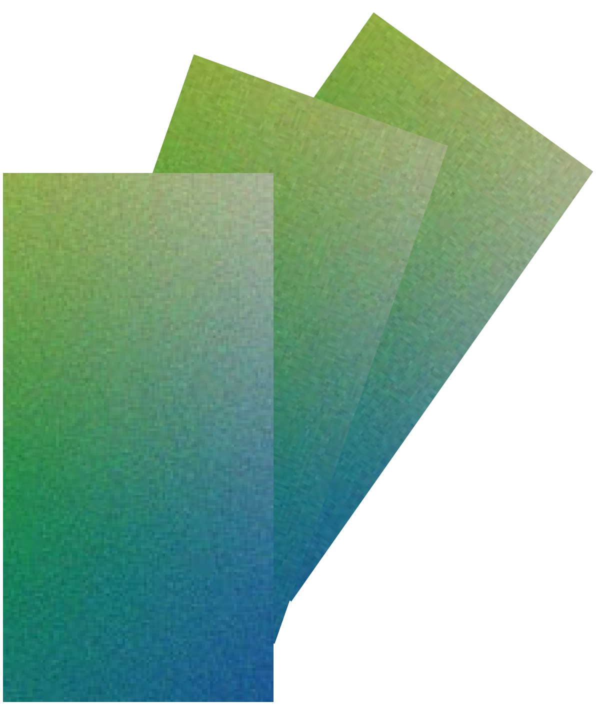
Upon derecognition of the entire financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and the consideration receivable and the cumulative gain or cumulative loss presented in other comprehensive income and accumulated in equity are transferred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

2.18.1. Impairment of financial assets

The Group and the Company recognise 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 Group and the Company compare the risk of 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 Group and the Company consider 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 Group and the Company regularly monitor 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.

2.18.2. Write-off policy

The Group and 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.

2.19. 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.

2.20. 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.

2.21. 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.

2.22. 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.

2.23. Financial liabilities

2.23.1. 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 Group and 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.

2.23.2. 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.

2.23.3. Derecognition of a financial liability

The Group and the Company derecognise a financial liability when, and only when, it is discharged, cancelled or expired.

2.24. Contingent assets and liabilities

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

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

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

During the preparation of the financial statements, the Executive Director used certain estimates and judgements that affect the net carrying value of assets and liabilities of the Group and 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 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 Group and the Company operate. Actual results can differ from the estimates.

2.26. Events after the date of the financial statements

Events after the reporting date that provide additional information on the Group's and the Company's positions 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.

3. SALES REVENUE

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Prihod od prodaje	983,634,615	884,715,500	574,862,914	542,790,126
Ukupno	**983,634,615**	**884.715.500**	**574,862,914**	**542,790,126**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	2019	2020	2019
Revenue from sales to subsidiaries	-	-	170,553,427	199,169,743
Revenue from sales to related parties	139,626	163,160	136,681	160,965
Total	**139,626**	**163,160**	**170,690,108**	**199,330,708**

3.1. Operating revenue by segment – programme

	GROUP			
	2020		2019	
Aqua Maris programme	338,939,382	34%	306,438,865	35%
Prescription drug programme	173,590,929	18%	166,388,072	19%
Non-prescription programme	115,807,930	12%	120,854,310	14%
Contract manufacturing and licensing out	107,805,580	11%	86,028,479	10%
Other programmes	72,902,530	7%	51.560.271	6%
Retail	174,588,264	18%	153,445,503	17%
Total	**983,634,615**	**100%**	**884,715,500**	**100%**

				COMPANY
		2020		2019
Aqua Maris programme	227,999,144	40%	214,766,559	40%
Prescription drug programme	127,635,731	22%	139,077,122	26%
Non-prescription programme	85,712,879	15%	91,515,993	17%
Contract manufacturing and licensing out	107,805,580	19%	86,028,479	16%
Other programmes	25,709,580	4%	11,401,973	2%
Retail	-	0%	-	0%
Total	**574,862,914**	**100%**	**542,790,126**	**100%**

3.2. Operating revenue by segment – region

				GROUP
		2020		2019
CIS	328,999,466	33%	368,028,480	42%
South-East Europe	419,351,104	43%	377,367,986	43%
Global markets	118,121,223	12%	85,936,789	10%
Black Sea	117,162,822	12%	53,382,245	6%
Total	**983,634,615**	**100%**	**884,715,500**	**100%**

				COMPANY
		2020		2019
CIS	208,597,081	36%	236,441,042	44%
Jugoistočna Europa	177,888,094	31%	167,030,051	31%
Globalna tržišta	118,121,811	21%	85,936,789	16%
Crno More	70,255,928	12%	53,382,244	10%
Ukupno	**574,862,914**	**100%**	**542,790,126**	**100%**

4. OTHER REVENUE

			GROUP	
		2020		2019
Revenue from grants and subsidies	2,675,684	10%	3,550,014	14%
Revenue from sales of property, plant and equipment	521,476	2%	1,012,094	4%
Revenue from sales of brands and licences	6,633,491	24%	3,636,796	15%
Other revenue	17,976,573	65%	16,290,105	67%
Total	**27,807,224**	**100%**	**24,489,009**	**100%**

			COMPANY	
		2020		2019
Revenue from grants and subsidies	1,955,922	18%	3,027,513	37%
Revenue from sales of property, plant and equipment	441,889	4%	868,410	11%
Revenue from sales of brands and licences	2,410,428	23%	987,464	12%
Other revenue	5,865,616	55%	3,372,013	41%
Total	**10,673,855**	**100%**	**8,255,400**	**100%**

Relations with subsidiaries

	GROUP		COMPANY	
	2020	2019	2020	2019
Revenue from sales of non-current assets to subsidiaries	-	-	764	915,373
Total	**-**	**-**	**764**	**915,373**

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

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

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Change in inventories	32,088,629	(6,046,899)	30,972,414	(5,653,059)
Total	**32,088,629**	**(6,046,899)**	**30,972,414**	**(5,653,059)**

6. MATERIAL COSTS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Cost of raw materials, packaging and advanced materials	197,635,040	143,482,860	191,261,101	138,708,077
Office supplies, small inventory, electrical power and fuel	10,804,746	12,510,850	8,145,998	9,089,490
Costs of goods sold	239,633,980	206,280,452	40,712,712	50,816,618
Total	**448,073,766**	**362,274,162**	**240,119,811**	**198,614,185**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Material costs from subsidiaries	-	-	152,020	73,788
Total	**-**	**-**	**152,020**	**73,788**

7. SERVICES COSTS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Costs of promotion services, sponsorships and fairs	54,894,543	58,627,533	27,628,071	22,977,675
Intellectual services costs	12,996,311	9,873,711	9,159,431	6,220,513
Costs of maintenance and protection services	12,130,701	10,476,792	10,899,203	9,121,400
Costs of other consulting	2,662,802	1,822,056	1,969,644	1,029,830
Costs of tax consulting	501,042	158,187	398,067	85,284
Costs of audit services	386,553	363,843	144,000	130,000
Other external service costs	97,449,889	91,056,484	32,568,369	34,796,174
Total	**181,021,841**	**172,378,606**	**82,766,785**	**74,360,876**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Service costs from subsidiaries	-	-	81,426	622,625
Service costs from related parties	745,616	864,810	138,862	301,454
Total	**745,616**	**864,810**	**220,288**	**924,079**

8. EMPLOYEE COSTS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Number of employees on 31 December	1,077	1,002	636	578
Average number of employees	1,044	988	610	565

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Net salaries	119,135,293	108,323,273	71,196,316	62,909,082
Tax, surtax and contributions from salary	42,496,906	39,306,630	29,078,014	26,580,800
Contributions on salaries	26,985,990	25,001,431	14,912,187	13,643,399
Total	**188,618,189**	**172,631,334**	**115,186,517**	**103,133,281**

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Contribution for mandatory pension insurance	29,406,664	27,045,468	18,293,459	16,902,127
Total	**29.406,664**	**27,045,468**	**18,293,459**	**16,902,127**

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.

The amount of salaries capitalised as value of assets in the period:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Net salaries	575,473	754,091	575,473	754,091
Tax, surtax and contributions from salary	228,480	254,442	228,480	254,442
Contributions on salaries	105,121	149,161	105,121	149,161
Total	**909,074**	**1,157,694**	**909,074**	**1,157,694**

9. DEPRECIATION

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Depreciation of intangible assets	7,343,058	7,396,575	6,571,497	6,577,690
Depreciation of tangible assets	25,987,250	23,895,587	23,541,679	21,506,138
Depreciation of tangible assets under leases	15,746,740	15,732,953	9,393,620	8,803,360
Total	**49,077,048**	**47,025,115**	**39,506,796**	**36,887,188**

10. VALUE ADJUSTMENT

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Value adjustment of trade receivables	344,680	767,362	226,541	317,111
Value adjustment of inventories	569,889	-	-	-
Total	**914,569**	**767,362**	**226,541**	**317,111**

11. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2020	2019	2020	2019
Costs of expenses	12,763,394	9,675,376	11,845,835	8,879,054
Other employee costs	13,729,620	14,573,483	9,994,944	9,825,339
Remuneration of the Management Board and allocation of shares	5,326,667	9,299,524	5,326,667	9,299,524
Unamortised value of scrapped non-current assets	4,656,786	3,087,653	4,464,714	3,087,653
Costs of subsequent approvals	3,573,609	1,068,853	3,573,609	1,068,853
Insurance costs	5,794,592	4,611,429	3,073,673	2,686,864
Costs of own product registration	2,164,733	1,985,265	1,932,395	2,073,239
Banking costs	1,968,126	2,023,894	1,089,317	1,117,168
Unrealised loss – IAS 40 and IFRS 5	943,760	-	943,760	-
Costs of professional training	1,415,508	1,393,775	872,919	895,153
Costs of own product representation	2,109,671	2,277,640	724,570	696,328
Costs of donations	715,791	395,449	529,390	255,877
Costs of professional literature	346,880	154,548	101,334	108,081
Other operating costs	7,546,050	8,940,179	7,566,134	10,298,203
Total	**63,055,187**	**59,487,068**	**52,039,261**	**50,291,336**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	2019	2020	2019
Other operating expenses from subsidiaries	-	-	3,642,846	5,338,273
Other operating expenses from related parties	18,900	-	18,900	-
Total	**18,900**	**-**	**3,661,746**	**5,338,273**

12. NET FINANCE EXPENSES

	GROUP		COMPANY	
	2020	2019	2020	2019
Revenue from interest	343,299	148,137	805,761	1,719,732
Revenue from exchange rate differences	7,315,171	23,197,057	7,279,092	23,105,702
Revenue from dividend	434,639	44,507	15,556,259	44,507
Other finance revenue	560,910	4,543	560,493	-
Total finance revenue	**8,654,019**	**23,394,244**	**24,201,605**	**24,869,941**
Interest expenses	(12,126,007)	(16,479,189)	(11,978,697)	(16,414,621)
Interest expenses for leases	(2,541,742)	(3,069,306)	(1,571,530)	(1,843,655)
Expenses from foreign exchange differences	(36,347,484)	(5,228,622)	(36,263,494)	(5,186,982)
Value adjustment of financial assets	-	(3,406,519)	-	(3,406,519)
Other finance expenses	(4,581)	(2,346,913)	-	(3,077,102)
Total finance expenses	**(51,019,814)**	**(30,530,549)**	**(49,813,721)**	**(29,928,879)**
Net finance expenses	**(42,365,795)**	**(7,136,305)**	**(25,612,116)**	**(5,058,938)**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	2019	2020	2019
Revenue from interest	-	-	805,107	1,717,572
Interest revenue from related parties	210	2,012	210	2,012
Revenue from exchange rate differences	-	-	2,799,223	19,932,690
Revenue from dividend	-	-	15,121,620	-
Total finance revenue	**210**	**2,012**	**18,726,160**	**21,652,274**
Expenses from foreign exchange differences	-	-	(27,615,313)	(1,961,337)
Value adjustment of financial assets	-	-	-	(3,406,519)
Other finance expenses	-	-	-	(730,720)
Total finance expenses	**-**	**-**	**(27,615.313)**	**(6,098,576)**
Net finance expenses	**210**	**2,012**	**(8,889,153)**	**15,553,698**

13. SHARE IN RESULT OF ASSOCIATES

	GROUP		COMPANY	
	2020	2019	2020	2019
Share in result of associates	40,242	49,125	-	-
Total	40,242	49,125	-	-

14. INCOME TAX

	GROUP		COMPANY	
	2020	2019	2020	2019
Current tax	(10,115,556)	(5,902,852)	(184,750)	(611,749)
Deferred tax	5,333,050	2,838,409	5,239,439	1,758,888
Total	**(4,782,506)**	**(3,064,443)**	**5,054,689**	**1,147,139**

	GROUP		COMPANY	
	2020	2019	2020	2019
Profit before tax	**70,444,315**	**81,506,783**	**61,051,356**	**76,729,552**
Base increase	53,851,501	34,690,097	10,067,265	16,198,080
Base reduction	(19,031,491)	(6,878,379)	(16,928,579)	(4,665,742)
Tax base	**105,264,325**	**109,318,501**	**54,190,042**	**88,261,890**
Tax incentive for investment	(9,569,468)	(15,358,214)	(9,569,468)	(15,358,214)
Tax incentives for research and development projects	(456,541)	(18,760)	(456,541)	(18,760)
Tax payable	(10,115,556)	(5,902,852)	(184,750)	(611,749)
Deferred tax	5,333,050	2,838,409	5,239,439	1,758,888
Total income tax	**(4,782,506)**	**(3,064,443)**	**5,054,689**	**1,147,139**
Profit after tax	**65,661,809**	**78,442,340**	**66,106,045**	**77,876,691**

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 relief in the form of reduced corporate income tax rate, which amounts to 0%. In 2020, the Company reported tax payable in the amount of HRK 184,750 (HRK 611,749 in 2019) and settled it with tax paid abroad based on withholding tax for licence sales and interest. Other companies in the Group do not use tax relief.

The amount of investment incentive for which deferred tax assets were not created in the Company amounts to HRK 16,244,423.

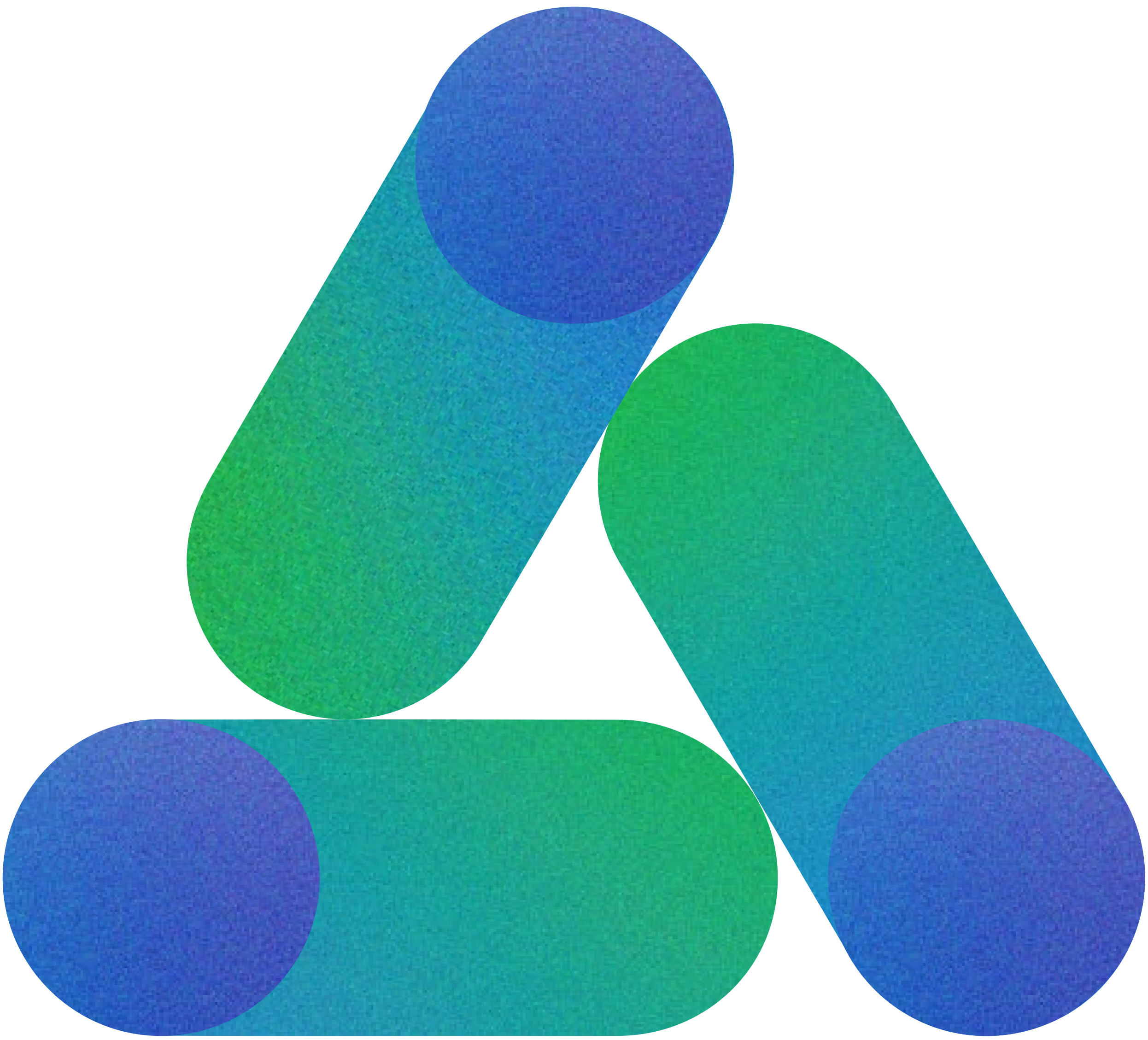
The Executive Director is not aware of any circumstances that could lead to new potential significant liabilities.

Tax proceedings were conducted against the subsidiary PABLO HEALTH INSTITUTION FOR PHARMACEUTICAL ACTIVITIES before the Ministry of Finance, Independent Sector for Second Instance Proceedings, based on which a first instance decision of 12 September 2017 was issued, which required the Institution to pay HRK 10.2 million in taxes on income from other income (including default interest). The Institution filed a complaint against this in October 2017.

By the decision of the Ministry of Finance of March 15, 2021, the appeal was upheld. In the opinion of the law office representing the Institution, the opposing party has no legal preconditions for initiating an administrative dispute.

15. OTHER COMPREHENSIVE RESULT

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Profit after tax	65,661,809	78,442,340	66,106,045	77,876,691
Foreign exchange gains/losses from conversion of operations abroad	18,031	789,612	-	-
Total comprehensive result	**65,679,840**	**79,231,952**	**66,106,045**	**77,876,691**



16. INTANGIBLE ASSETS

Movement of intangible assets during 2020:

					GROUP
Description	**Internally developed intangible assets**	**Patents, licences, trademarks, registration of own products**	**Goodwil**	**Intangible assets in preparation**	**Total intangible assets**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of intangible assets					
As at 31 December 2019	27,117,024	93,671,111	31,607,723	29,818,917	**182,214,775**
Direct increases	-	1,482,588	-	15,020,497	**16,503,085**
Increase by transfer from assets in preparation	-	8,416,209	-	(8,416,209)	-
Adjustment	-	(23,754)	-	-	**(23,754)**
Expenses and sale	-	(1,939,386)	-	(841,220)	**(2,780,606)**
As at 31 December 2020	**27,117,024**	**101,606,768**	**31,607,723**	**35,581,985**	**195,913,500**
As at 31 December 2019	11,849,307	44,216,333	9,783,063	-	**65,848,703**
Accrued depreciation for 2020	1,652,883	5,690,175	-	-	**7,343,058**
Value adjustment for scrapped and sold assets	-	(1,034,194)	-	-	**(1,034,194)**
As at 31 December 2020	**13,502,190**	**48,872,314**	**9,783,063**	**-**	**72,157,567**
Current value of intangible assets as at 31 December 2019	**15,267,717**	**49,454,778**	**21,824,660**	**29,818.917**	**116,366,072**
Current value of intangible assets as at 31 December 2020	**13,614,834**	**52,734,454**	**21,824,660**	**35,581.985**	**123,755,933**

Licenses required to perform pharmaceutical activity with an unlimited lifespan on 31.12.2020 amount to HRK 20,832,598 (in 2019 HRK 20,832,598).

Impairment test of goodwill and unlimited licenses on 31.12.2020 showed that the recoverable amount exceeds the carrying amount and there was no impairment loss.

Movement of intangible assets during 2019:

					GROUP
Description	**Internally developed intangible assets**	**Patents, licences, trademarks, registration of own products**	**Goodwil**	**Intangible assets in preparation**	**Total intangible assets**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of intangible assets					
As at 31 December 2018	24,585,656	86,974,516	31,607,723	25,500,372	**168,668,267**
Direct increases	258	3,207,473	-	14,245,847	**17,453,578**
Increase by transfer from assets in preparation	3,206,028	4,046,289	-	(7,232,162)	**20,155**
Adjustment	-	13,943	-	(16,547)	**(2,604)**
Expenses and sale	(674,918)	(571,110)	-	(2,678,593)	**(3,924,621)**
As at 31 December 2019	**27,117,024**	**93,671,111**	**31,607,723**	**29,818,917**	**182,214,775**
As at 31 December 2018	10,363,616	39,287,579	9,783,063	-	**59,434,258**
Accrued depreciation for 2019	1,906,445	5,490,130	-	-	**7,396,575**
Value adjustment for scrapped and sold assets	(420,754)	(561,376)	-	-	**(982,130)**
As at 31 December 2019	**11,849,307**	**44,216,333**	**9,783,063**	**-**	**65,848,703**
Current value of intangible assets as at 31 December 2018	**14,222,040**	**47,686,937**	**21,824,660**	**25,500,372**	**109,234,009**
Current value of intangible assets as at 31 December 2019	**15,267,717**	**49,454,778**	**21,824,660**	**29,818,917**	**116,366,072**

Movement of intangible assets during 2020:

				COMPANY
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 2019	27,117,024	60,759,008	28,965,807	**116,841,839**
Direct increases	-	-	14,783,337	**14,783,337**
Increase by transfer from assets in preparation	-	7,896,228	(7,896,228)	**-**
Expenses and sale	-	(905,590)	(545,869)	**(1,451,459)**
As at 31 December 2020	**27,117,024**	**67,749,646**	**35,307,047**	**130,173,717**
As at 31 December 2019	11,849,307	35,164,531	-	**47,013,838**
Accrued depreciation for 2020	1,652,883	4,918,614	-	**6,571,497**
Value adjustment for scrapped and sold assets	-	(905,590)	-	**(905,590)**
As at 31 December 2020	**13,502,190**	**39,177,555**	**-**	**52,679,745**
Current value of intangible assets as at 31 December 2019	**15,267,717**	**25,594,477**	**28,965,807**	**69,828,001**
Current value of intangible assets as at 31 December 2020	**13,614,834**	**28,572,091**	**35,307,047**	**77,493,972**

Movement of intangible assets during 2019:

				COMPANY
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**

17. PROPERTY, PLANT, EQUIPMENT

Movement of property, plant and equipment during 2020:

					GROUP
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
Purchase value of tangible assets					
As at 31 December 2019	41,712,493	300,380,043	29,993,644	214,648,009	28,177,592
Direct increases	-	446,259	3,975,681	1,853,896	587,288
Increase by transfer from assets in preparation	-	-	-	21,493,083	881,301
Other increases/decreases	7,269	53,008	(397,562)	16,321	(112,629)
Reclassification	4,331,662	(157,198)	-	20,078,799	8,061,142
Expenses and sale	-	-	(1,609,443)	(1,929,149)	(2,166,807)
As at 31 December 2020	**46,051,424**	**300,722,112**	**31,962,320**	**256,160,959**	**35,427,888**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2019	-	60,012,340	5,534,517	114,264,158	23,781,441
Accrued depreciation for 2020	-	6,876,887	5,820,611	16,635,782	2,419,192
Reclassification	-	(157,198)	-	5,550,196	682,294
Value adjustment for scrapped and sold assets	-	-	(886,224)	(1,337,219)	(2,040,674)
As at 31 December 2020	**-**	**66,732,029**	**10,468,904**	**135,112,917**	**24,842,253**
Current value of tangible assets 31 December 2019	**41,712,493**	**240,367,703**	**24,459,127**	**100,383,851**	**4,396,151**
Current value of tangible assets 31 December 2020	**46,051,424**	**233,990,083**	**21,493,416**	**121,048,042**	**10,585,635**

Movement of property, plant and equipment during 2020 (continued):

					GROUP
	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 2019	112,089,939	14,023,189	832,480	1,559,154	743,416,543
Direct increases	1,661,124	7,625,256	-	53,241,055	69,390,559
Increase by transfer from assets in preparation	9,444,097	-	283,556	(32,102,037)	-
Other increases/decreases	-	(95,438)	-	2,032	(526,999)
Reclassification	(28,139,941)	-	-	-	4,174,464
Expenses and sale	-	(2,688,897)	-	-	(8,394,296)
As at 31 December 2020	**95,055,220**	**18,864,109**	**1,116,036**	**22,700,204**	**808,060,272**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2019	30,433,017	4,620,407	-	-	238,645,880
Accrued depreciation for 2020	4,973,522	5,007,996	-	-	41,733,990
Reclassification	(6,232,491)	-	-	-	(157,199)
Value adjustment for scrapped and sold assets	-	(1,955,423)	-	-	(6,219,539)
As at 31 December 2020	**29,174,048**	**7,672,980**	-	-	**274,003,132**
Current value of tangible assets 31 December 2019	**81,656,922**	**9,402,782**	**832,480**	**1,559,154**	**504,770,663**
Current value of tangible assets 31 December 2020	**65,881,171**	**11,191,129**	**1,116,036**	**22,700,204**	**534,057,140**

Lease payments to related parties for right-of-use assets – property in 2020 amounts to HRK 506,081 (in 2019 HRK 498,567).

Movement of property, plant and equipment during 2019:

					GROUP
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
Purchase value of tangible assets					
As at 31 December 2018	41,684,890	298,746,175	-	300,726,903	39,754,879
Direct increases / Application of IFRS 16	-	89,500	30,059,080	1,068,867	695,762
Increase by transfer from assets in preparation	-	181,850	-	14,164,188	547,147
Other increases/decreases	36,483	1,362,518	(65,436)	23,426	(124,444)
Reclassification	-	-	-	(96,951,281)	(8,501,493)
Expenses and sale	(8,880)	-	-	(4,384,094)	(4,194,259)
As at 31 December 2019	**41,712,493**	**300,380,043**	**29,993,644**	**214,648,009**	**28,177,592**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2018	-	53,092,333	-	125,894,155	27,867,379
Accrued depreciation for 2019	-	6,920,007	5,534,517	14,195,829	2,779,751
Reclassification	-	-	-	(22,039,070)	(2,815,918)
Value adjustment for scrapped and sold assets	-	-	-	(3,786,756)	(4,049,771)
As at 31 December 2019	**-**	**60,012,340**	**5,534,517**	**114,264,158**	**23,781,441**
Current value of tangible assets 31 December 2018	**41,684,890**	**245,653,842**	**-**	**174,832,748**	**11,887,500**
Current value of tangible assets 31 December 2019	**41,712,493**	**240,367,703**	**24,459,127**	**100,383,851**	**4,396,151**

Movement of property, plant and equipment during 2019 (continued):

	Right-of-use assets – equipment	Right-of-use assets – vehicles	Other tangible assets	Tangible assets in preparation	Total tangible assets
					GROUP
Purchase value of tangible assets					
As at 31 December 2018	-	-	832,480	761,672	682,506,999
Direct increases / Application of IFRS 16	-	13,085,456	-	22,865,582	67,864,247
Increase by transfer from assets in preparation	7,644,688	-	-	(22,069,965)	467,908
Other increases/decreases	-	(69,790)	-	1,865	1,164,622
Reclassification	104,445,251	1,007,523	-	-	-
Expenses and sale	-	-	-	-	(8,587,233)
As at 31 December 2019	**112,089,939**	**14,023,189**	**832,480**	**1,559,154**	**743,416,543**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2018	-	-	-	-	206,853,867
Accrued depreciation for 2019	5,952,421	4,246,015	-	-	39,628,540
Reclassification	24,480,596	374,392	-	-	-
Value adjustment for scrapped and sold assets	-	-	-	-	(7,836,527)
As at 31 December 2019	**30,433,017**	**4,620,407**	-	-	**238,645,880**
Current value of tangible assets 31 December 2018	**-**	**-**	**832,480**	**761,672**	**475,653,132**
Current value of tangible assets 31 December 2019	**81,656,922**	**9,402,782**	**832,480**	**1,559,154**	**504,770,663**

Movement of property, plant and equipment during 2020:

					COMPANY
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
Purchase value of tangible assets					
As at 31 December 2019	40,348,192	284,479,069	5,745,987	206,311,066	17,358,657
Direct increases	-	-	2,683,931	1,668	-
Increase by transfer from assets in preparation	-	-	-	21,493,083	881,301
Other increases/decreases	-	-	-	-	(1,668)
Reclassification	4,331,662	(157,198)	-	20,078,799	8,061,142
Expenses and sale	-	-	(849,007)	(1,816,331)	(1,113,665)
As at 31 December 2020	**44,679,854**	**284,321,871**	**7,580,911**	**246,068,285**	**25,185,767**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2019	-	55,922,957	1,149,197	108,639,770	16,227,293
Accrued depreciation for 2020	-	6,458,471	1,505,522	15,922,469	1,160,739
Reclassification	-	(157,198)	-	5,550,196	682,294
Value adjustment for scrapped and sold assets	-	-	(168,057)	(1,266,019)	(1,082,346)
As at 31 December 2020	**-**	**62,224,230**	**2,486,662**	**128,846,416**	**16,987,980**
Current value of tangible assets 31 December 2019	**40,348,192**	**228,556,112**	**4,596,790**	**97,671,296**	**1,131,364**
Current value of tangible assets 31 December 2020	**44,679,854**	**222,097,641**	**5,094,249**	**117,221,869**	**8,197,787**

Movement of property, plant and equipment during 2020 (continued):

					COMPANY
	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 2019	107,983,272	8,181,978	832,480	1,429,624	672,670,325
Direct increases		4,150,192	-	52,794,481	59,630,272
Increase by transfer from assets in preparation	9,444,097	-	283,556	(32,102,037)	-
Other increases/decreases		-	-	-	(1,668)
Reclassification	(28,139,941)	-	-	-	4,174,464
Expenses and sale		(1,198,788)	-	-	(4,977,791)
As at 31 December 2020	**89,287,428**	**11,133,382**	**1,116,036**	**22,122,068**	**731,495,602**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2019	29,451,446	1,907,075	-	-	213,297,738
Accrued depreciation for 2020	4,768,189	3,119,909	-	-	32,935,299
Reclassification	(6,232,491)	-	-	-	(157,199)
Value adjustment for scrapped and sold assets	-	(611,630)	-	-	(3,128,052)
As at 31 December 2020	**27,987,144**	**4,415,354**	-	-	**242,947,786**
Current value of tangible assets 31 December 2019	**78,531,826**	**6,274,903**	**832,480**	**1,429,624**	**459,372,587**
Current value of tangible assets 31 December 2020	**61,300,284**	**6,718,028**	**1,116,036**	**22,122,068**	**488,547,816**

Movement of property, plant and equipment during 2019:

					COMPANY
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, fur-niture, means of transporta-tion, devices**
Purchase value of tangible assets					
As at 31 December 2018	40,328,585	282,974,011	-	288,090,094	28,437,588
Direct increases / Application of IFRS 16	-	89,500	5,745,987	1,017,286	5,888
Increase by transfer from assets in preparation	-	112,854	-	13,997,485	314,938
Other increases/decreases	28,487	1,302,704	-	-	-
Reclassification	-	-	-	(92,844,614)	(7,493,970)
Expenses and sale	(8,880)	-	-	(3,949,185)	(3,905,787)
As at 31 December 2019	**40,348,192**	**284,479,069**	**5,745,987**	**206,311,066**	**17,358,657**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2018	-	49,418,387	-	119,744,220	20,988,753
Accrued depreciation for 2019	-	6,504,570	1,149,197	13,523,280	1,478,288
Reclassification	-	-	-	(21,262,832)	(2,441,526)
Value adjustment for scrapped and sold assets	-	-	-	(3,364,898)	(3,798,222)
As at 31 December 2019	**-**	**55,922,957**	**1,149,197**	**108,639,770**	**16,227,293**
Current value of tangible assets 31 December 2018	**40,328,585**	**233,555,624**	**-**	**168,345,874**	**7,448,835**
Current value of tangible assets 31 December 2019	**40,348,192**	**228,556,112**	**4,596,790**	**97,671,296**	**1,131,364**

Movement of property, plant and equipment during 2019 (continued):

COMPANY	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	-	-	832,480	654,764	641,317,522
Direct increases / Application of IFRS 16	-	8,181,978	-	22,844,825	37,885,464
Increase by transfer from assets in preparation	7,644,688	-	-	(22,069,965)	-
Other increases/decreases		-	-	-	1,331,191
Reclassification	100,338,584	-	-	-	-
Expenses and sale		-	-	-	(7,863,852)
As at 31 December 2019	**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	-	-	-	-	190,151,360
Accrued depreciation for 2019	5,747,088	1,907,075	-	-	30,309,498
Reclassification	23,704,358	-	-	-	-
Value adjustment for scrapped and sold assets	-	-	-	-	(7,163,120)
As at 31 December 2019	**29,451,446**	**1,907,075**	**-**	**-**	**213,297,738**
Current value of tangible assets 31 December 2018	**-**	**-**	**832,480**	**654,764**	**451,166,162**
Current value of tangible assets 31 December 2019	**78,531,826**	**6,274,903**	**832,480**	**1,429,624**	**459,372,587**

A lien was registered on part of the property owned by the Group and the Company as security for repayment of long-term loans.

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Real estate lien	256,111,678	257,716,346	256,111,678	257,716,346

18. INVESTMENT PROPERTY

			GROUP
Description	**Investment Property IAS 40 – Land**	**Group Investment Property IAS 40 – Buildings**	**Total assets IAS 40**
As at 31 December 2018	3,502,706	13,715,275	17,217,981
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**
Increase/decrease in fair value	206,018	612,259	818,277
Reclassification	-	247,004	247,004
As at 31 December 2020	**3,783,727**	**13,768,810**	**17,552,537**

			COMPANY
Description	**Investment Property IAS 40 – Land**	**Group Investment Property IAS 40 – Buildings**	**Total assets IAS 40**
As at 31 December 2018	3,502,706	13,715,275	17,217,981
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**
Increase/decrease in fair value	206,018	612,259	818,277
Reclassification	-	247,004	247,004
As at 31 December 2020	**3,783,727**	**13,768,810**	**17,552,537**

19. INVESTMENTS IN SUBSIDIARIES

The following investments in subsidiaries are recorded in the Company's balance sheet:

	ownership share	2020	2019
Farmis d.o.o. Sarajevo	100%	170,228	170,228
Jadran - Galenski laboratorij, d.o.o.Ljubljana	100%	963,101	963,101
JGL d.o.o. Beograd - Sopot	100%	25,448,065	25,448,065
Pablo d.o.o. Zagreb	100%	33,768,528	33,768,528
Adrialab d.o.o.	100%	13,297,472	12,200,000
JADRAN LLC Moskva	100%	4,425	4,425
Total		**73,651,819**	**72,554,347**

In 2020, the Company increased the value of investments in subsidiaries by HRK 1,097,472 (HRK 3,406,518 in 2019).

Subsidiary Pablo d.o.o. Zagreb has 100% share in Pablo Rijeka healthcare institution.

20. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Galena d.o.o. (i)	606,379	566,136	49,000	49,000
Kanal Ri d.o.o. (ii)	845,000	845,000	845,000	845,000
Kvarner Vienna Insurance Group d.d. (ii)	337,575	337,575	337,575	337,575
Deposits given	-	33,325	-	-
Accruals	406	4,051	-	-
Total	**1,789,360**	**1,786,087**	**1,231,575**	**1,231,575**

(i) The Company recognises it at cost, while the Group recognises it using the equity method.
(ii) 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.

21. DEFERRED TAX ASSETS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Temporary tax differences	4,341,010	5,121,856	510,781	389,304
Unused tax relief	16,397,555	11,279,594	16,397,555	11,279,594
Total	**20,738,565**	**16,401,450**	**16,908,336**	**11,668,898**

22. ZALIHE

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Raw materials	68,743,033	83,180,639	63,077,273	80,819,002
Work in progress	83,425	207,216	3,550	98,893
Finished goods	73,426,340	47,174,289	69,431,612	44,192,156
Goods	73,800,731	66,459,789	38,197,298	26,519,662
Total	**216,053,529**	**197,021,933**	**170,709,733**	**151,629,713**

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Cost of products sold	248,162,740	242,705,117	238,641,984	234,160,666

23. NON-CURRENT ASSETS HELD FOR SALE

Movement of non-current assets held for sale is recorded in the Group's and Company's balance sheet:

	GROUP	COMPANY
Description	Non-current assets held for sale IFRS 5	Non-current assets held for sale IFRS 5
As at 31 December 2018	**12,400,640**	**12,400,640**
Increase/decrease in fair value	802,891	802,891
Expenses and sale	(3,992,506)	(3,992,506)
As at 31 December 2019	9,211,025	9,211,025
Reclassification	(9,211,025)	(9,211,025)
As at 31 December 2020	**-**	**-**

24. RECEIVABLES

	GROUP		COMPANY	
	2020	2019	2020	2019
Receivables from subsidiaries	-	-	167,657,110	176,830,177
Trade receivables	311,705,245	293,238,337	130,307,016	106,489,300
Employee receivables	22,978	123,601	6,279	86,242
Government receivables	17,877,180	14,515,372	4,715,173	3,692,354
Other current receivables	25,444,262	6,981,059	23,198,908	5,161,528
Total	**355,049,665**	**314,858,369**	**325,884,486**	**292,259,601**

24.1. Trade receivables

	GROUP		COMPANY	
	2020	2019	2020	2019
Trade receivables	311,705,245	293,238,337	130,307,016	106,489,300
Total	**311,705,245**	**293,238,337**	**130,307,016**	**106,489,300**

Structure of trade receivables by currency, expressed in kuna:

	GROUP		COMPANY	
	2020	2019	2020	2019
HRK	70,441,224	53,338,637	39,795,498	29,151,643
EUR	90,431,681	76,242,471	89,036,228	74,851,893
USD	1,475,290	2,521,372	1,475,290	2,485,764
RUB	135,271,092	148,530,711	-	-
BAM	12,533,674	11,262,691	-	-
Other currencies	1,552,284	1,342,455	-	-
Total	**311,705,245**	**293,238,337**	**130,307,016**	**106,489,300**

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

	GROUP		COMPANY	
	2020	2019	2020	2019
0–90 days	79,206,464	129,196,203	23,459,450	9,300,353
91–180 days	91,203,771	37,659,961	1,189,131	4,651
181–360 days	147,630	2,759,786	120,256	1,527,154
over 360 days	459,656	1,849,486	45,265	133,900
Total	**171,017,521**	**171,465,436**	**24,814,102**	**10,966,058**

24.2. Receivables from subsidiaries and related parties

	GROUP		COMPANY	
	2020	2019	2020	2019
Relations with subsidiaries and related parties				
Pablo d.o.o. (group)	-	-	4,253,702	14,833,750
Adrialab d.o.o.	-	-	-	11,685
JGL d.o.o. Beograd – Sopot	-	-	9,595,156	8,809,426
Farmis d.o.o. Sarajevo	-	-	8,735,309	8,676,046
Jadran – Galenski laboratorij d.o.o. Ljubljana	-	-	10,344	1,323,535
JADRAN LLC Moscow	-	-	145,062,599	143,175,735
Jadran informatika d.o.o.	16,767	-	16,767	-
Polyclinic Pablo	-	1,502	-	-
Total	**16,767**	**1,502**	**167,673,877**	**176,830,177**

24.3. Other current receivables

	GROUP		COMPANY	
	2020	2019	2020	2019
Receivables for prepayments	24,485,106	6,062,119	23,198,908	5,161,528
Receivables based on damage compensation	-	6,452	-	-
Other receivables	959,156	912,488	-	-
Total	**25,444,262**	**6,981,059**	**23,198,908**	**5,161,528**

25. CURRENT FINANCIAL ASSETS

	GROUP		COMPANY	
	2020	2019	2020	2019
Loans to subsidiaries	-	-	2,261,070	24,971,775
Loans granted and deposits	97,686	201,792	-	-
Total	**97,686**	**201,792**	**2,261,070**	**24,971,775**

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Investments in investment funds	19,708,986	-	19,708,986	-
Total	**19,708,986**	**-**	**19,708,986**	**-**

27. CASH AT BANK AND IN HAND

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Giro account	29,307,034	58,371,428	8,871,456	31,288,387
Cash in hand	249,591	370,992	7,020	9,484
Foreign currency account and non-resident accounts	3,033,232	26,450,616	2,997,654	26,148,324
Foreign exchange cash in hand	1,401	420	1,401	420
Total	**32,591,258**	**85,193,456**	**11,877,531**	**57,446,615**

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
HRK	17,134,323	39,481,123	8,878,476	31,297,871
EUR	5,054,648	19,303,999	1,696,821	14,390,179
RUB	6,500,392	23,997,730	899,612	11,386,175
USD	327,603	126,582	246,773	126,406
other	3,574,292	2,284,022	155,849	245,984
Total	**32,591,258**	**85,193,456**	**11,877,531**	**57,446,615**

28. OTHER RECEIVABLES

Other receivables pertaining to prepaid expenses:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Other receivables	5,586,413	3,546,706	3,010,046	1,382,038
Total	**5,586,413**	**3,546,706**	**3,010,046**	**1,382,038**

29. SHARE CAPITAL

Temeljni kapital Društva na dan 31.12.2020. godine iznosi 120.560.000 kn (2019. godine 119.255.000 kn) i podijeljen je na 1.205.600 dionica (2019. godine 1.192.550) pojedinačne nominalne vrijednosti 100 kn. Povećanje je nastalo izdavanjem novih 13.050 redovnih dionica (u 2019. godini 7.830 redovnih dionica).

30. RESERVES

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Reserves	81,529,131	69,968,014	80,829,155	69,286,070
Total	**81,529,131**	**69,968,014**	**80,829,155**	**69,286,070**

This change to the reserves is the result of the share premium account and the creation of reserves to cover development costs shown under assets that have not been written off and consolidation currency exchange gains/losses.

31. OWN SHARES

As at 31 December 2020, the Company has own shares in the amount of HRK 7,695,700 (HRK 7,273,700 in 2019).

32. PROFIT OR LOSS BROUGHT FORWARD

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Profit brought forward	421,829,846	364,571,465	431,029,259	371,724,630
Total	**421,829,846**	**364,571,465**	**431,029,259**	**371,724,630**

By the Resolution of the General Meeting of 15/06/2020, profit from 2019 in the amount of HRK 77,876,691 was allocated to the legal reserves of the Company to cover development costs that have not been written off, shown under assets in the amount of HRK 6,005,485. The remaining amount of profit in the amount of HRK 71,871,206 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 10,094,337.

In 2020, HRK 998,760 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 2020 for the repurchase of own shares in the amount of HRK 3,471,000.

33. FINANCIAL YEAR PROFIT

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Profit after tax	65,661,809	78,442,340	66,106,045	77,876,691
Total	**65,661,809**	**78,442,340**	**66,106,045**	**77,876,691**
Earning per share	**58**	**70**	**59**	**70**

Distribution of the Company's profit was not determined at the time of drafting of the notes. Once adopted, the decision on the distribution of the profit will be published on the Financial Agency, Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange websites as well as the Company's web site www.jgl.hr.

34. NON-CURRENT PROVISIONS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Provisions for anniversary bonuses and severance	2,603,636	1,899,091	1,990,335	1,476,131
Provisions for initiated court disputes	825,221	1,088,464	825,221	1,088,464
Total	**3,428,857**	**2,987,555**	**2,815,556**	**2,564,595**

Changes in provisions during 2020 were as follows:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Provisions as at 1 January	**2,987,555**	**1,730,908**	**2,564,595**	**1,730,908**
Cancellation of provisions	(271,243)	(175,987)	(271,243)	(175,987)
Additional provisions	936,045	1,595,634	697,204	1,134,674
Transfer to current provisions	(223,500)	(163,000)	(175,000)	(125,000)
Provision as at 31 December	**3,428,857**	**2,987,555**	**2,815,556**	**2,564,595**

35. NON-CURRENT LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Liabilities towards banks	175,898,272	178,051,836	175,898,272	178,051,836
Total	**175,898,272**	**178,051,836**	**175,898,272**	**178,051,836**

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Average interest rate on long-term loans	2,92%	3,18%	2,92%	3,18%

	GROUP		COMPANY	
	2020	2019	2020	2019
Liabilities toward banks				
Balance on 01.01.	178,051,836	204,519,340	178,051,836	204,519,340
New debt and exchange rate differences	24,328,247	(89,423)	24,328,247	(89,423)
Transfer to short-term position	(26,481,811)	(26,378,081)	(26,481,811)	(26,378,081)
Balance on 31.12.	**175,898,272**	**178,051,836**	**175,898,272**	**178,051,836**

Maturity of non-current loan liabilities:

			GROUP
	Current maturity 2021	2022 – 2025	2026 – forward
Liabilities towards banks	36,501,911	109,441,827	66,456,445
Total	**36,501,911**	**109,441,827**	**66,456,445**

			COMPANY
	Current maturity 2021	2022 – 2025	2026 – forward
Liabilities towards banks	26,501,911	109,441,827	66,456,445
Total	**26.501.911**	**109,441,827**	**66,456,445**

Long-term liabilities of the Group encompass only Company liabilities which will become due and payable after more than five years and pertain to HBOR loans where the total principal as at 31 December 2020 amounts to HRK 202,400,183 (HRK 205,322,667 in 2019).

As at 31 December 2020, the liability for the long-term HBOR loan used to finance the Svilno 2 production plant investment in 2013 amounts to HRK 179,473,553. The loan was approved in the amount of HRK 279,830,373 and repayment of the principal commenced in 2019.

In 2020, the Company launched a new investment named INTEGRA 2020 financed in part using a Croatian Bank for Reconstruction and Development loan in the amount of HRK 279,830,373 at the interest rate of 1.50%. The estimated duration of the investment and drawing period of the loan is until 30 June 2022. By 31 December 2020, HRK 24,428,247 of the loan was utilised.

36. NON-CURRENT LEASE LIABILITIES

	GROUP		COMPANY	
	2020	2019	2020	2019
Lease liabilities	37,666,403	40,507,089	21,624,412	21,885,573
Total	**37,666,403**	**40,507,089**	**21,624,412**	**21,885,573**

Relations with related parties

	GROUP		COMPANY	
	2020	2019	2020	2019
Non-current lease liabilities	1,035,868	1,318,223	-	-
Total	**1,035,868**	**1,318,223**	**-**	**-**

	GROUP		COMPANY	
	2020	2019	2020	2019
Lease liabilities				
Balance on 01.01.	40,507,089	24,290,523	21,885,573	23,468,894
New debt and exchange rate differences	28,194,790	40,308,124	21,587,667	17,258,501
Transfer to short-term position	(31,035,476)	(24,091,558)	(21,848,828)	(18,841,822)
Balance on 31.12	**37,666,403**	**40,507,089**	**21,624,412**	**21,885,573**

Maturity of non-current lease liabilities:

			GROUP
	Current maturity 2021	2022 – 2025	2026 – forward
Lease liabilities	23,197,917	33,943,938	3,722,465
Total	**23,197,917**	**33,943,938**	**3,722,465**

			COMPANY
	Current maturity 2021	2022 – 2025	2026 – forward
Lease liabilities	16,450,142	20,735,688	888,724
Total	**16,450,142**	**20,735,688**	**888,724**

37. NON-CURRENT SECURITY LIABILITIES

Non-current security liabilities of the Company as at 31 December 2020 amount to HRK 128,284,569, and relate to liabilities for issued long-term bonds (HRK 127,835,906 in 2019).

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, 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.

On 21 December 2020, the Company settled its liabilities towards holders of bonds bearing code HRJDGLO20CA4 by payment of principal in the amount of HRK 46,764,260 and corresponding interest in the amount of HRK 2.718.173.

38. DEFERRED TAX LIABILITY

	GROUP		COMPANY	
	2020	2019	2020	2019
Deferred tax liability	3,631,902	3,645,417	-	-
Total	3,631,902	3,645,417	-	-

Deferred tax liability of the Group is formed largely by recognising the licences upon acquisition of pharmacy units at the nominal income tax rate of 18%.

39. CURRENT LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2020	2019	2020	2019
Liabilities towards banks	36,501,911	37,270,831	26,501,911	27,270,831
Total	36,501,911	37,270,831	26,501,911	27,270,831

	GROUP		COMPANY	
	2020	2019	2020	2019
Liabilities toward banks				
Balance on 01.01.	37,270,831	36,170,038	27,270,831	36,170,038
Yield, new debt and exchange rate differences	44,907,118	35,498,824	34,907,118	25,498,824
Repayment	(45,676,038)	(34,398,031)	(35,676,038)	(34,398,031)
Balance on 31.12.	**36,501,911**	**37,270,831**	**26,501,911**	**27,270,831**

40. CURRENT LEASE LIABILITIES

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Lease liabilities	23,197,917	24,091,558	16,450,142	18,841,822
Total	**23,197,917**	**24,091,558**	**16,450,142**	**18,841,822**

Relations with related parties

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Current lease liabilities	325,049	310,599	-	-
Total	**325,049**	**310,599**	**-**	**-**

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Liabilities toward lease				
Balance on 01.01.	24,091,558	16,290,796	18,841,822	15,456,970
Yield, new debt and exchange rate differences	33,867,244	35,404,832	24,751,997	22,910,794
Repayment	(34,760,885)	(27,604,070)	(27,143,677)	(19,525,942)
Balance on 31.12.	**23,197,917**	**24,091,558**	**16,450,142**	**18,841,822**

41. TRADE PAYABLES

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Trade payables	173,925,384	120,365,638	104,335,697	73,494,629
Total	**173,925,384**	**120,365,638**	**104,335,697**	**73,494,629**

Structure of liabilities towards suppliers by currency:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
HRK	82,486,094	46,839,578	45,794,169	29,347,737
EUR	66,706,734	51,117,147	58,423,427	43,235,050
RUB	22,468,062	19,093,563	-	310,005
USD	100,065	675,840	96,566	601,837
BAM	1,761,505	2,156,866	-	-
Other currencies	402,924	482,644	21,535	-
Total	**173,925,384**	**120,365,638**	**104,335,697**	**73,494,629**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Adrialab d.o.o.	-	-	791,169	222,846
JGL d.o.o. Beograd - Sopot	-	-	-	20,500
Jadran - Galenski laboratorij d.o.o. Ljubljana	-	-	9,157	2,503
Jadran LLC	-	-	-	310,005
Kanal Ri d.o.o. Rijeka	8,333	14,692	8,333	14,692
Jadran informatika d.o.o. Rijeka	99,946	167,940	8,126	94,591
Total	**108,279**	**182,632**	**816,785**	**665,137**

42. CURRENT LIABILITIES FOR BONDS

	GROUP		COMPANY	
	2020	2019	2020	2019
Current liabilities for bonds	-	46,694,414	-	46,694,414
Total	**-**	**46,694,414**	**-**	**46,694,414**

43. CURRENT LIABILITIES ARISING FROM OTHER SECURITIES

Current liabilities arising from other securities pertain to bills of exchange issued to suppliers:

	GROUP		COMPANY	
	2020	2019	2020	2019
Current liabilities arising from other securities	4,000,000	6,400,000	4,000,000	6,400,000
Total	**4,000,000**	**6,400,000**	**4,000,000**	**6,400,000**

44. OTHER LIABILITIES

	GROUP		COMPANY	
	2020	2019	2020	2019
Liabilities towards employees	17,212,386	15,037,948	13,922,259	12,015,344
Liabilities for taxes, contributions and other fees	16,311,269	16,538,873	12,093,808	11,997,783
Liabilities for accrued charges	21,194,983	18,823,013	8,413,145	7,689,476
Liabilities for received advances	2,492,863	137,249	2,374,792	13,297
Other current liabilities and current provisions	1,349,270	2,494,364	1,294,585	2,419,234
Total	**58,560,771**	**53,031,447**	**38,098,589**	**34,135,134**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2020	2019	2020	2019
Other liabilities towards related parties	2,244,357	-	2,244,357	-
Total	**2,244,357**	**-**	**2,244,357**	**-**

45. RISK MANAGEMENT

45.1. Financial risk factors

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

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

45.2. Foreign currency risk

The Group and the Company are 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 role of export in Group and Company sales results in the exposure to foreign currency risk, since foreign currency assets exceed the amount of foreign currency liabilities. The existing policies of the Group and the Company include active risk protection.

The exposure to foreign currency risk is constantly monitored and hedge accounting is used as necessary. The parent Company has the greatest exposure to the currency risk and the decision on hedging depends on the currency in which the receivables are denominated, type of hedging instrument and its price. As at 31/12/2020, the Company did not have any active forward contracts.

The following table shows the carrying amounts of assets and liabilities of the Group in foreign currencies as at 31 December 2020.

Thousand HRK

	LIABILITIES		ASSETS	
	2020	2019	2020	2019
EUR	107,885	93,310	131,196	100,324
RUB	39,475	20,902	286,741	324,067
USD	99	598	1,631	2,510
Other currencies	7,535	7,494	20,287	15,564

The following table shows the carrying amounts of assets and liabilities of the Company in foreign currencies as at 31 December 2020.

Thousand HRK

	LIABILITIES		**ASSETS**	
	2020	**2019**	**2020**	**2019**
EUR	85,111	73,345	126,415	93,645
RUB	61	355	150,647	163,648
USD	99	598	1,631	2,510
Other currencies	693	531	2,460	-

The Group and the Company are primarily exposed to the foreign currency risk from the fluctuation of the kuna (HRK) in relation to EUR, USD and RUB. The Group and the Company have significant receivables denominated 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. In 2020, with the onset of the economic and the COVID-19 healthcare crisis, there was a strong depreciation of the Russian rouble relative to the euro. In this period, the Russian rouble lost about 30% of its value and value of the receivables of the Group and the Company also diminished in the process. In addition to direct losses related to the reduced value of the receivables, there are also indirect losses related to reduced purchasing power.

Should the exchange rate of EUR increase by 1% against the exchange rate of HRK on 31 December 2020, provided that all the other indicators remain the same, the net profit of the Group for the reporting period would be HRK 239,442 higher (HRK 557,682 higher in 2019). 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 2020, provided that all the other indicators remain the same, the net profit of the Group for the reporting period would be HRK 2,428,113 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 3,462,540 in 2019). 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.

Should the exchange rate of EUR increase by 1% against the exchange rate of HRK on 31 December 2020, provided that all the other indicators remain the same, the net profit of the Company for the reporting period would be HRK 419,365 higher (HRK 205,182 higher in 2019). 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 2020, provided that all the other indicators remain the same, the net profit of the Company for the reporting period would be HRK 1,461,317 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 1,678,107 in 2019). 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.

45.3. Interest rate risk

The Group's and the Company's business activities give rise to a minimal exposure of their cash flows to interest rate risk since the majority of interest rate debt is contracted at a fixed interest rate, which exposes the Group and the Company to the fair value interest rate risk.

In 2020, the average interest rate on bank loans to the Group was 2.88% (3.18% in 2019). In 2020, the average interest rate on bank loans to the Company was 2.92% (3.18% in 2019).

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

For the purposes of short-term financing, the Group and the Company use funds from the lines of credit arranged with their commercial banks at favourable interest rates.

The Group and the Company are 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 in relation to the total interest paid by the Group and the Company. New financial leasing contracts are arranged at a favourable fixed interest rate.

45.4. Credit risk and liquidity risk

Assets that can potentially expose the Group and 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. Within the Group, the parent company is exposed to this risk the most. More specifically, about 75% of trade receivables are foreign trade receivables. The company aims 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 foreign receivables, since 2003, the Company has been insuring trade receivables from buyers in Russia. The same applies to trade receivables from other countries (CIS, SEE, Global markets) since 2011.

Credit risk is related both to current financial assets and to cash at bank. The Group and the Company protect themselves against those risks by keeping funds and performing other business operations through commercial banks, which are among the leading banks and possess satisfactory levels of capital adequacy.

The Group and the Company are a part of the healthcare system and as such they are 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 was recording a constant decrease in the payment period from 150 to 74 days in 2019, but in 2020, the COVID-19 crisis caused it to be extended to 120 days. In the Russian market – the most significant export market – the average period of collection achieved by wholesale pharmacies is 120 days. In the home countries of other member companies, the average collection from customers is 60-90 days.

The liquidity risk is manifested as the risk that the Group and the Company will not be able to fulfil their obligations towards creditors or that they will not be able to raise cash fast enough and sell their less liquid assets (receivables and inventories). The Group and the Company manage their 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 2020, the parent company within the Group has credit lines in EUR approved and contracted with commercial banks in the total amount of EUR 7,200,000. These lines are used as a liquidity reserve and there was no need for their use in the last year. Pablo HI is the co-debtor in the credit line approved to the parent company and may use assets up to the amount of HRK 10,000,000. Other companies within the Group have no contracted credit lines with commercial banks.

Tables below show the contractual maturity of financial liabilities and financial assets of the Group and 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 Group and the Company in the shorter term.

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Group as at 31/12/2020					
Non-interest-bearing liabilities:					
Trade payables	185,210	183,558	183,828	-	-
Other liabilities	54,306	50,700	50,700	-	3,606
Interest liabilities:					
Loan liabilities	229,575	229,575	40,259	117,210	72,106
Bond liabilities	139,100	139,100	2,275	136,825	-
Lease liabilities	62,203	62,203	23,882	35,964	2,357
	670,394	**665,136**	**300,944**	**289,999**	**78,069**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	513,147	512,309	482,768	-	-
Cash and cash equivalents	52,301	-	-	-	-
Interest-bearing assets:					
Loans granted	15	15	15	-	-
	565,463	**512,324**	**482,783**	**-**	**-**
Net liquidity position	**(104,931)**	**(152,812)**	**181,839**	**(289,999)**	**(78,069)**

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Group as at 31/12/2019					
Non-interest-bearing liabilities:					
Trade payables	120,366	120,366	120,366	-	-
Other liabilities	56,431	56,431	52,825	-	3,606
Interest liabilities:					
Loan liabilities	238,429	238,429	42,749	122,640	73,040
Bond liabilities	190,421	190,421	51,669	138,752	-
Leasing liabilities	65,668	65,668	24,951	36,620	4,098
	671,315	**671,315**	**292,560**	**298,012**	**80,744**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	318,405	318,405	318,405	-	-
Cash and cash equivalents	85,189	85,189	85,189	-	-
Interest-bearing assets:					
Loans granted	33	33	-	33	-
	403,627	**403,627**	**403,594**	**33**	**-**
Net liquidity position	**(267,688)**	**(267,688)**	**111,034**	**(297,979)**	**(80,744)**

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Company as at 31/12/2020					
Non-interest-bearing liabilities:					
Trade payables	104,336	104,336	104,336	-	-
Other liabilities	42,099	42,099	42,099	-	-
Interest liabilities:					
Loan liabilities	219,575	219,575	30,259	117,210	72,106
Bond liabilities	139,100	139,100	2,275	136,825	-
Lease liabilities	39,413	39,413	17,134	22,279	-
	544,523	**544,523**	**196,103**	**276,314**	**72,106**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	328,894	328,894	328,894	-	-
Cash and cash equivalents	31,587	-	-	-	-
Interest-bearing assets:					
Loans granted	2,261	2,261	2,261	-	-
	362,742	**350,864**	**350,864**	**-**	**-**
Neto pozicija likvidnosti	**(181,781)**	**(193,659)**	**154,761**	**(276,314)**	**(72,106)**

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Company as at 31/12/2019					
Non-interest-bearing liabilities:					
Trade payables	73,495	73,495	73,495	-	-
Other liabilities	40,535	40,535	40,535	-	-
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	-
	574,657	**574,657**	**218,129**	**283,488**	**73,040**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	293,642	293,642	293,642	-	-
Cash and cash equivalents	57,447	-	-	-	-
Interest-bearing assets:					
Loans granted	26,470	26,470	26,470	-	-
	377,559	**320,112**	**320,112**	**-**	**-**
Net liquidity position	**(197,098)**	**(254,545)**	**101,983**	**(283,488)**	**(73,040)**

45.5. 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 Group's and 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 Group's and the Company's inability to obtain an approval for their pharmaceutical products or processes, or the withdrawal of any such approval, could have an adverse effect on their operations, financial position, business performance and future outlook of the Group and the Company.

Because of this, the Group and the Company invest significant funds, knowledge and experience in 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 Group and 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 Group and the Company manage their market risks through a diversified product portfolio, sophisticated technology and manufacturing processes, and through investments in highly skilled staff and research and development.

45.6. Capital management

The Group and the Company manage their credit debt by regulating the proportion of self-financing versus financing from external sources. Financing from other sources is based on long-term assets with extremely favourable interest rates, which does not represent a burden on the Group's and the Company's liquidity.

With regard to debt type, the Group has long-term liabilities for received loans, leasing and issued bonds, as well as short-term liabilities for received loans.

JGL as the parent company bears the greatest part of the debt burden. The liability for the long-term HBOR loan used to finance an investment in a new production facility Svilno 2 amounts to HRK 179,473,553. 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, 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 2021 is HRK 26,588,675.

The Company has liabilities towards the holders of bonds with the code HRJDGL024XA2, in the amount of HRK 130,000,000 and maturity on 18 December 2024. In the course of 2020, the Company settled its liabilities towards holders of bonds bearing the code HRJDGL020CA4 by payment of the principal in the amount of HRK 46,764,260 and corresponding interest in the amount of HRK 2.718.173.

In addition to the parent company, another Group member has a debt in the form of a short-term bank loan. Affiliated company Pablo HI has a short-term loan for financing of its working capital in the amount of HRK 10,000,000 which shall become due and payable in July 2021.

The decrease of debt and shorter period of collection of receivables resulted in financial stability, liquidity of the Group and the Company, creditworthiness, and a good net-debt-to-capital ratio.

The capital structure of the Group and 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.

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Debt				
Short-term and long-term debt	401,549,072	454,451,631	368,759,306	420,580,382
Cash and cash equivalents and loans granted	(52,397,930)	(85,395,248)	(33,847,587)	(82,418,390)
Net debt	**349,151,142**	**369,056,383**	**334,911,719**	**338,161,992**
Total capital and reserves	681,885,086	624,963,119	690,828,759	630,868,691
Net debt / capital and reserves	0.51	0.59	0.48	0.5
Financial leverage ratio	**33,86%**	**37,13%**	**32,65%**	**33,21%**

45.7. Categories of financial instruments

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Financial assets at fair value				
Investments in securities	20,891,561	1,182,575	20,891,561	1,182,575
Total	**20,891,561**	**1,182,575**	**20,891,561**	**1,182,575**
Financial assets at amortised cost				
Trade receivables	311,705,245	293,238,337	297,964,127	283,319,477
Cash and cash equivalents	32,591,258	85,193,456	11,877,531	57,446,615
Other financial assets	97,686	201,792	2,261,070	24,971,775
Total	**344,394,189**	**378,633,585**	**312,102,728**	**365,737,867**
Financial liabilities at amortised cost				
Loan liabilities	212,400,193	215,322,667	202,400,183	205,322,667
Liabilities arising from bonds and securities	132,284,569	180,930,320	132,284,569	180,930,321
Liabilities towards suppliers and other liabilities	173,925,384	120,365,638	104,335,696	73,494,628
Lease liabilities	60,864,320	64,598,647	38,074,554	40,727,396
Total	**579,474,466**	**581,217,272**	**477,095,002**	**500,475,012**

46. FAIR VALUE

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

47. CONTINGENT LIABILITIES

There are several ongoing judicial disputes against the Group and the Company for which the Executive Director believes that the potential final liability for disputes and appeals will not have any significant impact on the financial position or future business performance of the Group or the Company.

48. KEY MANAGEMENT REMUNERATION

	GROUP		COMPANY	
	2020	2019	2020	2019
Net salaries	6,961,597	7,066,529	2,940,079	3,382,122
Taxes and contributions from salary	3,478,991	3,533,022	2,066,258	2,258,965
Contributions on salary	1,391,985	1,472,917	826,046	926,311
Remuneration of the Management Board and allocation of shares	5,402,019	9,299,523	5,326,667	9,299,523
Total	17,234,592	21,371,991	11,159,050	15,866,921

	GROUP		COMPANY	
	2020	2019	2020	2019
Annual awards and bonuses to the key management	8,163,426	5,710,191	3,498,375	4,827,256
Number of shares assigned to the key management	-	6,030	-	6,030

49. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS FOR 2019

In 2020, the Group and the Company reclassified certain items in the balance sheet and the statement of comprehensive income for 2019 to make them comparable to the information for 2020 through changes in the presentation of certain items.

49.1. Non-current assets

	GROUP			COMPANY		
	2019 after re-classification	**2019 before reclas-sification**	**Reclassifica-tion effect**	**2019 after re-classification**	**2019 before reclassification**	**Reclassifica-tion effect**
Property, plant and equipment	504,770,664	508,065,543	(3,294,879)	459,372,587	462,667,467	(3,294,880)
Receivables	314,858,369	311,563,490	3,294,879	292,259,601	288,964,721	3,294,880
Total	**819,629,033**	**819,629,033**	**-**	**751,632,188**	**751,632,188**	**-**

In the original 2019 balance sheet, Advances for non-current assets were a part of the Non-current tangible assets. This amount was reclassified and reported under Receivables.

49.2. Inventories

	GROUP			COMPANY		
	2019 after re-classification	**2019 before reclas-sification**	**Reclassifica-tion effect**	**2019 after re-classification**	**2019 before reclassification**	**Reclassifica-tion effect**
Inventories	197,021,933	206,232,958	(9,211,025)	151,629,713	160,840,738	(9,211,025)
Non-current assets held for sale	9,211,025	-	9,211,025	9,211,025	-	9,211,025
Total	**206,232,958**	**206,232,958**	**-**	**160,840,738**	**160,840,738**	**-**

In the original 2019 balance sheet, Non-current assets held for sale was a part of the Inventories. This amount was reclassified and reported as a separate item.

49.3. Reserves

	GROUP			COMPANY		
	2019 after reclassification	**2019 before reclassification**	**Reclassification effect**	**2019 after reclassification**	**2019 before reclassification**	**Reclassification effect**
Reserves	69,968,014	62,494,706	7,473,308	69,286,070	62,012,370	7,273,700
Own shares	(7,273,700)	-	(7,273,700)	(7,273,700)	-	(7,273,700)
Profit brought forward	364,571,465	364,771,073	(199,608)	371,724,630	371,724,630	-
Total	**427,265,779**	**427,265,779**	**-**	**433,737,000**	**433,737,000**	**-**

In the original 2019 balance sheet, Own shares were a part of Reserves. This amount was reclassified and reported as a separate item.

49.4. Non-current provisions and current liabilities

	GROUP			COMPANY		
	2019 after reclassification	**2019 before reclassification**	**Reclassification effect**	**2019 after reclassification**	**2019 before reclassification**	**Reclassification effect**
Non-current provisions	2,987,555	3,150,555	(163,000)	2,564,595	2,689,595	(125,000)
Trade payables	120,365,638	120,365,638	-	73,494,629	72,938,775	555,854
Other current liabilities	53,031,447	52,868,447	163,000	34,135,134	34,565,988	(430,854)
Total	**176,384,640**	**176,384,640**	**-**	**110,194,358**	**110,194,358**	**-**

In the original 2019 balance sheet, Non-current provisions for anniversary bonuses and severance payments were a part of the Non-current provisions. This amount was reclassified and reported under Other current liabilities.

In the original 2019 balance sheet, Liabilities towards subsidiaries were a part of the Other current liabilities. This amount was reclassified and reported under Trade payables.

49.5. Current liabilities arising from securities

	GROUP			COMPANY		
	2019 after re-classification	2019 before reclas-sification	Reclassifica-tion effect	2019 after re-classification	2019 before reclassification	Reclassifica-tion effect
Bond liabilities	46,694,414	-	46,694,414	46,694,414	-	46,694,414
Liabilities arising from securities	6,400,000	53,094,414	(46,694,414)	6,400,000	53,094,414	(46,694,414)
Total	**53,094,414**	**53,094,414**	**-**	**53,094,414**	**53,094,414**	**-**

In the original 2019 balance sheet, Current liabilities arising from bonds were a part of the Current liabilities arising from securities. This amount was reclassified and reported as a separate item.

49.6. Material costs

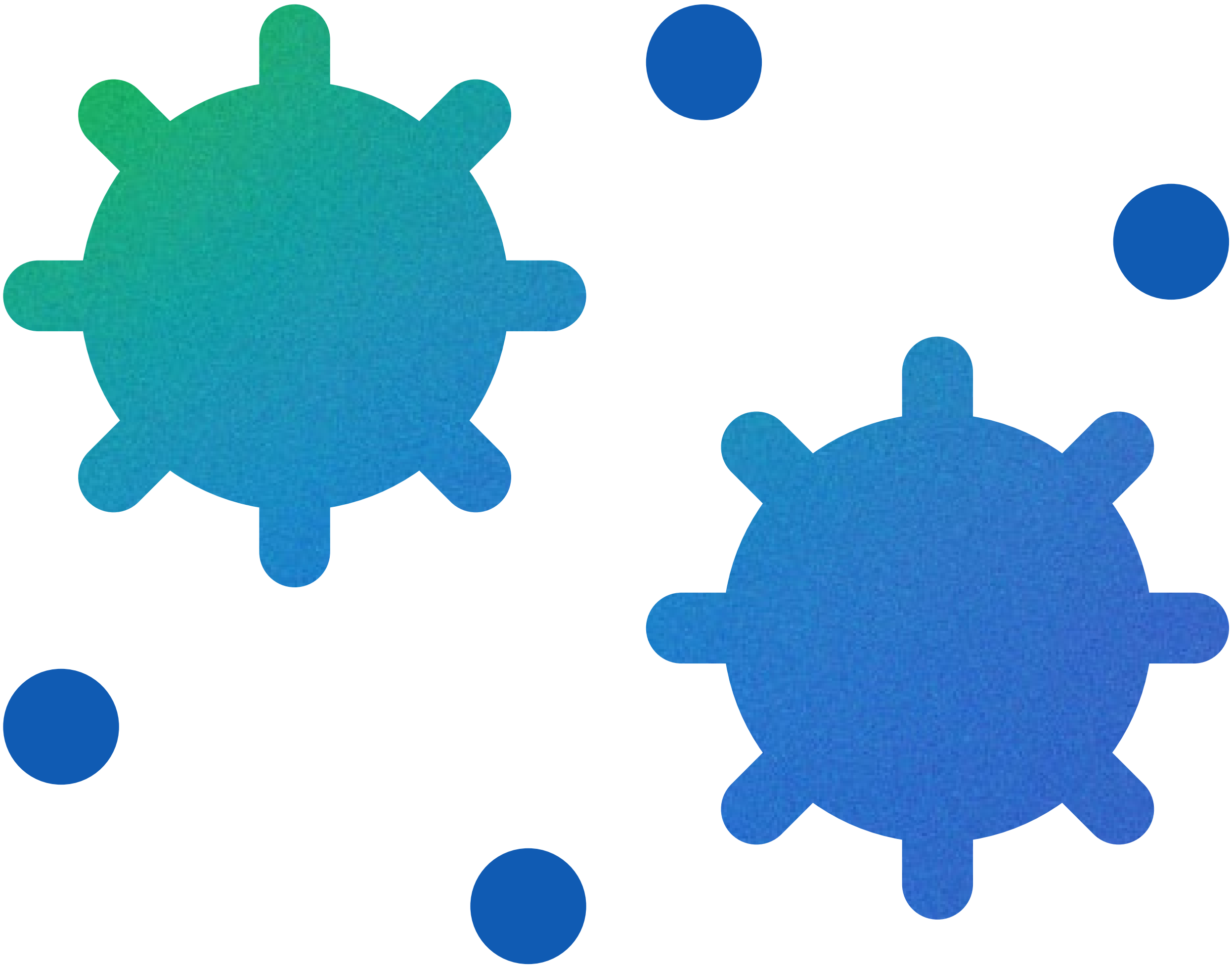
	GROUP			COMPANY		
	2019 after re-classification	2019 before reclassi-fication	Reclassifica-tion effect	2019 after re-classification	2019 before reclassification	Reclassifica-tion effect
Material costs	(362,274,162)	(534,652,768)	172,378,606	(198,614,185)	(272,975,061)	74,360,876
Services costs	(172,378,606)	-	(172,378,606)	(74,360,876)	-	(74,360,876)
Total	**(534,652,768)**	**(534,652,768)**	**-**	**(272,975,061)**	**(272,975,061)**	**-**

In the original 2019 comprehensive income report, the Services costs were a part of the Material costs. This amount was reclassified and reported as a separate item.

49.7. Net finance expenses

	GROUP			COMPANY		
	2019 after re-classification	**2019 before reclas-sification**	**Reclassifica-tion effect**	**2019 after re-classification**	**2019 before reclassification**	**Reclassifica-tion effect**
Net finance expenses	(7,136,305)	(7,087,180)	(49,125)	(5,058,938)	(5,058,938)	-
Share in result of associates	49,125	-	49,125	-	-	-
Total	**(7,087,180)**	**(7,087,180)**	**-**	**(5,058,938)**	**(5,058,938)**	**-**

In the original 2019 comprehensive income report, the Share in result of associates was a part of the Net finance expenses. This amount was reclassified and reported as a separate item.



50. IMPACT OF COVID-19 ON OPERATION OF THE GROUP AND THE COMPANY

Care for the health of employees has been assigned the highest priority in the Group and the Company since the very beginning of the pandemic. In this segment, work was organised to reduce the risk of the potential spread of infection, preventive measures were introduced and advisory and professional services were responsibly enhanced for all employees.

In 2020, the Group and the Company invested HRK 1.5 million to protect employees and their families. Special investments were related to additional care for Pablo HI patients and pharmacists. There were no confirmed cases of internal transmission of the disease in the Group or the Company.

Barriers were eliminated in the supply chain segment by adjusting operating methods preventing stoppages and adverse effects in the EU. The only adverse impact on operations was caused by the macro-economic situation in Russia, primarily due to a slow-down of the economy and a drop in the price of oil accompanied by a decline of the population's purchasing power causing the depreciation of the Russian rouble by 30 percent. The Group managed this risk by focusing more on adapting to customer needs, sales and exports, and on further expanding cooperation in key therapeutic segments.

The future of operations related to the COVID-19 crisis in the Group will be linked to an adjustment of strategic plans, development of various types of economic scenarios and consequences of the crisis, as well as benefits brought by increasing flexibility of jobs in terms of location and time segments.

51. FINANCIAL LIABILITIES NOT INCLUDED IN THE BALANCE SHEET

Financial obligations not included in the balance sheet are monitored through off-balance sheet records and comprise:

		GROUP
	2020	**2019**
Credit lines with banks	59,265,666	29,770,320
Issued guarantees	2,019,058	1,994,258
Received guarantees	4,298,526	4,285,985
Contracted material	1,086,411	2,407,359
Total	**66,669,661**	**38,457,922**

		COMPANY
	2020	**2019**
Credit lines with banks	59,265,666	29,770,320
Issued guarantees	2,019,058	1,994,258
Received guarantees	4,298,526	4,285,985
Contracted material	1,086,411	2,407,359
Total	**66,669,661**	**38,457,922**

52. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

Pursuant to the decision of Zagreb Commercial Court of 15 February 2021, JGL PPH d.o.o. was established as a new company and member of the Group, 100% owned by the Company.

The company JGL PPH d.o.o. was established for the purposes of future operations pursuant to the Strategic Partnership Agreement concluded with pharmaceutical company Polfa Warszawa S.A. from Poland as a Special Purpose Vehicle (SPV) for implementation and monitoring of a specific business segment involving the foreign partner.

On 16.03.2021 by the Decision of the Commercial Court in Zagreb, the Company recapitalized the rights of the company JGL PPH d.o.o. in the amount of HRK 64,968,239.

53. APPROVAL OF FINANCIAL STATEMENTS

Financial statements shown on the previous pages were prepared and approved for issuing by the Company's Executive Director on 27 April 2021.

For JGL d.d.

Mislav Vučić,
Executive Director

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

Based on Article 26 paragraph 1 section 12 from the Statute of Jadran – Galenski laboratorij joint stock company, the Management Board of the Jadran - Galenski laboratorij, joint stock company from Rijeka, on the meeting held on April 29, 2021 under the point 2 of the daily Agenda:
"Consideration of yearly audited consolidated financial reports of JGL d.d. for period 01.01.-31.12.2020, and determination of Status report of the affiliated companies and Health Insitution Pablo for the same period",

the following was made:

DECISION

I
The Management Board of Jadran - Galenski laboratorij, joint stock company confirms the validity of consolidated financial reports of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2020 as composed by the Executive Director.

II
Management Board of Jadran - Galenski laboratorij, joint stock company determined the consolidated financial reports of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2020.

Management Board of Jadran - Galenski laboratorij, joint stock company determined the Status report of the affiliated companies and Health Insitution Pablo for period 01.01.-31.12.2020.

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

PRESIDENT OF THE MANAGEMENT BOARD

IVO USMIANI, mag.pharm., spec.

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

Based on Article 26 paragraph 1 section 12 from the Statute of Jadran – Galenski laboratorij joint stock company, the Management Board of the Jadran - Galenski laboratorij, joint stock company from Rijeka, on the meeting held on April 01, 2021 under the point 1 of the daily Agenda: **"Consideration of audited yearly financial reports of JGL d.d. for period 01.01.-31.12.2020, and determination of Company status report of the JGL d.d. for the same period"**, the following 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.-31.12.2020. 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.-31.12.2020.

Management Board of Jadran - Galenski laboratorij, joint stock company determined the Company status report of Jadran - Galenski laboratorij, joint stock company for period 01.01.-31.12.2020.

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

PRESIDENT OF THE MANAGEMENT BOARD

IVO USMIANI, mag.pharm., spec.

Usmiani

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

The Management Board of the Jadran - Galenski laboratorij, joint stock company based on Article 280 of the Company law on the meeting held April 29, 2020 made a decision proposing to the annual regular General Assembly meeting of the Company the adoption of the following

DECISION
on use of profit of 2020

The proposal of the Management Board of the Company on use of profit of 2020 is accepted.

a)
It is determined that the Company in year that ended 31.12.2020 retained profit in amount of HRK 66,106,044.50.

b)
Profit of the Company in amount of HRK 3,648,183.85 is allocated to other reserves of the Company to cover costs of development that are not yet written off.

c)
Remaining amount of Profit of the Company in amount of HRK 62,457,860.65 is allocated to retained profit of Company.

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

PRESIDENT OF THE MANAGEMENT BOARD

IVO USMIANI, mag. pharm., spec.

Usmiani

jgl