JGL Group Integrated Annual Report

2023

Purpose

We help people sense the world around them in a better, richer and more confident way.

Experience the scent of the Earth, see the world of possibilities, feel good in your skin!

Sense the Life.

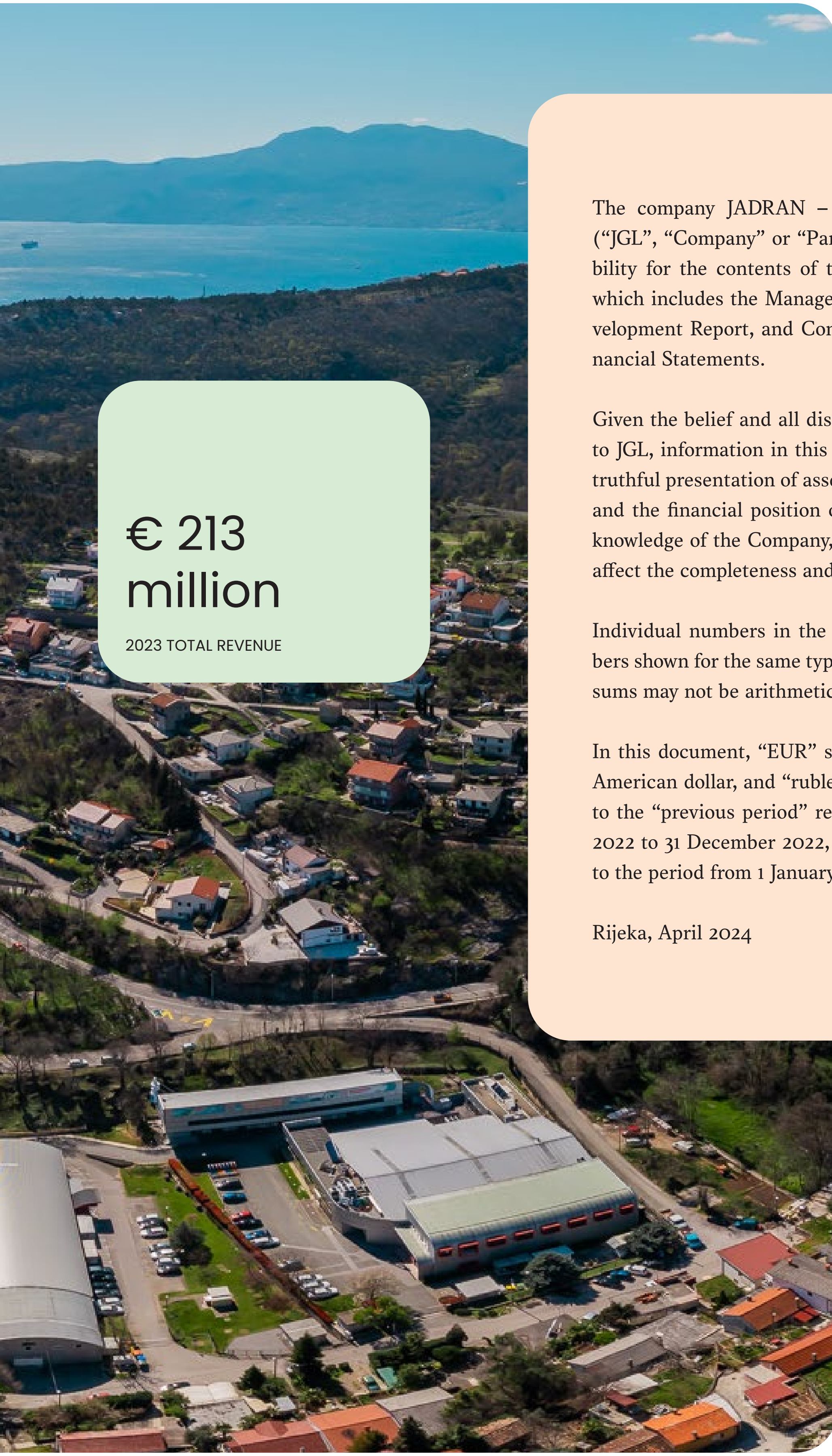
Mission

We improve the quality of life by taking care of your health.

A LOOK BACK AT JGL'S HISTORY

€ 200 thousand

1991 TOTAL REVENUE



€ 213 million

2023 TOTAL REVENUE

The company JADRAN – GALENSKI LABORATORIJ d.d. (“JGL”, “Company” or “Parent Company”) accepts responsibility for the contents of this JGL Group Integrated Report which includes the Management Report, the Sustainable Development Report, and Consolidated and Unconsolidated Financial Statements.

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.

Individual 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 “ruble” for the Russian ruble. Reference to the “previous period” relates to the period from 1 January 2022 to 31 December 2022, while the “current period” relates to the period from 1 January 2023 to 31 December 2023.

Rijeka, April 2024

INVESTMENT VALUE

€ 53 million

RECOGNITION FOR PROJECT

GOSPODARSKI DOGAĐAJ
2023. godine

Project of the year —INTEGRA

NEW LABORATORIES AND OFFICES FOR RESEARCH AND DEVELOPMENT AND QUALITY CONTROL

2450 m^2

NEW PILOT PLANT

750 m^2

PROJECT DURATION

4 years

New research and development and quality control building at the JGL Pharma Valley complex

In September 2023, JGL marked the completion of the INTEGRA project. The investment, worth EUR 53 million, was used to expand production capacities and build two cutting-edge facilities with state-of-the-art research and development and quality control laboratories and a pilot plant (Svilno) and an automated logistics and distribution centre (Kukuljanovo). Also part of the project was the construction of additional facilities which improve the working conditions of employees and guests in the Pharma Valley complex, such as a restaurant, new offices, a lecture hall, a multi-purpose meeting room, and a new JGL Pharmacy Museum exhibit.

The increase in research and development capacities and their integration with production and quality in one location will strengthen JGL's position in the development and production of advanced, innovative products within three strategic therapeutic areas – flu and cold, ophthalmology, and dermatology.

NEW KUKULJANOVO LOGISTICS AND DISTRIBUTION CENTRE

20 thousand m^2

CAPACITY OF KUKULJANOVO LOGISTICS AND DISTRIBUTION CENTRE

17500 pallets

The new centre allows us to alleviate the pressure on the existing storage capacities in Svilno and to handle the entry and exit of goods faster and with greater efficiency

A state-of-the-art line for sterile sprays and drops and a line for BoV technology aerosols

GROWTH OF STERILE PRODUCTION CAPACITY BY

40 million units

TOTAL SURFACE AREA OF NEW PHARMACEUTICAL PRODUCTION

3250 m^2

The investment was primarily financed by a long-term loan from the Croatian Bank for Reconstruction and Development

As part of INTEGRA, a new JGL Pharmacy Museum exhibit was also opened

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Management Report

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Introduction

Dear Stakeholders,

The journey of growth and development from a central laboratory for magistral and galenic preparations under the Ljekarna Jadran Health Institution to a reputable international pharmaceutical company with a distinguished identity operating in over 60 markets is unparalleled and remarkable. The key to our success is vision, passion, courage, and overcoming challenges through openness, continuous learning and a firm belief in the power of unity to overcome even the toughest competitors.

Our journey is exemplified by our humble beginnings in 1991, with a total operating revenue of 200,000 euros. Fast-forward to 2023, the JGL Group achieved a total operating revenue of EUR 213 million, marking a remarkable 15% growth compared to the previous year. This outstanding achievement places us among the top 20 largest Croatian manufacturers and solidifies our position as the largest Croatian-owned pharmaceutical company. The company started in 1991 with just over twenty people. By the end of 2023, our workforce in the Group had a total of 1,271 employees.

Throughout our journey, both then and now, our most valuable assets have always been our people. They are our driving force, making a difference and securing victory in a competitive market. That is the reason behind our exceptional commitment to nurturing the JGL culture and upholding the values of accountability, respect, unity, and sustainability. The wealth of diversity stemming from our international network and presence is a significant asset, uniting us into a single JGL family that embodies strength, resilience, and success.

These times of general economic and political crises, war, and disruptions in global supply chains, alongside continuous price pressures on medicines, test our enthusiasm. However, these challenges only serve to strengthen our determination and dedication to achieving our goals. Despite the issues we encounter, we remain fully committed to development and investment projects focused on production and export.

Thanks to the steadfast implementation of this strategy, in 2023, we celebrated the successful completion of the INTEGRA project, which stands as the culmination of our endeavours to integrate research, development, and production capabilities in one place and to improve logistics and distribution. It involves investments worth EUR 53 million in research and development, quality control, a pilot plant, sterile pharmaceutical production, and a robotic logistics and distribution centre.

Through INTEGRA, we are elevating our development and technological capabilities, crucial to global competitiveness, and creating preconditions for the continued advancement of our flagship brands Aqua Maris, Meralys, Vizol S, and Dramina in the global health market. Our vision is to be the leading international company specialising in the development and production of value-added sterile products in ophthalmology, ENT, and dermatology and a global leader in using seawater for health benefits. This investment contributes to our vision of achieving long-term, stable, and sustainable growth and supports the new developmental dimension of JGL's future.

We acknowledge our responsibility for enhancing the quality of life and work within the community and our unique role in promoting and safeguarding the pharmaceutical profession and pharmacy, which are integral to our healthcare and cultural identity. Aligned with our tradition and strategic commitment as a socially engaged company, we endeavour to allocate our resources according to the needs of both the community and the broader environment within which we operate.

Integrated within the local community, we maintain our dedication to collaboration at all levels. We take pride in our achievements, particularly in our fruitful collaborations with the University and other institutions, which have led to the realisation of significant projects. Notable among these are the Pharmacy Study Programme and the JGL Pharmacy Museum. This initiative contributes to celebrating the myriad values inherent in our profession. It underscores our commitment to upholding rigorous ethical and scientific standards, driven by a genuine desire to address health challenges and improve quality of life.

Special congratulations and heartfelt thanks go to our employees for their outstanding achievements in 2023. Their competence, dedication, loyalty, and motivation are the driving force behind our success, transcending any figures or tables in this report. They are the true catalysts for progress.

Ivo Usmiani,
President of JGL's Board of Directors

Board of Directors

Ivo Usmiani

President of the Board of Directors

Dino Ćoza Saršon

Vice President of the Board of Directors

Ivo Usmiani was born on Pag on 10 November 1953. He graduated from the Faculty of Pharmacy and Biochemistry of the University of Zagreb in 1977, where he further specialised in pharmaceutical technology (drug production) in 1988. He has been the company's director since the founding of JGL in 1991 and president of the Board since 2015.

Dino Ćoza Saršon was born on 9 October 1988. He graduated from the Faculty of Pharmacy and Biochemistry of the University of Zagreb and completed his MBA at the WU Executive Academy in Vienna. He was a Member of the Board at JGL's subsidiary Adrialab. He was appointed a Member of the Board of Directors on 1 July 2021 and, as such, assumed responsibility for the supervision of the Group's strategic initiatives and the development of the corporate governance process. He is the employer's authorised person for cooperation with the Workers' Council.

Grozdana Božić

Member of the Board of Directors

Eva Usmiani Capobianco

Member of the Board of Directors

Grozdana Božić was born in Zagreb on 22 January 1952. She graduated from the University of Zagreb, Faculty of Law in 1975. She had a successful business career as a lawyer and assumed the position of a member of the Supervisory Board on 27 October 2011. She assumed the responsibility of a member of the Board of Directors on 1 January 2015.

Eva Usmiani Capobianco was born in Rijeka on 24 March 1982. She graduated from the University of Rijeka, Faculty of Economics and Business, with a management major and obtained her master's degree in Madrid in 2007 in enterprise management and leadership. She began her career in the marketing and sales department at JGL. Later on, she transitioned into the role of brand manager for the OTC programme and subsequently led the spin-off Adrialab project as JGL's assistant director. As of 1 January 2015, she is a member of JGL's Board of Directors and manages the project of establishing and developing the JGL Museum of Pharmacy.

Mislav Vučić

Member of the Board of Directors
Chief Executive Officer

Dorotea Pernjak Banić
Member of the Board of Directors, workers' representative
Director of Pilot Process Development

Mislav Vučić was born in Zagreb on 10 April 1974. He took over the position of the chief executive officer of JGL on 31 December 2017. Since then, the company has undergone a period of restructuring, intensive growth, investments, increased employment, and debt reduction. Prior to joining JGL, Mislav Vučić spent 20 years building an international career at Pliva/Teva and Sandoz. Right before joining JGL, he served as the general manager of Teva Romania, overseeing three legal entities. He managed a business exceeding USD 100 million and supervised an oncology drug factory and a global centre for drug side effects.

Dorotea Pernjak Banić was born in Rijeka on 19 June 1968. She graduated from the Faculty of Pharmacy and Biochemistry of the University of Zagreb in 1991, where she further specialised in pharmaceutical technology in 1999. She started her professional development at JGL in 1992 in the Research and Development department and has been working as a Director of Global Product Management and a member of the Board of Directors and workers' representative since 2016. She is currently the Director of Process Development.

**At the regular annual assembly of JGL d.d., held on 13 June 2022, Sanja Katalinić was elected member of the Board of Directors, with a term from 1 July 2022 to 30 December 2024.*

OWNERSHIP STRUCTURE

At the beginning of 2023, the Company had 65,172 own shares. By 31 December 2023, JGL had repurchased 140 and allocated 24,346 of its own shares (of which 20,066 are registered for dividend payment). As of 31 December 2023, the number of own shares in the portfolio was 40,966. The Company's share capital is divided into 1,255,025 shares, 1,214,059 of which are shares with voting rights, while those remaining are own shares.

Conversion to the euro

By the decision of the Company Assembly of 31 March 2023, the share capital was harmonised with the provisions of the Act Amending the Companies Act (Official Gazette 114/22), reducing it from EUR 16,374,742.85 by EUR 335,927.85 to EUR 16,038,815.00. The nominal share value was reduced from HRK 100.00 (EUR 13.27 at the fixed conversion rate of 7.53450) to EUR 13.00.

New share issue

Under the authorisation from JGL's Articles of Association, the Board of Directors issued a decision on the issue of 21,270 new L series shares, with a nominal value of EUR 13.00 per share. This increased the share capital from EUR 16,038,815.00 to EUR 16,315,325.00.

The increase in the share capital was performed by entry into the court register of the Commercial Court in Rijeka, under No Tt-23/3315-2, on 23 May 2023.

Owner	Number of shares	% in capital	% in capital with voting rights
Ivo Usmiani	405,080	32.28%	33.37%
Sanja Katalinić	128,152	10.21%	10.56%
Gordana Saršon	124,470	9.92%	10.25%
Own shares	40,966	3.26%	
Eva Usmiani Capobianco	34,945	2.78%	2.88%
Grozdana Božić	31,244	2.49%	2.57%
Vesna Črnjarić	26,353	2.10%	2.17%
Đurđica Miletović Forempoher	20,367	1.62%	1.68%
Marina Pulišić	19,509	1.56%	1.61%
Small shareholders	423,939	33.78%	34.92%
Total	**1,255,025**	**100.00%**	**100.00%**

Ownership structure of JGL d.d. as at 31 December 2023

CHANGES IN THE COMPANY'S SHARE CAPITAL

By the decision of the Company Assembly of 31 March 2023, the share capital was harmonised with the provisions of the Act Amending the Companies Act (Official Gazette 114/22), reducing it from EUR 16,374,742.85 by EUR 335,927.85 to EUR 16,038,815.00.

Based on the authority from Art. 12 of the Articles of Associations, the Board of Directors made a decision on 13 April 2023 to increase capital by issuing new "L" series registered shares in the nominal amount of EUR 13.00, which increased the share capital from EUR 16,038,815.00 by EUR 276,510.00 EUR to EUR 16,315,325.00.

Changes to the Articles of Association

By the decision of the Company Assembly of 31 March 2023, changes were made to the provisions of the Articles of Association in Art. 10, paragraph 1 (share capital); Art. 11 (number of shares); Art. 12, paragraphs 1 and 2 (increase in authorised share capital); and Art. 12(a), paragraphs 1 and 2 (increase in authorised share capital). The full text of the Articles of Association was submitted to the repository of documents.

By the decision of the Board of Directors of 24 April 2023, changes were made to the provisions of the Articles of Association in Art. 10 (share capital) and Art. 11 (number and code of company shares). The full text of the Articles of Association was submitted to the repository of documents.

During the reporting period, organisational adjustments were implemented across various business functions to improve efficiency and better align with dynamic market conditions. Changes include redistributing responsibilities within teams, enhancing communication between departments, and refining the decision-making process.

Organisational Structure of the JGL Group in 2023

On 25 March 2024, JGL officially opened its representative offices in Uzbekistan. Expanding the company's business into a new region is part of our overarching corporate strategy. The market will be part of the Kazakhstan CAMA Region, and JGL is entering Uzbekistan with a portfolio from key therapeutic groups – flu and cold, ophthalmology and dermatology.

Global Business Development

Scientific Operations

- Global Registrations
- Research and Development
- Process Development
- Medicine Development and Vigilance

Digital Excellence

- OPEX Transformations
- Digital Business
- IT Management

Strategy

- BU RX
- BU CHC
- Medical Affairs

Corporate Finance

- Corporate Controlling
- Corporate Treasury
- Corporate Accounting and Taxes

Market Operations

- Operational Excellence
- Kazakhstan and CAMA
- Belarus
- Russia (Jadran LLC Moskva)
- Ukraine and BSR
- Croatia and SEE
- Bosnia and Herzegovina (Farmis d.o.o. Sarajevo)
- Serbia (JGL d.o.o. Beograd – Sopot)
- Slovenia (Jadran-Galenski laboratorij d.o.o. Ljubljana)
- North Macedonia
- Kosovo

Corporate Quality

- Quality Control
- Quality Assurance
- Product Regulatory Compliance
- Validations and Qualifications

Pharmaceutical and Technical Operations

- Svilno 1 production plant
- Svilno 2 production plant
- Engineering
- Occupational Safety and Fire Protection
- Technical Assets, Energy and Environment
- MS&T
- Supply Chain

Company Profile

NAME

JADRAN – GALENSKI LABORATORIJ d.d. / JGL d.d.

LOCATION OF HEADQUARTERS

Svilno 20, 51 000 Rijeka
Republic of Croatia

LOCATION OF OPERATIONS

The company's headquarters and production facilities are based in Rijeka, while the new logistics and distribution centre is located in Kukuljanovo. There are also two other offices in Croatia: in Zagreb and Split. In addition to Croatia, the company operates in various markets across Central and Eastern Europe. Beyond European Union, key markets include Russia, Ukraine, Kazakhstan, and Belarus.

JGL's products are present in 60 markets.

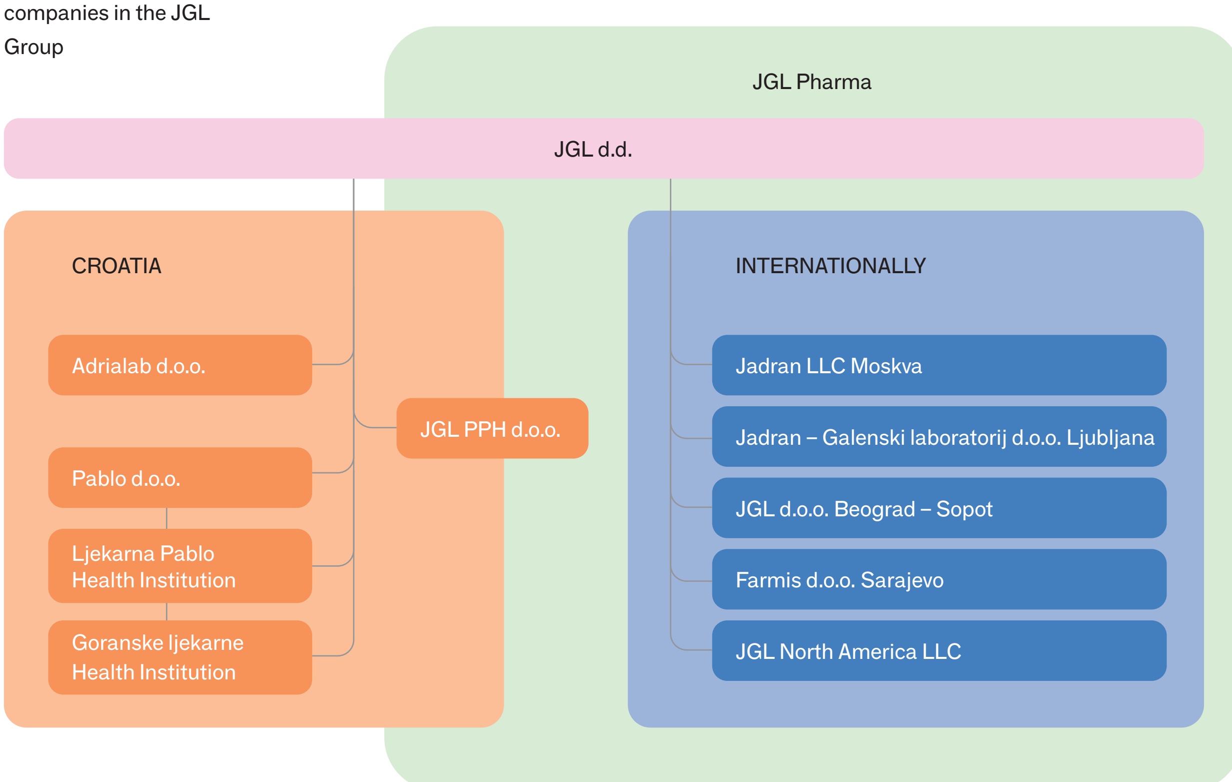
Other companies comprising the JGL Group are also owned by JGL. The pharmaceutical division of the business (JGL Pharma), the company's core business, encompasses the parent company JGL d.d. and its foreign subsidiaries, excluding Adrialab, Ljekarna Pablo HI, Pablo d.o.o., and Goranske ljekarne HI.

JGL Pharmacy Museum is a subsidiary of JGL d.d. with headquarters at Užarska street 11, Rijeka.

Key manufacturing activities are located at three addresses:

- JGL d.d. – Svilno 20, 51 000 Rijeka, Republic of Croatia
- Adrialab d.o.o. Rijeka – Pulac 4a, 51 000 Rijeka, Republic of Croatia
- JGL d.o.o Beograd – Sopot – Milosava Vlajića 110, 11 000 Belgrade, Sopot, Serbia

An overview of affiliated companies in the JGL Group



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

Subsidiary	**Country**	**Core Business**
Pablo d.o.o.	Croatia	Retail of pharmaceutical preparations and accessories
Ljekarna Pablo Health Institution	Croatia	Pharmaceutical activities
Goranske ljekarne Health Institution	Croatia	Pharmaceutical activities
Adrialab d.o.o.	Croatia	Production and sale of pharmaceutical preparations
JGL PPH d.o.o.	Croatia	Production and sale of pharmaceutical preparations
Jadran LLC Moskow	Russia	Sale of pharmaceutical preparations
JGL d.o.o. Beograd – Sopot	Serbia	Production and 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 – the company is not active	USA	Sale of pharmaceutical preparations

BUSINESS FOCUS

The JGL Group operates in ten markets: Russia, Croatia, Ukraine, Kazakhstan, Belarus, Bosnia and Herzegovina, Serbia, Slovenia, North Macedonia, and Kosovo. Business is conducted through the parent company JGL d.d. in Croatia and representative offices in Ukraine, Belarus, Kazakhstan, North Macedonia, Serbia, BiH and Kosovo.

Affiliates are present in Croatia (Pablo d.o.o., Ljekarna Pablo HI, Goranske ljekarne HI, Adrialab d.o.o., JGL PPH d.o.o.), Russia (Jadran LLC Moskow), Serbia (JGL d.o.o. Beograd – Sopot), Bosnia and Herzegovina (Farmis d.o.o. Sarajevo) and Slovenia (Jadran – Galenski laboratorij d.o.o.).

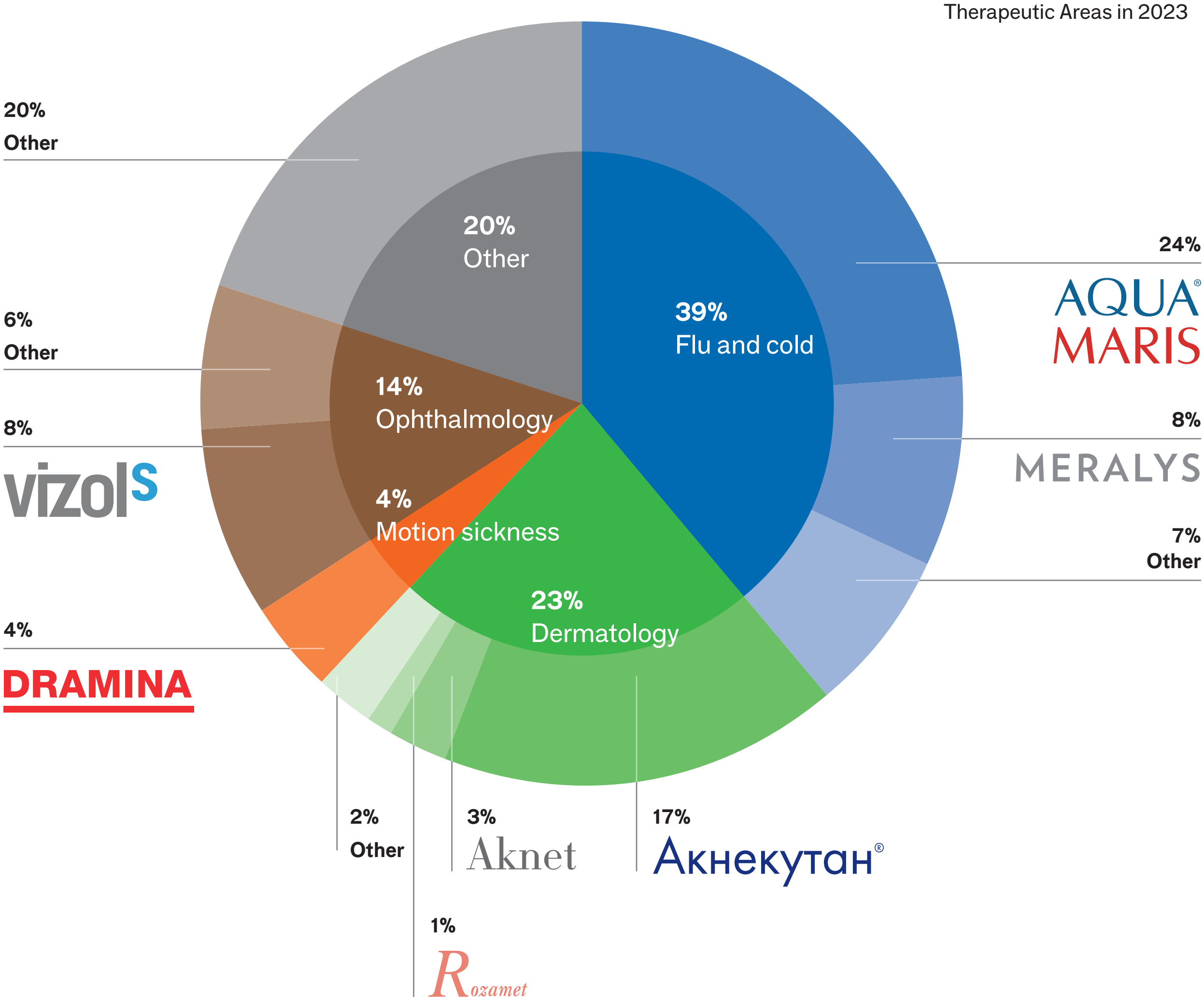
Since nearly 87 per cent of JGL Pharma's revenue is generated outside Croatia, JGL is an export-oriented company and all investments are directed accordingly.

Through distributors and B2B (Business-to-Business) relations with other companies, JGL products are present in 60 markets in total (Hungary, Switzerland, Italy, Greece, Romania, Poland…).

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.

Share of Key Brands and Therapeutic Areas in 2023



Key Therapeutic Groups

- Dermatology
- Flu and cold
- Ophthalmology

Key Brands

- Aqua Maris
- Meralys / Rinomaris
- Vizol S / Optinol
- Aknekutan
- Dramina

Key Markets

- Russia
- Ukraine
- Croatia
- Kazakhstan
- Belarus
- B2B

Key Customers

- Consumers / Patients
- Pharmacies
- ENT
- Ophthalmologists
- Dermatologists
- Specialists

Key Indicators

213

Total revenue
JGL Group
(in EUR million)

41.6

EBITDA JGL Group
(in EUR million)

1283

Number of employees
JGL Group

21.4

Profit before tax
JGL Group
(in EUR million)

179.1

Operating revenue
JGL Pharma
(in EUR million)

29%

EBITDA growth
JGL Pharma

1.6

Net debt/EBITDA
JGL Pharma

19%

Operating revenue growth
JGL Pharma

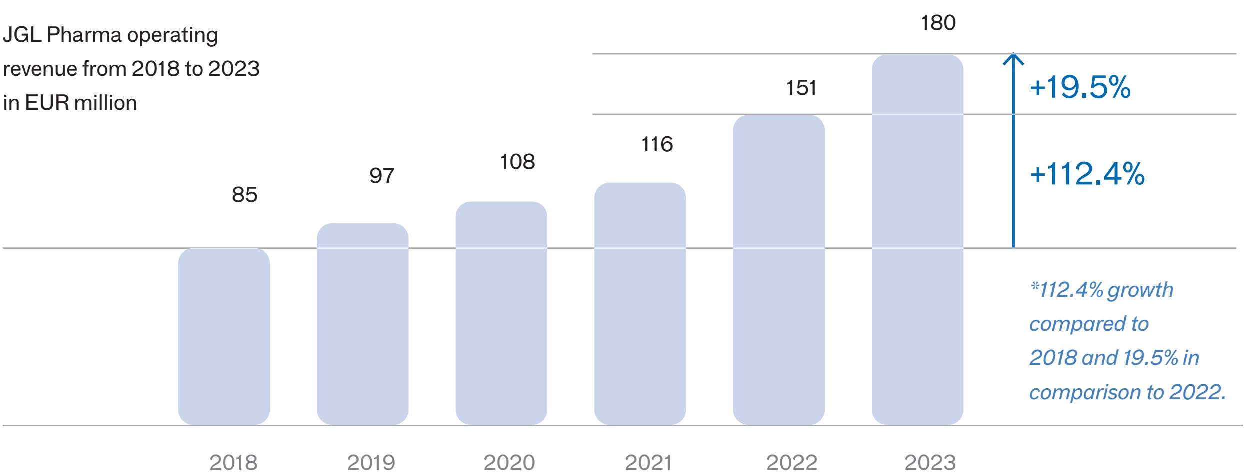
in EUR million

	JGL GROUP		JGL PHARMA[1]		JGL d.d.	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Total revenue	213.0	186.6	181.2	158.2	133.7	114.8
Operating revenue	210.9	178.5	179.1	150.2	132.1	106.8
EBITDA*	41.6	32.4	39.5	30.7	31.4	25.9
Profit before tax	21.4	18.9	20.1	18.0	13.0	14.5
EBITDA margin**	19.7%	18.2%	22.0%	20.4%	23.8%	24.2%
Net debt	67.0	64.6	64.5	63.2	66.0	64.2
Net debt / EBITDA	1.6	2.0	1.6	2.1	2.1	2.5
Net debt / capital	48.1%	53.6%	48.0%	54.3%	48.2%	52.1%
Debt ratio	47.5%	50.0%	46.4%	49.0%	44.4%	46.1%
Quick liquidity ratio	1.3	1.5	1.3	1.6	1.2	1.7
Number of employees	1,283	1,141	1,061	950	767	679

**EBITDA is calculated as operating revenue - operating expense + depreciation + value adjustment*

***EBITDA margin is a ratio of EBITDA and operating profit*

JGL Pharma operating revenue from 2018 to 2023 in EUR million



	2018	2019	2020	2021	2022	2023
Operating revenue growth		14.58%	11.08%	7.76%	29.60%	19.49%

The results of the JGL Group for 2023 have exceeded targets, with total revenue at EUR 213 million, a 15 per cent increase compared to the previous year. The Group's operating profitability (EBITDA) grew faster than its revenue, as much as 28 per cent, resulting in the JGL Group's EBITDA margin reaching nearly 20 per cent.

The growth rates of the pharmaceutical part of the business (JGL Pharma) are one percentage point higher than the Group's, and operating revenue amounts to EUR 179 million.

The reason behind such strong growth is the continuation of excellent sales indicators for almost all key brands – Vizol S, Meralys, Aknekutan, Prolife, and Dramina achieved double-digit sales growth.

The sales data for 2023 shows that, after several successful years in the flu and cold key therapy group, the products from our other two strategic therapy groups, dermatology and ophthalmology, have now equal share in revenue, which creates a balance in the portfolio and reduces the risk of seasonal disturbances.

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

Sales Results

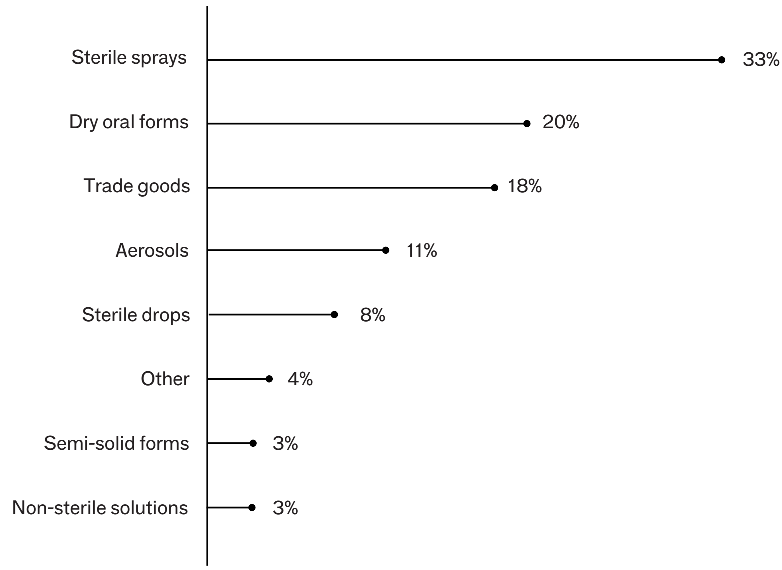
In 2023, JGL Pharma generated product sales revenue of EUR 166 million. Compared to the previous year, revenue increased by EUR 29 million or by 21%.

Total net sales of JGL Pharma by therapeutic area (in EUR million) in 2023

SALES BY PRODUCTION FORM

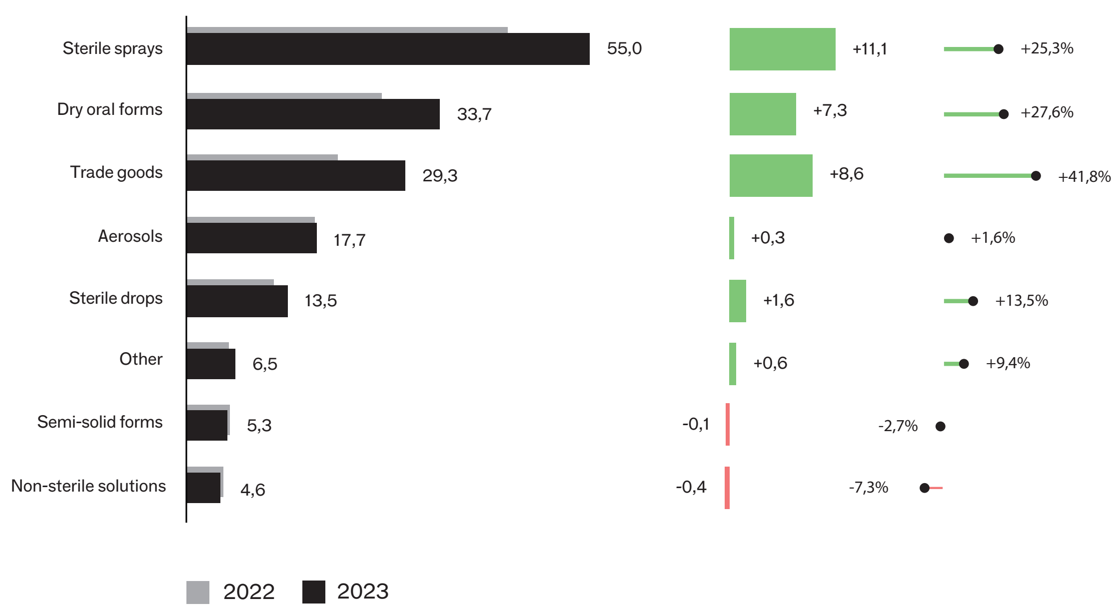
In 2023, the largest share of sales by production form belongs to sterile sprays, with a 33% share. They are followed by dry oral forms with a 20% share, trade goods with 18%, aerosols with 11%, sterile drops with 8% and semi-solid forms and non-sterile solutions, each with a 3% share.

Share of production forms in total net sales of JGL Pharma (in EUR million) in 2023



Sterile sprays recorded the biggest increase in sales compared to the previous year, with EUR 11 million higher sales, followed by trade goods, with EUR 8.6 million higher sales.

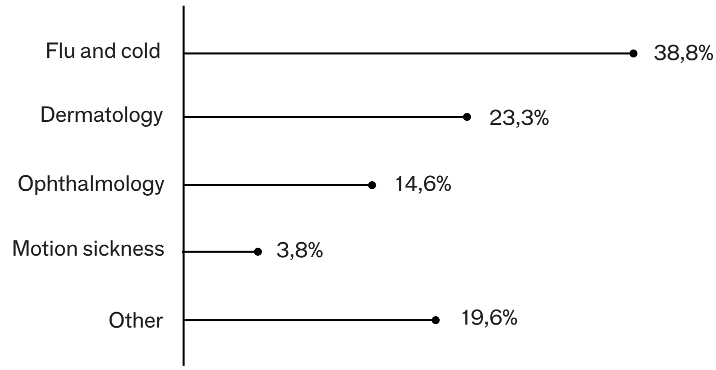
Net sales of JGL Pharma by production form (in EUR million) in 2023



SALES BY THERAPEUTIC AREA

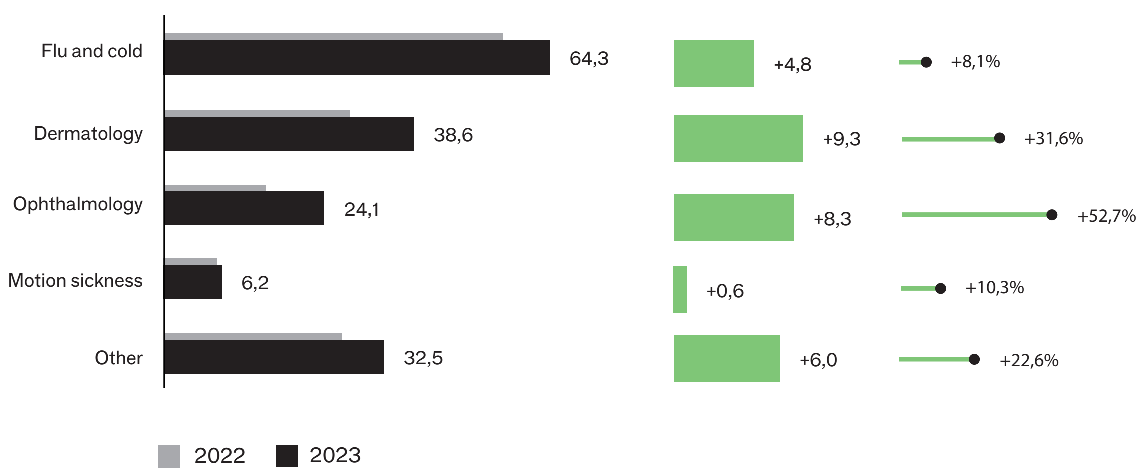
Based on the structure of JGL Pharma's key therapeutic groups, the highest portion of net sales in 2023 comes from the flu and cold segment, accounting for 39%. Dermatology follows closely, representing 23% of sales, followed by the segment of other products at 20%, ophthalmology at 15%, and motion sickness at 4%.

Share of therapeutic areas in total sales of JGL Pharma in 2023



The biggest increase in sales was recorded in the therapeutic area of ophthalmology, which in 2023 grew by 53%, equivalent to EUR 8.3 million. Compared to the previous year, in 2023, a sharp growth of EUR 9.3 million or 32%, was also recorded in dermatology.

Net sales of JGL Pharma by key therapeutic area (in EUR million) in 2023



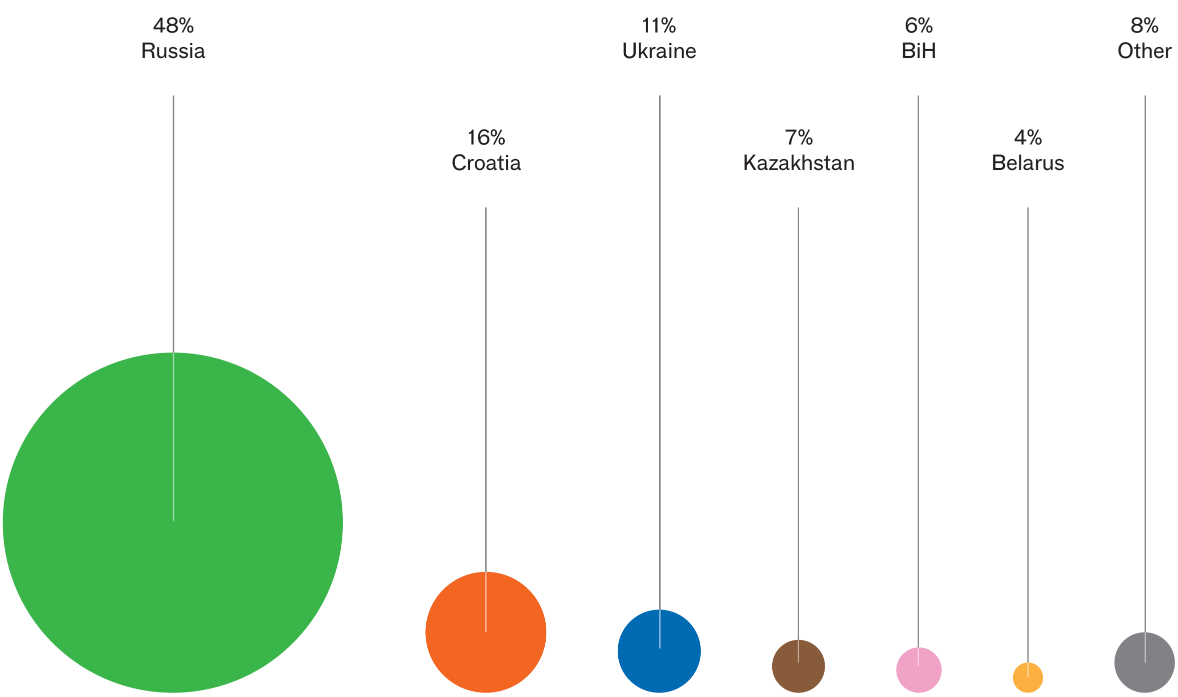
SALES BY MARKET

Sales to end consumers in JGL markets account for 84% of JGL Pharma's net sales. They encompass 20 markets, with Russia, Croatia, Ukraine, Kazakhstan, BiH, and Belarus being the largest among them.

Total realised sales in B2C markets reached EUR 139 million, marking a 20% increase from the previous year. Across therapeutic groups, flu and cold on the mentioned markets accounted for EUR 52 million in the reporting period (+1.5% compared to 2022), dermatology for EUR 36 million (+37%), and ophthalmology for EUR 14 million (+77%). In the five largest markets, JGL holds a 13.54% market share in key therapeutic groups, reflecting a two-percentage-point increase from 2022.

It is important to emphasise that all markets contributed to the overall sales growth, with notable increases seen in the Croatian market (+21% compared to 2022), the Ukrainian market (+81% compared to 2022), Kazakhstan (+32% compared to 2022), and Russia (+9% compared to 2022).

Overview of B2C market share in total sales of JGL Pharma in 2023



During the business year 2023, the B2B business model, significant in the process of further internationalisation and territorial diversification, experienced significant revenue growth. The sale of products, licences, and services constitutes 16% of JGL Pharma's total sales and is primarily concentrated in three key therapeutic areas: flu and cold, ophthalmology, and dermatology.

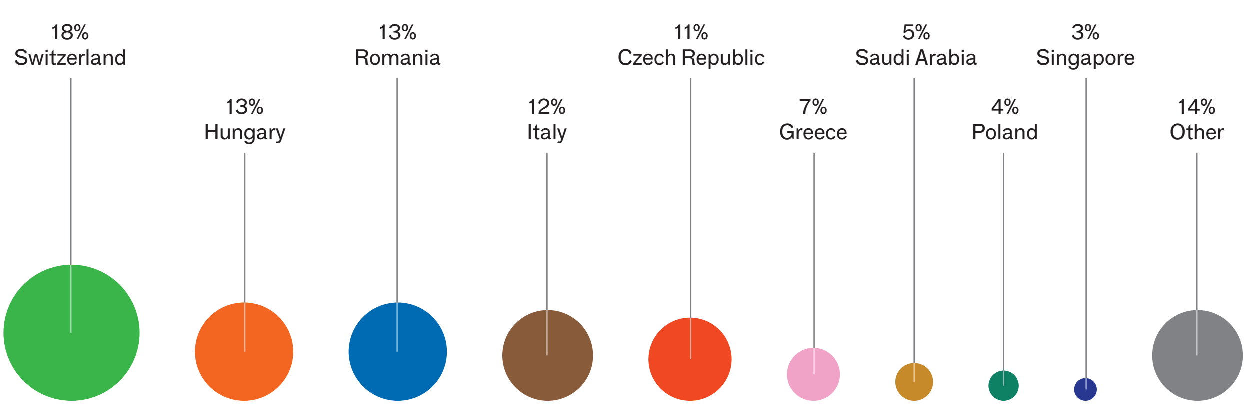
Sales of EUR 26.4 million were realised, reflecting a growth of 27% compared to 2022 (an increase of EUR 5.6 million). Among the twenty B2B markets where operations are conducted, Switzerland, Hungary, Romania, Italy, the Czech Republic, and Greece are the most significant. Notably, the Czech Republic experienced the largest increase in sales, with EUR 1.5 million more compared to the previous reporting period, followed by Italy with a growth of EUR 1.1 million, Switzerland with a growth of EUR 1 million, and Saudi Arabia with a growth of EUR 823 thousand compared to the previous year.

It is important to highlight that 61% (EUR 16.2 million) of the total sales pertain to the sale of our own products, with the remainder attributed to contract production (EUR 10.2 million). Notable growth was observed in products such as Latanoprost (EUR 4.6 million), Xylo HA 0.1% (EUR 4.6 million) and Fitonasal Adult (EUR 2.4 milijuna) compared to 2022.

In 2023, 51 new contracts were signed across strategic markets, including the European Union, the UK, the MENA and the Asia-Pacific regions. Among these, ten involved licensing out and distribution, and two pertained to contract production, valued at EUR 30.6 million over five years. Additionally, 19 licensing-in contracts were signed for new molecule development and portfolio expansion.

An important activity contributing to the expansion of our expert network in these markets, showcasing the technological capabilities of the JGL production campus in Rijeka and our top-quality standards ensuring safe and superior products for patients, was the visit of ophthalmologists from the United Arab Emirates and Saudi Arabia to the JGL Pharma Valley complex.

Overview of B2B market share in total sales of JGL Pharma in 2023



Ophthalmologists from Saudi Arabia visit the JGL Pharma Valley complex

JGL has a strong presence in emerging Middle Eastern and Asian markets, including Saudi Arabia, the United Arab Emirates, Thailand, Malaysia, Indonesia, Cambodia, Laos, and the Philippines, with key brands like Aqua Maris and Vizol S. Aqua Maris achieved a leading position in its segment in Thailand in 2023, capturing a 44% market share. In Saudi Arabia, Vizol S is the third brand in the sodium hyaluronate-based eye drops segment, with a 12% market share and the fastest growth rate in the segment. Additionally, Aqua Maris products are set to launch in China in 2024, with preparations underway for compliance with FDA regulations to enter the US market.

Linking expertise and competence of JGL and Polpharma teams in Rijeka and Warsaw

After four years of dedicated and focused effort, in December 2023, JGL successfully produced the first commercial batch of Biodacyna eye drops for our strategic partner, Polpharma, the largest Polish drug manufacturer and leader in the local pharmaceutical market.

The entire project stemming from the strategic partnership with Polpharma includes the transfer of manufacturing technology of nine different products in the category of eye drops, with annual sales of over 10 million bottles.

JGL started the technology transfer project with Polpharma in 2020, marking a pivotal step in demonstrating our strength and competitiveness in the global health market. This alliance underscores the expertise of our employees, particularly in the key therapeutic area of ophthalmology.

Polpharma has an active presence in the CEE region, the Caucasus and Central Asia and conducts business in 35 global markets. It produces a wide range of prescription drugs and drugs used in hospital care, specialises in pharmaceutical preparations used in cardiology, gastroenterology and neurology, and actively develops its portfolio in advanced areas of ophthalmology.

The technology transfer project remains on track, and following the reporting period, in February 2024, Biodacyna eye drops were successfully exported to the Polish market. Looking ahead, nine new launches for EU markets are anticipated by the end of 2024 and an expansion of cooperation for the Vizol S product line, extending its presence beyond Poland to other markets.

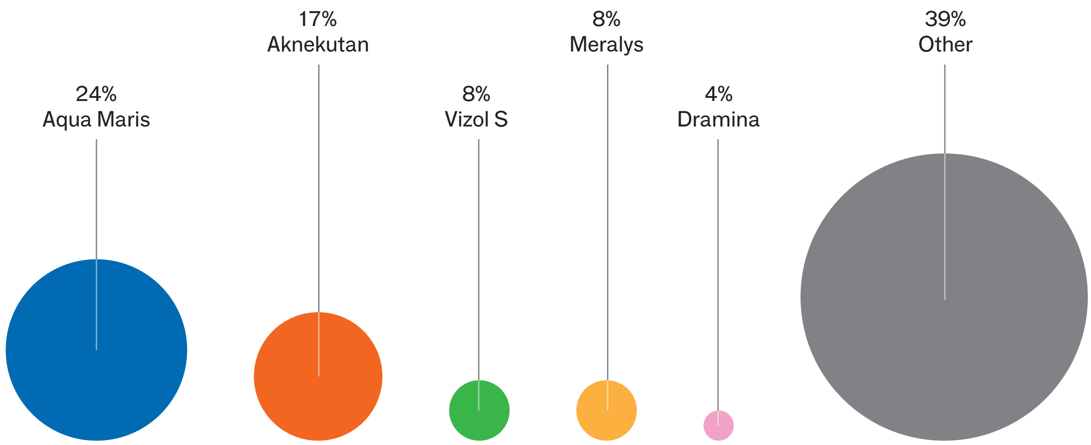
SALES BY BRAND

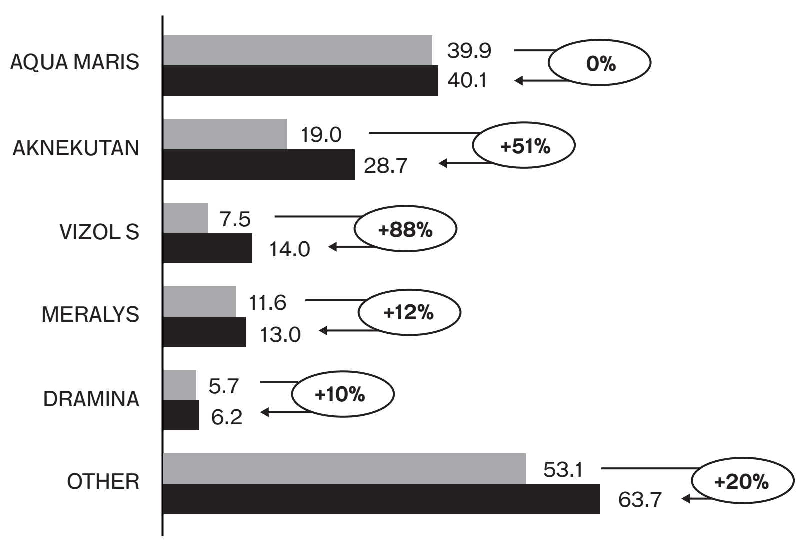
The largest share in JGL Pharma sales in 2023 is held by the Aqua Maris brand, with a 24% share in net sales. Compared to the previous year, the order remains unchanged – in second place is Aknekutan with 17%, followed by Meralys with 8%, Vizol S with 8% and Dramina with a 4% share, while the other brands make up 38% of JGL Pharma's business.

In comparison to the previous year, there was a shift in sales distribution, with the Aqua Maris brand's share decreasing from 29% to 24% in favour of the Vizol S brand from the key therapeutic group of ophthalmology. In 2023, Vizol S achieved growth of 88%, an increase of EUR 6.5 million compared to 2022. Furthermore, the Aknekutan brand within the dermatology therapeutic group continues its impressive growth trajectory with a remarkable 51% increase and achieving EUR 9.6 million more in sales compared to 2022.

Among the other brands, it is worth mentioning Meralys, which experienced a growth rate of 12% compared to last year, equating to EUR 1.4 million, while Dramina saw a 10% increase, contributing an additional EUR 584 thousand to JGL Pharma's total sales.

Brand share in total net sales of JGL Pharma in 2023





Net sales of JGL Pharma by brand (in EUR million) in 2023

AQUA MARIS®

In 2023, Aqua Maris achieved net sales of EUR 40.1 million, maintaining its prominent position as the flagship brand within the JGL Pharma portfolio.

Aqua Maris is an all-natural line of products based on Adriatic seawater for hygiene, prevention and treatment of upper respiratory tract ailments. It is a market leader in the majority of JGL's markets.

Sales growth was most significant in Ukraine with EUR 1.3 million, Kazakhstan with EUR 1.1 million, Belarus with EUR 0.88 million and Croatia with EUR 0.29 million more than in the previous year. The largest markets where the brand is sold are Russia with a 55% share, Ukraine with an 11% share, Kazakhstan with a 12% share, Belarus with 5% and Croatia with a 4% share of the brand's net sales.

The increasing body of research linking microplastics to various health issues, including airway obstruction and inflammation, allergies, tissue damage, metabolic disorders, and asthma, underscores the importance of using products proven to be microplastic-free. As part of our ongoing commitment to providing users with natural, safe, and effective solutions, thanks to a strictly controlled production process, the competent notifying body in the EU certified and awarded Aqua Maris nasal sprays the "microplastic-free" label in the previous period.

That made JGL's key brand the first medicinal products in the world proven to be free of microplastics! Throughout 2023, activities in this area continued, and the "Clean Adriatic seawater. Without microplastics." quality label was registered in Croatia and the EU. Aqua Maris remains the only nasal spray in its medicinal product category certified to be microplastic-free.

GENTLE · CLEANSING
ZERO PRESERVATIVES
NASAL HEALTH PRODUCTS

ČISTO JADRANSKO MORE
BEZ MIKROPLASTIKE

The healing power of the Adriatic Sea. For everyone. Every day.

X-Lab digital learning platform for the Aqua Maris brand

X-Lab (Experience Laboratory) is JGL's innovative digital communication platform, which was developed in cooperation with leading experts in various fields. Through user-centric content design, we are building an informative learning platform that promoted a holistic approach to health. In 2023, X-Lab for the Vizol S brand attracted over two million unique users. During the same period, we introduced the new X-Lab for the Aqua Maris brand, featuring collaboration with over 15 experts. This platform also plays an integral part in our educational initiatives to promote the "Clean Adriatic seawater. Without microplastics." quality label carried by Aqua Maris products.

Aqua Maris wins Mum's Choice Award in Russia

The Mum's Choice project in Russia gives out awards every year. One of the winners in 2023 was Aqua Maris. After facing strong competition from numerous products and services for children, Aqua Maris won in the "Mum's Secret Weapon" category. The brand also participated in the National Flash Mob project, which reached more than 6 million consumers.

HNS and JGL launched a study on successful and safe sports activities

After signing a professional partnership agreement, in April 2023, the Croatian Football Federation (HNS) and JGL commenced a study whose goal is to make sports activities more successful and safer. The cooperation brings together sports expertise and the internationally successful Croatian brand Aqua Maris. The study includes men's and women's national football teams of various age groups and the futsal national team.

MERALYS

In 2023, Meralys achieved net sales of EUR 13 million, an increase of 12.3% compared to last year.

The main generators of growth are the markets of Ukraine, with EUR 1 million greater sales compared to last year and Croatia, with EUR 0.94 million higher sales compared to 2022. The Belarusian market achieved EUR 0.36 million higher sales, while Kazakhstan recorded EUR 0.14 million higher sales compared to the previous year.

According to the share in brand sales, Russia is still the largest market, but there is a notable trend of decline in favour of the domestic Croatian market, whose share is growing strongly and reached 22.3% in 2023. In 2023, Meralys continued its double-digit sales growth with 37.4% in the Croatian market, further widening its lead over competitors and solidifying its position as the market leader with a market share of 35%.

One of the primary drivers behind this success is undoubtedly the multi-award-winning campaign “What are you putting in your nose,” which in 2023 won three prestigious Effie Awards for marketing effectiveness – the Golden Effie for the best campaign in the Health category, the Grand Prix for the best campaign on the Croatian market in 2023, and an Effie for the best campaign in Europe in the Health and Wellness category.

“What are you putting in your nose” is the first Croatian campaign for a commercial product to win an Effie Europe award

Winning campaign for the Meralys brand

Meralys nasal decongestant sprays belong to a category with low product differentiation. JGL’s flagship brand resonated with consumers due to its unique combination of reliable and clinically proven xylometazoline with Adriatic seawater, coupled with authentic communication strategies.

After conducting market research, JGL reevaluated the conventional perception of decongestants and opted to take a bold step forward to position itself as leader. Collaborating with the creative agency Utorak. The Propaganda Bureau and the media agency PHD Media, JGL embarked on an innovative communication approach and launched the “What are you putting in your nose” campaign. Authentic, relevant, and bold, the campaign bolstered the brand and helped achieve sales that surpassed all projections.

Today, all of Croatia is familiar with (and sings) the slogan from the Meralys campaign, which established the product as the market leader in the decongestant category. Besides resonating with end consumers, the campaign’s value in 2023 has also been acknowledged by industry professionals.

The campaign won a bronze award in the “Best of Europe Champions League” category at one of the most prestigious competitions in the marketing industry, the Effie Awards Europe. This award is renowned for its rigorous selection process and its emphasis on excellence in creativity, strategy, and demonstrated results. In 2023, the Meralys campaign was the only winner in the Health category, the only winner from Croatia, and it was also the first time ever that a Croatian campaign won an Effie Europe award for a commercial product. This reaffirms that domestic companies and creatives can compete on par with the largest European counterparts, irrespective of market size and marketing budgets.

In early 2023, the Meralys campaign won gold in the “Health and Pharmacy” category at the BalCannes 2023 regional contest in stiff competition of a record 180 entries. Additionally, at the Effie Award Croatia 2023, it secured gold in the Health category and the Grand Prix.

Net sales of the brand Vizol S in 2023 reached a total of EUR 14 million.

In 2023, Vizol S saw the highest increase in net sales within the JGL portfolio, totalling EUR 6.6 million, representing an impressive growth of +88% compared to the previous year.

The market that experienced the most significant absolute growth in Vizol S/Optinol brand sales in 2023 was Russia, reaching EUR 5.9 million. This marks an increase of EUR 3.4 million (+137%) compared to the previous year and accounts for 52% of the total growth of the brand. Russia is followed by B2B markets with a turnover of EUR 1.9 million, representing a sales increase of EUR 0.7 million (+56%) compared to 2022.

The Russian market holds the largest share in the total net sales of the brand, doubling compared to the previous year, with 42%. This is followed by the B2B markets with a 14% share, and contributions from the Croatian and Kazakh markets each with 10%, and the Ukrainian market with a 9.3% share in the total realisation of the brand in the reporting period.

MORE THAN 20 MARKETS

6 MILLION UNITS SOLD

MARKET LEADER IN CROATIA AND BELARUS

SECOND IN UKRAINE AND KAZAKHSTAN

STRONG GROWTH BY SEGMENT AND BRAND IN B2C AND B2B

Optinol once again #1
in Belarus

In late June 2023, the annual consumer and expert choice awards recognised top brands in Belarus, and for the fourth year in a row, JGL's Optinol dominated the eye drop category. The top companies and brands are selected using a comprehensive evaluation that considers the opinions of consumers, judges and the organising committee. In 2023, as many as 5,000 products and services were nominated, with votes from over 53 thousand consumers.

New website launched for Vizol S brand

As part of the Unify web initiative, which aims to centralise the infrastructure for publishing and managing online content, new Vizol S brand websites were launched across all markets where JGL operates. These websites not only offer independence in site management across different markets but also enhance the brand's online presence and provide users with a modern digital experience in line with current trends.


jgl
AQUA MARIS BABY

Акнекутан®

The Aknekutan brand noted a growth of 51% in 2023 compared to 2022.

Sales total EUR 28.7 million, reflecting an increase of EUR 8.6 million compared to 2022. Russia leads in market share, accounting for 72% of net sales and driving growth with an additional EUR 4.9 million in sales compared to the previous year.

The Ukrainian market saw the highest percentage growth in sales, with a remarkable 143% increase compared to the previous year. Aknekutan maintains a dominant position across all markets where JGL operates.

DRAMINA

In 2023, Dramina achieved net sales of EUR 6.2 million, an increase of 8% compared to 2022.

Russia maintains its leading position in market share, comprising 65% of net sales and contributing to growth with an additional EUR 740,000 in sales compared to the previous year. It is followed by the Croatian market with 8% and Kazakhstan with a 6% share in net sales.

Employees

The total number of employees in the JGL Group on 31 December 2023 was 1,283, in JGL Pharma 1,061 and 767 in the parent company.

The Croatian market is the largest in terms of the number of employees, with 847 employees working within the parent company JGL d.d. and its affiliates Adrialab, Pablo d.o.o, Pablo HI and Goranske ljekarne HI.

Russia is the second largest market in terms of the number of employees (Jadran LLC Moskow) with 234 employees.

Out of the total number of employees in the JGL Group in 2023, 75% are women, and 25% are men. The percentage of employees with a university degree is 63%, and their average age is 41.

JGL Pharma employees by country and key function

1283

Number of employees JGL Group

41 years old

Average age of employees

63%

Percentage of employees with university degree

75%

Percentage of women at JGL Group

Focus Areas Activities

Members of the SAB with Ivo Usmiani, President of JGL's Board of Directors and JGL presenters

SCIENTIFIC OPERATIONS

In 2023, a total of 30 new marketing authorisations were secured. A total of 63 registration processes were launched in our own markets and in several global markets, aiming to continuously expand the portfolio in accordance with the company strategy.

As in the previous year, four new proprietary dossiers for initial registration were submitted in 2023 (a normalised procedure applicable across various regulations/regions/territories).

The achievement was notable despite encountering challenges on specific projects. Specifically:

- For a project involving a new fixed combination of two drugs (Xylo+HA nasal spray), the JGL clinical study did not demonstrate superiority compared to the mono-component drug (Xylo mono) when measured by the primary indicator TNSS (Total Nasal Symptom Score). However, superiority over placebo was established. Consequently, the project is being assessed as a combination of a drug (Xylo) and a medicinal product (HA), with the new regulations providing the opportunity for such registration (DDCP; Drug Device Combination Product).

- A JGL product from the drug category was submitted for registration, and the DCP procedure was initiated in the EU (anti-glaucoma eye drops, preservative-free). The dossier for the same drug was also submitted for registration in the EAEU.

- A JGL product from the drug category was submitted for registration (eye drops, preservative free & antioxidant free) for treatment of dry eye in the EAEU procedure; to all knowledge, this is the first such registration initiated in that region.

- JGL's proprietary technical documentation for MD (eye drops, preservative-free), designed for individuals significantly exposed to digital screens, underwent evaluation for certification. The EU (MDR) procedure was initiated, and in accordance with EAEU MD requirements, the technical documentation was refined and supplemented before being submitted for national approval in Russia.

- The technical documentation for existing MD products underwent supplementation to align with the new EU MDR regulation. The upgrade process was markedly enhanced through the addition of a new application method for Aqua Maris Hypertonic products (application as a nebulisation solution).

- A proprietary dossier for an anti-acne drug (gel suspension) continued expansion into new markets, including an additional dose of this product.

It is important to emphasise that in 2023, significant groundwork was laid for forthcoming projects. Notably, the pilot clinical studies on bio-equivalence affirmed the efficacy and safety of JGL's innovative oral retinoid formulation for severe acne, irrespective of food intake.

In 2023, we completed 63 submissions for registration, marking a 34% increase from the previous year. Additionally, 30 registrations were granted during this period. However, there was a significant slowdown in the work of certain agencies and supervisory bodies for MD (UK, Ukraine, Russia, and BiH). During 2023, we successfully relocated and fully operationalised our Research and Development department, along with the Process Development & Pilot, as part of the strategic investment project INTEGRA.

The third Scientific Advisory Board (SAB) was held in September 2023, which provided critical insights and support for most JGL projects. This provided the JGL team with valuable experiences and growing competencies across all departments of Scientific Operations (Research and Development, Medicine Development and Vigilance, Global Registrations, and Process Development).

Two papers authored by JGL members from the Scientific Operation department were published in international scientific journals, along with five additional presentations and posters at professional gatherings.

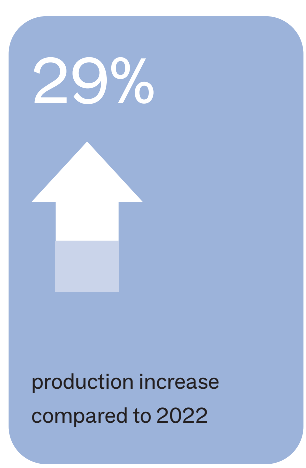
PRODUCTION

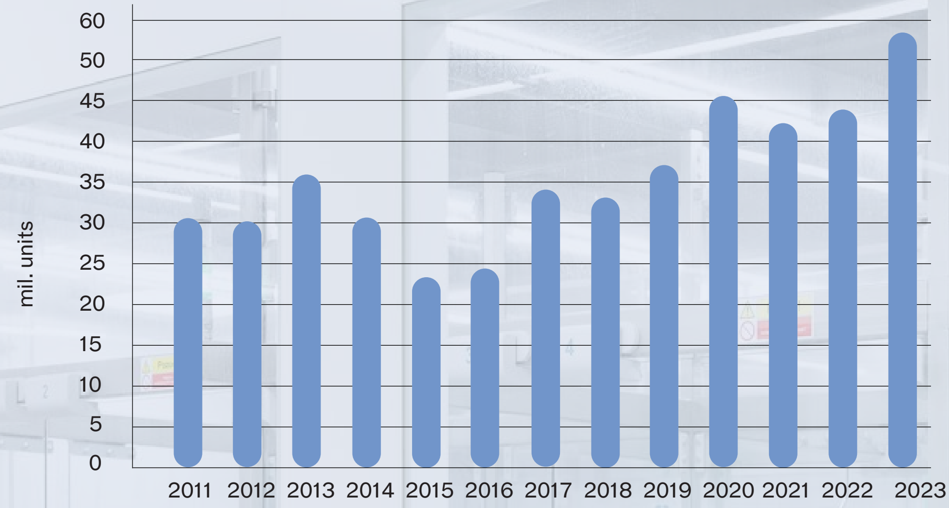
In 2023, the total production volume reached 56.6 million units (equivalent to 325 thousand units per employee), reflecting a 29% increase compared to the previous period.

During the reporting period, significant organisational changes were implemented in the Pharmaceutical and Technical Operations department, alongside improvements in analysing and monitoring procedures on production lines. Additionally, new sterile lines were commissioned, and the OPEX methodology and operational principles were integrated. During the year, 44 new employees were onboarded in production, playing a key role alongside the dedicated existing staff in achieving record deliveries.

The onboarding educational programmes for this organisational unit were significantly improved, with the launch of a training centre at the Svilno 1 location for all new employees, lasting four weeks.

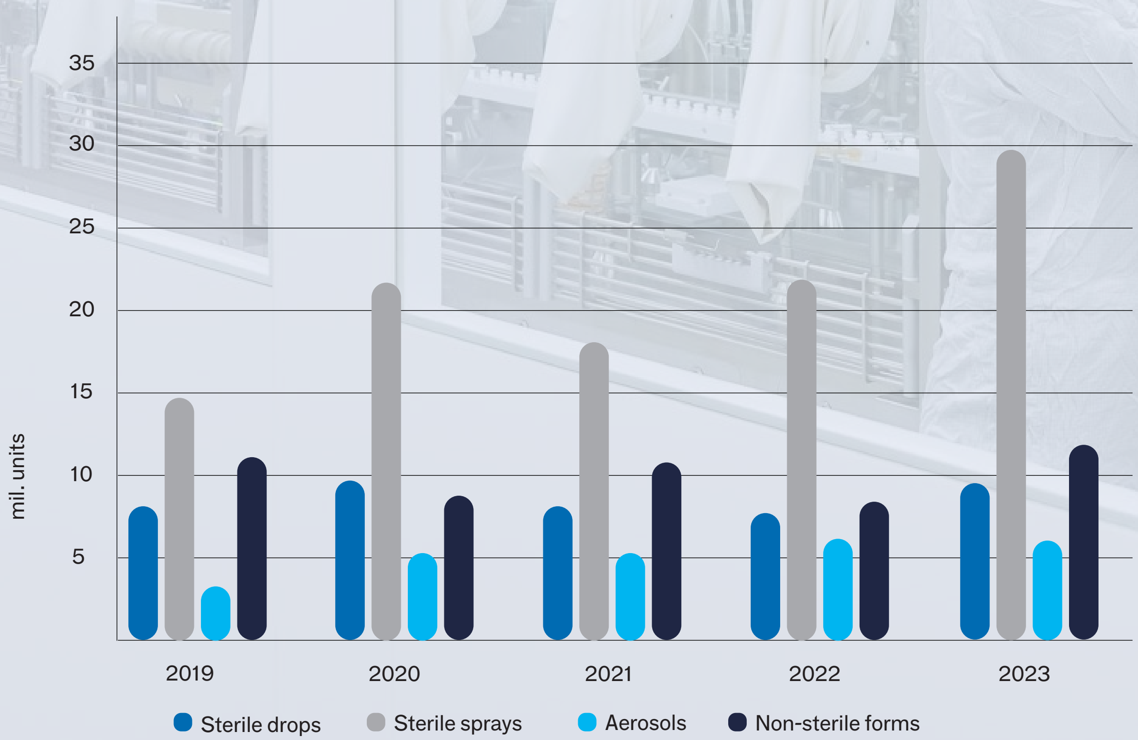
Moreover, 16 sterile technological transfers were successfully carried out for products, promising additional production capabilities in 2024. Moving forward, the focus will remain on implementing smart technological innovations to streamline operations and engaging employees in initiatives to enhance quality and performance in production, setting the key goals for 2024.





Overview of the number of units produced from 2011 to 2023

Overview of production by form from 2019 to 2023



SUPPLY CHAIN

During the reporting period, JGL's supply chain remained committed to fulfilling its primary task of ensuring the timely delivery of the required product quantities to all markets, customers, and partners (OTIF = on time in full). Furthermore, efforts were made to enhance process integration and improvements to support double-digit sales growth.

Similar to previous years, substantial growth in the demands of both B2C and B2B markets was observed, throughout 2023. This necessitated a concentrated effort to maximise the use of production capacities while reaffirming our adaptability and organisational prowess to ensure synchronised sales for both segments.

Amidst the demanding geopolitical landscape of 2023, delivering products to key markets was a particular challenge, which was addressed by implementing a series of new improvements and software solutions aimed at automating, digitalising, and ultimately expediting processes.

QUALITY

In 2023, new laboratories were successfully commissioned for Quality Control and Research and Development as part of the INTEGRA project. This integration of all company laboratories at a single location facilitates the sharing of analytical equipment and space, significantly optimising resources and enhancing operational efficiency. Through careful planning and effective implementation, the relocation of Quality Control to the new laboratory was seamlessly executed without any interruption in operational workflow.

Following an inspection by the competent body, HALMED (Agency for Medicinal Products and Medical Devices), amendments were made to the production licence, and the establishment of a physical and chemical laboratory in facility G15, located at the production site Svilno 20, was confirmed. The approval aligns with the guidelines of good manufacturing practice (GMP), ensuring that all JGL laboratories meet GMP standards for the first time.

In addition to the mentioned inspection, several audits of contractual partners and notification bodies were conducted, all yielding positive outcomes. The infrastructure, facilities, laboratory equipment, as well as the knowledge and competence of the employees, received praise during these audits.

In addition to the key activities mentioned, it is important to highlight the department's extensive reorganisation to align with the company's growth and development needs. The objective was to reinforce the structure, ensure resource coverage across all areas of responsibility, define clearer roles and responsibilities, empower team leaders, and lay the groundwork for sustainable future growth.

All these activities collectively form a strong foundation for successful business operations, underpinned by a commitment to high-quality standards, operational efficiency, and collaboration across all levels of the organisation.

SUPPLY CHAIN

JGL cooperates with a large number of suppliers in its supply chain. All suppliers must meet the pharmaceutical industry's high standards, 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), in which besides the quality system, their overall business is also evaluated.

In addition to the formal audits and questionnaires regularly sent to suppliers, they are also evaluated 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 for 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.

JGL strives to maintain long-term partnerships with suppliers who are committed to sustainable development. The goal is to develop partnerships in order to achieve the best ratio of value and purchase price for JGL and our customers and to ensure responsible supply chain management. When conducting individual purchasing processes, JGL employees are expected to inform the suppliers of JGL's commitment to the highest legal, ethical and moral standards.

On 20 March 2023, the Supplier Code of Conduct was adopted, outlining key principles, values, and standards that the JGL Group sets for its suppliers, which suppliers are obliged to adhere to.

DIGITALISATION

During 2023, the second investment cycle into cyber security was completed, with a new strategy deployed across five risk perspectives:

- Employees (protection of user accounts, data and equipment),
- Partners (access control management),
- Internet (protection against cyberattacks),
- Impact of IP (protection of growing assets),
- Digitalisation (protection of new digital services which increase exposure and impact).

In that area, a new 24/7 security operations centre has been put into operation, which detects more than 750 high-intensity incidents per day. In addition, 24,293 online training courses on cyber security were conducted among employees, and security equipment upgrades at the user, server, and network levels were successfully completed.

In this area, it is important to mention the newly launched OPEX (Operational Excellence) program, which supports the dynamic growth of production through the transformation of business processes and ways of working aligned with Lean, Six Sigma and Kaizen principles.

The priority scope of OpEx work at JGL is increasing the effectiveness of production capacity and production output, optimising SCM and quality control processes through the implementation of the FIFO principle and raising the level of quality in production. During the reporting period, 41 employees from the production, engineering, maintenance, quality, and SCM departments were trained in three workshops (OpEx Bootcamp). Two scopes of work were also successfully implemented: increasing the output of production capacities and optimising logistics processes.

E-COMMERCE LAUNCHED

In 2023, JGL entered a new market exclusively through digital channels, specifically through an e-commerce platform. Sales operations of the Aqua Maris and Vizol S brands were launched on Germany's largest e-commerce platform, Amazon.

In a short period of time, Aqua Maris received the Amazon's Choice label for its two products – Aqua Maris Baby and Aqua Maris Strong. This achievement underscores the effective management of communication, pricing, inventory and consumer expectations.

In the first year, the market share of this part of the business was 5.5% of the relevant online market. Alongside Amazon.de, the products can also be purchased on the Shop Apotheke and Luitpold Apotheke online stores, both of which rank among the top five e-pharmacies in Germany by revenue.

The accumulated, data-rich insights gathered from the market, customers, consumer behaviour, and business operations will serve as a foundation for expanding this sales segment, as well as existing B2B and B2C channels.

INVESTMENTS AND INCENTIVES

During 2023, a total of EUR 22,716,669 was invested in JGL Group's non-current assets.

Investments in intangible assets amount to EUR 6,108,115, of which EUR 661,212 relates to investments in computer programs, EUR 712,854 to the acquisition of pharmaceutical licenses, registration of own products and trademark protection, EUR 4,730,049 to investments in development projects, and EUR 4,000 to goodwill.

Investments in tangible assets amount to EUR 16,608,554. EUR 6,916,572 was invested in the improving the functions of buildings owned by the company and the construction and rental of new business premises, while EUR 6,767,094 was invested in the purchase of production and work equipment, with a further EUR 2,924,888 invested in IT and transport equipment and furniture.

During 2023, a total of EUR 20,452,646 was invested in JGL d.d.'s non-current assets.

Investments in intangible assets amount to EUR 6,086,676, of which EUR 643,773 relates to investments in computer programs, EUR 712,854 to the acquisition of licences, registration of proprietary products and investments in trademark protection, and EUR 4,730,049 to investments in development projects.

Investments in tangible assets amount to EUR 14,365,970. EUR 5,264,483 was invested in improving the functions of buildings owned by the company and the construction and rental of new business premises, while EUR 6,555,834 was invested in the purchase of production and work equipment, a further EUR 2,545,653 was invested in the purchase of IT, transport equipment and furniture.

Affiliated Companies

PHARMACEUTICAL BUSINESS

JADRAN LLC MOSKOW

The reporting period was marked by challenging and uncertain market conditions, primarily stemming from the conflict between Russia and Ukraine.

The company's primary objectives in 2023 included the successful launch of new products, mainly in the ophthalmology segment, and the continuation of the growth trend in key therapeutic groups.

In 2023, revenues totalling EUR 77.3 million were achieved, signifying a notable increase compared to the previous year. Despite a market growth rate of 9.8% in 2023, JGL outperformed with a growth rate of 24.8%. This result positions the company among the fastest-growing pharmaceutical companies in key therapeutic groups.

It is worth noting that the pre-tax profit of Jadran LLC Moskow amounted to EUR 6,516,720, a result of successful sales and marketing strategies, prudent investment management, and adept handling of exchange rate fluctuations, particularly during the latter half of the year when exchange rate variances exceeded anticipated levels.

In the flu and cold segment, propelled by the Aqua Maris product line, a growth of 5% was achieved compared to the previous year, nearly doubling the market's growth rate. Notably, the company achieved a 9% growth in the aerosol segment, outpacing the market's growth of 1.8%. At the same time, market share and the leading position in the relevant seawater segment in terms of units of product sold were retained.

In other product categories, Rinomaris (Meralys) grew by an impressive 38%, surpassing the market growth rate of 12.7%. Dramina kept its clear leading position with a 73.2% share. Aknekutan became one of the most successful products in the market in the reporting period, growing 35.4% (compared to the market growth of 24.1%) and solidifying its leading position in the segment with a 48.6% market share.

In the first quarter of 2023, new products from the ophthalmology segment were launched on the Russian pharmaceutical market

Optinol (Vizol S) deserves particular mention for continuing its high growth rate from 2022, outpacing all competitors throughout the reporting period. Optinol sales grew by 82.1%, far outperforming market growth of 10.2% and capturing a 12.1% market share (reaching 15.5% in December 2023), which allowed it to secure second position in the segment.

This achievement can primarily be attributed to the dedication of our employees who, amidst challenging circumstances, continuously adapted to ever-changing business conditions throughout the reporting period. Their commitment fostered excellent collaboration among all teams, both within the Russian market and with the parent company.

Awards were given out to individuals and teams who made significant contributions to business tasks

Employees from JGL's Russia and Belarus markets at a joint meeting in April 2023

Launch of Rinomaris Advance

A long-awaited milestone was reached in the Russian market – a new member of the Rinomaris brand portfolio arrived, Rinomaris® Advance.

The product has a unique formula on the Russian market that combines two active ingredients, xylometazoline and hyaluronic acid, as well as seawater, which ensure comfort and effectiveness.

To support the new brand in the reporting period, it was actively promoted on all key channels: an online video campaign, informing experts (ENT specialists, paediatricians, and pharmacists), making training videos for pharmacy employees, and broad digital promotion (new product website, contextual advertising, website optimisation for search engines, reputation management).

JADRAN – GALENSKI LABORATORIJ D.O.O. LJUBLJANA

Jadran – Galenski laboratorij d.o.o. Ljubljana, established in 1992, had six employees in the reporting period. In 2023, continuous work was done on promotion, education, and relationships and communication with partners and clients, who were included in many organised activities.

In 2023, the company recorded a growth rate twice the size of the entire Slovenian pharmaceutical market. The year concluded with record-breaking annual, quarterly, and monthly (December) sales.

Key brands (Aqua Maris, Vizol S, Maresyl HA, Reflustat, and Lactogyn) demonstrated double-digit growth rates, while other brands (Carbo Medicinalis, Dramina) sustained their leading market position throughout the reporting period.

In the period from 1 January to 31 December 2023, total revenues amounted to EUR 2.5 million, marking an increase of nearly 20% compared to the previous period. The profit before tax stands at EUR 293,871.

JGL team at the Health Festival in Ljubljana

JGL D.O.O., BEOGRAD – SOPOT

In 2023, there was a 17% increase in revenue compared to the previous reporting period. The company's pre-tax profit for 2023 reached EUR 100,809. Total revenue reached EUR 4 million, with 55% generated from selling goods and products domestically, while the remaining portion came from selling own products and transferred products overseas.

In marketing and sales, the company focuses on four customer segments: pharmacies, consumers, gynaecologists, and ophthalmologists. A notable digital campaign continued throughout 2023, emphasising products such as Vizol S, Reflustat, and Prolife, alongside the inclusion of Lactogyn and Aqua Maris.

In production, the company focuses on manufacturing drugs and dietary products for sale in Serbia and the neighbouring markets.

The primary drivers of revenue growth in 2023 were the quality of work of highly skilled and expert employees with additional investments in training, increased sales of goods and products in the Serbian market, and increased sales of products transferred to JGL d.o.o. Beograd Sopot in 2020 for all markets: Lactogyn oral capsules, Feminal capsules, Normia capsules and Normia sachets.

JGL team from Serbia visiting the production facilities in Svilno

FARMIS D.O.O. SARAJEVO

Farmis d.o.o. was founded in 2000 in Sarajevo. In 2023, it had an average of 29 employees. Farmis has built a recognisable image as part of JGL in the Bosnia and Herzegovina market through its commitment to high business standards and a focus on and responsibility towards customers as well as towards employees and owners.

The business is in line with the EN ISO 9001:2015 quality management system and the requirements of GDP standards, which guarantees customers and partners safety, quality and stability in cooperation. In addition to the portfolio of JGL, Adrialab and JGL Beograd – Sopot, Farmis also offers products from suppliers/partners from Germany, Slovenia, Croatia, the United Kingdom, Serbia, Turkey and BiH.

Despite the challenges faced with product delistings and defects, 2023 proved to be a successful year in achieving the goals outlined in the Operational Plan. Growth in the reporting period was achieved primarily due to the exceptional commitment and focus of employees.

JGL's key brands which experienced growth in sales compared to 2022 are Aqua Maris (6%), Meralys (17%), Prolife (19%), Lactogyn (25%), Dramina (24%), Vizol S (21%), Reflustat (10%) and Escontral (31%).

The Operational Plan was implemented at 94% in terms of gross sales, resulting in business revenues of EUR 8.2 million. This represents a 4% growth compared to the previous reporting period, with sales of products from the JGL portfolio increasing by 17%. The profit before tax stands at EUR 206,523.

PHARMACY AND COSMETICS

ADRIALAB D.O.O.

The year 2023 was marked by the continued growth of revenue in Adrialab's three sales channels, the increase in the number of units produced, and the launch of the project for a new production line for non-sterile solutions. The pharmacy segment experienced a yearly growth of 9%, while the retail network segment expanded by 15%. In addition, revenues for the parent company JGL surged by 35%. Focusing its activities on key brands (JGL Baby Ointment, Holyplant cough mixtures and cosmetics, Galenia topical pharmaceuticals, Dermospray, Vitalia dietary supplements), Adrialab continues to strengthen its position in the Croatian market.

The growth of Vitalia D-Mannose is especially notable, with sales increasing by over 90% thanks to a successful campaign and a new TV commercial. The launch of a new product in the range, Vitalia D-Mannose Strong, at the beginning of 2023 also contributed to this growth.

It is important to emphasise the ongoing targeted investment in Dječja Mast JGL children's ointment, especially considering that the natural number of units sold has returned to levels from six years ago despite the challenging demographic environment.

It is worth noting that in 2023, Adrialab obtained two new certificates, affirming systematic quality management. These include the Croatian Chamber of Economy's "Croatian Creation" certificate for Dječja Mast JGL children's ointment and the ISO 22000 certificate for the food safety management system. Furthermore, maintaining existing certificates for quality systems (ISO 9001:2015 and 22716:2008) also continued. Compliance with these standards allows export to key markets of JGL in the categories of medicinal products, cosmetics and dietary supplements and offers an additional opportunity to the JGL Group to meet the increasingly stringent, but due to the number of markets, also differentiated regulatory requirements. In light of the achievements outlined above, 2023 proved to be a successful year for Adrialab.

According to financial results for 2023, EUR 3.6 million of revenue was generated, an increase of 21% compared to the previous year.

With over 1.4 million units produced, the year concluded with an operating profit (EBITDA) of EUR 428 thousand and a pre-tax profit totalling EUR 262,512. This represents a notable increase of 46.1% compared to 2022.

The new product, Vitalia D-Mannose Strong, was launched at the beginning of 2023

Jecol was officially registered in Azerbaijan at the beginning of 2023

In 2023, Ljekarna Pablo Health Institution operated with 31 pharmacy units and a workforce of 173 employees

LJEKARNA PABLO HI

In 2023, Ljekarna Pablo Health Institution operated with 31 pharmacy units and a workforce of 173 employees. The most significant event of the year occurred in mid-July with the merger of Ljekarne Zorka Muvrin HI, resulting in two pharmacy units from Ljekarne Zorka Muvrin HI joining Ljekarna Pablo HI. From the beginning of the year until the official merger with Pablo on 10 July, Ljekarne Zorka Muvrin HI achieved total operating revenue of EUR 1.26 million, exceeding targets. From 1 January to 31 December 2023, Ljekarna Pablo HI achieved a total income of EUR 28.9 million, marking a growth of 13% compared to 2022. Its profit before tax in 2023 surpassed EUR 1 million for the first time, reaching EUR 1,010,226 and representing an increase of 18.2% compared to 2022.

In the 2024 business plan, Ljekarna Pablo HI aims to acquire the founder's rights of Primorske ljekarne HI and incorporate two pharmacy units (the Opatija branch, which encompasses the private practice of Mirna Stjepčević, MPharm, and the Poličnik pharmacy). This merger is anticipated to take place during the summer.

The plan is also to merge Goranske ljekarne HI and its two pharmacy units into Ljekarna Pablo HI during the first half of the year 2024.

GORANSKE LJEKARNE HI

In September 2023, Ljekarna Pablo HI acquired the founder's rights of Goranske ljekarne Health Institution, officially commencing operations on 16 September 2023. Goranske ljekarne HI operates in two pharmacy units with a combined staff of twelve employees: the Delnice pharmacy unit, located in Supilova 45 (formerly the private practice Jakupak / Pojer Ivančić), and the Bribir pharmacy unit, situated in Bribir 48. From 16 September until the end of 2023, Goranske ljekarne HI achieved a total operating revenue of EUR 685 thousand and a pre-tax profit of EUR 15,083.

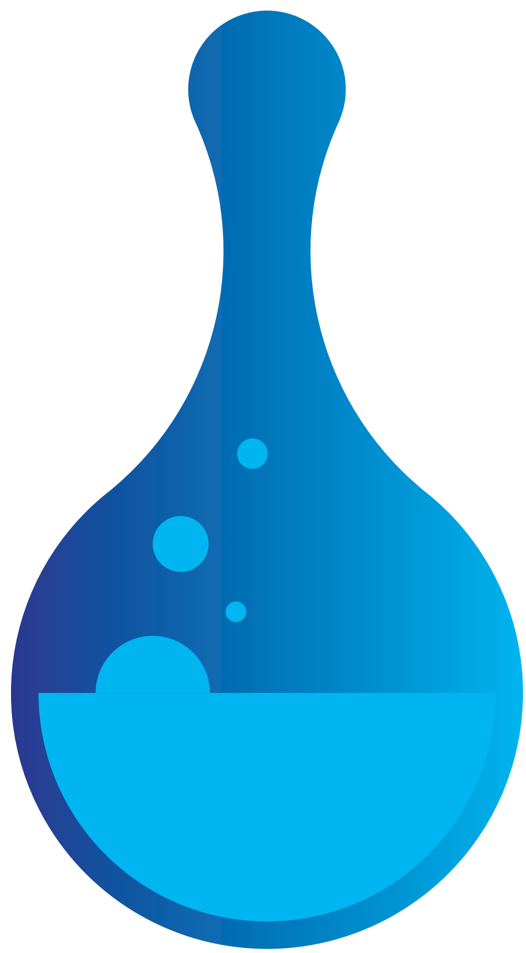
PABLO D.O.O.

The specialised store Pablo Health & Beauty in Trogir employs four people. In 2023, it recorded a operating revenue of EUR 511 thousand, nearly doubling its revenue compared to the previous year.

JGL PPH D.O.O.

At the start of 2021, the affiliated company JGL PPH d.o.o. was founded, becoming a new addition to the JGL Group, with JGL d.d. holding 100% ownership. The company JGL PPH d.o.o. was established for the purposes of future operations under the Strategic Partnership Agreement concluded with pharmaceutical company Polpharma from Poland as a Special Purpose Vehicle (SPV) for implementation and monitoring of a specific business segment involving the foreign partner, thereby allowing better control and records of business events related to the strategic partnership agreement.

In 2023, JGL PPH generated revenues totalling EUR 226 thousand. The operating aspect of the company is positive, with an EBITDA of EUR 48 thousand and an EBITDA margin of 21%. However, significant depreciation costs led to a loss amounting to EUR 959,092.



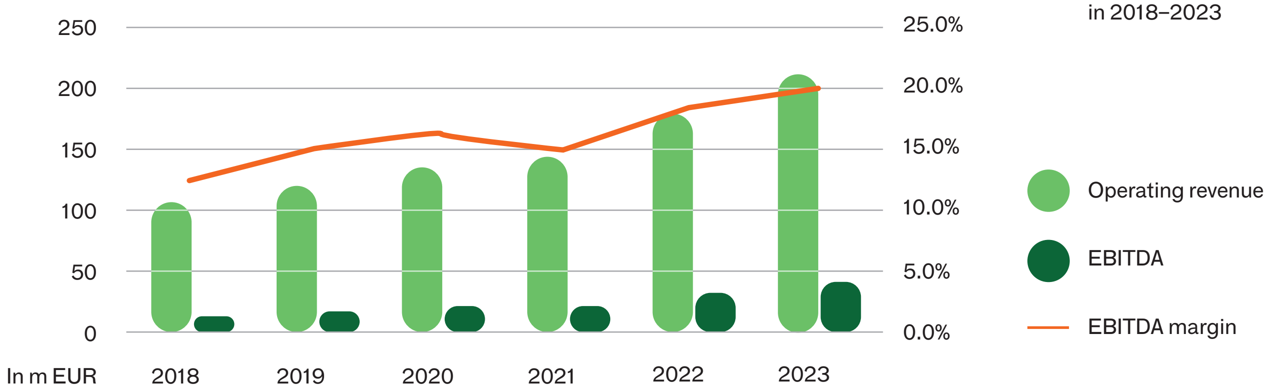
Financial Results

According to the consolidated, audited financial results for 2023, the JGL Group generated total revenue of EUR 213 billion and profit before tax of EUR 21.4 million, specifically EUR 21,377,538, thereby continuing the positive trend of revenue and profitability growth.

JGL Pharma also reported revenue and operating income increase in 2023 in its core pharmaceutical business. Operating revenue grew by almost 20% compared to the previous year and amounts to EUR 179.1 million, with an EBITDA operating profit of EUR 39.5 million and an impressive EBITDA margin of 22%.

When examining the performance of the parent company, JGL d.d., its business revenues amounted to EUR 132.1 million, reflecting a 23% increase compared to the previous year. The success of operations in 2023 is further underscored by the EBITDA of EUR 31.4 million, marking a 21% increase compared to last year, with an impressive EBITDA margin of 23.8%. The company realised a profit before tax totalling EUR 12,948,835.

Profitability of
the JGL Group
in 2018–2023



In reviewing the events that influenced the financial outcome in 2023, it is essential to acknowledge that despite achieving record operating revenue, profit is lower than last year for various reasons. Throughout 2023, political risks persisted in the regions where both the parent company and the Group operate, particularly in the markets of Russia, Ukraine, and Belarus. This had a detrimental effect on JGL's financial results in 2023, primarily due to the high level of negative foreign exchange differences resulting from the depreciation of the Russian ruble against the euro. Additionally, a significant negative impact was observed from the value adjustment of intangible assets amounting to EUR 4.7 million. This adjustment pertains to a development project for which investments are currently suspended, with plans to continue them in the future. Moreover, an increase in depreciation costs occurred in 2023 due to the activation of the INTEGRA investment.

The result is particularly significant because it occurred during one of the most difficult years in business. At the same time that one of the JGL Group's largest investments was being finalised, global geopolitical uncertainty continued, along with market volatility, shortages of raw materials, escalating prices of raw materials and energy, rising interest rates, and consequently a high inflation rate.

The growth is the result of above-average growth rates of key brands in all JGL markets, as well as increased market shares in new and existing markets. The quick and successful adjustment of business priorities as well as all its employees, the JGL Group completed another successful year.

In terms of assets, the JGL Group recorded significant changes from 2022 as its non-current assets, specifically tangible assets, were increased as a result of the Integra investment project. Regarding short-term assets, there was a notable increase in inventories due to expanded capacity and heightened production to meet the increased demand for products in 2023. Additionally, cash holdings rose, coupled with a decrease in trade receivables, reflecting improved collection practices compared to previous periods.

Regarding liabilities, the Group's balance sheet indicates an increase in capital caused by increased retained profit. There are also corrections of long-term and short-term liabilities, specifically liabilities towards financial institutions, which increased due to the new INTEGRA investment which was financed by a loan. In addition to the loan for the INTEGRA project, a long-term loan for working capital was also secured. The maturity of the bonds in 2024 is reflected in the reduction of long-term liabilities and the increase in short-term liabilities arising from securities.

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

Income statement of the JGL Group and JGL Pharma (in EUR million)[2] as at 31 December 2023 and 31 December 2022

	JGL GROUP			**JGL PHARMA**		
	31/12/23	31/12/22	Index	31/12/23	31/12/22	Index
Operating revenue	**210.9**	**178.5**	**118**	**179.1**	**150.2**	**119**
Sales revenue	208.2	176.1	118	176.8	148.0	119
Other revenue	2.7	2.4	113	2.3	2.2	111
Operating expenses	**183.9**	**154.4**	**119**	**153.4**	**127.0**	**121**
Change in inventory value	-5.8	-3.2	182	-5.8	-3.1	186
Material costs	126.6	105.3	120	102.6	83.7	123
Personnel costs	36.9	32.8	113	32.5	28.9	113
Other costs	26.2	19.5	134	24.1	17.5	137
Finance revenue	**2.1**	**8.0**	**26**	**2.1**	**8.0**	**26**
Finance expenses	**7.7**	**13.2**	**58**	**7.7**	**13.2**	**58**
Total revenue	**213.0**	**186.5**	**114**	**181.2**	**158.2**	**115**
Total expenses	**191.6**	**167.6**	**114**	**161.1**	**140.2**	**115**
Profit before tax	**21.4**	**18.9**	**113**	**20.1**	**18.0**	**112**
Income tax and deferred tax assets	**1.8**	**-0.3**	**-**	**1.5**	**-0.5**	**-**
Profit after tax	**19.6**	**19.2**	**102**	**18.6**	**18.5**	**101**

[2] The income statement 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

Income statement of the JGL d.d. (in EUR million)[2] as at 31 December 2023 and 31 December 2022

	JGL D.D.		
	31/12/23	31/12/22	Index
Operating revenue	**132.1**	**106.8**	**124**
Sales revenue	129.9	104.9	124
Other revenue	2.2	1.9	117
Operating expenses	**113.7**	**87.8**	**130**
Change in inventory value	-5.7	-3.0	193
Material costs	74.6	56.0	133
Personnel costs	23.5	19.6	120
Other costs	21.3	15.2	141
Finance revenue	**1.6**	**8.0**	**20**
Finance expenses	**7.0**	**12.5**	**56**
Total revenue	**133.7**	**114.8**	**116**
Total expenses	**120.7**	**100.3**	**120**
Profit before tax	**13.0**	**14.5**	**90**
Income tax and deferred tax assets	**-0.1**	**-1.2**	**11**
Profit after tax	**13.1**	**15.7**	**83**

[2] The income statement 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 the JGL Group and JGL Pharma (in EUR million)[3] as at 31 December 2023 and 31 December 2022

	JGL GROUP			JGL PHARMA		
	31/12/23	31/12/22	Index	31/12/23	31/12/22	Index
Assets	**273.7**	**248.9**	**110**	**258.4**	**235.9**	**110**
Non-current assets	**146.6**	**139.0**	**105**	**140.8**	**134.2**	**105**
Current assets	**126.1**	**109.2**	**115**	**116.8**	**101.1**	**115**
Inventories	46.5	37.1	125	42.1	33.2	127
Receivables	55.7	54.9	102	51.8	51.5	101
Current financial assets	3.0	2.8	105	3.0	2.8	105
Cash at bank and in hand	20.9	14.4	145	19.9	13.6	147
Prepaid expenses and accrued revenue	**1.0**	**0.7**	**135**	**0.8**	**0.6**	**144**
Liabilities	**273.7**	**248.9**	**110**	**258.4**	**235.9**	**110**
Capital and reserves	**139.4**	**120.4**	**116**	**134.4**	**116.4**	**115**
Non-current provisions	**0.6**	**0.5**	**111**	**0.4**	**0.4**	**112**
Non-current liabilities	**65.8**	**76.2**	**86**	**63.4**	**74.0**	**86**
Liabilities for leasing and banks	65.0	58.3	111	63.2	56.7	112
Bond liabilities	-	17.1	-	-	17.1	-
Deferred tax liability	0.8	0.8	90	0.2	0.2	80.47
Current liabilities	**63.6**	**47.9**	**133**	**56.1**	**41.3**	**136**
Suppliers	29.6	33.3	89	24.6	27.9	88
Financial liabilities	25.9	6.4	406	24.2	5.8	418
Other current liabilities	8.1	8.2	98	7.3	7.6	96
Accrued expenses, deferred revenue and provisions	**4.3**	**3.9**	**109**	**4.1**	**3.8**	**109**

[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 d.d. (in EUR million)[3] as at 31 December 2023 and 31 December 2022

	JGL D.D.		
	31/12/23	31/12/22	Index
Assets	**250.3**	**232.9**	**108**
Non-current assets	**149.3**	**142.7**	**105**
Current assets	**100.2**	**89.7**	**112**
Inventories	40.6	32.1	126
Receivables	40.1	43.9	91
Current financial assets	3.0	3.2	93
Cash at bank and in hand	16.5	10.5	158
Prepaid expenses and accrued revenue	**0.8**	**0.5**	**156**
Liabilities	**250.3**	**232.9**	**108**
Capital and reserves	**136.9**	**123.4**	**111**
Non-current provisions	**0.4**	**0.4**	**112**
Non-current liabilities	**62.0**	**72.7**	**85**
Liabilities for leasing and banks	62.0	55.6	111
Bond liabilities	-	17.1	-
Deferred tax liability	-	-	-
Current liabilities	**48.9**	**34.5**	**142**
Suppliers	18.1	21.9	83
Financial liabilities	23.6	5.2	456
Other current liabilities	7.2	7.4	98
Accrued expenses, deferred revenue and provisions	**2.1**	**1.9**	**109**

[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*

Operating Risks

In 2023, business risk management emerged as a pivotal responsibility for the JGL Leadership team, considering the escalating socio-political tensions, extreme climate change, rising cyber risks, and the vulnerability of the global supply chain. Through agile operations, the JGL Group successfully mitigated the adverse effects of these changes, prioritising progress and the continuous enhancement of business processes to achieve long-term value and stability for its partners, shareholders, employees, and society as a whole. One of the tools for effective corporate governance to achieve long-term value is enterprise risk management. The Leadership Team continuously works on identifying, understanding, and promptly evaluating business risks to transform them into new opportunities for growth and development and ensure stable and sustainable business operations in the long term.

BUSINESS ENVIRONMENT RISK

Business environment risk includes geopolitical, macroeconomic and social risks in all markets in which the JGL Group operates. The JGL Group cannot directly influence this type of risk. Conversely, they directly influence the operation of the Group.

One of the significant risks worth highlighting is the social and geopolitical risk stemming from ongoing regional conflicts worldwide, which have the potential to escalate and directly impact disruptions in the supply chain and commodity prices. In recent years, the global supply chain has faced challenges due to events such as the COVID-19 pandemic, the trade tensions between China and the US, the conflict between Russia and Ukraine, and the ever-growing demands of e-commerce on the global supply chain. In addition to these geopolitical influences, the supply chain is also vulnerable to various natural disasters, financial crises, and operational challenges.

Despite past disruptions, 2023 witnessed normalisation in the global supply chain. However, at the onset of 2024, concerns arose regarding potential disruptions stemming from the implementation of environmental protection provisions and the global market's varying levels of commitment to meeting sustainable development requirements. These factors could significantly impact costs and the future trajectory of supply chains.

While the global supply chain is urged to increase resilience, there remains uncertainty about whether corporations and investors are prepared to make the requisite investments to bolster them. As a means of strengthening the supply chain, many view automation and the adoption of artificial intelligence (AI) as crucial tools.

Another significant factor contributing to business environment risk is economic uncertainty caused by high inflation. Despite central banks nearing the end of the interest rate hike cycle, market consensus suggests a cautious approach to reducing interest rates, with rates expected to remain above 3.5%-4% throughout 2024. This is anticipated to impact economic growth and increase financial pressures on households and businesses alike.

The Group protects itself from this risk by diversifying, operating in different markets globally, selecting suppliers predominantly from the EU, increasing the share of the B2B segment in total revenues, and protecting its foreign receivables through export insurance.

POLITICAL RISK RELATED TO THE WAR IN UKRAINE

In 2023, the political risk associated with the war in Ukraine continued. The JGL Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. The war in Ukraine continues to affect the financial market, as well as the energy market. During the second half of 2023, there was a noticeable trend of decreasing inflation rates observed both in the Eurozone and the US. This trend prompted central banks to decelerate the pace of interest rate hikes, signalling a potential end to the rate hike cycle.

Additionally, the situation in the energy market has largely stabilised. The risks to which the Group is still exposed due to operations in war-affected areas are currency risk, the inability to collect receivables, the inability to deliver goods, and a decline in sales revenue. These risks are managed in several ways: by controlling inventories, insuring exports, finding alternative product distribution routes, diversifying the portfolio and focusing on other markets, and by lowering costs to reduce the impact of decreased sales on operations.

The JGL Group is less dependent on suppliers from the conflict-affected countries, but we are witnessing a rise in fixed and variable costs due to increased prices of raw and other materials and the price of energy. This crisis indirectly impacts the price of products through the prices of raw and other materials. Business management of this crisis will be performed in the best interest of the employees and the company. Sales and investments will continue in accordance with business plans.

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 pharmacy segment. Generic and over-the-counter (OTC) medications are particularly noteworthy due to the high level of competition they face. Generic drug prices are often reduced, sometimes dramatically, especially as some generic pharmaceutical companies (including low-cost manufacturers based in China and India) receive authorisations 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 it, including new market participants and authorisation times. OTC drugs have even more lenient regulatory requirements, making it is easier for new competitors to penetrate markets. There is intense competition in the market of JGL's key brands, with competitors having significant capabilities 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 and previously acquired consumer habits, indicating a demand for domestic products. With a strategic focus on developing quality products and recognisable brands, the aim is 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 practices, creating added value for customers through additional discounts and loyalty programmes, and developing platforms 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 caused by human or system errors and external events. 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 improving, further developing and implementing 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 and 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, and cyberattacks, as well as internal events such as floods, machinery breakdowns, employee injury insurance and management liability insurance.

CLIMATE CHANGE RISK

The influence of climate change is apparent across all aspects of life and business. Numerous industries are increasingly feeling the repercussions of weather fluctuations, making climate change a paramount global concern and business risk. Risks associated with climate change can emerge throughout the value chain and in both supply and distribution channels. Consequently, it is imperative for all businesses to promptly understand and recognise the risks posed by climate change to their operations and implement concrete measures to mitigate these risks.

There are two types of climate change risks:

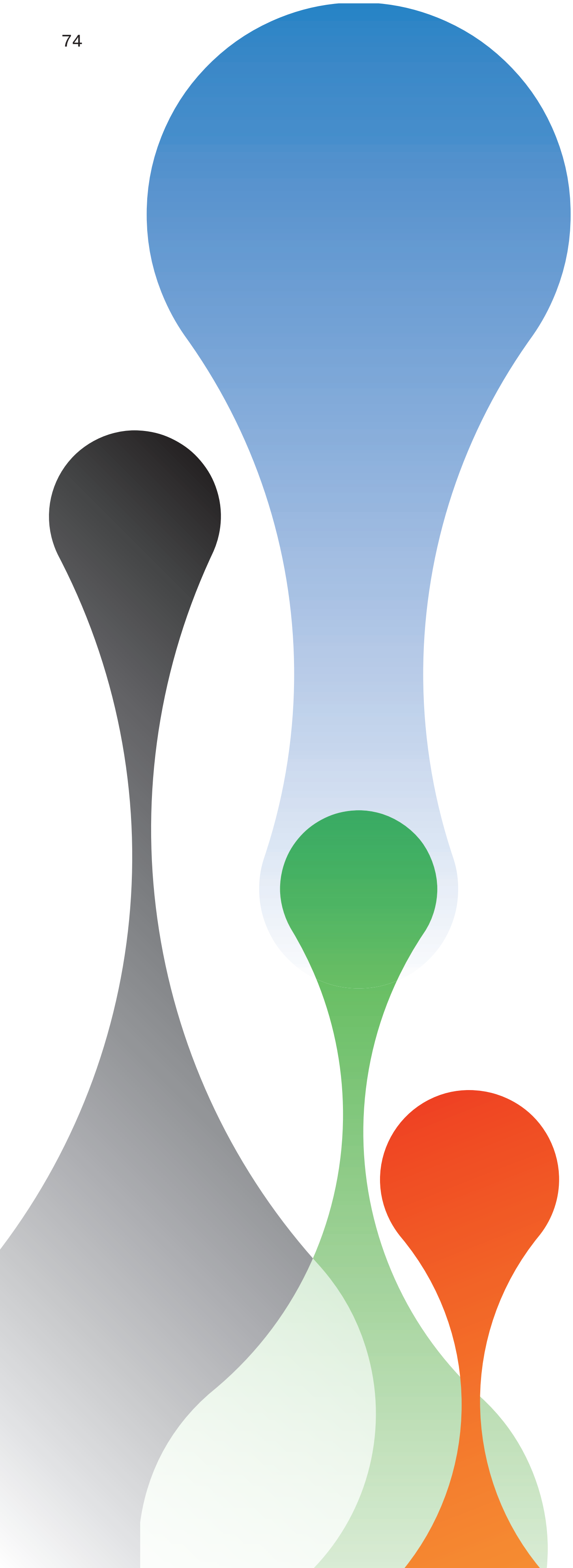
- Physical risks encompass the increased frequency or severity of extreme weather events such as floods, droughts, and storms, as well as ecosystem decline due to the loss of pollinators and deforestation;
- Transition risks arise from the shift towards a carbon-neutral economy and regulatory changes that restrict the exploitation of natural resources.

The risks stemming from climate change impact various macroeconomic indicators such as inflation, economic growth, and financial stability. Climate change already disrupts the global supply chain of pharmaceutical products and has tragic consequences for the health of the global population. Climate change directly affects public health, thereby also influencing the pharmaceutical industry. Through ongoing efforts to reduce emissions of harmful gases and implement environmentally friendly processes, JGL Group aims to ensure patients have reliable access to effective and sustainable medicines. Other factors, such as food insecurity and the energy crisis, can exacerbate existing medical conditions, along with the effects of poor air quality and mould on respiratory health. Pharmaceutical companies must be ready to respond to heightened demand and supply in new markets, ensuring sufficient resources and a logistical framework.

The loss of biodiversity and the deterioration of natural ecosystems are poised to heighten the risks linked with climate change. Climate and nature depend on each other: climate change introduces an additional threat to our ecosystems, while the degradation of nature accelerates climate change. It is vital to closely monitor these risks and assess their impact on the global economy and financial stability. Among the tools for evaluating and addressing this risk are ESG standards in operations and the Task Force on Climate-Related Financial Disclosures (TCFD) model. The TCFD model offers investors insights into companies' efforts to mitigate climate change risks and provides transparency regarding their governance practices.

The JGL Group protects itself from this risk through ongoing improvements in energy efficiency, consistently addressing its environmental footprint and minimising harmful gas emissions, investing in infrastructure and improving work and climate conditions across all sites, and by educating employees about the health implications of climate change.

In line with this, throughout 2023, the Group continued to refine its reporting to conform to the latest standards, aiming to better harmonise operations with the sustainable development objectives advised by the EU. Following the ESG standards outlined above, the Group set out to pursue three primary categories of objectives: environmental, social, and governance goals. The European Union aims to lead the way and become the first continent to achieve climate neutrality by 2050, with a target to reduce greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. Consequently, the EU is gradually implementing the Taxonomy Regulation and establishing a unified classification system at the EU level. This system determines whether an economic activity meets the criteria for environmental sustainability.



CYBER RISK

The digitalisation of business processes and the advancement of information technology have led to a rise in computer threats as a part of modern everyday life. The risk of intrusions into systems, identity theft, data breaches, system “locking” for ransom, and other forms of cyberattacks has significantly escalated in recent years. These factors collectively represent a cyber risk for the JGL Group. The company protects itself from this risk through multi-level security protocols and compulsory employee training on cyber security. This includes tabletop simulations of cyber incidents where the entire management team must make prompt decisions based on predefined scenarios. This practice helps evaluate the capacity for damage limitation, identify issues, and take necessary steps to troubleshoot and ensure uninterrupted operations.

Attackers are becoming increasingly sophisticated in their methods, with social engineering being particularly dangerous and common. This involves exploiting lapses in concentration and general human credulity and trust. In the 21st century, computer (or cyber) security is one of the key and critical areas of focus for every company.

In response to the above, the JGL Group aims to foster a Cyber Risk-Aware Culture, alongside technical measures, to minimise the impact of human error in managing this risk.

RISK ASSOCIATED WITH THE DEVELOPMENT AND USE OF ARTIFICIAL INTELLIGENCE IN BUSINESS

One of the emerging risks in 2023 is linked to the use and implementation of various business tools enhanced with artificial intelligence (AI). Artificial intelligence is essential and unavoidable and aids companies in three key areas:

Effectiveness, efficiency, speed – voice search, idea generation, translations, article summaries, presentation drafts. This trend favours major corporations and platforms such as Microsoft, Google, and Facebook;

Knowledge Automation – historically, focused on automating manual tasks. Generative AI uses AI tools to automate and manage knowledge, decision-making, collaboration, communication (via chatbots), and pattern recognition (radiology).;

AI – drives innovation, enabling solutions to challenges previously deemed unattainable, such as holistic longevity management.

At the same time, regulators are racing to establish regulatory frameworks for the use and application of AI as concerns emerge that the development of new technologies supported by artificial intelligence will surpass the legal frameworks within which the world currently operates. The EU has gone further, defining a regulatory but, at the same time, robust development and investment framework.

Artificial intelligence has found applications in the automation of industrial processes, the car industry, the development of smart cities and homes, and user support systems, amongst others. Alongside positive implementations, there are also negative examples, such as the emergence of deep fakes and the dissemination of seemingly accurate information about events and individuals that is fabricated.

As an agile organisation that follows standards and adapts to global trends, the JGL Group strategically manages the introduction of artificial intelligence in its operations to create new value for itself, its partners and its users/patients.

FINANCIAL RISKS

FOREIGN CURRENCY RISK

The Group is exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. Furthermore, 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 a factor in presenting the performance of foreign subsidiaries since their results are reported in euros in the consolidated financial statements.

The introduction of the euro as the official currency in Croatia significantly reduced the currency risk for the Group in 2023. The risk of the changing exchange rate of the euro against the ruble remains the most significant currency risk.

The exposure to foreign currency risk is constantly monitored, and hedge accounting is used as necessary. The decision on hedging depends on the currency in which the receivables are denominated, the type of hedge accounting, and its price. As at 31 December 2023, the parent company had no active forward contracts.

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

JGL d.d. invoices products for the Russian market in the Russian ruble. During 2023, the political and economic crisis, the war between Russia and Ukraine and the subsequent sanctions implemented by the EU and the US influenced the value of the ruble, along with other factors such as the price of oil on the global markets and the monetary policy implemented by the Russian Central Bank (RCB), including interest rate increases, restrictions on foreign currency sales, inflation control measures, etc.

Following the onset of the war in Ukraine in March 2022, the Russian ruble experienced significant depre-

Exposure to the currency risk of changes in the RUB exchange rate in 2023

Source: (https://finance.yahoo.com)

ciation in response to the initial shock and the imposition of stringent sanctions by the EU and the US. However, by the end of 2022, the ruble staged a remarkable recovery, appreciating strongly and returning to 2019 levels. During 2023, there was a gradual depreciation of the Russian ruble relative to the euro, indicating a return to realistic levels of the ruble's value (approx. 100 RUB to the euro). Namely, the year 2023 began with the EUR/RUB exchange rate at the level of 75.86 and ended at 97.91, which is a loss in the value of the Russian ruble of almost 30%. Such volatile exchange rate fluctuations generate significant exchange rate differences for the JGL Group.

From 2022, the option to hedge against fluctuations in the Russian ruble exchange rate using financial market instruments is no longer available. Consequently, the company has resorted to employing natural safeguards against this risk, involving managing product prices, optimising production, streamlining inventory management practices, and accelerating the collection of receivables in rubles. These measures aim to minimise exposure to currency risk associated with the ruble. Throughout 2023, the ruble exchange rate risk was managed by narrowing the gap between foreign currency assets and liabilities and implementing a policy for handling ruble funds in accounts.

INTEREST RATE RISK

The Group's interest rate risk arises from long-term loans, leases, and bonds issued on the liabilities side, and contracted short-term deposits on the assets side.

Within the JGL Group, the parent company is indebted and, therefore, bears most of the interest rate risk. If we consider that the majority of the long-term interest debt is contracted with a fixed interest rate that is more favourable than the current market interest rate, the parent company is minimally exposed to the interest rate risk.

The exposure to interest rate risk is constantly monitored, and hedge accounting is used as necessary. The decision on hedging depends on the current market interest rates, the type of hedge accounting, and its price. In 2023, the JGL Group did not use derivative instruments for active protection against interest rate risk exposure (cash flow interest rate risk and fair value interest rate risk).

Throughout 2023, surplus funds from the JGL Group were allocated partly to time deposits with banks, thereby partially mitigating the interest rate risk (interest rates on deposits in 2023 were higher than the agreed interest rates on long-term loans). For 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

Liquidity risk is the risk of the inability to convert certain forms of assets into cash (asset liquidity risk) or the risk of the inability to balance short-term payment capabilities on the one hand and short-term liabilities on the other (cash flow risk). Consequently, the JGL Group consistently focuses on liquidity management and holding sufficient cash reserves. The Group manages this risk by monitoring and planning cash flow (Cash Flow Forecast) on a monthly basis and by maintaining sufficient levels of liquid assets and working capital.

Liquidity risk is further mitigated by contracting favourable short-term credit lines with various commercial banks that allow for the rapid withdrawal of funds. In 2023, the JGL Group had short-term credit lines in euros with commercial banks approved and contracted in the total amount of EUR 15 million. The above credit lines acted as a liquidity reserve, with the affiliated company Ljekarna Pablo HI utilising EUR 1.1 million during 2023. Out of the total contracted amount of EUR 15 million within the JGL Group, EUR 4 million is available to the affiliated company LLC Jadran in Russia, while the Croatian affiliate Ljekarna Pablo HI, as a co-debtor under the parent company, has access to EUR 4 million.

To mitigate liquidity risk effectively, it is crucial to proactively monitor and identify potential sources of liquidity risk. Factors like inflationary pressures, supply chain disruptions, or geopolitical tensions are potential sources of liquidity risk. They can impact cash flows and access to finance, posing risks to liquidity. Therefore, businesses must remain agile and react swiftly to these challenges to mitigate liquidity risk effectively.

The JGL Group mitigates this risk by closely monitoring financial liquidity indicators (general liquidity, accelerated liquidity, and net working capital), maintaining adequate liquidity levels and implementing cash flow forecasting and monitoring practices.

CREDIT RISK / ACCOUNTS RECEIVABLE RISK

Credit risk refers to the risk of customers failing to make payments or defaulting on their obligations within the agreed timeframes, thereby posing a risk to the collection of receivables.

The JGL Group's accounts receivable risk is significantly diversified through the distribution of receivables across various geographical areas and customers. The Group safeguards against this risk by obtaining payment insurance instruments, selecting customers based on the evaluation of their creditworthiness, and insuring export receivables.

Export accounts receivables are insured by the Croatian Bank for Reconstruction and Development (HBOR) and the Croatian Credit Insurance (HKO). The total insured amount of foreign receivables in 2023 was EUR 19.5 million. Most foreign trade receivables that have an arranged deferral of payment are insured. Information on customers is collected together with insurers, and the risk, creditworthiness and liquidity of insured customers are systematically monitored, with approved limits reviewed annually. Over the past few years, the Group has consistently seen an increase in insured amounts due to the growing turnover from existing customers and insuring new customers. Receivables are analysed weekly, and all measures needed to collect them are taken.

The receivables of the affiliated company Jadran LLC Moskva are insured in Russia through the insurance company Euler Hermes and SBERBANK. The total insured credit limit for customers in Russia in 2023 was EUR 35 million.

Due to the current situation in Ukraine, Russia and Belarus, the Company pays special attention to management of receivables in these markets through increased monitoring and constant communication with insurers. Since the beginning of the crisis, deliveries to these markets have been conducted according to an extraordinary model and have a special status with insurers.

The parent company is part of the healthcare system of the Republic of Croatia and is indirectly subject to the risk of late payments from customers within the HZZO system. JGL manages this risk by leveraging the market position of its affiliate Ljekarna Pablo HI, which determines its purchase from wholesalers based on each wholesaler's share in the sales of the parent company, JGL d.d. By directing the purchasing policy of its affiliate, the Group secures nearly 90% of its pharmaceutical wholesale in Croatia, thereby reducing payment security risk to a minimum.

Although the JGL Group does not deal directly with the healthcare system, due to operating with wholesale pharmacies, payment collection deadlines in healthcare significantly affect operations. Collection deadlines in the Croatian healthcare system in 2023 ranged from 120 to 180 days, with constant efforts made by the Ministry of Health and the Government of the Republic of Croatia to reduce these deadlines below 120 days. The situation is similar in other markets and countries where member companies operate (Russia, Belarus, Kazakhstan, Slovenia, Bosnia and Herzegovina, etc.). 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, serving as a key driver 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, with the potential for market circumstances to diverge from initial projections at project inception. The Group protects itself from this risk by detailed planning and management of the entire research and development process and by investing in new technologies and resources to ensure its competitiveness in the field of R&D.

Regulation

Another important aspect of the pharmaceutical industry is regulation. Given the extensive operations in Eurasian Economic Union countries, the JGL Group is exposed to the risk of regulatory changes affecting processes, existing and new products, the implementation of serialisation in Russia and the harmonisation of product registration within the Eurasian Economic Union.

The pharmaceutical industry operates within a framework of stringent regulatory requirements, which must be consistently and promptly adhered to in order to conduct regular business effectively.

Companies operating in the pharmaceutical industry face the risk of national regulatory authorities withholding or revoking approval for pharmaceutical processes and products. Additionally, frequent regulatory changes in some markets make it challenging to predict the timing of obtaining approval and market authorisation for medicinal and other pharmaceutical products. The company's inability to obtain approval for its pharmaceutical processes or products, or the withdrawal of any such approval, can have a negative effect on the Group's operations, financial position, business performance, and prospects.

Through the continuous investment of significant funds in advanced technological solutions and equipment, along with acquiring the necessary knowledge and skills of employees and ongoing efforts to optimise production processes and meet demanding performance standards, the prerequisites are ensured 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, and other production costs, as well as strong pressures from competitors and customers. The pharmaceutical industry is characterised by frequent changes in the prices of medicinal products, which can be caused by healthcare reforms, changes in the policy of approved medicines, tax reforms, market instability, etc. Prices of OTC products are not regulated. In case of market price decreases, the JGL Group can maintain the same level of profitability by lowering 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 investments in highly skilled staff and research and development.

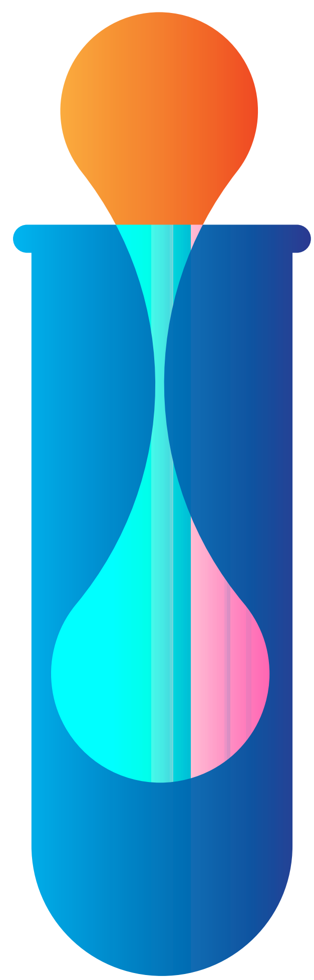
CAPITAL MANAGEMENT

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 three long-term loans obtained from the Croatian Bank for Reconstruction and Development (HBOR). The liability for the long-term HBOR loan used to finance the investment in the Svilno 2 production plant amounts to EUR 13.2. The initial amount of this loan was EUR 31.8 million, with a repayment term of nine years. The loan will be fully repaid in 2027.

In 2020, the parent company made a new investment, INTEGRA, which included expanding production capacity, equipping a development laboratory, creating 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 from the Croatian Bank for Reconstruction and Development in the amount of EUR 39.3 million with a favourable fixed interest rate. The loan was fully utilised on 31 December 2023. It was contracted for a nine-year period, with repayment of the principal commencing in 2026 and the final maturity scheduled for 2035.

The third long-term loan secured from HBOR for financing working capital totals EUR 13.3 million. This loan has a fixed interest rate, a one-year grace period, and a five-year repayment term.

As at 31 December 2023, the parent company has liabilities under the issue of bonds under the code HRJDGLO24XA2 in the amount of EUR 17.0 million, with a maturity date of 18 December 2024; the interest on these bonds is fixed. Long-term lease liabilities are divided into those for operating and financial leases, accompanied by four- or five-year contracts with low fixed interest rates.



Awards and Recognition

IVO USMIANI, Entrepreneur of the Year

Ivo Usmiani, President of JGL's Board of Directors, won the 2023 Entrepreneur of the Year award. The EY Entrepreneur of the Year award celebrates courageous visionaries whose success inspires others, who promote growth and progress, and who prove that ideas can be turned into a successful entrepreneurial story. For the ninth Croatian edition of the award, an independent jury chose the winner among 33 candidates from 28 successful domestic companies.

Ivo Usmiani will represent Croatia at the world finals in Monaco, where he will compete for the EY World Entrepreneur Of The Year award.

IVO USMIANI Lifetime Achievement Award

The President of JGL's Board of Directors, Ivo Usmiani, won the Lifetime Achievement Award of the Primorje-Gorski Kotar County. He received the award for his many years of service and outstanding achievements in the county's economy, his contribution to establishing connections between the university and the business community, and his continued involvement in promoting corporate social responsibility. During the presentation, Usmiani emphasised that he doesn't view this award as solely his own but rather as a recognition of the collective effort of all JGL employees and their families who have contributed to building the company over the years.

MISLAV VUČIĆ Manager of the Year

Mislav Vučić, JGL's CEO won the 2023 Manager of the Year award in the large enterprises category. When receiving the Croatian Association of Managers and Entrepreneurs (HUM) CROMA award, he emphasised that such recognition extends beyond individuals or teams; it reflects collective effort and dedication and is a testament to the company's vision and business practices.

Throughout the reporting period, JGL's INTEGRA project garnered accolades, winning the "100% Leader Invest" award for the best large-scale production investment in 2023. It was also recognised as the "Economic Event of the Year," according to the readers of Večernji list and Poslovni dnevnik.

JGL Awarded Top Workplace

JGL won the Top Workplace Award as one of the best employers in Croatia. The award is granted based on the outcomes of a climate and employee satisfaction survey conducted in the previous year. Among all participating companies, only those that demonstrate results at least 20% better than the comparative analysis secure this prestigious accolade.

JGL Regional ESG Leader

JGL is the winner of the Gold Award and Regional ESG Leader 2023 recognition in the category of Positive Impact on Society and the large companies subcategory. This decision was made by the independent International Expert Council to confer awards and recognition to the top entrepreneurs and companies in Central and Southeastern Europe. This accolade is a testament to companies that prioritise environmental and societal well-being, incorporating principles of environmental protection, social responsibility, and conscious corporate governance (ESG) into their business models.

Future Development

Cautious optimism. Two words that will guide us in the year ahead. The preceding year, much like the several years before it, unfolded amidst ongoing global geopolitical tensions and economic uncertainties. The persisting war in Ukraine, the conflict between Israel and Palestine, inflation, volatility of the energy markets, and the technical recession in the Eurozone are just a few of the formidable challenges we encountered in 2023. These complexities, coupled with their heightened intensity, present a landscape that political leaders and managers in our region have not faced in decades. The ongoing crises following the coronavirus pandemic mean that for years now, we have been living in a state of emergency, where the sources of disruption are in constant flux.

In 2023, JGL encountered unprecedented business surprises and shifting market conditions, in which we once again tested our resilience and innovation. Through strategic planning, ongoing flexibility, and adept change management, we demonstrated our ability to sustain a stable and profitable business even amidst challenging circumstances. Despite the obstacles, we ensured a steady supply to our customers, proving that even amid market shocks and domestic economic challenges, growth, innovation, and investment are achievable.

In recent years, we have significantly strengthened our market positions and laid the groundwork for future business advancements. Adopting a new long-term business strategy, we have pinpointed three key therapeutic areas in which we aim to compete globally through innovation: flu and cold, ophthalmology, and dermatology. This strategy closely defines our pipeline of new products and technologies, marketing initiatives, digital transformation priorities, talent requirements, and more, guiding us toward continued profitable and sustainable growth.

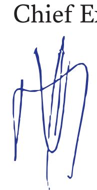
INTEGRA stands as our visionary injection, uniting and strengthening a robust foundation. It serves as a powerful catalyst for enhancing our knowledge, experiences, and skills – all vital for executing the aforementioned strategy underpinned by innovative, scientifically and clinically backed products that allow our customers and patients to enjoy a higher quality of life.

It is important to highlight that INTEGRA is an investment aligned with the official policy of the European Union and the reform proposed by the Commission regarding the European Health Union, which supports innovation and boosts the competitiveness and attractiveness of the EU pharmaceutical industry while promoting high environmental standards.

The domestic industry plays a vital role in fostering global innovation by leveraging the scientific capabilities of universities, institutes, and clinics to stimulate research and translate ideas into marketable products and services. All of JGL's key products are 100% European: raw materials and machinery are sourced from the European Union, with production, operations, and expertise based in Croatia. Recent and current crises, particularly the challenges faced during the pandemic, underscored the significance of the pharmaceutical industry and emphasised the need for long-term planning towards self-reliance and manufacturing within European borders.

At JGL, as we move into 2024, we will not stand still as the world around us changes. Our ability to adapt to external shifts while maintaining a focus on innovation and sustainability forms the bedrock of our optimism. It is a way of working that has propelled us for over thirty years, and I firmly believe that with due caution, we will seize every real opportunity in the years ahead.

Mislav Vučić
Chief Executive Officer



Sustainable Development Report

2

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Introduction

This Sustainability Statement, integral to the Corporate Sustainability Report of the JGL Group for the period from 1 January to 31 December 2023, steers the Company towards new sustainability reporting standards – the European Sustainability Reporting Standards (ESRS).

This step represents the Company's constant dedication to transparent reporting and openness towards stakeholders, and the disclosure includes exhaustive information on the sustainable practices and performance of the JGL Group.

Through the previous 15 editions, the Company has continuously reported on its sustainability and corporate responsibility, exploring various business aspects related to economic, environmental and social sustainability. Starting with the first reports in 2006/2007 and 2008/2009, at the time issued once every two years, the Company continued regularly issuing reports once every year. The reports represent the basis of its dedication to creating positive change and contributing to the society and the environment.

The decision on migrating from GRI standards to ESRS stems from the dedication to following the most recent guidelines and best practices in the area of sustainability. The structure of ESRS and guidelines contained therein are in line with European legislation and reflect the newest requirements and expectation of the Company's stakeholders. These standards enable JGL Group to systemically identify, measure and report on its influence on economic, environmental and social sustainability.

All published JGL Sustainable Development Reports are available at the Company's website at the link jgl.hr. If you have any questions related to this report or should there be a need for deeper analyses and/or a wider range of data, please contact the ESG manager (ESG@jglpharma.com).

MANAGEMENT STRUCTURE[1]

The Company's Articles of Association stipulate that members of the Board of Directors are selected by the General Assembly at their meeting by a majority vote, apart from one member who is selected pursuant to the procedure stipulated in the Labour Act. JGL's Board of Directors consists of no more than 7 members, all of whom must be non-executive directors, unless one of them was appointed as an executive director or an executive director is appointed as a Board member. The members of the Board of Directors are appointed for a period of 5 years, with the possibility of being re-appointed, and their mandate begins on the day of their appointment, regardless of the day of its inscription in the court registry. Shareholders who own, individually or jointly, at least one tenth of the Company's share capital, have the right to propose members of the Board of Directors.

In 2023, the Board of Directors consisted of 7 members, six of whom had non-executive titles, and one with an executive title. It is important to note that 57%[2] of the Board members were women.

Three members of the Board of Directors, including the Company's executive director, actively participated in corporate sustainability management processes. In the foregoing period, the focus was on establishing a strategic framework for managing corporate sustainability and on integrating sustainability into all of the aspects of the Company's business activities. Such a significant dedication of the Board of Directors reflects how important sustainability issues are for JGL and clearly manifests the commitment of the Company to achieving the highest social and environmental responsibility standards. The high level of involvement of the Board of Directors ensures that sustainability remains a part of the corporate strategy, as an important element contributing to long-term success and prosperity.

The Board of Directors of JGL is responsible for the review and approval of information, including significant topics and strategy, disclosed in the Corporate Sustainability Report of JGL.

Pursuant to the Articles of Association, up to 5 executive directors may be selected, and the function of the executive director is currently held by one person. The executive director of JGL is appointed for 5 years so as to ensure continuity in Company leadership. Competences, responsibilities and conditions for appointing the executive director have been regulated in detail in the Articles of Association and the Rules of Procedure of the Board of Directors so as to ensure clarity and consistency of management.

JGL appropriately applies the Corporate Governance Code of the Zagreb Stock Exchange, particularly as regards diversity, independence, and competences fundamental for being an influential organisation.

At JGL, the emphasis on sustainability is not just pure formality, but rather an issue at the core of its business strategy. At an operational level, the Company acts through senior management members in various sectors of competences. These sectors include Strategy, Market Operations, Global business development, Scientific Operations, Pharmaceutical and Technical Operations, Corporate Finance, Corporate HR, Corporate Communications, Corporate Procurement, Corporate Legal Affairs and Intellectual Property, and Digital Excellence. Each sector is responsible for the development and implementation of sustainable practices within their areas of operation, and leadership is assumed by a manager. All senior managers actively participate in defining strategic directions for corporate sustainability, and in creating an overall strategic corporate sustainability framework, ultimately affirmed and adopted by the Board of Directors. Furthermore, they propose relevant initiatives and activities to the Board of Directors so as to ensure compliance with sustainability objectives and reaching the highest standards of societal and environmental responsibility.

During 2023, a member of JGL's Board of Directors, Dorotea Pernjak Banić, acted as vice-president of the Management Board of the Croatian Business Council for Sustainable Development (HR PSOR), an independent private sector association. In 2024, she will assume the position of the President of the HR PSOR Management Board. The Croatian Business Council for Sustainable Development was established by lead-

[1] ESRS 2 GOV-1, ESRS GOV-2
[2] ESRS 2 GOV-1

ing Croatian entrepreneurs in order to foster sustainable economic development and represent the economy in sustainable development.

The implementation of ten ESG initiatives approved by the Board of Directors, and form a crucial part of the strategic framework for sustainability management, is planned for 2024.

A responsible officer from the Board of Director or senior management has been appointed for every initiative. It is important to highlight that the establishment and fulfilment of a sustainability strategy is not only about respecting regulations and stakeholders' expectations, but it is also a key element for realising organisational goals and strategies.

Shareholders shall exercise their rights in the Company at the General Assembly, which shall convene at least once a year (regular General Assembly). The General Assembly of the Company shall adopt the Articles of Incorporation and decide on its amendments; adopt the Rules of Procedure of the General Assembly of the Company; appoint and remove members of the Board of Directors, except for workers' representatives; decide on the allocation of profits; grant clearance to the Board of Directors and executive directors; appoint auditors and special auditors; increase and decrease share capital; effect status changes of the Company; decide on winding up the Company; and address all other matters stipulated by the law and the Articles of Incorporation.

The General Assembly may convene more than once a year, as necessary (extraordinary General Assembly); it is convened by the executive directors at least 30 days prior to the scheduled meeting. The invitation shall be published in the Official Gazette. The agenda may be supplemented within a period of up to ten (10) days following publication of the invitation.

Shareholders who cumulatively meet all the following prerequisites may participate in the General Assembly of the Company:

a. Shareholders who have registered shares if they are registered with the registry of the Central Depository and Clearing Company ten days before the General Assembly is held,
b. Shareholders under (a) if they have notified the Company in writing of their intention to participate in the General Assembly at least six days before the General Assembly is held.

Shareholders may also be represented at the General Assembly by persons with valid authorisation for representation and proxies holding a valid written power of attorney issued by the shareholder and if the shareholder is a legal person, the person authorised to represent it. The General Assembly shall be presided over by the Chairman of the General Assembly, selected by the Board of Directors from its members or among the Company's shareholders for each session before the commencement of proceedings.

The General Assembly may render valid decisions if shareholders, or their proxies, having one third of all votes at the General Assembly are participating in its work unless the law or these Articles of Incorporation provide otherwise for individual cases.

Decisions at the General Assembly shall be adopted by a majority of votes cast (simple majority). The decisions shall be adopted by a qualified majority (three quarters) of the share capital represented at the General Assembly at the time when the decision is made when it is expressly stipulated by the law and the Company's Articles of Incorporation. Voting at the General Assembly shall be by an open ballot system unless the General Assembly decides otherwise by means of a majority of votes cast for an individual case.

STRATEGIC FRAMEWORK FOR SUSTAINABILITY MANAGEMENT

In 2023, JGL conducted an extensive project aimed at defining and implementing core values. The project was started at the initiative of the Board of Directors with the aim of strengthening the collective, create differentiation, as well as maintain and attract talented individuals.

JGL has recognised the need to define a strategy and operational guidelines for corporate sustainability, prompted not only by regulatory changes, but also by an aspiration to fulfil the expectations of our stakeholders, both internal and external. This need stems from a complex regulatory environment and the compliance with the ESRS, as well as the desire to achieve high corporate sustainability standards and answer the stakeholders' expectations. The establishment of a strategic framework for sustainability management is a key step towards ensuring compliance with the newest standards, as well as strengthening transparency, trust, and corporate sustainability of the JGL Group.

The purpose of defining core values is to clearly specify the Company's identity, facilitate the decision-making process and transfer values and principles. In 2024, these fundamental values are to be officially promoted, with an emphasis on promoting the values and behaviours among employees. This project also contributes to corporate sustainability considerations, as well as efforts aimed at establishing a corporate sustainability strategy.

Establishing a strategic framework for sustainability management is vital for the JGL Group for several reasons. First, it enables the Company to better manage its resources and business processes so as to ensure its long-term corporate sustainability. Integrating sustainability into the business strategy helps the Company identify key risks and opportunities, as well as to address them in a way which is compatible with its corporate objectives and values. In addition, this approach allows the JGL Group to fulfil its social responsibilities towards all of its stakeholders, including employees, customers, suppliers, local communities, and other relevant entities. Activities and initiatives stemming from the corporate sustainability strategy are aimed at improving the quality of life and environment in communities where JGL operates, thus stimulating long-term sustainability and social prosperity. At the same time, establishing this framework enables the Company to demonstrate its commitment to corporate sustainability and transparency towards its stakeholders. This strengthens the trust in the company and helps develop a good reputation in the market, which can reflect positively on its corporate success and competitive positioning.

During the reporting period, JGL started implementing various activities related to the process of establishing a strategic framework for management. In 2024, there are plans to further upgrade the sustainability strategy in order to ensure future efficiency and relevancy. This involves defining goals, success measures and actual action plans for implementing the strategy aimed at reducing our carbon footprint, establishing a sustainable supply chain, improving the satisfaction of its own workforce, as well as other initiatives. This step is aimed at ensuring that the JGL strategy reflects the newest trends, technological advancements and stakeholders' expectations, making sure that the Company remains a leader in the area of corporate sustainability in the pharmaceutical industry.

The overall process for establishing a strategic framework for sustainability management integrates a wide spectrum of activities, including market and stakeholder analysis, identification of key issues related to sustainability and the definition of significant topics, setting out goals and metrics, developing policies and procedures, implementing initiatives, establishing monitoring systems and, finally, reporting on progress.

All of these activities are directed at enabling the JGL Group to integrate sustainability in all aspects of its operations, as well as to achieve its corporate objectives in an economically, socially and environmentally sustainable manner.

This holistic approach enables the creation of synergies between corporate objectives and sustainability, setting the basis for the Company's long-term prosperity.

Eva Usmiani Capobianco, member of the Board of Directors of JGL, when presenting the fundamental values of the JGL Group

DUE DILIGENCE ANALYSES OF IMPACTS, RISKS AND OPPORTUNITIES[3]

Due diligence analyses of impacts, risks and opportunities (IRO) cover most of the input analyses necessary for the process of establishing the strategy, and they represent a key step in this process.

The IRO analysis process at JGL initiated during this reporting period included an in-depth investigation and assessment of impacts, risks and opportunities related to the Company's corporate sustainability. It started with identifying key sustainability areas through a chain of values relevant for the Company's operations. This included environmental, social and governance aspects of operations, as well as the related trends, regulations and stakeholders' expectations. After identifying key impacts, risks and opportunities, their correlation and influence on operations were assessed in detail, including the analysis of existing practices, processes and policies within the Company and their contribution to sustainability.

The due diligence analysis was aimed at identifying specific initiatives and implementation measures for 2024, so as to further adapt the operations to sustainability principles. All of the initiatives stemming from this analysis were aimed at balancing the environmental, social and governance goals, which is crucial for future corporate sustainability. This approach allowed the JGL Group to identify growth and development opportunities which simultaneously contribute to social responsibility and environmental protection, which is crucial for long-term corporate sustainability.

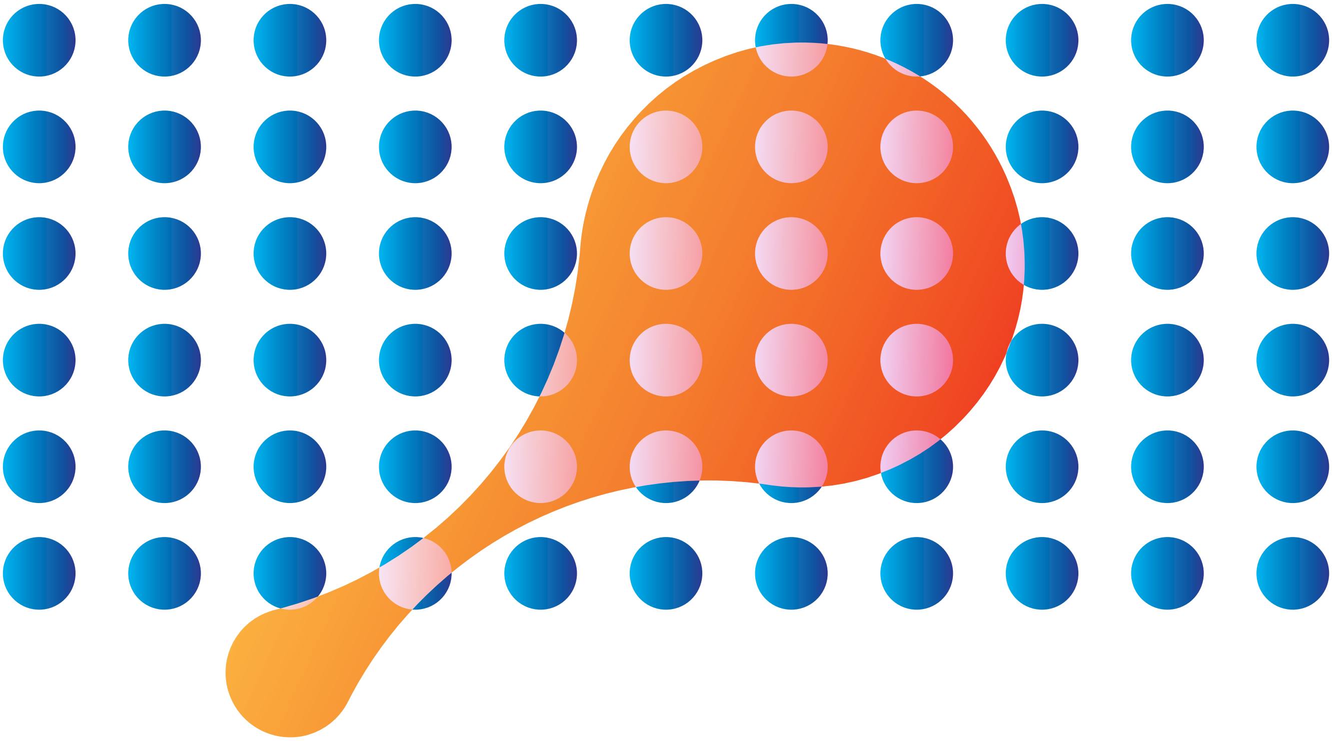
Activities implemented during the due diligence IRO analysis in 2023 were divided into two stages. The first stage included working with the senior management, while the second stage of the IRO analyses also invited expert working teams consisting of internal and external experts.

In the first stage, there were workshops held over several days during which a guided approach was employed to enable a complete overview of key impacts, risks and opportunities for the JGL Group across all three dimensions of ESG (environmental, social and governance). The workshops were attended by members of the Board of Directors, including the executive director, as well as all senior management members, which ensured a high level of participation and relevance of the resulting conclusions. This structured and inclusive methodology enabled an in-depth analysis and understanding of key issues, and it provided a firm basis for further steps in the process aimed at achieving sustainability and long-term success of the JGL Group.

Participants analysed a wide spectrum of topics through the value chain, with an emphasis on their own operations, including environmental, social and governance aspects of operations. The focus was placed on identifying key areas which could significantly impact JGL Group's operations now and in the future. Alongside all of the aforementioned, the process was also used to analyse potential risks and opportunities stemming from various operational and external factors, and their importance and potential consequences for the Company's operations were assessed.

The process particularly focused on including stakeholders in the process of establishing a strategic management framework, and a plan was defined for their

[3] ESRS 2 IRO-1, IRO-2



involvement so as to ensure relevance of the strategy. This approach enabled stakeholders to actively participate in defining priorities and objectives, ensuring that the strategy reflects their interests and values. This leads to a greater support for implementing the strategy, and it strengthens the integration of sustainability in all areas of operation of the JGL Group.

The first stage concluded with defining significant topics for all three areas of ESG as the priorities in the implementation of the due diligence analysis during the reporting period, and a plan was defined for implementing due diligence analyses of the remaining topics in 2024.

Four topics were identified as priorities for the due diligence analysis in 2023:

- two of them in the area of environment (climate change, water and sea resources),
- one in the area of social affairs (own workforce), and
- one in the governance area (business conduct).

Analyses of the remaining six topics (pollution, biodiversity and eco-systems, use of resources and circular economy, workers in the value chain, affected communities, consumer and end users) are planned for 2024.

The second stage of the due diligence analysis began by defining internal expert teams with the support of external experts for certain areas. The expert team which analysed two topics from the area of environment consisted of experts in environmental protection and energy, chemical safety, pest control and disinfection measures, as well as other specialists. They were tasked with exploring and assessing environmental risks and opportunities related to JGL operations, including emissions, waste management, preserving biodiversity, and use of resources, specifically water and sea.

The expert team in the area of social impact consisted of experts for corporate social responsibility, human resources, communications and relations with stakeholders. They were tasked with exploring the social aspects of operations, including working conditions, human rights, contribution to local communities, and relations with stakeholders. The area of governance was analysed by a team consisting of corporate governance experts, legal experts and consultants for ethical issues. Their crucial role was to ensure that all of the analyses are based on the highest ethical standards, as well as standards of legal compliance and transparency. This team checked all aspects of the analysis of impacts, risks and opportunities so as to ensure that all JGL Group activities comply with the relevant regulations, codes of conduct and internal policies. Moreover, they were also responsible for ensuring compliance of all decisions with the best practices in the area of corporate governance and respect for the interests of all relevant stakeholders, including shareholders, employees and wider community. This team had a crucial role in ensuring the integrity and responsibility in all aspects of the Company's operations, and all teams received guidelines and recommendations to ensure that all proposals and initiatives are aligned to the Company's values and objectives.

Based on the results of the IRO analyses, expert teams developed a proposal of 12 initiatives aimed at addressing the identified impacts, risks and opportunities. These initiatives include streamlining the business processes and assessing investments into new technologies. The senior management has accepted 10 of the 12 proposed initiatives for implementation in 2024, which were ultimately approved by the Board of Directors of JGL. This paved the way for setting out implementation plans and monitoring their efficiency throughout the duration of individual initiatives. This step affirms the dedication to implementing sustainable practices and activities and enables an efficient reaction to the identified business challenges and opportunities.

The success in implementing due diligence analyses of impacts, risks and opportunities is further proved by the integration of IRO analysis processes in the existing cyclical process aimed at improving the Company's main strategies. This integrated approach enables the continuous alignment of activities to the changing environment and stakeholder needs, ensuring agility and proactivity when facing challenges and seizing opportunities.

INTERESTS AND VIEWS OF STAKEHOLDERS[4]

From its very inception, JGL has nourished a close and two-way communication with its stakeholders on various topics, including sustainability. During the reporting period, it was concluded that this process needed to be upgrade, which led to the definition of a structured approach to including stakeholders in the process of establishing the strategic framework for sustainability management, having in mind their interests, perspectives and needs. This inclusive approach enables JGL to continue developing the relationships with its stakeholders and ensures that the sustainability strategy reflects actual needs and values of the community.

A key part of the IRO analysis process (an important portion in defining the strategy) was assessing the stakeholders' influence on the operations, as well as the influence of JGL's operations on stakeholders.

This analysis covered the entire value chain for all three ESG dimensions – environmental, social, and governance. The highest level of management is involved in the process of prioritisation and stakeholder influence assessment. Once this process concluded, a list was created which included key stakeholders (internal and external), and the manner of including them in establishing the strategy was defined.

The first stakeholders who were included in establishing strategic frameworks in 2023 were members of expert teams and experts in their respective areas. Furthermore, employees and the Workers' Council were included, recognising their key role in developing a sustainable business practice, especially in the area of corporate social responsibility. By sharing their perspectives, ideas and proposals for improving practices, employees are able to actively participate in the strategy revision process. This cooperation not only ensured the adequate representation of the employees' interests, but it also strengthened the sense of belonging, inclusion and responsibility. This partnership aims to create a working environment which encourages inclusion, respect and cooperation, as well as to ensure that business practices reflect the employee's values and priorities. This helps to strengthen the sustainability culture within the Company, stimulating innovation, productivity and employee satisfaction, at the same time contributing to achieving sustainability goals. The inclusion of relevant stakeholders will continue in 2024.

[4] ESRS 2 SBM-2

CONSOLIDATED DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF THE TAXONOMY REGULATION

Article 8 of the Taxonomy Regulation

In accordance with Article 8 of the EU Taxonomy Regulation (EU) 2020/852 and supplementary delegated acts, JGL Group publishes the share of turnover (Turnover), capital expenditure (CapEx) and operating expenditure (OpEx) in the reporting period that is acceptable for the EU taxonomy and aligned with the taxonomy with respect to the environmental objectives of climate change mitigation and adaptation and eligibility for the other four environmental objectives; sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, protection and restoration of biodiversity and ecosystems.

The taxonomy regulation is a key component of the European Commission's action plan to redirect capital flows towards a sustainable economy. The regulation represents an important step towards achieving carbon neutrality by 2050 in line with the EU's climate goals, as the taxonomy is a classification system for environmentally sustainable economic activities.

Basics of preparation

Definitions

According to Article 3 of Regulation (EU) 2020/852, economic activities qualify as taxonomically eligible if they significantly contribute to one or more environmental objectives: mitigation of climate change, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution and protection and restoration of biodiversity and ecosystems. Furthermore, economic activities must not cause significant harm to any of the other environmental goals (DNSH – do no significant harm) and must be carried out in accordance with minimum safeguards, in terms of human and consumer rights, the fight against corruption and bribery, taxation and fair market competition.

A taxonomically unacceptable economic activity is any economic activity that is not described in the delegated acts supplementing the Regulation on Taxonomy.

JGL Group's potential to qualify for the taxonomy

This report assesses the eligibility and, where applicable, the alignment of JGL's economic activities for the financial year 2023, based on the Taxonomy Regulation and related legislative acts (Delegated Acts) described below, as well as any additional guidance published since their adoption:

- Delegated act on climate (EU) 2021/2139 – establishes the technical verification criteria (TSC) for determining the qualification conditions under which the economic activity significantly contributes to mitigating climate change (Annex 1) or adapting to climate change (Annex 2), and for determining the non-imposition of significant harm (DNSH) and economic activity to any of the other environmental objectives.
- Delegated Act on Publications (EU) 2021/2178 - Determines the content and presentation of information to be published in relation to environmentally sustainable economic activities and specifies the methodology for carrying out this assessment.
- Climate Supplementary Delegated Act (EU) 2022/1214 - Establishes Technical Verification Criteria (TSC) and the associated principle of no significant harm (DNSH) for Schedule 1 and Schedule 2 objectives in relation to natural gas and nuclear energy activities.
- Delegated act of the Regulation on Taxonomy (EU) 2023/2486 - Establishes the technical verification criteria for determining the conditions under which an economic activity qualifies as one that significantly contributes to the sustainable use and protection of water and marine resources, the transition to a circular economy, the pre-

vention and control of pollution or protection and restoration of biodiversity and ecosystems and to determine whether this economic activity causes significant harm to any of the other environmental objectives and the amendment of Commission Delegated Regulation (EU) 2021/2178 regarding special public announcements for these economic activities.

The compliance of the taxonomy is checked using technical verification criteria for each economic activity. These criteria are defined in Appendix I and II. of the delegated act of June 4, 2021 for economic activities that can significantly contribute to the environmental goals of mitigating climate change and adapting to climate change. For the other four targets, data from 2023 is applied for eligibility only.

The application of four new environmental goals and amendments to existing goals increased the scope of business activities. Furthermore, the Delegated Act of the Regulation on Taxonomy included the production of medicines as a taxonomically acceptable activity for a significant contribution to the achievement of the goal of pollution prevention and control, which represents a major change compared to the last two years of JGL's reporting according to the EU taxonomy.

Eligibility

In 2023, the acceptable turnover of the economic activity of drug production was recognized in the amount of 101.74 mEUR. Taxonomically acceptable CapEx amounted to 7.57 mEUR. Economic activities eligible under the taxonomy include the purchase and ownership of buildings (7.7) and other investment-oriented activities such as vehicle fleet expenditures (6.5), computer programming, consulting and related activities (8.2). Taxonomically aligned OpEx in 2023 amounts to 4.17 mEUR, and is related to the maintenance of taxonomically aligned CapEx and for this reason refers to the same activities.

In order to avoid double counting and, taking into account the current practice of reporting on the compliance of economic activities, eligible activities are aligned with the criteria of significant contribution to the environmental goal of mitigating climate change and the associated criteria of not causing significant harm (DNSH).

Alignement

In 2023, there was no turnover that would be aligned according to the Delegated Act on Climate, i.e. the turnover is not according to goals that significantly contribute to the mitigation of climate change (Annex 1) or adaptation to climate change (Annex 2), and for this reason it was not analyzed for this period compliance with the EU Taxonomy.

In the reporting period, it was recognized that part of the capital expenditures was aligned with a significant contribution to the mitigation of climate change for economic activity 7.7. Purchase and ownership of buildings. Capital expenditure on real estate that was completed before December 31, 2020 meets the criterion of a significant contribution to mitigating climate change in accordance with the obtained energy certificates A+ and A. For the Svilno project in preparation, the project documentation was analyzed and in accordance with the applicable criteria for a significant contribution to this goal, estimated is that they meet the applicable criteria for properties built after December 31, 2020. Of the criteria that prove the non-causing of significant harm to other environmental objectives, for economic activity 7.7. The purchase and ownership of buildings is the only applicable criterion for do no significant harm for the purpose of adapting to climate change. Considering that in the construction of large investments even before 2020, an assessment of the durability of real estate against natural disasters (e.g. floods and earthquakes, in accordance with the legal obligation) is included, it was estimated that this share of capital expenditures is aligned with the criterion of not causing significant harm to the adaptation climate changes.

The share of capital expenditures aligned with the taxonomy under activity 7.7 Purchase and ownership of

CCM: Climate change mitigation
CCA: Climate change adaptation
WTR: Sustainable use and protection of water and marine resources
CE Transition to a circular economy
PPC: Pollution prevention and control
BIO: Protection and regeneration of biodiversity and ecosystems

Taxonomy-eligible economic activities for CapEx/OpEx

**In accordance with "Frequently Asked Questions (FAQs)" published on 19 December 2022, the owners of the buildings may use the criteria under economic activity 7.7 for their buildings, including buildings under development*

Eligible economic activities	Description	Code
6.5 Transport by motorbikes, passenger cars and commercial vehicles	Our vehicle fleet (leasing) including maintenance and repair.	CCM 6.5 / CCA 6.5
1.2 Manufacture of medicinal products	Manufacture of medicinal products is the main activity of the JGL Group	PP 1.2
7.7 Acquisition and ownership of buildings*	Acquisition and ownership of buildings (i.e. acceptability of all buildings, taking into account the legal or economic ownership, including the right to use from the building's lease)	CCM 7.7 / CCA 7.7
8.2 Computer programming, consulting and related activities	Lease of data centre resources from external service providers (non-capitalised rental costs)	CCM 8.2 / CCA 8.2

buildings amounts to 22.03%, which is approximately 4.14 mEUR.

Operating expenses associated with maintaining a compliant CapEx are also assessed as aligned with the taxonomy in accordance with meeting the specific criteria of activity 7.7 Purchase and ownership of buildings from Delegated Act I. The share of taxonomy-compliant operating expense within the scope of activity 7.7 Purchase and ownership of buildings is 5% , which is approximately 0.36 mEUR. Operating cost aligned with the taxonomy within the framework of the eligible activity 7.7. The purchase and ownership of buildings was estimated in accordance with the current process of keeping expenses according to the cost center. The stated costs can be supported by invoices, and in order to avoid double counting from the total acceptable operating expenses according to the cost centers, the total operating expenses were subtracted.

Minimum Safeguards

Compliance with the EU taxonomy, in addition to specific criteria for each economic activity, is also proven by compliance with minimum safeguards (eng. Minimum Safeguards) in accordance with Art. 18 of the EU Taxonomy Regulation.

Minimum safeguards include all procedures implemented to ensure that economic activities are carried out in accordance with:

- OECD Guidelines for Multinational Enterprises (eng. OECD Guidelines for Multinational Enterprises);
- United Nations Guiding Principles on Business and Human Rights, including the principles and rights listed in the eight fundamental conventions identified in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work; and
- International Charter on Human Rights.

In the absence of further guidance from the European Commission, the assessment is based on the "Final Report on Minimum Safeguards" published by the Platform for Sustainable Finance in October 2022. Minimum Safeguards cover four themes; human rights (including labor and consumer rights), corruption and bribery, taxation and fair market competition. Given that there is still no clear guidance on how to comply with the Minimum Safeguards, we based our assessment on the "Final Report on Minimum Safeguards" published by the Sustainable Finance Platform in October 2022.

JGL Group takes seriously the responsibility of JGL as an actor in the global chain of the pharmaceutical sector, the following principles of ethical business conduct for daily business activities, which are reflected in the Code of Ethics: Rules of Business Conduct, which covers, among others, all four topics of minimum protective measures. JGL Group is characterized by dedication to the highest ethical values and joint and individual compliance with the rules and laws that regulate the group's activities. Laws and regulations that promote transparency are also supported, following transparency requirements from the Code of Conduct of the European Association of Generic Medicines Manufacturers (EGA), and, in 2023, the Code of Conduct for suppliers was adopted.

With regard to supply chains and business relationships, the same ethical business behavior as for business entities is expected. Therefore, minimum safeguard requirements are an integral part of business contracts and the General Terms and Conditions of Purchase. The General Procurement Conditions document aims to promote and implement practices that, among other things, relate to human rights, ethics, environmental protection and safety. Each supplier is expected to comply with the Group's ethical principles and to ensure that all their employees and subcontractors comply with the prescribed procurement conditions. Moreover, supplier selection processes include questioning suppliers about their environmental practices and respect for human rights, anti-corruption and anti-bribery. As part of the General Terms of Purchase, the right to terminate the contract is reserved if it is proven that the supplier violates some of the provisions of the General Terms of Purchase. Also, all suppliers are obliged to comply with the Code of Conduct for suppliers.

In the business year 2023, JGL Group has not been legally convicted in court for violating labor laws or human rights, for violating the law on market competition or for any violation of tax laws. No relevant court cases related to corruption and bribery have been identified. In addition, JGL Group was not involved in the case dealt with by the OECD national contact point and was not questioned by the Resource Center for Business and Human Rights.

KPIs and accounting policies

Key Performance Indicators (KPIs) include Turnover KPIs (Turnover), Capital Expenditure KPIs and Operational Expenditure KPIs.

To present the KPIs of the taxonomy, the templates listed in Appendix II of the Delegated Law on Publications were used. Given that JGL Group does not perform any activities related to natural gas and nuclear energy (activities 4.26-4.31), the dedicated templates introduced by the Supplementary Delegated Act for activities in certain energy sectors were not used.

Turnover KPI

Definition

The share of economic activities compliant with the EU taxonomy in total turnover is calculated as the share of net turnover resulting from products and services related to economic activities eligible and aligned with the taxonomy (numerator) divided by net revenue (denominator), for the financial year from January 1, 2023 . until December 31, 2023.

The denominator of the revenue KPI is based on consolidated net turnover in accordance with paragraph 82(a) of IAS 1. (Note 3 Sales revenue)

All the turnover of the Group achieved in 2023 was analyzed in compliance with the Regulation on Taxonomy and the turnover associated with defined economic activities acceptable for taxonomy on an individual basis, i.e. taxonomically eligible activity 1.2, was identified. Production of medicinal products recognized in Annex 3 of the Delegated Act of Taxonomy Regulation 2023/2486.

Turnover template for the financial year 2023

	2023			Criteria of significant contribution					
Economic activities	Label/labels (a)	Turnover	Share of turnover, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity
		m€	*%*	*D; N; N/EL (b)(c)*	*D; N; N/EL (b)(c)*	*D; N; N/EL (b(c)*	*D; N; N/EL (b(c)*	*D; N; N/EL (b(c)*	*D; N; N/EL (b(c)*
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
-		0.00	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover from environmentally sustainable activities (taxonomy-aligned) (A.1)		0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Of which enabling		0.00	0.0%						
Of which transitional		0.00	0.0%						
A.2 Taxonomy-eligible. but environmentally unsustainable activities (taxonomy-non-aligned)									
-				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)
Manufacture of medicinal products	PP 1.2	101.74	48.25%	EL	EL	N/EL	N/EL	N/EL	N/EL
Turnover from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2)		101.74	48.25%	48.25%	0.0%	0.0%	0.0%	0.0%	0.0%
A. Turnover from taxonomy-eligible activities (A.1+ A.2)		101.74	48.25%	48.25%	0.0%	0.0%	0.0%	0.0%	0.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover from taxonomy-non-eligible activities (B)		109.14	51.75%						
TOTAL		210.89	100.0%						

Do no significant harm criteria: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum Safeguards	Share of turnover from taxonomy-aligned (A.1) or eligible (A.2) activities, 2022	Category enabling activity	Category transitional activity
D/N	*D/N*	*D/N*	*D/N*	*D/N*	*D/N*	*D/N*	*%*	*O*	*P*
N	N	N	N	N	N	N	0.0%	-	-
N	N	N	N	N	N	N	0.0%	-	-
							0.0%		
							0.0%		
							0.0%		

	Proportion of turnover / Total turnover	
	Aligned per objective	Eligible per objective
CCM	%	%
CCA	%	%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

** The introduction of this table was mandated by the Delegated Act of the Taxonomy Regulation, aiming to provide clarity on whether companies engage in activities eligible under multiple objectives.*

CapEx KPI

Definition

The CapEx KPI is defined as EU taxonomy compliant capital expenditure (numerator) divided by total capital expenditure (denominator).

JGL Group's total capital expenditure consists of increases in tangible and intangible fixed assets during the financial year, before depreciation and any remeasurements, including those resulting from revaluations and impairments, and excluding changes in fair value. It includes the acquisition of tangible fixed assets, intangible fixed assets, right-of-use assets and property investments. Additions resulting from business combinations are also included. (Note 17 Property, pant and equipment)

All capital expenditures that occurred in 2023 in compliance with the Taxonomy Regulation were analyzed and expenditures related to defined economic activities eligible for the taxonomy were identified on an individual basis. Following this approach, it is ensured that each capital amount is counted only once.

CapEx template for the financial year 2023

Economic activities	Label/labels (a)	Capital expenditure (2023)	Proportion of capital expenditures, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity
				Criteria of significant contribution					
		m€	%	D; N; N/EL (b)(c)	D; N; N/EL (b)(c)	D; N; N/EL (b(c)	D; N; N/EL (b(c)	D; N; N/EL (b(c)	D; N; N/EL (b)(c)
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
Acquisition and ownership of buildings	CCM 7.7	4.14	16.29%	D	N	N/EL	N/EL	N/EL	N/EL
Capital expenditures of environmentally sustainable activities (taxonomy-aligned) (A.1)		4.14	16.29%	22.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Of which enabling		0.00	0.00%						
Of which transitional		0.00	0.00%						
A.2 Taxonomy-eligible. but environmentally unsustainable activities (taxonomy-non-aligned)									
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)
Transport by motorbikes, passenger cars and commercial vehicles	CCM 6.5 / CCA 6.5	1.07	4.20%	EL	EL	N/EL	N/EL	EL	N/EL
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	2.29	9.02%	EL	EL	N/EL	N/EL	N/EL	N/EL
Computer programming, consulting and related activities	CCM 8.2 / CCA 8.2	0.06	0.25%	EL	EL	N/EL	N/EL	N/EL	N/EL
Capital expenditures from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2)		3.43	13.48%	13.48%	0.00%	0.00%	0.00%	0.00%	0.00%
A. Capital expenditure from taxonomy-eligible activities (A.1+ A.2)		7.57	29.76%	13.48%	0.00%	0.00%	0.00%	0.00%	0.00%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Capital expenditures from taxonomy-non-eligible activities (B)		17.86	70.24%						
TOTAL		25.43	100.00%						

Do no significant harm criteria									
Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum Safeguards	Share of taxonomy-aligned (A.1) or eligible (A.2) capital expenditure, 2022	Category enabling activity	Category transitional activity
D/N	*D/N*	*D/N*	*D/N*	*D/N*	*D/N*	*D/N*	*%*	*O*	*P*
D	D	D	D	D	D	D	27%	-	-
D	D	D	D	D	D	D	27%	-	-
							5.58%		
							4.40%		
							0.24%		
							11.50%		
							38.76%		

	Proportion of turnover / Total turnover	
	Aligned per objective	Eligible per objective
CCM	16.29%	29.76%
CCA	%	29.76%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

** The introduction of this table was mandated by the Delegated Act of the Taxonomy Regulation, aiming to provide clarity on whether companies engage in activities eligible under multiple objectives.*

OpEx KPI

Definition

OpEx KPI is defined as OpEx taxonomically eligible and taxonomically aligned (numerator) divided by total OpEx (denominator) as defined by the EU taxonomy.

Total operating expenses consist of direct non-capitalized costs related to research and development, building renovation measures, short-term leases as well as all forms of maintenance and repair of the JGL Group. (Note: 6. Material expenditures, 7. Services expenditures, 11. Other business expenditures, 41. Current lease liabilities)

This includes:

- Research and development expenses recognized as an expense during the reporting period in the income statement. In accordance with the consolidated financial statements, this includes all non-capitalized costs directly attributable to research and/or development activities.
- The scope of non-capitalized leases is determined in accordance with IFRS 16 and includes the costs of short-term leases and leases of low value.
- Maintenance and repair costs of property, plant and equipment are determined based on maintenance and repair costs allocated to our internal cost centers. Related cost items can be found in various items on the income statement, including production costs (business maintenance), sales and distribution costs (maintenance logistics), and administrative costs (such as IT system maintenance). This includes building renovation measures.

In general, this includes personnel costs, service costs and material costs for day-to-day servicing, as well as for regular and unscheduled maintenance and repair measures. These costs are directly allocated to property, plant and equipment.

This does not include expenses related to the day-to-day operation of the property, plant and equipment, such as raw materials, costs of employees operating machinery, electricity or fluids required to operate the property, plant and equipment. Depreciation is not included in the OpEx KPI.

The analysis of internal cost centers identified operating costs associated with defined activities that meet the requirements of the taxonomy. By following this approach, it is ensured that each OpEx is counted only once.

OpEx template for the financial year 2023

	2023			Criteria of significant contribution					
Economic activities	Label/labels (a)	Operating expenditure	Share of operating expenditure, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity
		m€	*%*	*D; N; N/EL (b)(c)*	*D; N; N/EL (b)(c)*	*D; N; N/EL (b(c)*	*D; N; N/EL (b(c)*	*D; N; N/EL (b(c)*	*D; N; N/EL (b)(c)*
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (taxonomy-aligned)									
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	0.36	5.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Operating expenditures of environmentally sustainable activities (taxonomy-aligned) (A.1)		0.36	5.00%	5%	0%	0%	0%	0%	0%
Of which enabling		0.00	0.00%						
Of which transitional		0.00	0.00%						
A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)									
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	3.37	46.18%	EL	EL	N/EL	N/EL	N/EL	N/EL
Transport by motorbikes, passenger cars and commercial vehicles	CCM 6.5 / CCA 6.5	0.43	5.96%	EL	EL	N/EL	N/EL	N/EL	N/EL
Operating expenditures from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2)		3.80	52.14%	52.14%	0.00%	0.00%	0.00%	0.00%	0.00%
A. Operating expenditure from taxonomy-eligible activities (A.1+ A.2)		4.17	57.14%	52.14%	0.00%	0.00%	0.00%	0.00%	0.00%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Operating expenditures from taxonomy-non-eligible activities (B)		3.12	42.86%						
TOTAL		7.29	100.00%						

Do no significant harm criteria

Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum Safeguards	Share of taxonomy-aligned (A.1) or eligible (A.2) operating expenditure, 2022	Category enabling activity	Category transitional activity
D/N	*D/N*	*D/N*	*D/N*	*D/N*	*D/N*	*D/N*	*%*	*O*	*P*
N	N	N	N	N	N	N	4.15%	-	-
N	N	N	N	N	N	N	4.15%	-	-
							52.40%		
							11.60%		
							65.31%		
							69.46%		

	Proportion of turnover / Total turnover	
	Aligned per objective	Eligible per objective
CCM	5.00%	57%
CCA	%	57%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

** The introduction of this table was mandated by the Delegated Act of the Taxonomy Regulation, aiming to provide clarity on whether companies engage in activities eligible under multiple objectives.*

Environmental topics

ENERGY CONSUMPTION AND MIX[5]

In its desire to be as competitive as possible, JGL keeps investing in, promoting and improving energy efficiency. For many years, the company has been successfully managing the aspect of energy through the ISO 50001:2018 Energy Management System, which was recertified last year. The energy management system at JGL is applied to the activities of development and distribution of medicinal products, medical devices, cosmetics, nutritional supplements, food for special medical needs and other support activities.

The successful system for monitoring and controlling the consumption of all energy sources used at the Svilno 2 production site was also put into operation at the Svilno 1 production site.

The main energy sources used at JGL are electricity and ELFO (extra light fuel oil). Efforts are actively being made into choosing a more environmentally friendly energy source to replace ELFO.

Energy consumption and mix in the last 3 years

	Energy consumption and mix	**2021**	**2022**	**2023**
1	Fuel consumption from coal and coal products (MWh)	0	0	0
2	Fuel consumption from crude oil and petroleum products (MWh)	4,793	6,819	8,080
3	Fuel consumption from natural gas (MWh)	0	0	0
4	Fuel consumption from other fossil sources (MWh)	0	0	0
5	Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	0	0	1,960
6	**Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)**	4,793	6,819	10,040
	Share of fossil sources in total energy consumption (%)	35.78%	39.05%	50.04%
7	**Consumption from nuclear sources (MWh)**	n/a	n/a	n/a
	Share of consumption from nuclear sources in total energy consumption (%)	n/a	n/a	n/a
8	Fuel consumption for renewable sources including biomass (also comprising industrial and municipal waste of biologic origin, biogas, hydrogen from renewable sources etc.) (MWh)	n/a	n/a	n/a
9	Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	8,372	10,396	9,801
10	Consumption of self-generated non-fuel renewable energy (MWh)	230	245	221
11	**Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)**	8,602	10,641	10,022
	Share of renewable sources in total energy consumption (%)	64.22%	60.95%	49.96%
	Total energy consumption (MWh) (calculated as the sum of lines 6 and 11)	13,395	17,460	20,062

[5] *E1-5*

Due to the location of the facility, one of the possibilities in the near future is a switch to natural gas. JGL also produces its own electricity using a G16 photovoltaic power plant. The company has completed two more photovoltaic power plant projects: the non-integrated photovoltaic power plant G16 parking lot at the Svilno site, and the integrated photovoltaic power plant G20 at the Kukuljanovo site. There are plans to finance the construction of photovoltaic power plants through fund subsidies. Also, the preparatory design stage of a third, non-integrated, photovoltaic power plant at the Svilno 2 site, on the G15 parking lot has started.

The presented three-year period shows an expected increase in renewable and non-renewable energy source consumption in line with the strategic growth of the Company in the form of expanding production facilities and constructing new buildings as part of the INTEGRA project – the automated G20 storage facility at Kukuljanovo and the G15 building at Svilno 2. The largest increase in consumption of non-renewable energy sources stems from the consumption of extra light fuel oil (18.5% compared to the previous year), directly connected to the increase of production capacities. The increase in electricity consumption arise from increasing storage capacities, requiring constant optimal conditions.

The percentage of energy from renewable sources in total consumption is decreasing for two reasons. The first one is the increased demand for extra light fuel oil, and the second the inability to renew the agreement on purchasing electricity generated from renewable sources, once the agreement with HEP expired in November 2023, due to the significant increase in the unit price (over 3000% higher than the previously agreed price). This means that the percentage of consumed energy from renewable sources will drastically increase during 2024, but the Company is actively searching for alternatives so as to slow down this growth. For instance, the projects regarding the increase of photovoltaic power plant capacities are planned to be realised in 2024.

ENERGY INTENSITY BASED ON NET REVENUE

JGL operates in the pharmaceutical products manufacturing sector (NACE C21), which according to Commission Delegated Regulation (EU) 2022/1288 is classified as a sector that has a significant impact on the climate.

Energy intensity based on net revenue in the past 2 years

Energy intensity based on net revenue	2022	2023	% 2023 / 2022
Total energy consumption from manufacture of pharmaceuticals per net revenue (MWh/EUR)	17,460/ 106,803,813	20,062/ 132,073,576	-7.08%

Energy consumption at JGL decreases through the generation of electricity from the photovoltaic power plant.

REDUCTION OF ENERGY CONSUMPTION

The main measure taken by JGL in relation to mitigating climate change is the reduction of energy consumption from traditional systems and the control of total energy consumption in the Company[6].

At JGL, the consumption of energy is reduced by using solar energy to heat water and by producing electricity from a photovoltaic power plant. Moreover, the energy certification of the buildings at the Svilno and Kukuljanovo sites and A+ certificates for new buildings significantly contribute to the reduction of energy consumption.

In addition to good energy management measures and investments in equipment, during the reporting period other activities were also performed with the aim of reducing the consumption of energy, such as:

- the replacement of existing lighting with LED lighting,
- temperature regulation of processes, workspaces, storage and office spaces,
- partial use of waste heat,
- solar overheating of hot water, softening of water,
- system for remote monitoring of the consumption of all used energy sources (electricity, water and ELFO).

The construction of additional photovoltaic power plants is planned by 2028, and a budget of EUR 50,000.00 has been allocated for 2024 for the design of projects aimed at reducing water consumption.

[6] E1-3

GREENHOUSE GAS EMISSIONS[7]

In late 2023, the JGL Group started an initiative aimed at revising the methodology and measuring processes for the calculation of greenhouse gases from Scopes 1 and 2. This initiative is not only a technical task, but also an important step in confirming corporate sustainability and environmental responsibility. The process began by employee education, in-depth research and assessment of methods and standards in the area of measuring greenhouse gas emissions, so as to ensure an approach which is in line with the best practices and regulations.

This was followed by intense discussions within the team of experts with the aim of selecting a methodology which is applicable, precise and relevant for specific business processes. This stage included the analysis of operating systems, manufacture processes, resource management, and supply chains in order to identify key sources of greenhouse gas emissions.

In 2024, extensive employee education activities are planned in the area of measuring greenhouse gas emissions from all three Scopes (1, 2 and 3), as well as an adjustment of monitoring tools, a data analysis, and the launch of a system for gathering necessary information. Furthermore, steps will be taken to ensure that the measuring is transparent, reliable and easy to track, so as to enable a continuous monitoring of progress and the identification of opportunities for improvement.

Finally, defining the methodology and establishing a measurement system for calculating greenhouse gas emissions from Scopes 1, 2, and 3 is only the beginning of our road to increased corporate sustainability. These steps allow for a clear understanding of environmental impacts and setting emission reduction objectives.

In the following years, we will continue developing and implementing strategies which will enable our Company to actively contribute to environmental protection and creating a more sustainable future.

[7] E1-6
[8] E3-4
[9] E3-2

WATER

WATER CONSUMPTION[8]

At JGL, the consumption of water highly depends on production, and water drawn from the local network is used as part of the production process. In order to ensure a reduction in water consumption, JGL is dedicated to developing reduction measures, such as: reduction of tap water consumption and reduction of wastewater discharged into the sewer system.

This is achieved by collecting discarded water from the manufacturing system, and using it in combination with rain water for irrigating green areas and the surrounding vegetation. In 2024, there are plans to carry out tests for implementing additional wastewater recirculation systems, as JGL considers this a space for potential savings and a reduction of potable water consumption[9].

WATER DISCHARGE

The obligation to manage wastewater is based on compliance with legal regulations and strict internal measures. As published in the previous reports, technological waste water discharge is controlled and such water is previously treated through biological purifiers before discharge into municipal systems. At JGL's production locations, there are two biological purifiers and one physical and chemical water purifier that are upgraded in accordance with the new technologies at our disposal.

Rainwater collection systems from roofs and water from the process of producing purified water at the new production facility contribute to the reduction of water consumption for the irrigation of green areas. The left-over slurry from purified water is collected and disposed of, as needed, in accordance with the statutory regulation by external authorised partners.

Mechanisms for monitoring impacts caused by discharging water are based on the efficiency of the ap-

Water consumption in 2023

Category	Volume (m^3)
Total water consumption	61,904
Total water consumption in areas at water risk, including areas of high-water stress	0
Total water recycled and reused (m^3/month)	250

	Total water consumption (m^3)	Net revenue (million EUR)	Percentage (%)
Total water consumption in its own operations per million EUR net revenue	61,904	132,073,576	0.05%

proach to management and include inspections by water rights inspections, wastewater quality monitoring through authorised laboratories and an internal daily analysis of discharges. The resulting processes are the following:

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

Following the completion of the INTEGRA project and relocating the Quality Control and Research and Development departments to the new G15 building at the Svilno site led to an discharge of additional technological wastewater into the biological purifier. Consequently, this affected the reduction of use of the physical and chemical treatment unit at the Pulac site. In December 2023, JGL submitted all of the documents necessary for requesting the renewal of the water permit for discharging wastewater at the Pulac site, and the approval is expected in 2024.

JGL has three planned discharges of technological wastewater. At Pulac, there is an outlet for waste water coming from the production facilities of the company Adrialab. At Svilno 1, there is a wastewater outlet coming from the production facility, while at Svilno 2 there is an outlet for waste water coming from the production facility as well as the Research and Development and the Quality Control departments that have been present at that location since 2023.

In 2023, the water permit for discharging wastewater at the Svilno 1 and Svilno 2 sites has been renewed. The analysis of wastewater samples collected at outlets is carried out by authorised laboratories four times per year at the Svilno 1 and Svilno 2 sites, and twice per year at the Pulac site, in line with the legislation. Water is analysed for parameters determined by valid water right permits for each location. Analyses of wastewater samples show that all the parameters that JGL is required to test in accordance with the water right permits are below the stipulated limit values.

RESOURCE USE AND CIRCULAR ECONOMY

WASTE[10]

Through its activities, JGL generates hazardous and non-hazardous waste. The activities and processes that lead to the generation of the afore-mentioned waste, i.e. the reasons why certain input raw materials end up as waste, are diverse.

The majority of waste generated by JGL comes from production and analytical (laboratory) processes. A significant amount of waste is also generated due to regular maintenance and service activities on various JGL systems which lead to frequent replacements of system components/elements, making the old element whose function has expired a waste product which needs to be properly disposed of.

Waste generated from processes within JGL is temporarily stored in JGL premises at the site until they can be transported to the authorised waste management facility.

The prevalent waste categories at JGL are bulky waste (various miscellaneous, non-hazardous, inert waste containing parts which have a certain raw material value, but cannot be extracted at the generation site), packaging waste (paper and cardboard, aluminium, plastic, and glass), and medicinal products (production process scrap, expired, and non-compliant products).

The following table presents details regarding the amount of generated waste, classified as hazardous and non-hazardous, as well as the types of recovery operations for waste diverted from disposal, and types of recovery operations for waste directed to disposal. The scope of waste generation used for these calculations includes waste created by JGL at the Svilno 1, Svilno 2, Pulac and Kukuljanovo sites and transferred to partner companies (authorised waste disposal companies), excluding waste generated after the products have been used by end users in Croatia and abroad.

[10] E5-5

Waste amounts and categories in 2023

WASTE CATEGORY	AMOUNT (T)
Total amount of waste generated (tonnes)	679.3
Hazardous waste diverted from disposal	12.1
Hazardous waste diverted from disposal for the purpose of preparation for reuse	0
Hazardous waste redirected from disposal for the purpose of recycling	0.8
Hazardous waste redirected from disposal for the purpose of other recovery operations	11.3
Non-hazardous waste diverted from disposal	410.6
Non-hazardous waste diverted from disposal for the purpose of preparation for reuse	0
Non-hazardous waste redirected from disposal for the purpose of recycling	67.9
Non-hazardous waste redirected from disposal for the purpose of other recovery operations	342.7
Hazardous waste directed to disposal	21.3
Hazardous waste directed to disposal by incineration	7.8
Hazardous waste directed to disposal at landfill	0
Hazardous waste directed to disposal according to other disposal operations	13.5
Non-hazardous waste directed to disposal	235.3
Non-hazardous waste directed to disposal by incineration	0
Non-hazardous waste directed to disposal at landfill	0
Non-hazardous waste directed to disposal by other disposal operations	235.3
Total amount of non-recycled waste	610.6
Percentage of non-recycled waste	89.9%

In 2023, JGL generated a total of 679.3 tonnes of waste, of which 645.9 t of non-hazardous waste and 33.4 t of hazardous waste. There was a total of 130.7 tonnes more waste generated, which is a 24% increase when compared with 2022. The data show that the most significant increase was recorded in the area of non-hazardous waste (124.7 tonnes of waste more when compared with the previous year). The recorded increase is the consequence of activities related to completing new building construction. This contributed to increasing the amount of non-hazardous waste, especially bulky waste (waste code 15 01 01) by 55.5%.

Hazardous waste amount in 2023

	Amount
Total amount of hazardous waste (tonnes)	33.4
Total amount of radioactive waste (radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom)	0

Six tonnes more hazardous waste was disposed of in 2023 than in 2022. The 21.9% increase in the amount of hazardous waste when compared to the previous year is the result of JGL's expansion at the Svilno site and the increase in capacities, which caused an increase in waste generated from products packaged into pressurised containers (waste code 15 01 11*). Moreover, in 2023 a large amount of electric and electronic waste was scrapped (waste codes 16 02 13* and 20 01 35*).

Data calculation methodology

Data regarding the mass of waste was collected by direct measurement through weighing the waste on the waste collection site or in the premises of the waste disposal company. The share of waste diverted from disposal for other recovery operations amounted to 52% of total waste, and it consisted mostly of paper and cardboard, plastic and glass packaging, which are recyclable materials (this packaging amounted to 61% of the category – other waste recovery operations), but they were classed by the disposal company as a R12 recovery operation ("Exchange of wastes for submission to any of the operations numbered R1 to R11").

Waste management[11]

Due to the large amounts of recyclable waste generated by the Company annually, which also has its own market value, JGL has a special area within the Svilno site dedicated to separating larger quantities of such waste. This area contains presses for paper and cardboard, plastic and bulky waste, where all waste materials from JGL's facilities at the Svilno site that fall into the aforementioned categories end up. In order for this system to function while maximising the proportion of separately collected recyclable waste, JGL employees are trained on how to properly separate waste. The separated waste is handed over to a partner which then forwards it for further treatment, so that the said waste would become raw material again used to manufacture new products.

Within JGL's environmental protection management processes, responsible waste management and the development of a culture of proper waste handling are the basic principles of creating a sustainable business.

Since 2021, different fractions of municipal waste have been separately collected at JGL. Containers for separating municipal waste are located where the most municipal waste is generated, namely in dining areas. In order to collect separately collected municipal waste, JGL signed a contract with the Rijeka municipal sanitation company to provide additional containers for separately collected waste. Additionally, waste battery containers have been placed in the corridors of JGL facilities in Rijeka and Zagreb areas, which are handed over to an authorised partner for disposal or recovery.

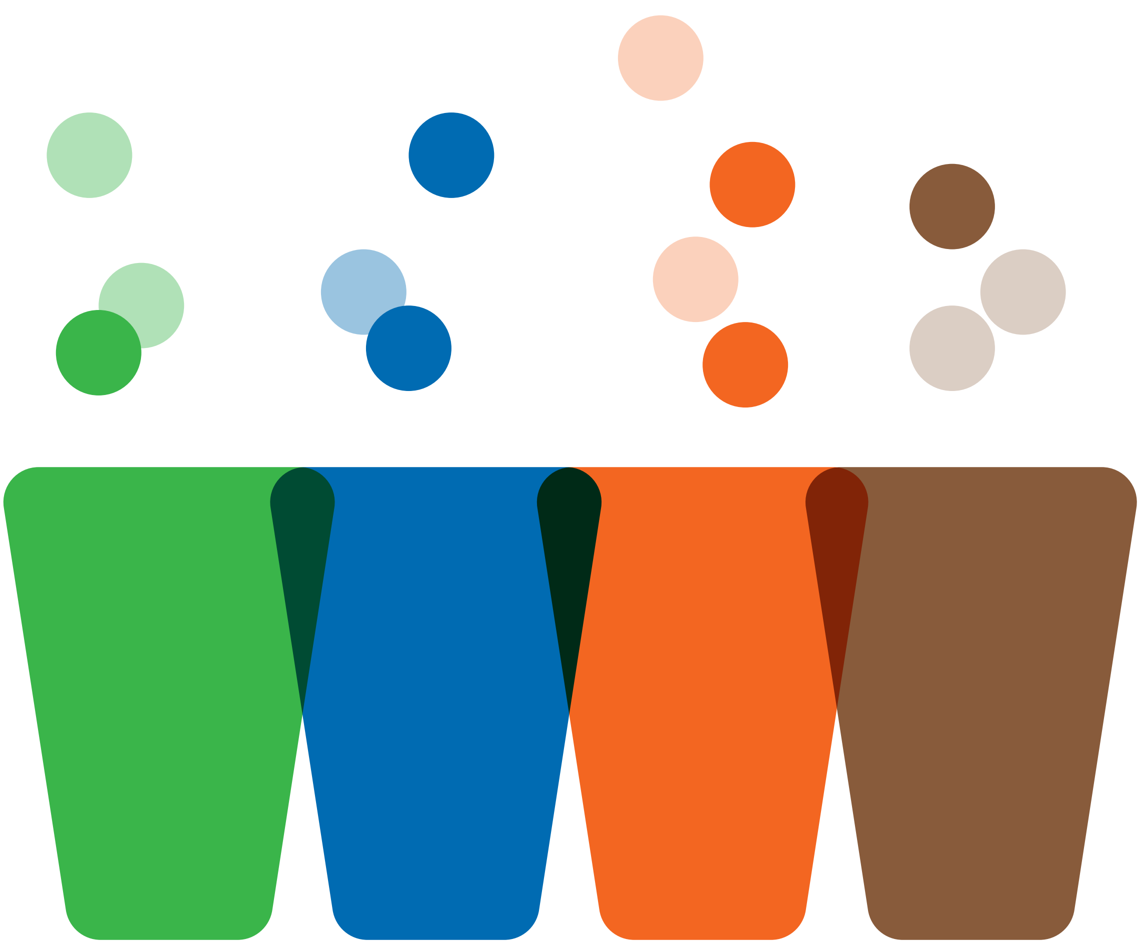
JGL cooperates with several companies authorised for the collection of hazardous and non-hazardous waste in the Republic of Croatia. All partners contracted by JGL for waste collection have the necessary and stipulated permits issued by the competent institutions of the Republic of Croatia to perform their activities.

[11] E5-2

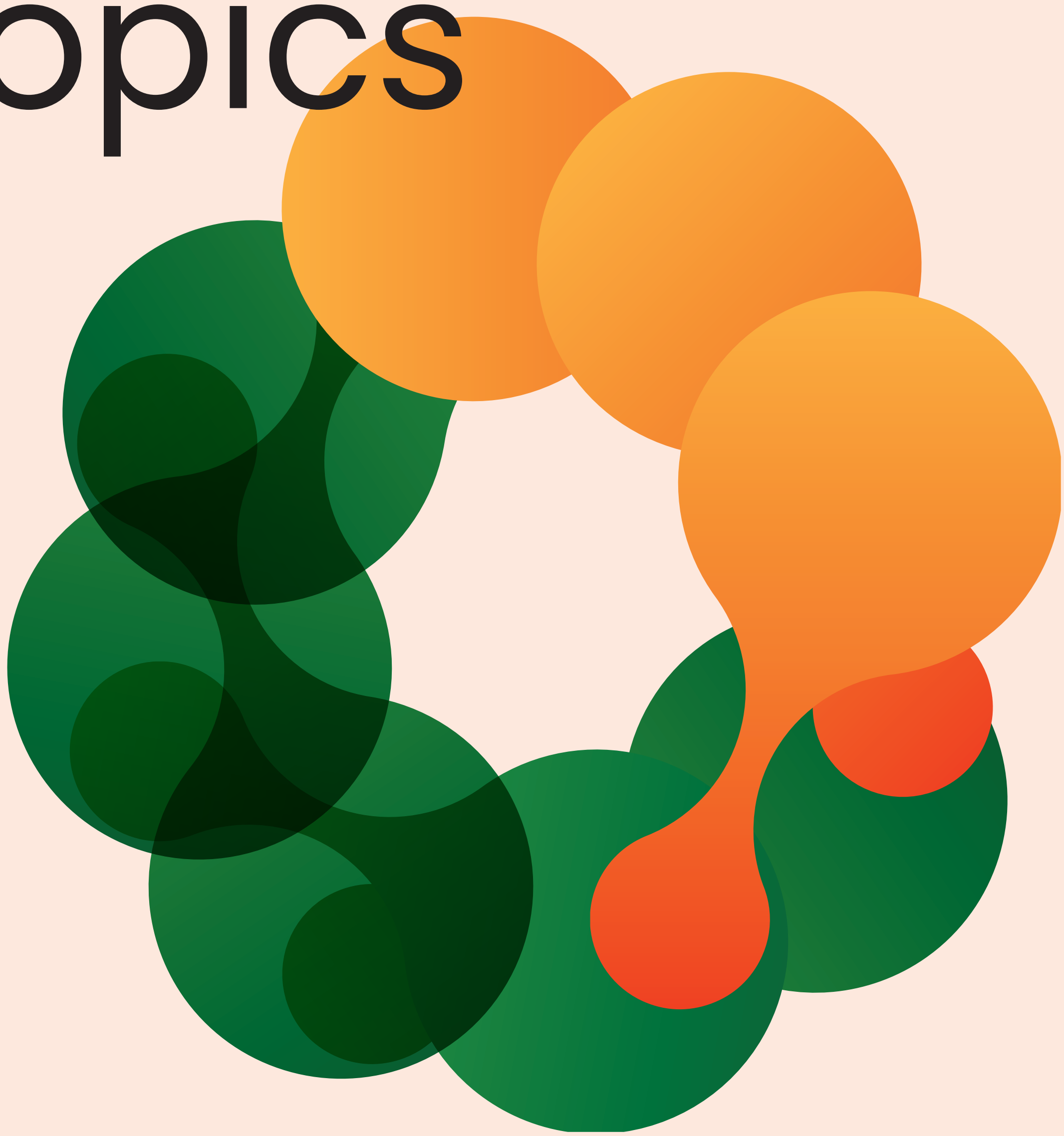
Before it is handed over to the collector, waste is appropriately separated and labelled according to its category and EWC code. All employees who work in these processes are trained on how, i.e. based on which criteria, generated waste should be separated and labelled. After the waste is sorted and labelled at the location where it was generated, it ends up in designated places in JGL's warehouses or in other predesignated suitable places (e.g. waste chemicals are stored within a locked area under which a tank has been installed). After an adequate amount of waste has been generated, collection is arranged with an authorised contractual partner. Collection takes place once a week on average, and the necessary documentation is made for each collection in accordance with the stipulated procedure.

JGL does not monitor the waste generated outside of its value chain, such as waste generated before and after its business processes. The audit and site visits to be conducted at the contracted disposal company in order to get further insight into waste management processes once waste is transferred to the disposal company were initially planned for 2023, but they will take place in 2024 due to logistics challenges. In 2023, JGL hired an expert for the position of an environmental protection specialist, who will participate in the planned audit.

Monitoring of the efficiency of the JGL waste management system is carried out through internal audits and supervision, audits of JGL's partners, supervision of competent institutions, employee feedback and document management. To monitor the volume and type of produced waste, JGL uses an integrated software solution that, among other functionalities, provides an overview of the amount and type of waste by location for any time interval from the first use of the system.



Social topics

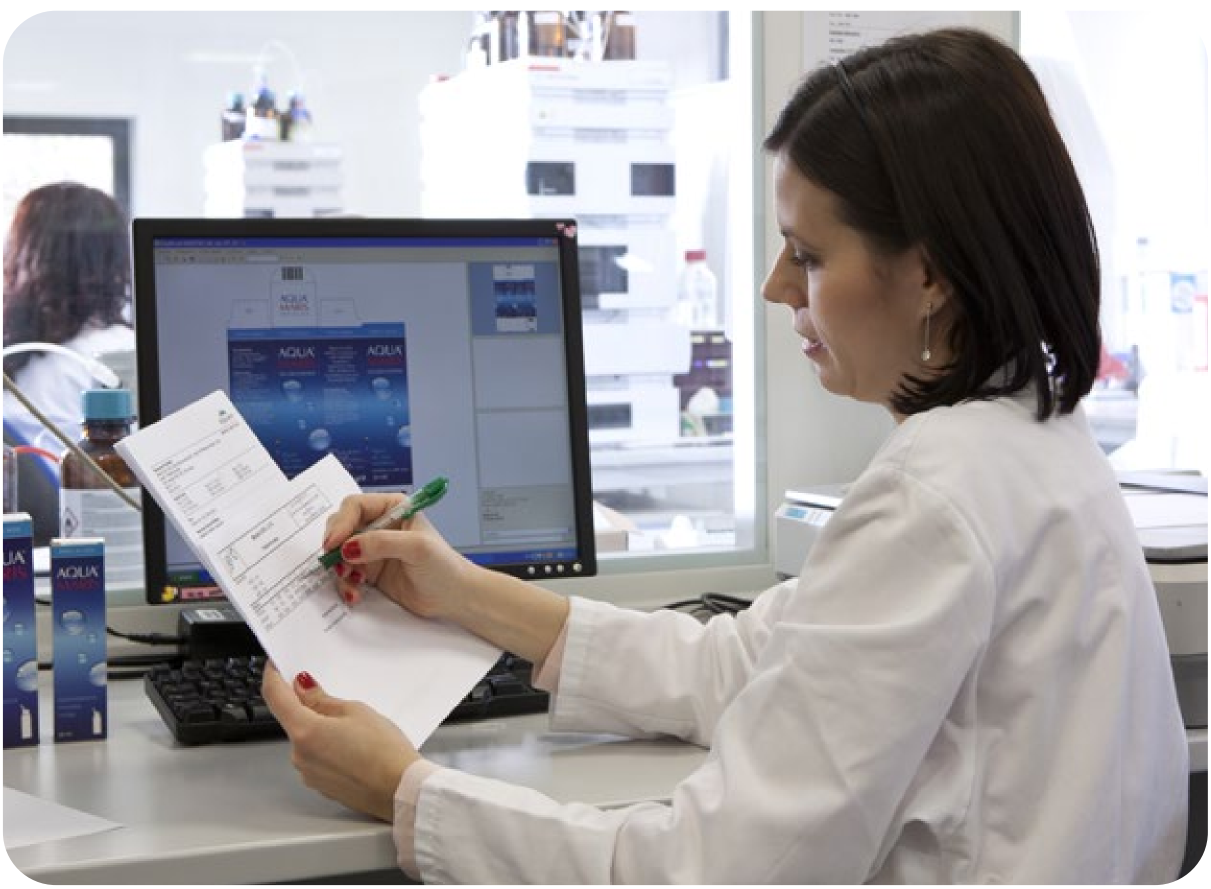


OWN WORKFORCE

JGL maintains and develops a positive, motivating work environment in which employees acquire necessary competences and skills. The Company ensures that all processes are carried out in a safe, efficient, continuous and interoperable manner. This dedication to safety and efficiency is reflected in the Company's everyday activities.

Each employeeof JGL, plays an important role in establishing and implementing the ESG strategy. JGL believes that integrating ESG principles into daily business activities contributes to more sustainable and socially responsible work. This is manifested through the active participation of employees in the implementation of activities, encouraging transparency and responsibility, as well as innovative views of sustainability.

JGL's people strategy sets objectives that the company wants to achieve in synergy with the HR function and all managers who take care of people in their daily life and work. This strategy is aimed at ensuring a positive work experience for all employees, and nurturing a working environment where all employees feel supported and motivated. In order to ensure that these goals are met, JGL also keeps track of the life cycle of an employee in 6 key steps (recruitment, integration, development, motivation, retention and growth).



#JGL PEOPLE STRATEGY

ATTRACTION AND EMPLOYMENT

I want to be part of JGL.

We successfully attract efficient employees.

ONBOARDING AND DEVELOPMENT

I understand what I need to do and know how to do it.

Our employees are capable and efficient.

INVOLVEMENT AND INSPIRATION

I contribute to our common goals and want to add value.

We achieve organisational goals and create long-term value.

TRANSFORMATION AND GROWTH

I accept and create opportunities through which I can achieve my full potential.

We readily manage change and growth.

RETENTION AND EMPOWERMENT

I feel accepted, valued, and fulfilled.

We successfully retain highly efficient employees.

DEPARTURE AND RETURN

I want to recommend JGL.

We have a good reputation and sustainable business.

POLICIES RELATED TO OWN WORKFORCE[12]

Based on the assumption that employees are the key bearers of the entire business process, JGL pays great attention to maintaining the optimal number of employees through an active staffing policy. A continuous improvement of the material position and rights of the employees, advancement of their competences and targeted education are also key elements of the policy, stemming from the trend of investing in people in the past few years.

In this context, the Code of Ethics becomes a fundamental document reflecting the values and standards pursued by JGL. This document is not just a formal statement, but rather a crucial supporting pillar for creating a positive working environment and maintaining high ethical conduct standards. The Code of Ethics sets out a framework and expectations as regards issues such as human rights protection, prohibition of forced and child labour, management system for preventing accidents at work, and prevention of discrimination.

Through the Code of Ethics, JGL commits to promote respect for human rights and ethical principles not only within its organisation, but also in its business relations with partners, suppliers and the community.

This is in order to ensure that all of the Company's business activities are carried out in line with the highest integrity and accountability standards. Moreover, the Code of Ethics serves as a means to educate employees on the importance of ethical conduct, and as a basis for ethical discussions and resolving ethical dilemmas which can occur in a business environment.

In 2023, JGL established the Corporate Total Reward System, which includes all JGL Pharma employees and includes a new systematization of jobs within the Company. As a part of these changes, the overall employee benefits package now includes a hot meal subsidy across JGL Pharma which can be used, for visiting parties as well, in the new restaurant at the JGL Pharma Valley complex in Svilno.

Moreover, in 2023 the Rules regarding the internal procedure for reporting irregularities and the designation of the confidential person were published, regulating the internal procedure for reporting irregularities, the procedure for protecting the party who reports irregularities, and all rights and obligations resulting from this document for the Company and persons who report irregularities. These initiatives significantly improve the working environment at JGL, and they show how dedicated the Company is to caring for its employees and promoting ethical and transparent business activities.

JGL firmly supports diversity at all levels of the organisation and it adamantly opposes discrimination based on any personal characteristics, including age, special needs, religion, skin colour, gender, sexual orientation, marital status, race, nationality or social background, political convictions, physical abilities, or any other grounds. These values are fundamental for JGL and there is zero tolerance for deviating from any of them.

Another aspect of JGL's transparency and engagement with employees is the regular updating of records regarding employment, training and advancement. These records offer a transparent insight into opportunities for employees and their advancement within JGL, ensuring that every employee gets an opportunity to fulfil their true potential within the organisation.

In June 2023, JGL d.d. adopted the new Rules of Procedure, which defines the possibility of work in a separate workplace and remote work for a duration of no more than 7 days in a calendar month. This aligned JGL's practices with the new Labour Act and enabled flexibility for employees whose tasks can be performed at a separate workplace. It also led to a further improvement of balancing professional and personal obligations.

All JGL Pharma employees are actively included in the annual performance management process. This pro-

[12] S1-1

cess includes setting individual development plans for all employees, identifying areas for developing additional or new skills in line with their abilities, employee's motivation and needs of the workplace and unit in which the employee operates. In 2024, an initiative will take place in order to further promote the significance of life-long learning for all employees and to present to them all the possibilities for learning and developing within JGL Pharma.

The Board of Directors is responsible for implementing policies related to the Company's own workforce, while the Workers' Council participates in the decision-making process and gives its consent for certain processes and decisions related to the workforce, thus ensuring a participatory approach to managing working relationships within the Company.

INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS[13]

The JGL Group is committed to protecting the dignity of all workers during the performance of their activities and to ensuring working conditions which are not disturbed by the employer, superior officers, colleagues or any other persons. The Company's Code of Ethics stresses the importance of supporting diversity at all levels and condemns discrimination and harassment as unacceptable practices. So as to ensure that these values are respected, JGL has appointed two commissioners for the protection of dignity, and enabled employees to report any unwanted situations. All JGL d.d. employees have been notified of the appointment of commissioners for the protection of dignity, as well as of the names of people who hold this title. All employees can directly contact the commissioners in case of any questions, comments or to report any discrimination. Also, in case of issues related to workers' rights or status, the competent body for any such issues is the Workers' Council, whose composition and operation is determined by employees themselves.

The Company supports diversity at all levels of the organisation and has a zero tolerance policy for any discrimination based on any personal characteristics such as age, special needs, religion, skin colour, gender, sexual orientation, and any other categories defined by the legislation. Moreover, the Company forcefully condemns and does not tolerate any type of harassment in the workplace, including sexual harassment.

There were no incidences of discrimination or harassment on grounds of sex, religion, race, political opinion and/or national extraction during the reporting period. There was one complaint expressing certain concerns submitted during the reporting period, but there were no serious cases of human rights violations related to workforce, nor any violations of UN Guiding Principles on Business and Human Rights, and no fines, sanctions, remunerations or damages were issued for such cases.

[13] S1-17

CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES[14]

In 2023, the JGL Group had a total of 1,283 employees.

325

Men

958

Women

181

worker hired in 2023 in JGL Pharma

Employee head count in countries where the undertaking had at least 50 employees representing at least 10% of its total number of employees in 2023

Country	**Number of employees**
Croatia	847

JGL GROUP	MEN	WOMEN	TOTAL
Number of employees (number/HC*)	325	958	1,283
Number of permanent employees (number/HC)	270	823	1,093
Number of temporary employees (number/HC)	55	135	190
Number of non-guaranteed hours employees (number/HC)	0	0	0
Number of full-time employees (number/HC)	319	935	1,254
Number of part-time employees (number/HC)	6	23	29

Information on employees by contract type (number of employees or FTE – full-time equivalent) in 2023:

[14] S1-6
** Head count*

Information on employees by contract type, broken down by region (number of employees or FTE – full-time equivalent) as at 31 December 2023:

JGL D.D.	CROATIA	MACEDONIA	RUSSIA	BELARUS	UKRAINE	KAZAKHSTAN	KOSOVO	TOTAL
Number of employees (number/HC)	625	5	3	20	65	48	1	767
Number of permanent employees (number/HC)	532	5	3	1	63	31	1	636
Number of temporary employees (number/HC)	93	0	0	19	2	17	0	131
Number of non-guaranteed hours employees (number/HC)	0	0	0	0	0	0	0	0
Number of full-time employees (number/HC)	616	5	2	16	65	48	1	753
Number of part-time employees (number/HC)	9	0	1	4	0	0	0	14

RELATED COMPANIES	JGL Beograd-Sopot	Farmis Sarajevo	JGL Ljubljana	Adrialab	Ljekarna Pablo HI	Pablo d.o.o.	Goranske ljekarne HI	Jadran LLC
Number of employees (number/HC)	28	29	6	33	173	4	12	231
Number of permanent employees (number/HC)	25	20	5	27	153	4	11	212
Number of temporary employees (number/HC)	3	9	1	6	20	0	1	19
Number of non-guaranteed hours employees (number/HC)	0	0	0	0	0	0	0	0
Number of full-time employees (number/HC)	28	29	6	33	163	4	8	230
Number of part-time employees (number/HC)	0	0	0	0	10	0	4	1

Full-time equivalent is defined as 40 hours per week.

During the reporting period, a total of 88 employees left JGL Pharma, and the turnover rate was 8.5%. In 2023, a total of 181 new employees were hired. In 2023, there were 61 employees more hired than in 2022.

Total number of employees who have left the Company and the rate of turnover in 2023

	value
Total number of employees who have left the undertaking during the reporting period for JGL Pharma	88
Rate of employee turnover* during the reporting period	8.5%

**relation between the total number of departures and the average number of employees for every month during the reporting period*

COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE[15]

A Workers' Council acts within JGL d.d. as a body comprised of 5 members with equal rights, elected in 2020 for a four-year period by the workers in a regular election process carried out in accordance with the legislation, Labour Act, and the By-Law on the Election of Workers' Council Members.

One of the members of the Workers' Council is selected by the rest to be the representative of the workers, who represents the interests of the workers in key issues, and serves as a link between the Board of Directors and the Workers' Council.

New members of the Workers' Council will be elected in 2024, and given the increased number of employees when compared to the previous election, the number of Workers' Council members in the 2024-2028 mandate will increase to 7 members and 7 deputies.

The main role of the Workers' Council is to protect all of the rights of all employees, including the rights related to OHS. All queries and interests are relayed to the Employer's Representative (member of the Board of Directors) who answers these with the rest of this body, and carries out agreed activities in order to protect and increase the rights of the workers. Regular monthly meetings of the Workers' Council are recorded in minutes so as to maintain transparency and keep records of all of the adopted decisions and activities.

JGL's employees take no part in the collective bargaining, and there is no collective agreement.

[15] S1-8

DIVERSITY[16]

The highest management level of JGL is comprised of 50% of women, while the percentage is even higher at the top management level (68%). The percentage of women at group level amounts to 76%, which places the company significantly above the Croatian average. The Executive level is the top management level at JGL, while the 16 people employed at the top management level make up 1% of the total number of employees.

Distribution by gender at the top management level in 2023

Distribution by gender at the top management level	Number of employees (total)	Percentage of employees
Men	8	50%
Women	8	50%
Other*	n/a	n/a

** Gender as specified by the employees themselves.*

Distribution of employees by age groups at the JGL Group in 2023

Age group	Number of employees (total)	Percentage of employees
Under 30	203	16%
Between 30 and 50	873	68%
Over 50	207	16%

SOCIAL PROTECTION[17]

Social protection at JGL covers a wide spectrum of measures that provide access to health care and income support in cases of challenging life events. This includes support in cases such as loss of employment, disease or need of medical care, becoming a parent and raising a child, as well as retirement and pension.

All JGL employees are entitled to social protection in the event of a loss of income due to disease, unemployment, work-related injury, or disability, through legal regulations ensured by the employer in accordance with the applicable legislation and regulations.

This social protection provides support for employees in difficult situations, and it ensures that they receive assistance and medical care when needed.

In accordance with the By-law on Salaries and Other Income for JGL d.d. Currently in force (July 2023), employees and their families are entitled to assistance in the following situations: birth of a child, gifts for employee's children up to 15 years of age, death of an employee or an employee's spouse, child or parent under their care, or a domestic partner, as well as in the event of serious disability, sick-leave longer than 90 days, and restoration following a natural disaster.

TRAINING AND SKILLS DEVELOPMENT[18]

Training of employees through education activities at JGL takes place based on an approach known as "Model 70-20-10", highlighting various types of learning and developing. According to this mode, 10% of the development programme is made up of education and training activities structured with clear measurements of success, such as exams or evaluations before and after training. Next, 20% of the programme is set aside

[16] S1-9
[17] S1-11
[18] S1-13

The DRIVE Academy is a corporate programme which accelerates the development of teams through acquiring new competences, networking, and cooperation in global markets

for mentorship and coaching, and it includes an assessment of the mentor's performance, as well as an evaluation before and after training, defined in the performance contract. The bulk of the employee development programme (70%) takes place through working experience and participating in projects, and it is measured through results achieved in accordance with the performance contract.

The education plan at JGL is drawn up every year for the following year, taking into account the development goals of the employees and the specific requirements of the business area. Employees are also given a chance to participate in organised corporate education programmes based on an analysis of individual development plans. A human resources team identifies the most important and popular topics and organises one or two education programmes during the year in every country, focusing on development priorities. This system ensures a continuous improvement of employees in accordance with their needs and goals, contributing to their professional and personal growth.

In 2023, every employee spent on average 35 hours in training. Male employees spent an average of 138 hours in training, and female employees 47 hours.

The average number of training hours per employee and by gender in 2023

Category	Average hours
Men	138
Women	47
Other	/
Average training hours per employee	35

The required calculation method was used in the calculation of the average number of hours – the total number of training hours was divided by the total number of employees by gender. Given that there is significantly more women in the total number of employees at JGL, the ratio resulting from the formula used does not reflect the actual average number of hours by gender and deviates significantly from the actual figure.

JGL education activities

On an annual basis, JGL provides scholarships for post-graduate, doctoral or specialist studies with a focus on the job requirements and interests of the employees. Moreover, the Company also provides a scholarship for an MBA programme for managers. During the reporting period, four employees from the parent company started, completed or attended one of the aforementioned programmes so as to acquire new skills and knowledge which will be useful for their careers.

This initiative stimulates continuous learning and professional development of employees, and it demonstrates the dedication of the Company to improving the competences of its staff.

The DRIVE Academy

The DRIVE Academy is a corporate programme which accelerates the development of teams through acquiring new competences, networking, and cooperation in global markets, focusing on achieving objectives. This programme facilitates the management and development of talent in the area of marketing and sales. In only two years since its implementation, it has become a crucial tool in the realisation of the strategy, proving the compliance of the business goals with the corporate People strategy, which strives for attracting, developing and retaining talent.

Since its very inception, the DRIVE Academy has covered all sales and marketing teams in 9 markets where JGL has its own sales operations.

During the implementation of activities, all of the parties involved are asked to provide feedback in order to fine-tune the framework and flow of the project, making the participants its co-creators. The project significantly impacts the balancing and provides benefits to both the organisation and the employees. At the employees level, the DRIVE Academy emphasises equal opportunities and possibilities for everyone, encouraging continuous learning, development and fulfilment, regardless of one's gender, age, nationality, or any other aspect. The scope of employees includes a wide range of age (24 to 68), with a share of 75% women and 25% men, as well as an international team with dozens of nationalities, religions and languages all working together.

LMS online platform

As regards corporate online learning tools, JGL employees also have access to an internal LMS (Learning Management System) e-learning platform, which contains online courses on personal development, soft skill and managerial skill development, as well as training on using various applications and systems, as well as various corporate materials.

A tailored onboarding plan is developed for every new employee

Onboarding of new employees

A systemic introduction of new employees into the corporate community is one of the key areas that JGL worked intensely on during the past year. So as to ensure the quick integration of new team members, the Company has implemented an employee onboarding programme in the manufacturing department.

This programme was designed with the purpose of providing comprehensive support to new employees during their first days at the Company, enabling them to adopt the key processes in a quick and efficient manner.

During the onboarding process, every new employee receives a specific onboarding plan, adapted to the needs of each new employee and the specificity of their workplace. This plan includes relevant resources, tools and information necessary for successfully navigating the Company environment. From basic information regarding corporate culture and company values, to detailed instructions for working processes and procedures, the onboarding plan provides new employees with everything they need to feel welcome and prepared to carry out their tasks.

This structured onboarding process enables new employees to get to know the key aspects of the Company's business and to build a foundation for a successful career at JGL. Moreover, all new employees are assigned a mentor for their first six months with JGL, who helps them to find all the necessary resources and information, and supports them in achieving success.

External coaching of managers

During the last year, JGL continued developing its managerial team, with an emphasis on education on new and current topics, as well as team coaching.

Furthermore, an external coaching programme has been active for several years, and it is intended not only for managers, but for all employees who show potential and talent for further development and advancement of their careers. This programme enables the employees to work with experienced external coaches on identifying their strengths, developing key competences and gain new perspectives regarding their work and career. JGL employs these initiatives so as to empower its employees at all organisational levels, promoting constant personal and professional growth and creating a dynamic and stimulating working environment, where everyone can reach their full potential.

Employee development plan

As part of internal processes, an internal assessment programme is in place for employees who have achieved very good overall performance results, and show a potential for taking on new responsibilities and functions within the Company. These employees are identified as potential candidates for the talent pool, where individual career plans are developed based on an analysis of the defined strategic needs.

The analysis of existing and necessary competences monitors the efficiency and performance of development programmes so as to ensure that every employee is given the chance to continue developing their skills and competences. Moreover, a principle of performance management has been implemented through the Sales Force Effectiveness (SFE) tool, which makes it possible to monitor the competence level of the sales force and to identify areas which need additional investment or support.

This integrated approach enables continuous empowerment of employees, while at the same time monitoring their progress and contribution to the Company.

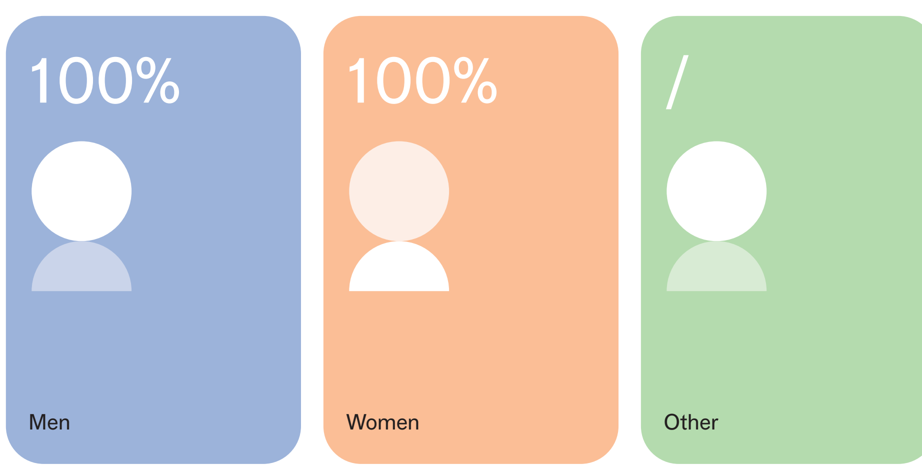
"JGL Mentor" Programme

The sharing of know-how and experience is deeply rooted in the corporate culture at JGL, which is evident from the long-term dedication to supporting the education and development of employees. JGL Mentor is a mentorship programme designed so as to encourage the creation of a cooperation culture and mutual support among colleagues, stimulating them to work together to find efficient ways to address challenges, and to share their know-how and experience within the JGL community in a structured manner.

During the year-round education programme, mentors go through an intensive training process, where they focus on developing their mentorship skills. Once they have successfully completed this programme, certified mentors become internal ambassadors of corporate culture, values and excellence through their specific skills and know-how. Their role does not end within the confines of their own organisational units – they also act as mentors outside of their ranks, sharing their know-how and experience with other employees throughout the Company.

This structured mentorship programme creates a dynamic network of mentors within JGL, enabling continuous development and support for employees. Employees who have completed the programme and received a certificate become mentors and use their mentorship skills to support the development of skills and encourage a new way of thinking through the individual development of other employees.

Overview of employees included in the performance assessment and the creation of individual professional development plans in 2023



This makes the JGL Mentor programme a key pillar in the strategy for the development of the Company's employees, encouraging a continuous growth and innovation within the organisation.

When assessing employee performance, JGL applies a clear structure of objectives distributed among three main categories: corporate, departmental, and individual/team. Corporate objectives are those which are aligned with the Company's overall strategy, while departmental objectives include specific objectives of individual business units. Individual or team objectives are focused on specific tasks or projects to be implemented.

A series of different aspects is used to get a comprehensive overview of the employees' contribution in order to assess their performance. Performance related to "what" employees do is assessed through their regular activities, reached goals, and specific tasks or projects they were involved in. Meanwhile, performance related to "how" employees complete their tasks is assessed through a competence analysis, including know-how and skills relevant for their workplace, as well as conduct reflecting basic competences and values of the Company. This structured assessment method enables an objective assessment of every employee in accordance with the set objectives and the Company's expectations.

In the performance assessment process, objectives and competences are closely linked so as to ensure a thorough and objective employee assessment. This is achieved through tools and applications which monitor progress towards achieving the objectives and developing competences. The employee performance assessment becomes a key pre-requisite for making clear and objective decisions on managing performance, rewarding employees (through bonuses, salary increases and stimulations) and developing their careers.

Just like in any other year, JGL's goal for 2024 is to include 100% of the employees in the performance assessment for the previous year. This goal refers to all employees who fulfil the conditions for full assessment in accordance with the company standards.

This initiative fosters transparency, accountability and continuous development of employees, and it also contributes to creating a motivating working environment which values and rewards achieved results.

"JGL Mentor" is a mentorship programme designed so as to stimulate the creation of a culture of cooperation and mutual support

REMUNERATIONS[19]

Calculation methodology includes the gross hourly pay level of all employees. Formula used for calculations: [(Average gross hourly pay level of male employees - average gross hourly pay level of female employees)÷average gross hourly pay level of male employees]×100.

Difference in salaries based on gender in 2023

	Percentage (%)
Difference in salaries based on gender	1.457%

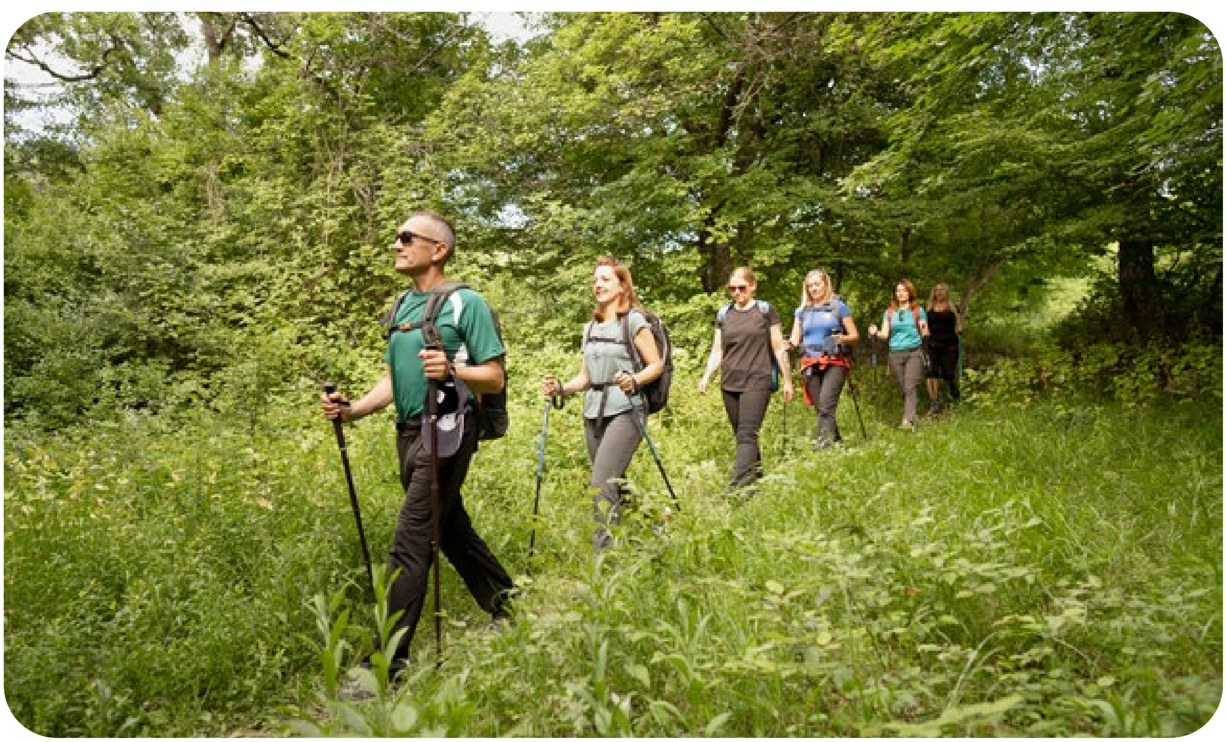
JGL d.d. continues its commitment to ensuring equal pay for work of equal value to all employees, irrespective of gender or other factors.

The JGL hiking section is a club for all nature and exercise enthusiasts

CUSTOMER HEALTH AND SAFETY[20]

In accordance with the number of employees and the legislation, JGL d.d. employs OHS specialists who were active in the Technology, Health, Safety and Environment department until 2023, but from July 2023 they are active within the newly created OHS and Fire Safety department. This expert group plays a key role in ensuring the safety and protection of employees as they perform their tasks. Given the fact that the various chemicals are applied in the manufacturing processes and other operations, JGL d.d. also employs a specialist responsible for handling dangerous chemicals. Their engagement contributes to the overall safety system focused on protecting the employees' health and well-being.

Since JGL d.d. performs diverse operations, often in highly specific working conditions, the protection of the employees' health and safety is one of the Company's key priorities. OHS is implemented in accordance with the legislation regulating this area, as well as internal acts applied by JGL d.d. so as to additionally



[19] S1-16
[20] S1-14

ensure the efficiency of the organisation and the implementation of OHS. For this purpose, the Company appoints responsible persons for implementing OHS in their areas – authorised officers of the employer for the area of OHS.

Efforts related to protecting the employees' health do not end in the workplace. JGL also provides a number of additional benefits aimed at promoting a healthy life style among its employees. Apart from the standard healthcare insurance provided to all employees, the Company also organises flu vaccinations in its premises. Moreover, employees are provided with a MultiSport card, which enables them to access various sports and recreation facilities across Croatia, promoting an active life style and the well-being of employees outside of the working environment.

During the reporting year, JGL d.d. performed all of the necessary activities for ensuring the health and safety of employees in the workplace. This includes:

- training of employees in safe working practices, including education regarding the safety rules and use of protective equipment,
- regular medical check-ups for employees working in specific working conditions, in line with the risk assessment,
- professional training of employees so as to ensure appropriate skills and know-how to work safely,
- Periodic safety checks of machinery and equipment, and initial checks of new machinery and equipment;
- Checking and testing pressurised containers, servicing safety valves and pressure measuring devices on relevant equipment in order to ensure their functionality;
- testing work site parameters so as to ascertain the level of exposure of employees to potential risks,
- testing the safety of new electric installations so as to prevent electrical hazards,
- testing the fixed fire-fighting systems, such as the sprinkler system, NOVEC system and hydrant systems so as to ensure their fitness,
- testing fire alarm systems for the purpose of early fire detection,
- testing the IPR switch for disconnecting electricity,
- testing the panic lighting so as to ensure their fitness for cases of emergency,
- regular servicing of fire extinguishers so as to ensure their fitness,
- training activities for employees handling dangerous chemicals regarding their proper handling and safety measures,
- regular meetings of the OHS board so as to discuss safety issues and adopt preventive measures.

These activities are crucial for maintaining the health and safety of employees and preventing work-related accidents and injuries.
Performance monitoring mechanisms for managing OHS are of key importance to ensuring the safety and health protection of workers.

Some of these mechanisms are:

- analyses of work-related injuries and identification of their causes so as to understand potential risks and take appropriate preventive steps,
- analyses of risks which could lead to work-related ill-health and diseases so as to identify and control potential sources of danger,
- internal supervision of implemented protective measures by OHS specialists so as to ensure a consistent compliance with rules and the proper application of safety protocols,
- internal audits by the quality assurance department so as to check the efficiency of the systems for managing occupational health and safety,
- external audits by partners so as to ensure an unbiased assessment of compliance with regulation and identify best practices,
- state inspectorate supervision regarding the implementation of measures and regulations pertaining to OHS with the aim of ensuring compliance with legal requirements;
- feedback from persons involved in OHS, including employees, representatives, authorised officers and the Workers' Council, so as to get a field perspective and identify potential issues,
- analyses of the reported near misses so as to identify potential risks and take preventive steps before serious incidents can arise,
- feedback from the employees' representative for OHS so as to understand workplace issues and improve safety measures,
- direct or anonymous complaints submitted to the Workers' Council so as to ensure input from

employees and to handle issues in an appropriate manner.

Coverage of the system for managing OHS

At JGL d.d., the system for managing OHS is based on the legislation applicable in the Republic of Croatia. Although JGL has not implemented the system for managing OHS according to an internationally recognised standard, the Company is developing its system in line with internal acts such as the Occupational Health and Safety Rules, and various internal decisions by the employer. The risk identification process is performed based on a set risk assessment process, resulting in a risk assessment document. This document leads to the adoption of specific OHS measures.

All processes and procedures related to OHS are applicable to all JGL workers and all agency workers, as well as all students employed based on student contracts. All JGL employees are covered by the system for managing OHS and subjected to OHS measures arising from the Occupational Health and Safety Act and the corresponding ordinances.

Work-related injuries

At JGL, different departments and workplaces all have their own inherent work-related injury risks. The largest identified risks are usually present in departments handling logistics, manufacturing, product and raw material quality control, and new product development.

In logistic departments, the main risks are related to the use of basic means of work, such as the forklifts used by storage operators, and to handling raw material (chemicals and preparations) by the same operators.

So as to keep those risks under control, different stipulated activities take place:

- professional training – all storage operators are required to take professional training for safe use of forklifts, ensuring that they understand how to handle equipment properly,
- safe work training – operators are trained to work safely, which includes proper ways to lift and handle cargo so as to minimise the risk of injuries,
- regular medical check-ups – operators have regular medical check-ups in occupational medicine centres so as to ensure their fitness for work at stations with special working conditions,
- maintenance of the means of work – means of work are regularly maintained in line with the manufacturer’s instructions so as to ensure their proper functioning and minimise the risk of injuries,
- testing the safety elements – safety elements of the means of work are regularly tested so as to ensure their compliance with the applicable legislation and standards,
- work site assessment – the work site at premises used by operators are regularly assessed so as to ensure safe working conditions which comply with the legislation,
- written procedures – written working procedures are in place, describing safety procedures and OHS rules to be followed by all employees,
- personal protective equipment – operators are provided with personal protective equipment, such as steel-toed boots, so as to ensure additional protection at work,
- internal supervision – internal supervision of

compliance with OHS procedures and rules is performed so as to ensure that the set protective measures are applied in practice and that the risks are minimised.

Workers employed in the quality control and development departments mostly work in laboratories. Different analyses and checks require the use of a large number of various chemicals which pose the highest risk for workers in these departments. So as to keep these risks under control, different stipulated activities take place:

- referral of workers to be trained for handling dangerous chemicals within stipulated deadlines so that they acquire the knowledge necessary for safe handling of chemicals and proper application of protective measures,
- safe work training for workers, including education on proper handling of chemicals, proper use of personal protective equipment, and recognising of dangers,
- regular medical check-ups of workers in occupational medicine facilities given that they are employed at a station with special working conditions so as to monitor the health of workers and identify potential health issues before they arise,
- regular maintenance of the means of work in accordance with the manufacturer's instructions so as to ensure proper functioning of the equipment and reduce the possibility of accidents,
- regular safety checks of means of work so as to identify potential dangers and lack of equipment which could endanger the safety of employees,
- regular work site checks of laboratories so as to ensure working conditions which are in line with the applicable standards, and that there are no harmful substances or dangerous concentrations of chemicals,
- adequate storage of chemicals in secured and ventilated cabinets, making sure that chemicals incompatible with one another are stored separately in order to prevent their reactions;
- written working procedures which clearly define steps to be taken in the event of an accident or an emergency, as well as rules for handling chemicals,
- assigning personal protective equipment, such as gloves, safety goggles, ventilators for certain processes, so as to protect employees from potential injuries or exposure to chemicals,
- internal supervision of compliance with OHS procedures and rules so as to ensure consistent compliance with the safety rules and protective measures.

In the manufacturing department, the largest risk of injury arises from the means of work, such as machinery and chemicals used in manufacturing the products, as well as in sanitising sterile areas. So as to keep these risks under control, different stipulated activities take place:

- referral of employees to be trained for handling dangerous chemicals within stipulated deadlines so as to ensure safe handling of chemicals and minimise the risk of exposure,
- training of employees in safe working practices, including education regarding the proper use of machinery and equipment, as well as protective equipment,
- regular medical check-ups of employees in occupational medicine facilities so as to monitor the health of workers exposed to specific working conditions and identify potential health issues,
- regular internal maintenance of the means of work

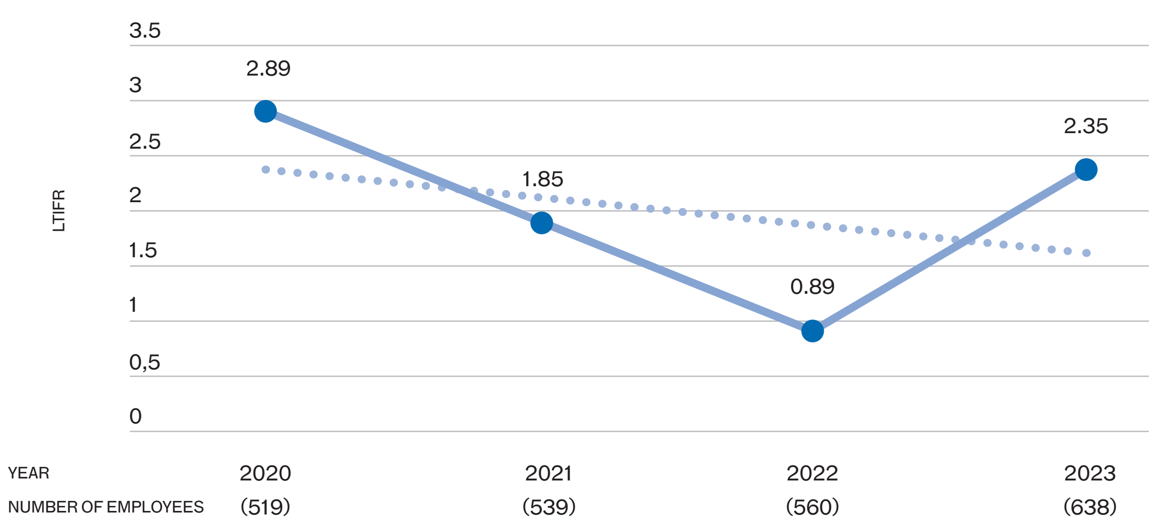
in accordance with the manufacturer's instructions, and daily checks of safety elements on the machinery by operators themselves in order to ensure proper functioning of the equipment and reduce the risk of injuries;

- regular servicing of the equipment by the manufacturer once/twice a year so as to maintain and ensure that the machinery is fit for use,
- regular safety checks of means of work in accordance with the legislation so as to identify potential dangers or lack of equipment which could endanger the safety of employees,
- regular work site checks of manufacturing premises so as to ensure working conditions which are in line with the legal standards, and that there are no harmful substances or dangerous concentrations of chemicals,
- written working procedures which clearly define steps to be taken in the event of an accident or an emergency, as well as rules for handling chemicals and machinery,
- assigning personal protective equipment such as ventilators, lab gowns worn while handling chemicals, safety gloves, safety goggles, hearing protection etc., so as to ensure that employees are protected from possible injuries or exposure to hazardous substances,
- internal supervision of compliance with OHS procedures and rules so as to ensure consistent compliance with the safety rules and protective measures.

All of these risks have been identified in the risk assessment, as stipulated by the legislation. The risk assessment process entails a thorough analysis of all potential dangers, harms, and exertion in the workplace, identification of persons or groups potentially exposed to these risks, and the evaluation of the seriousness and probability of these risks. Moreover, the risk assessment process also sets out the existing protective measures and proposes additional measures for minimising or eliminating risks.

During the work processes performed at JGL d.d. in 2023, three work-related injuries were recorded, and the rate of work-related injuries amounts to 2.35. Although there were two more injuries recorded than in the previous year, the number of process-related injuries is, in general, considered relatively low.

Lost Time Injury frequency rate (LTIFR) recorded during the working processes within the last four years



Calculation of the rate of work-related injuries

In computing the rate of work-related injuries, the Company divides the respective number of cases by the number of total hours worked by people in its own workforce and multiplies the result by 1,000,000. This means that the rates represent the number of respective cases per one million hours worked. A rate based on 1,000,000 hours worked indicates the number of work-related injuries per 500 full-time employees from the workforce over a 1-year timeframe. For comparability purposes, a rate of 1,000,000 hours worked is also used for companies with less than 500 people in the workforce.

In 2023, there was a total of 86 days lost[21] due to work-related injuries. At JGL d.d. in 2023, there were no recorded fatalities following work-related injuries of employees or of workers hired at the Company's sites, and there were no days lost related to fatalities due to work-related injuries.

Work-related diseases

During the reporting period, there were no recorded cases of work-related ill health or any work-related disease in a worker. In fact, within the last five years there have been no recorded cases of work-related ill-health or disease in employees, nor fatalities related to work-related ill-health of employees at any of the Company's sites. This proves that the measures taken by JGL in order to control the risks related to work-related ill-health and diseases are successful.

The identification of most significant risks in the departments of manufacturing, product and raw material quality control, and new product development enabled the application of appropriate OHS measures.

When it comes to manufacture, the main risks related to potential work-related ill-health arise from the means of work employed, such as the machinery and chemicals used to manufacture products and maintain hygiene of the premises. Noise-generating machinery represents one of the most significant risks connected to work-related ill-health of employees. In order to control and minimise risks related to noise exposure, JGL applies the appropriate measures, including measuring work site parameters so as to quantify the noise exposure of employees.

In the product and raw material quality control department and new product development department, chemicals which are used for analysing represent the main risk connected to work-related ill-health of employees. Every laboratory is equipped with fume hoods for working with chemicals, as well as secured ventilated cabinets for safe storage of chemicals, and other measures set out in the applicable legislation and professional standards are implemented so as to control risks to which laboratory employees might be exposed to.

[21] Calculation based on calendar days

Management topics

BUSINESS CONDUCT AND CORPORATE CULTURE[22]

JGL bases its business on the principles of legality, transparency and public nature of its operations, conflict of interest prevention, efficient internal supervision, strong personal accountability, and corporate social responsibility. This is why the Board of Directors of JGL adopted the Code of Ethics, business conduct rules, in 2022.

The organisation structure of JGL was established pursuant to the monistic model, in which the management and supervision roles are attributed to the Board of Directors, whose members are elected by the General Assembly. The executive director is appointed by the Board of Directors and he is responsible for representing JGL and for operational management of its business.

JGL applies internal policies which detail the working processes of the Board of Director and executive directors, as well as the principles ensuring that the interests of all shareholders are protected.

For instance, the Company's annual, semi-annual and quarterly reports are available to all shareholders. Persons who can access or come into contact with confidential information are notified of their nature, significance and the related limitations. Furthermore, supervision is carried out over the flow of confidential information so as to prevent potential misuse.

The Board of Directors has established an Audit Committee, comprised of members of the Board of Directors and two members appointed by the Board of Directors, one of whom is a certified authorised internal auditor. This Committee has several tasks, including the assessment of the quality of the internal control system, and risk management. The aim is to ensure that the main risks faced by JGL, including those related to regulatory compliance, are appropriately identified.

Detection, reporting and investigating concerns regarding illegal conduct or conduct which is contrary to the Code of Conduct or similar internal rules

JGL maintains high standards when it comes to compliance with applicable regulations and professional standards, and it is actively involved in rectifying and eliminating potential irregularities in its operations. For this purpose, JGL invites anyone who might have information regarding potential irregularities to report them. This is why JGL has adopted Rules regarding the internal procedure for reporting irregularities and the designation of the confidential person, which carefully defines the procedure for reporting irregularities, the procedure for protecting the party who reports irregularities, and all resulting rights and obligations for JGL and for the reporting person. Reports can be made by internal and external stakeholders to the designated confidential persons.

Prevention of corruption and bribery[23]

JGL strives to comply with all the relevant regulations and professional standards, and it is actively involved in rectifying and eliminating potential irregularities. JGL invites anyone who might have information regarding potential irregularities to report them, and ensures the appropriate means for submitting such reports. This is why JGL has adopted the aforementioned Rules regarding the internal procedure for reporting irregularities and the designation of the confidential person, and it has designated confidential persons to whom potential irregularities may be reported. The Rules with all the necessary information for a potential report are available at JGL's website (www.jgl.hr/prijava-nepravilnosti), and on the intranet for all employees.

The basic anti-corruption and anti-bribery principles are clearly defined in the Code of Ethics and the Supplier Code of Conduct. In 2024, additional anti-corruption and anti-bribery policies are to be introduced, alongside the corresponding education activities.

In 2024, additional anti-corruption and anti-bribery policies are to be introduced.

[22] G1-1
[23] G1-3

Protection of whistleblowers

By designating confidential persons and adopting the Rules regarding the internal procedure for reporting irregularities and on the designation of the confidential person, JGL has established a structure which enables its employees and other stakeholders to anonymously or directly report any potential irregularities in JGL's operations. This step contributes to creating a transparent ad accountable environment within the Company.

In 2024, JGL will pay additional attention to intensifying its business conduct incident investigation procedures, including any cases of corruption and bribery, in accordance with the applicable legislation and internal rules. Education and training activities aimed at preventing corruption and bribery planned for 2024 will contribute to raising awareness and protecting the Company against these risks.

Auditor's report and consolidated and separate financial statements

for the year that ended
on 31 December 2023

3

This version of the annual report is a translation from the original, which was prepared in the Croatian language.
All possible care has been taken to ensure that the translation is an accurate representation of the original.
However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over translation.

Contents

3

Responsibility of the Chief Executive Officer for the Preparation and Approval of Annual Financial Statements

In this material, “JGL” and “Company” means JADRAN – GALENSKI LABORATORIJ d.d., while “Group” means the Company and its subsidiaries.

Pursuant to the Croatian Accounting Act, the Executive Director is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (“EU”) give a true and fair view of the financial position and results of the Group and the Company for that period.
The Executive Director has a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Executive Director continues to adopt the going concern basis in preparing the financial statements.

In preparing these financial statements, the responsibilities of the Executive Director include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the financial statements are prepared on the going concern basis.

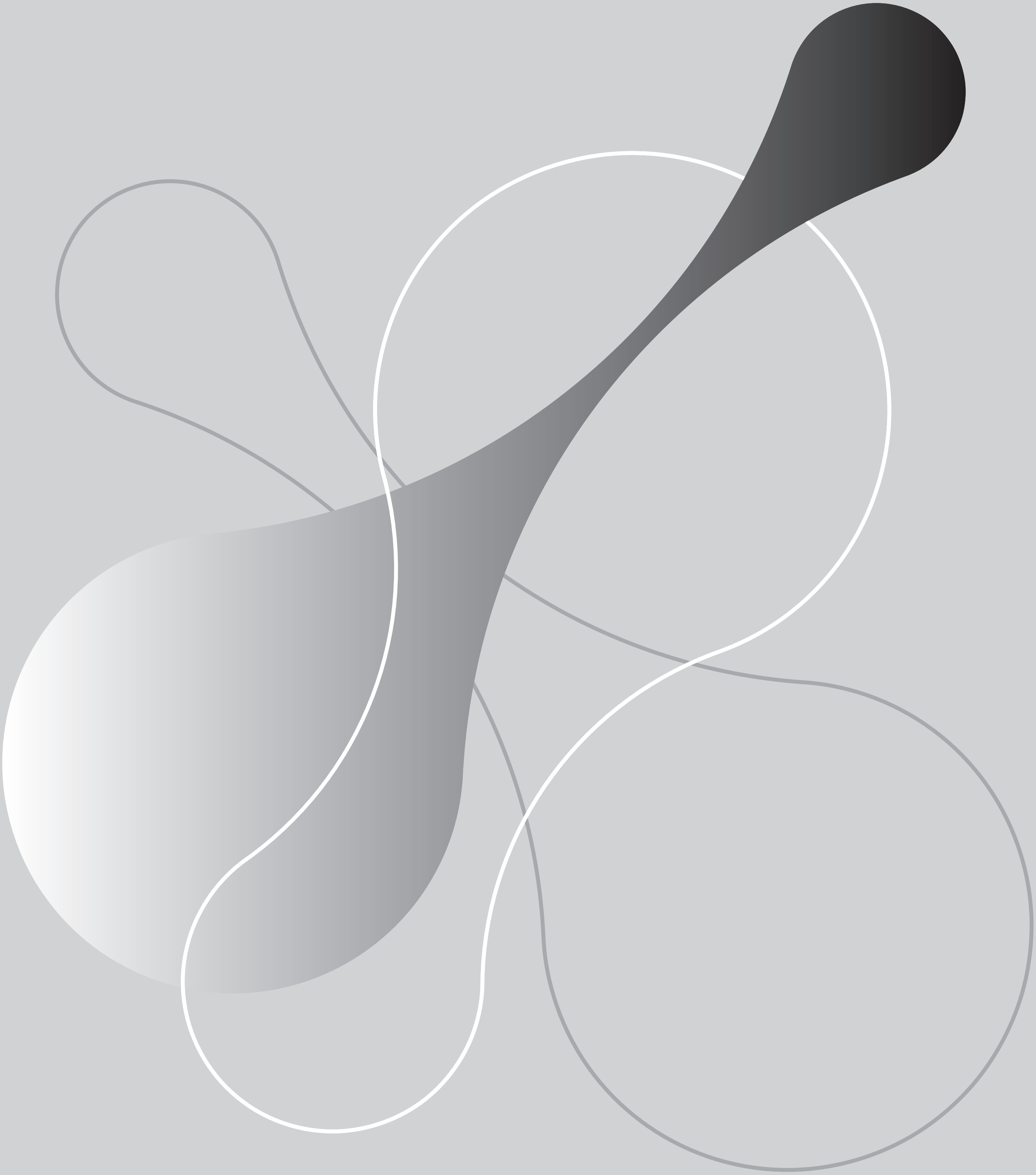
The Executive Director is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and must also ensure that the financial statements comply with the Croatian Accounting Act. The Executive Director is also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The Chief Executive Officer is responsible for submitting annual financial statements to the Company’s Board of Directors for their acceptance.

These statements represent consolidated statements of the Group and unconsolidated statements of the Company.

The consolidated and unconsolidated financial statements were approved by the Chief Executive Officer on 29 April 2024 for submission to the Company's Board of Directors for acceptance, further confirmed by signature.

For JGL d.d

Mislav Vučić
Chief Executive Officer



Ernst & Young d.o.o.
Radnička cesta 50, 10 000 Zagreb
Hrvatska / Croatia
MBS: 080435407
OIB: 58960122779
PDV br. / VAT no.: HR58960122779

Tel: +385 1 5800 800
Fax: +385 1 5800 888
www.ey.com/hr

Banka / Bank:
Erste & Steiermärkische Bank d.d.
Jadranski trg 3A, 51000 Rijeka
Hrvatska / Croatia
IBAN: HR3324020061100280716
SWIFT: ESBCHR22

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JGL d.d.

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate financial statements of JGL d.d. (the Company), and consolidated financial statements of JGL d.d. and its subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2023, the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement cash flows for the year then ended, and notes to the separate and consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2023 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Building a better
working world

Key audit matters (continued)

Key Audit Matter	How we addressed Key Audit Matter
Revenue recognition and presentation of discounts and rebates *See Note 2.6 Revenues and Note 3 Sales revenue* The Group has sales revenue totaling EUR 208,229 thousand as at 31 December 2023 and the Company has sales revenue totaling EUR 129,863 thousand. Revenues are recognised for each separate contractual obligation for delivery of goods or services in the amount of the transaction price which represents agreed remuneration to which the Group or the Company expects to be entitled in exchange for the transfer of the contracted goods or services. Revenues are measured net of bonuses and rebates. Revenues are recognised when the delivery obligations are satisfied by transferring control of the contracted goods and services to the buyer. Control over the goods is transferred when the buyer has full possession of the goods and there are no outstanding obligations that could affect the buyer's acceptance of the goods. The Group and the Company operate in various markets and use a variety of shipment terms for the customers and the invoices are usually created for delivery notes in a certain period of time and this has an impact on the timing of revenue recognition. There is a higher risk that revenue could be recognized in the incorrect period for sales transactions occurring on and around the year end. Due to the significance and complexity of revenues in the financial statements, we have concluded revenue recognition to be key audit matter for our audit.	Audit procedures included but were not limited to understanding of the revenue recognition process as well as assessment of compliance with policies related to International Financial Reporting Standards as adopted by the European Union (IFRS). We obtained understanding of the controls implemented in the revenue recognition process and tested their operational effectiveness. We tested a sample of revenue transactions before and after the balance sheet date, as well as approvals and refunds after the reporting date. We also obtained customer confirmations of amounts outstanding at the reporting date for a sample of customers and gained understanding of any differences between customer confirmations received and the Group's or Company's accounting records. We performed analysis of the volume of bonuses and rebates to customers throughout the year. We performed analysis of returns after the end of the year and performed testing on a sample basis to confirm whether those credit notes were recognized in the proper period and in appropriate amount. We performed analysis of actual sales revenue for the current year, compared the current year information to historical and planned data and investigated unexpected differences. Based on a sample of key customers, we performed review of contract provisions and recalculation of the value of bonuses and rebates. We performed analytical procedures on accounts receivable and sales revenue positions. We performed testing of period-end journal entries with an emphasis on revenue accounts and non-standard and manual postings. We also assessed the adequacy of relevant disclosures Note 2.6 Revenues and Note 3 Sales revenue in financial statements as well as their compliance with IFRS.

Other matter

The separate and consolidated financial statements of the Company and the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 27 April 2023.

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Other information

Management is responsible for the other information. Other information comprises the Management Report, Non-financial Report and Corporate Governance Statement included in the Company's and Group's Annual Report, but does not include separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the other information.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, Non-financial Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed separate and consolidated financial statements;

2.the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act;

3. the enclosed Non-financial Report is prepared in accordance with requirements of Article 21a of the Accounting Act; and

4. the enclosed Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Company and Group and its environment obtained in the course of the audit of separate and consolidated financial statements, we are also required to report if we have identified material misstatements in the Management Report, Non-financial Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 ISAs 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 separate and consolidated financial statements.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated 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 auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee 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 also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

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Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company on 19 June 2023 representing a total period of uninterrupted engagement appointment of 1 year.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 April 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of separate and consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20, 83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the separate and consolidated financial statements, as contained in the attached electronic file *JGL separate and consolidated FS 2023 ENG*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the separate and consolidated financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of separate and consolidated financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

Management is also responsible for:

- the public disclosure of separate and consolidated financial statements included in the annual report, in XHTML format and selecting and using XBLR codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the separate and consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the separate and consolidated financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the separate and consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the separate and consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

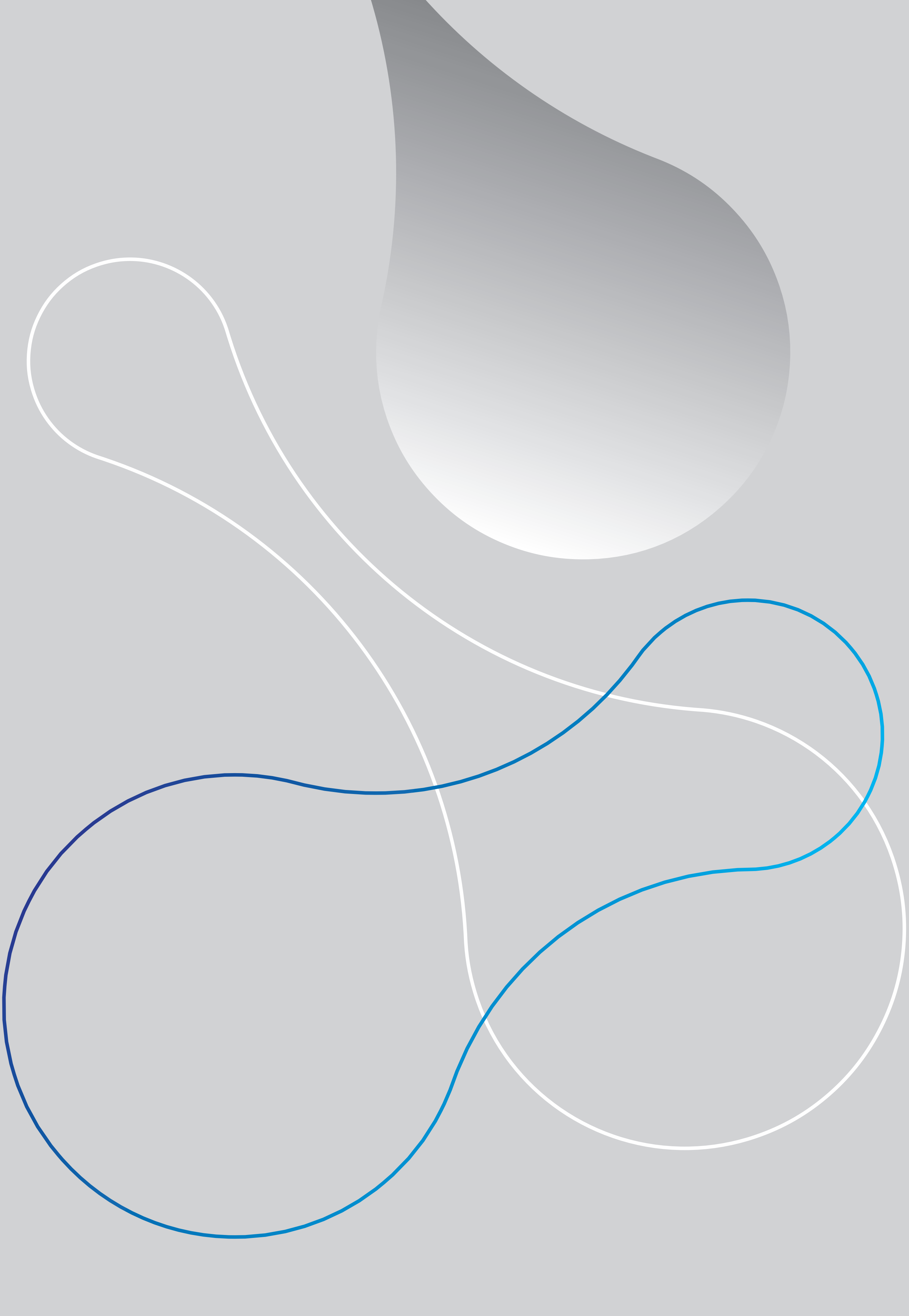
Based on the procedures performed and evidence gathered, the separate and consolidated financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor’s report related to accompanying separate and consolidated financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partner in charge of the audit resulting in this independent auditor’s report is Berislav Horvat.

Berislav Horvat
President of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
29 April 2024



STATEMENT OF COMPREHENSIVE INCOME
FOR 2023

		GROUP		COMPANY	
	Note	**2023**	**2022 (restated)**	**2023**	**2022 (restated)**
OPERATING INCOME		**210,888,201**	**178,504,699**	**132,073,576**	**106,803,813**
Sales revenue	3	208,228,514	176,149,198	129,862,650	104,908,289
Other operating income	4	2,659,687	2,355,501	2,210,926	1,895,524
OPERATING EXPENSES		**(183,898,633)**	**(154,373,511)**	**(113,692,889)**	**(87,754,375)**
Changes in inventories		5,767,804	3,175,502	5,713,086	2,956,800
Material expenses	5	(86,577,153)	(68,361,217)	(57,257,267)	(41,078,090)
Service expenses	6	(40,051,789)	(36,917,743)	(17,382,875)	(14,936,800)
Staff expenses	7	(36,946,450)	(32,833,727)	(23,453,596)	(19,550,914)
Depreciation	8	(9,880,879)	(8,322,969)	(8,293,460)	(6,849,444)
Value adjustment	9	(4,964,739)	(948,062)	(4,905,309)	(821,863)
Other operating expenses	10	(11,245,427)	(10,165,295)	(8,113,468)	(7,474,064)
Financial revenue	11	2,134,443	8,055,309	1,608,015	8,001,531
Financial expenses	11	(7,751,678)	(13,258,124)	(7,039,867)	(12,579,799)
Net financial expenses	11	**(5,617,235)**	**(5,202,815)**	**(5,431,852)**	**(4,578,268)**
Share in associated company results	12	5,205	3,372	-	-
RESULTS BEFORE TAX		**21,377,538**	**18,931,745**	**12,948,835**	**14,471,170**
Income tax	13	(1,795,065)	271,552	135,901	1,199,723
RESULT		**19,582,473**	**19,203,297**	**13,084,736**	**15,670,893**
Exchange rate differences from translation of foreign operations	14	(460,831)	41,367	-	-
OTHER COMPEHENSIVE RESULT	14	**(460,831)**	**41,367**	-	-
TOTAL COMPEHENSIVE RESULT		**19,121,642**	**19,244,664**	**13,084,736**	**15,670,893**
Earnings per share (basic and diluted)		16.41	16.57		

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

STATEMENT OF FINANCIAL POSITION ON 31.12.2023

		GROUP		COMPANY	
	Note	2023	2022 (restarted)	2023	2022 (restarted)
ASSETS					
Non-current assets		**146,590,175**	**138,953,948**	**149,292,414**	**142,653,556**
Intangible assets	15	23,913,692	23,683,191	17,017,769	17,428,637
Property, plant and equipment	16	116,295,976	108,942,178	108,454,036	101,528,393
Investments in property	17	2,337,742	2,368,799	2,337,742	2,368,799
Investment in subsidiaries	18	-	-	18,492,172	18,492,172
Other financial assets	19	271,709	266,514	163,458	163,458
Deferred tax assets	20	3,771,056	3,693,266	2,827,237	2,672,097
Current assets		**127,091,841**	**109,986,403**	**101,053,914**	**90,221,413**
Inventories	21	46,447,995	37,117,362	40,659,521	32,148,647
Non-current assets held for sale		-	20,054	-	-
Income tax receivables		2,422,283	1,496,727	41,307	72,546
Trade receivables and other receivables	22	53,328,186	53,358,804	40,016,738	43,802,318
Financial assets at fair value through P&L account	23	2,919,805	2,772,388	2,919,805	2,772,388
Other financial assets	24	46,210	40,725	48,100	424,156
Cash and cash equivalents	25	20,890,800	14,410,215	16,547,369	10,475,852
Other assets	26	1,036,562	770,128	821,074	525,506
TOTAL ASSETS		**273,682,016**	**248,940,351**	**250,346,328**	**232,874,969**

STATEMENT OF FINANCIAL POSITION ON 31.12.2023 (continued)

		GROUP		COMPANY	
	Note	**2023**	**2022 (restarted)**	**2023**	**2022 (restarted)**
CAPITAL AND LIABILITIES					
Equity and reserves		**139,435,208**	**120,401,475**	**136,904,226**	**123,371,651**
Share capital	27	16,315,325	16,374,743	16,315,325	16,374,743
Reserves	28	18,895,038	13,023,749	19,173,126	12,842,385
Own shares	29	(532,558)	(864,981)	(532,558)	(864,981)
Retained earnings or accumulated loss	30	85,174,930	72,664,667	88,863,597	79,348,611
Result for the financial year	31	19,582,473	19,203,297	13,084,736	15,670,893
Non- current libilities		**66,396,602**	**76,697,322**	**62,443,540**	**73,146,432**
Provisions	32	582,825	523,934	472,073	422,341
Liabilities to banks and financial institutions	33	60,396,185	53,726,060	60,396,185	53,726,060
Lease liabilities	34	4,578,816	4,549,846	1,575,057	1,856,857
Trade payables		225	-	225	-
Liabilities for securities	35	-	17,141,174	-	17,141,174
Deferred tax liability	36	838,551	756,308	-	-
Current liabilities		**67,850,206**	**51,841,554**	**50,998,562**	**36,356,886**
Liabilities to banks and financial institutions	37	6,416,622	3,648,912	5,316,559	3,642,581
Lease liabilities	38	2,521,650	2,728,852	1,323,814	1,532,075
Trade payables	39	29,618,502	33,281,776	18,623,888	22,264,912
Liabilities for securities	40	16,941,677	-	16,941,677	-
Income tax payable		85,184	23,074	-	-
Other liabilities	41	12,266,571	12,158,940	8,792,624	8,917,318
TOTAL EQUITY AND LIABILITIES		**273,682,016**	**248,940,351**	**250,346,328**	**232,874,969**

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT OF FINANCIAL POSITION

CHANGES IN EQUITY FOR 2023

GROUP

	Share capital	Reserves	Own shares	Retained profit	Result for the year	Total
As of January 1, 2022	**16,197,823**	**12,256,497**	**(1,023,279)**	**62,485,408**	**11,439,203**	**101,355,652**
Comprehensive income:						
Net profit for the year	-	-	-	11,439,203	7,764,094	**19,203,297**
Other comprehensive income	-	41,367	-	-	-	**41,367**
Total comprehensive income for the year	**-**	**41,367**	**-**	**11,439,203**	**7,764,094**	**19,244,664**
Transactions with owners						
Increase of share capital	176,920	891,674	-	-	-	**1,068,594**
Acquisition of a new company	-	-	-	173,071	-	**173,071**
Repurchase of own shares (note 1.3)	-	1,680,420	(75,387)	1,411,458	-	**3,016,491**
Allocation of shares (note 1.3)	-	(1,838,718)	233,685	(502,649)	-	**(2,107,682)**
Dividend (note 1.3)	-	-	-	(2,156,981)		(2,156,981)
Effect of conversion to EUR	-	(7,491)	-	-	-	**(7,491)**
Other changes	-	-	-	(184,843)	-	**(184,843)**
Balance as of December 31, 2022	**16,374,743**	**13,023,749**	**(864,981)**	**72,664,667**	**19,203,297**	**120,401,475**
Balance as of January 1, 2023	16,374,743	13,023,749	(864,981)	72,664,667	19,203,297	**120,401,475**
Comprehensive income:						
Net profit for the year	-	4,717,948	-	14,485,349	379,176	**19,582,473**
Other comprehensive income	-	(460,831)	-	-	-	**(460,831)**
Total comprehensive income for the year	**(335,928)**	**4,257,117**	**-**	**14,485,349**	**379,176**	**19,121,642**
Transactions with owners						
Increase of share capital	276,510	1,609,288	-	-	-	**1,885,798**
Repurchase of own shares (note 1.3)	-	1,856,394	(2,033)	2,158,517	-	**4,012,878**
Allocation of shares (note 1.3)	-	(2,171,067)	316,706	(14,137)	-	**(1,868,498)**
Dividend (note 1.3)	-	-	-	(3,582,339)	-	**(3,582,339)**
Other changes	-	1,379	-	(537,127)	-	**(535,748)**
Effect of conversion to EUR	(335,928)	318,178	17.750	-	-	-
Balance as of December 31, 2023	**16,315,325**	**18,895,038**	**(532,558)**	**85,174,930**	**19,582,473**	**139,435,208**

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE CHANGES IN EQUITY

CHANGES IN EQUITY FOR 2023
(continued)

COMPANY

	Share capital	Reserves	Own shares	Retained profit	Result for the year	Total
As of January 1, 2022	**16,197,823**	**12,115,122**	**(1,023,279)**	**63,812,900**	**16,783,883**	**107,886,449**
Comprehensive income:						
Net profit for the year	-	-	-	16,783,883	(1,112,990)	**15,670,893**
Other comprehensive income	-	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**16,783,883**	**(1,112,990)**	**15,670,893**
Transactions with owners						
Increase of share capital	176,920	891,674	-	-	-	**1,068,594**
Repurchase of own shares (note 1.3)	-	1,680,420	(75,387)	1,411,458	-	**3,016,491**
Allocation of shares (note 1.3)	-	(1,838,718)	233,685	(502,649)	-	**(2,107,682)**
Dividend (note 1.3)	-	-	-	(2,156,981)	-	**(2,156,981)**
Effect of conversion to EUR	-	(6,113)	-	-	-	**(6,113)**
Balance as of December 31, 2022	**16,374,743**	**12,842,385**	**(864,981)**	**79,348,611**	**15,670,893**	**123,371,651**
Balance as of January 1, 2023	16,374,743	12,842,385	(864,981)	79,348,611	15,670,893	**123,371,651**
Comprehensive income:						
Net profit for the year	-	4,717,948	-	10,952,945	(2,586,157)	**13,084,736**
Other comprehensive income	-	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**4,717,948**	**-**	**10,952,945**	**(2,586,157)**	**13,084,736**
Transactions with owners						
Increase of share capital	276,510	1,609,288	-	-	-	**1,885,798**
Repurchase of own shares (note 1.3)	-	1,856,394	(2,033)	2,158,517	-	**4,012,878**
Allocation of shares (note 1.3)	-	(2,171,067)	316,706	(14,137)	-	**(1,868,498)**
Dividend (note 1.3)	-	-	-	(3,582,339)	-	**(3,582,339)**
Effect of conversion to EUR	(335,928)	318,178	17,750	-	-	**-**
Balance as of December 31, 2023	**16,315,325**	**19,173,126**	**(532,558)**	**88,863,597**	**13,084,736**	**136,904,226**

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE CHANGES IN EQUITY

STATEMENT OF CASH FLOWS – DIRECT METHOD

	GROUP		COMPANY	
	2023	2022	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES	**17,396,631**	**22,493,052**	**14,301,070**	**17,391,059**
Cash receipts from operating activities	**219,359,106**	**182,743,930**	**135,223,502**	**102,650,970**
Cash receipts from customers	214,656,478	178,926,550	131,195,890	99,876,588
Cash receipts from damage insurance	209,288	248,041	172,236	232,412
Cash receipts from tax refund	3,944,112	2,810,478	3,726,512	2,411,350
Other cash receipts from operating activities	549,228	758,861	128,864	130,620
Cash outflows from operating activities	**(201,962,475)**	**(160,250,878)**	**(120,922,432)**	**(85,259,911)**
Cash outflows for suppliers	(149,241,379)	(114,079,226)	(93,311,680)	(61,737,651)
Cash outflows for employees	(24,961,865)	(20,805,572)	(15,564,145)	(11,802,530)
Cash outflows for damage insurance	(395,233)	(347,181)	(374,217)	(330,750)
Cash outflows for interest	(1,208,768)	(1,222,135)	(1,176,334)	(1,199,983)
Other cash outflows from operating activities	(25,911,934)	(23,456,431)	(10,473,917)	(10,116,451)
Cash outflows for income tax paid	(243,296)	(340,333)	(22,139)	(72,546)

STATEMENT OF CASH FLOWS – DIRECT METHOD (continued)

		GROUP		COMPANY
	2023	**2022**	**2023**	**2022**
CASH FLOW FROM INVESTING ACTIVITIES	**(17,571,853)**	**(26,157,498)**	**(15,394,125)**	**(24,716,260)**
Cash flows from investing activities	**744,721**	**4,123,244**	**955,128**	**4,325,619**
Cash receipts from sale of tangible and intangible assets	247,940	586,539	237,699	532,711
Cash receipts from sale of financial instruments	-	3,465,429	-	3,465,429
Cash receipts from interest	453,019	38,779	274,026	249
Cash receipts from reimbursed loans	26,515	13,820	426,156	308,553
Other cash receipts from investing activities	17,247	18,677	17,247	18,677
Cash outflows from investing activities	**(18,316,574)**	**(30,280,742)**	**(16,349,253)**	**(29,041,879)**
Cash outflows for the procurement of tangible and intangible assets	(16,954,574)	(29,716,670)	(16,298,883)	(28,995,059)
Cash outflows for loans	(32,000)	(33,181)	(50,370)	(46,820)
Other cash outflows from investing activities	(1,330,000)	(530,891)	-	-

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS – DIRECT METHOD (continued)

	GROUP		COMPANY	
	2023	2022	2023	2022
CASH FLOW FROM FINANCIAL ACTIVITIES	**6,706,036**	**7,852,964**	**7,214,801**	**10,925,481**
Cash receipts from financing activities	**19,266,447**	**37,723,458**	**15,502,269**	**26,582,825**
Cash receipts from increase of share (subscribed) capital (note 27.)	276,510	176,920	276,510	176,920
Cash receipts from the acquisition of equity and debt financial instruments	1,609,288	891,674	1,609,288	891,674
Cash receipts from loan principal, borrowing and other lending	15,601,597	35,583,731	11,837,419	24,443,098
Other cash receipts from financial activities	1,779,052	1,071,133	1,779,052	1,071,133
Cash outflows from financing activities	**(12,560,411)**	**(29,870,494)**	**(8,287,468)**	**(15,657,344)**
Cash outflows for reimbursed loans	(6,397,205)	(24,976,876)	(3,528,924)	(12,049,900)
Cash outflows for dividend payment	(3,558,942)	(2,141,652)	(3,558,942)	(2,141,652)
Cash outflows for lease	(2,590,127)	(2,557,011)	(1,185,465)	(1,270,839)
Cash outflows for redemption of own shares	(14,137)	(192,342)	(14,137)	(192,342)
Other cash outflows from financial activities	0	(2,613)	-	(2,611)
Unrealised exchange rate differences in cash	(50,229)	3,256,093	(50,229)	3,255,649
Cash and cash equivalents at the beginning of the period	**14,410,215**	**6,965,604**	**10,475,852**	**3,619,923**
Increase/decrease in cash and cash equivalents	6,480,585	7,444,611	6,071,517	6,855,929
Cash and cash equivalents at the end of the period	**20,890,800**	**14,410,215**	**16,547,369**	**10,475,852**

JGL D. D.
NOTES TO FINANCIAL STATEMENTS FOR 2023

1. GENERAL INFORMATION

These financial statements for the year that ended on 31 December 2023 consist of unconsolidated statements of JADRAN – GALENSKI LABORATORIJ d.d. ("JGL" or "Company") and consolidated statements consisting of the statements of the Company and its subsidiaries (together: "Group").

The Company was founded and operates in Croatia. The registered address of the Company is located at Svilno 20, Rijeka. The Group consists of the Company and its subsidiaries:

	2023	2022
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%
Ljekarna Pablo Rijeka	100%	100%
Ljekarne Zorka Muvrin	0%	100%
ZU Goranske ljekarne	100%	0%
JGL North America LLC	100%	100%
Adrialab d.o.o.	100%	100%
Jadran LLC Moscow	100%	100%
JGL PPH d.o.o. Rijeka	100%	100%

In the course of 2023, the institution Ljekarna Pablo Rijeka annexed the institution Ljekarna Zorka Muvrin.

In the course of 2023, the institution Ljekarna Pablo Rijeka bought the ZU Goranske ljekarne. On the acquisition date of October 20, 2023, the institution Ljekarna Pablo Rijeka and the natural persons Jasna Zakupak and Jadranka Pojer-Ivančić entered into an agreement by which they acquired 100% of the ownership shares of ZU Goranske ljekarne. The takeover fee was EUR 1,150,000, the net fair value of the assets of ZU Goranske ljekarna was EUR 590,000. During the acquisition, an identified acquired intangible asset, which refers to a license to perform pharmacy activities, was determined in the amount of EUR 678,000, and a deferred tax liability in the amount of EUR 122,000. During the acquisition, goodwill of EUR 4,000 was realized.

Entity over which the Company exercises significant influence:

	2023	2022
Galena d.o.o. Rijeka	49%	49%

The Group and the Company have transactions with related parties:

	GROUP		COMPANY	
	2023	2022	2023	2022
Jadran informatika d.o.o.	x	x	x	x
Kanal RI	x	x	x	x
Natura Pharma d.o.o.	x	x	x	x
Poliklinika Pablo	x	x	-	-
Bruno Mihanović	x	x	-	-
Nogometni klub LOKOMOTIVA Rijeka	x	-	x	-
Capobianco d.o.o.	x	-	-	-
Ružica Mihanović	x	-	-	-

1.1. History and founding

JADRAN – GALENSKI LABORATORIJ, a joint-stock company for the manufacture and sale of pharmaceutical and cosmetic products, Rijeka, Svilno 20, was entered in the register of the Commercial Court in Rijeka on 2 May 1991 in the register file under registration number 040004561. The OIB (PIN) of the Company is 20950636972. On 24 October 2011, the Company changed its abbreviated name to JGL d.d. On 10 February 2012, the Company changed its abbreviated name to JADRAN – GALENSKI LABORATORIJ d.d. On 6 November 2013, the Company changed its registered office to Svilno 20, Rijeka.

1.2. Main activities

The most important registered activities of the Company are as follows: manufacture of pharmaceuticals, manufacture of basic pharmaceutical raw materials, manufacture of other chemical products and manufacture of perfumes, toiletries and cosmetics.

Subsidiaries of the Group manufacture and distribute pharmaceuticals in retail and wholesale.

1.3. Ownership structure

The share capital of JGL d.d. Rijeka amounts to EUR 16,315,325 (EUR 16,374,743 in 2022) and is divided into 1,255,025 (1,233,755 in 2022) shares with a nominal value of EUR 13 per share, namely series A 7,500 shares, series B 30,000 shares , series C 18,750 shares, series D 8,500 shares, series E 524,790 shares, series F 589,540 shares, series G 5,640 shares, series H 7,830 shares, series I 13,050 shares, series J 14,825 shares, series K 13,330 shares and series L 21,270 shares .

At the beginning of the period, the Company owned 65,172 own shares. By the end of the financial year, the Company had redeemed 140, allocated 4,280 and 20,066 of own shares as dividend payment in line with dividend rights, and on 31 December 2023, the number of own shares in the Company's portfolio amounted to 40,966. In 2023, no own shares were allocated to related parties.

In accordance with the provisions of the Companies Act, the Company formed reserves for the purchase of its own shares, which as at 31 December 2023 amounted to EUR 553,092 (2022 EUR 2,697,472).

Statutory and other reserves of the Group and the Company were formed in accordance with the Companies Act and the Articles of Association of JGL d.d., Rijeka. As at 31 December 2023, statutory reserves amounted to EUR 11,587,855 (EUR 6,869,907 in 2022).

As at 31 December 2023, other reserves of the Group amounted to are EUR 0 (EUR 459,382 in 2022). As at 31 December 2022, other reserves of the Company amounted to EUR 278,017 (EUR 278,017 in 2022).

By the decision of the regular General Assembly of the Company, a total of EUR 3,582,339 (EUR 2,156,981 in 2022) was set aside from the retained earnings realized in 2009 and 2010 as a dividend to the holders of ordinary shares series A, B, C, D, E , F, G, H, I, J, K and L in the amount of EUR 3.00 per share with the right to a dividend.

The net profit of the Group for the current year amounts to EUR 19,582,473 (EUR 19,203,297 in 2022) and represents the profit realized according to the Profit and Loss Account. The Company's net profit for the current year amounts to EUR 13,084,736 (EUR 15,670,893 in 2022) and represents the profit realized according to the Profit and Loss Account.

The Group's net profit per share as at 31 December 2023 amounts to EUR 16.41 (2022: EUR 16.57/share), and is calculated on the basis of the weighted average number of ordinary shares.

Dividends are recognized in the statement of changes in equity and shown as a liability in the period in which they are voted.

1.4. Company bodies

In accordance with the Companies Act, on 31 December 2014, the Company changed its previous dual joint-stock company structure to a monistic structure in which the roles of leadership and supervision are taken over by a single body – the Company's Board of Directors.

As at 31 December 2023, the members of the Company's Board of Directors are as follows:

- Ivo Usmiani – President
- Dino Ćoza Saršon – Vice President
- Grozdana Božić – Member
- Eva Usmiani Capobianco – Member
- Dorotea Pernjak Banić – Member
- Mislav Vučić – Member
- Sanja Katalinić – Member

As at 31 December 2017, the Company is represented and operationally managed by Mislav Vučić as sole executive officer.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1. Fundamentals of drawing up statements

2.1.1. Statement of compliance

The financial statements of the Group and the Company have been drawn up in accordance with the legal requirements in the Republic of Croatia and the International Financial Reporting Standards ("IFRS") applied in the European Union.

The financial statements are prepared according to the historical cost principle, except for certain financial instruments and investments in property, which are reported at fair value.

Accounting policies have been applied consistently, unless stated otherwise. The financial statements are drawn up according to the accrual principle under the assumption of unlimited business continuity.

The financial statements of the Group and the Company are drawn up in euro as the measurement and reporting currency of the Company. On 31 December 2023, the exchange rate for EUR 1 was RUB 99,1 (2022 RUB 70,6).

The statement of comprehensive income for 2022 was converted from HRK to EUR at the average annual exchange rate for 2022 of HRK 7.531561 for EUR 1, while the balance sheet was converted at the closing exchange rate on 12/31/2022. year from HRK 7.5345 for EUR 1.

2.1.2. New and amended standards and interpretations in the current period

The following new standards and amended existing standards issued by the Committee for International Accounting Standards and Interpretations issued by the Committee for the Interpretation of International Financial Reporting and adopted in the EU are in force in the current period:

- IFRS 17 Insurance Contracts, published on 18 May 2017; includes amendments to IFRS 17, issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 Insurance Contracts, First-time Application of IFRS 17 and IFRS 9 – Comparative Data, published on 9 December 2021 (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12 Income tax: Deferred tax related to assets and liabilities arising from individual transactions, published on May 7, 2021 (effective date for annual periods beginning on or after January 1, 2023) .
- Amendments to IAS 12 Income Tax: International Tax Reform – Second Pillar Model Rules, published on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Guideline 2: Disclosure of Accounting Policies, published on February 12, 2021 (effective date for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on February 12, 2021 (effective date for annual periods beginning on or after January 1, 2023).

The adoption of this standard and interpretation did not have a significant impact on the financial statements of the Group and the Company.

2.1.3. Standards that have been issued, but are not yet in force and have not been previously adopted, are not applied by the Group and the Company:

- Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current or long-term, issued on January 23, 2020 and amended on July 15, 2020 (effective date for annual periods beginning on or after January 1, 2024).
- Amendments to IFRS 16 Leases: Leaseback Liabilities, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

The Group and the Company do not expect that the adoption of the mentioned standards and interpretations will have a significant impact on the financial statements of the Group and the Company.

2.1.4. Standards issued and not yet adopted in the EU

As of the date of issuance of these financial statements, the following standards, revisions and interpretations issued by the International Accounting Standards Board have not been adopted in the European Union:

- Amendments to IAS 21 Effects of Changes in Foreign Currency Exchange Rates: Lack of Exchangeability (issued on August 15, 2023).
- Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosure - Supplier Financial Arrangements (issued on May 25, 2023).

The Group and the Company do not expect that the adoption of the mentioned standards and interpretations will have a significant impact on the financial statements of the Group and the Company.

2.2. Foreign currencies

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 euro, which represents the functional and reporting currency of the Group and the Company.

Considering that the Republic of Croatia introduced the euro as the official currency as of January 1, 2023, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company changed the presentation currency for the purposes of preparing financial statements for the year ended December 31, 2023 from kuna to euros, and the financial statements for the year ended December 31, 2023 are first prepared in euros. From January 1, 2023, the euro is also the functional currency of the Company (until January 1, 2023, it was HRK).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company did not publish the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

2.3. Revenues

Revenues arise from the regular operations of the Group and the Company. Revenue is recognised in a manner that reflects the transfer of the contracted goods or services to the customer in an amount that reflects the consideration to which the customer expects to be entitled in exchange for the contracted goods or services.

Control over the services is transferred at a certain point in time, and revenue from the provision of services is recognised in the period in which the services are performed.

Subsequent bonuses and rebates to customers are recognized as a reversal of the income of the period in which the sale was realized.

2.4. Financial revenue and expenses

Borrowing costs directly related to the purchase, construction or production of a qualifying asset are capitalised over the period 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.

2.5. Taxation

The Group reports its tax liability in accordance with the tax legislation of the country where the company is headquartered. Thus, the Company declares its tax liability in accordance with Croatian tax laws. Income tax for the current year includes current and deferred tax.

Current tax is the expected tax payable on the taxable profit of the current year, using the tax rate in effect at the balance sheet date. The Company is the bearer of investment incentives awarded by the Ministry of Economy and achieves a reduction of the legal tax rate of 100% up to the total incentive amount or within the legal limit of 10 years.

Deferred taxes result from temporary differences between the value of assets and liabilities shown in the financial statements from the values shown for the purpose of determining the income tax base.

Deferred tax assets for deductible temporary differences, unused tax losses and unused tax credits are recognised if there is a probability that taxable profit will be realised in the future, against which the deferred tax asset will be used.

2.6. Government grants

Government grants related to assets are presented in the balance sheet of the Group and the Company as deferred income that is recognized in profit or loss systematically over the useful life of the asset.

2.7. Intangible assets

Development costs are capitalised as internally developed intangible assets only when the development costs can be reliably measured, the products or processes are technically and commercially feasible, when it is certain that future economic benefits will flow to the Group or the Company, that the Group or the Company has sufficient funds for completion of the development and that they will use or sell the assets. Capitalised costs include the costs of materials, direct labour, equipment depreciation and outside services directly related 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.

The Group's costs arising from the acquisition of licenses for the practice of pharmacy, without which it is impossible to perform the activity of pharmacy itself, are capitalised up to the amount for which future economic benefits are probable. Licenses have an indefinite life and are not depreciated, but are assessed for impairment once a year.

Goodwill arises during the acquisition of a subsidiary or jointly controlled entity and represents the difference between the fair value of the acquisition cost and the fair value of the Group's share in the net identifiable assets of the acquired company on the date of acquisition.

Separately reported goodwill is checked annually for impairment and is reported at acquisition cost minus accumulated impairment losses. Goodwill impairment losses are not reversed. Goodwill is allocated for impairment testing purposes to cash-generating units, or groups of cash-generating units, that are expected to benefit from the business combination in which the goodwill arose. Each cash-generating unit, or group of cash-generating units, to which goodwill is allocated represents the lowest level within the Group at which the executive officer monitors goodwill for internal purposes.

Any gain or loss resulting from reduction to fair value is reported through profit or loss.

Depreciation of intangible assets is calculated on the straight-line basis over the estimated useful life of an individual item and is charged to the statement of comprehensive income. The applicable depreciation rates are:

	GROUP		COMPANY	
	2023	2022	2023	2022
Internally generated intangible assets	6.67%	6.67%	6.67%	6.67%
Licences	6.67% - indefinite	6.67% - indefinite	6.67-10%	6.67-10%
Software	10-50%	10-50%	10-33,33%	10-33,33%
Registration rights	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%

2.8. Property, plant and equipment

Property, plant and equipment are reported at acquisition cost minus the subsequent accumulated depreciation and impairment. Property under construction is reported at construction cost minus recognised impairment losses. The cost includes professional services fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's applicable accounting policy.

Depreciation of this asset begins at the moment when the asset is ready for its intended use. Depreciation is calculated in such a way that the purchase value of assets, except for property under construction, is written off during the estimated useful life on the straight-line basis, at the following rates:

	GROUP		COMPANY	
	2023	2022	2023	2022
Buildings	1.67-10%	1.67-10%	1.67-10%	1.67-10%
Plant and equipment	5-50%	5-50%	5-50%	5-50%
Tools, working inventory and means of transportation	5-50%	5-50%	5-50%	5-50%

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

Land is stated at acquisition cost and is not depreciated.

2.9. Leases

GROUP		
	2023	2022
Assets with the right of use – real estate	7.95-33.33%	7.95-33,33%
Assets with the right of use - vehicles	20-50%	20-50%
Assets with the right of use - equipment	5-20%	5-20%

SOCIETY		
	2023	2022
Assets with the right of use – real estate	10-20%	10-20%
Assets with the right of use - vehicles	20-50%	20-50%
Assets with the right of use - equipment	5-20%	5-20%

Right-of-use assets are depreciated over the period of the useful life of use or the contracted duration of the lease, whichever is shorter.

Lease liabilities are discounted using the interest rate derived from the lease. If this rate cannot be directly determined, the incremental borrowing interest rate is applied, which represents the rate that the Group or the Company would pay to borrow the funds needed to acquire such assets under similar economic conditions.

Leases maturing within 12 months and leases of low value are recognised using on the straight-line basis in the profit and loss account for the duration of the lease.

2.10. Impairment of tangible and non-tangible assets

On each balance sheet date, the Group and the Company check the book amounts of their long-term intangible and tangible assets to determine whether there are indications of impairment losses.

2.11. Investment property

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

Investment property is initially measured at cost, plus transaction costs, and subsequent valuation is performed using the fair value method. Determining the value of property investment is done on the basis of an assessment by an authorised independent appraiser.

A gain or loss arising from a change in the fair value of an investment in real estate is recognised in the statement of comprehensive income in the period in which it arose.

2.12. Investments in subsidiaries

Subsidiaries are companies in which the Company has control over operations, directly or indirectly. Investments in subsidiaries are initially recognised at expense. An assessment of the need for an impairment test and the necessary impairment tests are carried out annually. Investments in subsidiaries are subsequently valued at expense minus impairment.

2.13. Financial assets

The Group and the Company classify financial assets into a category that is measured at depreciated cost using the effective interest rate method, and as part of a business model whose goal is to collect the contracted cash flows and according to which the inflow of money is realised solely on the basis of principal repayment and interest on the outstanding principal amount.

Also, financial investments in equity securities and investment funds are measured at fair value through the profit and loss account.

2.13.1. Financial assets impairment

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

Significant increase in credit risk

The Group and the Company compare the risk of a default status on the reporting date with the risk of a default status of the financial instrument on the date of initial recognition when assessing whether the credit risk on the financial instrument has increased significantly since initial recognition. In making this assessment, the Group and the Company take into account both quantitative and qualitative information that is reasonable and available, including historical experience and the information available without undue cost or involvement.

2.14. Receivables

Receivables are initially measured at fair value. At each balance sheet date, receivables, the collection of which is expected in a period exceeding one year, are reported at a depreciated cost using the effective interest rate method minus the impairment loss for incurred and expected credit losses. Short-term receivables are reported at the initially recognised nominal amount minus the corresponding amount of allowance for incurred and expected credit losses.

2.15. Cash and cash equivalents

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

2.16. Inventories

Inventory conversion expenses include the expenses directly related to units of production and a systematically distributed fixed and variable part of general production expense incurred by converting materials into finished products. The allocation of fixed manufacturing overhead to conversion expense is based on normal production capacity.

Inventory consumption is measured using the weighted average cost method.

Small inventory is fully written off when put into use.

2.17. Financial liabilities

2.17.1. Financial liabilities at fair value through the profit and loss account

Financial liabilities are classified as financial liabilities at fair value in the profit and loss account when they are either intended for trading or are defined as such by the Group and the Company. A financial liability stated at fair value through the profit and loss account is measured at its fair value, and the associated profit or loss is recognised in the statement of comprehensive income.

2.17.2. Derecognition of a financial liability

The Group and the Company cease to recognise a financial liability only and exclusively if it has been settled, written off or if it expired.

2.18. Key estimates, assumptions and uncertainties in the drawing up of financial statements

When drawing up the financial statements, the executive officer used certain estimates and assumptions that affect the net book value of assets and liabilities of the Group and the Company, the publication of contingent items on the balance sheet date, and the published revenues and expenses of the then completed period.

Estimates were used, but not limited to: calculation and period of depreciation and residual value of real estate, plant and equipment and intangible assets, impairment assessments, allowances for inventories and doubtful and disputed claims, provisions for employee benefits and litigation.

More details on the accounting policies for these estimates are provided in the other notes to the financial statements. Future events and their impacts cannot be predicted with certainty. For this reason, accounting estimates require judgement, and those used in the preparation of financial statements are subject to change due to the occurrence of new events, the acquisition of additional experience, the acquisition of additional information and changes in the environment in which the Group and the Company operate. Actual results may differ from estimates.

3. SALES REVENUE

Sales revenue include revenue from sold goods, products and services

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Revenues from sale of goods	141,193,870	124,926,309	28,223,224	20,554,636
Revenues from sale of products	65,509,818	49,597,145	100,184,877	82,841,768
Revenues from services	1,524,826	1,625,744	1,454,549	1,511,885
Ukupno	**208,228,514**	**176,149,198**	**129,862,650**	**104,908,289**

In the above-mentioned sales revenues, revenues from relations with subsidiaries and related persons are included.

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Revenue from sales to subsidiaries	-	-	44,183,242	41,163,463
Revenue from sales to related parties	26,042	21,479	25,759	21,372
Total	**26,042**	**21,479**	**44,209,001**	**41,184,835**

Business revenues by segments – programmes

	GROUP				COMPANY			
	2023		**2022**		**2023**		**2022**	
Aqua Maris programme	57,462,698	28%	57,029,372	32%	44,360,945	34%	40,401,771	39%
Prescription programme	53,131,987	26%	40,597,551	23%	36,142,002	28%	27,037,176	26%
Non-prescription programme	36,652,900	18%	24,881,198	14%	26,150,958	20%	18,231,944	17%
Contract manufacturing and licensing out	22,029,356	11%	18,181,789	10%	21,113,213	16%	17,283,643	16%
Other programmes and services	9,976,847	5%	8,950,230	5%	2,095,532	2%	1,953,754	2%
Retail	28,974,726	14%	26,509,058	15%	-	0%	-	0%
Total	**208,228,514**	**100%**	**176,149,198**	**100%**	**129,862,650**	**100%**	**104,908,289**	**100%**

Business revenues by segments – regions

	GROUP				COMPANY			
	2023		2022		2023		2022	
CIS	81,154,290	39%	73,440,105	42%	44,863,392	35%	40,620,693	39%
South-Eastern Europe	71,935,949	35%	63,062,054	36%	29,962,164	23%	24,946,860	24%
Global markets	26,525,377	13%	20,845,562	12%	26,471,649	20%	20,539,041	20%
Black Sea	16,534,658	8%	9,994,875	6%	16,507,236	13%	9,994,819	10%
CAMA	12,078,240	6%	8,806,603	5%	12,058,209	9%	8,806,877	8%
Total	**208,228,514**	**100%**	**176,149,198**	**100%**	**129,862,650**	**100%**	**104,908,289**	**100%**

4. OTHER OPERATING REVENUE

	GROUP				COMPANY			
	2023		2022 (restated)		2023		2022 (restated)	
Revenue from cancelling provisions	836,284	31%	868,226	37%	621,968	28%	745,506	39%
Other revenue	790,669	30%	614,953	26%	609,168	28%	346,446	18%
Revenue from grants and subsidies	505,813	19%	210,283	9%	476,484	22%	180,954	10%
Profit from the sale of intangible assets	239,500	9%	195,287	8%	249,000	11%	195,287	10%
Profit from the sale of property, plant and equipment	185,714	7%	97,153	4%	178,034	8%	67,720	4%
Revenue from refunds and insurance claims	101,706	4%	369,599	16%	76,272	3%	359,611	19%
Total	**2,659,686**	**100%**	**2,355,501**	**100%**	**2,210,926**	**100%**	**1,895,524**	**100%**

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

Other revenue includes revenue from the write-off of liabilities, surpluses, revenue from damages refunds, revenue from cancellation of provisions, revenue from the increase in the fair value of investments in property, revenue from the increase in the fair value of assets intended for sale and other unspecified revenue.

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2023	2022	2023	2022
Revenue from sale of non-current assets to related parties	-	-	165,666	-
Revenue from sale of non-current assets to subsidiaries	-	-	9,500	27
Total	**-**	**-**	**175,666**	**27**

5. MATERIAL EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Raw material, packaging and material expenses	44,239,211	31,851,220	41,486,690	29,478,290
Expenses of goods sold	39,630,275	34,238,079	13,731,724	10,055,927
Office supplies, small inventory, electricity and fuel	2,707,667	2,271,918	2,038,853	1,543,873
Total	**86,577,153**	**68,361,217**	**57,257,267**	**41,078,090**

In the material costs mentioned above, costs from relations with subsidiaries and related persons are also included:

	GROUP		COMPANY	
	2023	2022	2023	2022
Material expenses from subsidiaries	-	-	1,783	10,687
Totalno	**-**	**-**	**1,783**	**10,687**

6. SERVICE EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Expenses of advertisement, sponsorship and fair services	24,496,924	24,128,326	5,295,436	5,517,002
Other external service expenses	10,302,684	8,202,305	7,972,566	6,021,050
Expenses of maintenance and protection services	2,560,041	2,095,370	2,314,820	1,852,566
Expenses of intellectual services	2,040,478	1,773,214	1,390,089	1,107,600
Other consulting expenses	505,595	529,236	322,809	315,125
Audit services expenses	104,622	62,609	59,951	20,022
Tax consulting expenses	41,445	126,683	27,204	103,435
Total	**40,051,789**	**36,917,743**	**17,382,875**	**14,936,800**

In the above-mentioned service costs, costs from relations with affiliated companies and related persons are also included.

	GROUP		COMPANY	
	2023	2022	2023	2022
Service expenses from subsidiaries	-	-	63,633	64,622
Service expenses from related parties	188,194	146,617	51,249	45,919
Total	**188,194**	**146,617**	**114,882**	**110,541**

7. STAFF EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Number of employees as at 31 December	1,283	1,174	767	695
Average number of employees	1,239	1,147	738	674

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Net salaries	22,865,691	20,652,318	14,279,998	11,976,253
Tax, surtax and contributions from salary	8,626,810	7,399,960	6,086,049	5,042,910
Contributions on salaries	5,453,949	4,781,449	3,087,549	2,531,751
Total	**36,946,450**	**32,833,727**	**23,453,596**	**19,550,914**

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Contribution for mandatory pension insurance	6,269,780	5,104,020	4,080,722	2,901,841
Total	**6,269,780**	**5,104,020**	**4,080,722**	**2,901,841**

In the course of regular business, when paying salaries on behalf of its employees, regular payments of contributions are made in accordance with the Laws. Mandatory pension contributions to the funds are reported as part of the salary expense when calculated.

The amount of wages that was capitalised in the value of the assets during the period:

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Net salaries	228,750	327,973	228,750	327,973
Tax, surtax and contributions from salary	97,074	141,062	97,074	141,062
Contributions on salaries	49,091	106,186	49,091	106,186
Total	**374,915**	**575,221**	**374,915**	**575,221**

8. DEPRECIATION

	GROUP		COMPANY	
	2023	**2022 (restated)**	**2023**	**2022 (restated)**
Depreciation of tangible assets	5,947,655	4,617,262	5,510,252	4,178,605
Depreciation of right of use assets	2,210,151	2,238,616	1,091,994	1,240,677
Amortization of intangible assets	1,723,073	1,467,091	1,691,214	1,430,162
Total	**9,880,879**	**8,322,969**	**8,293,460**	**6,849,444**

9. VALUE ADJUSTMENT

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Impairment of non-current assets	4,730,656	-	4,730,656	-
Value adjustment of trade receivables	171,792	438,003	52,870	430,765
Value adjustment of inventories	62,291	510,059	121,783	391,098
Ukupno	**4,964,739**	**948,062**	**4,905,309**	**821,863**

10. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Other employee expenses	4,288,283	3,125,277	2,905,304	2,330,345
Expenses for raw materials, packaging, finished products and merchandise	1,870,626	1,619,082	1,740,585	1,432,541
Remuneration to members of the board of directors and allocation of shares	1,228,772	1,114,149	1,228,772	1,114,149
Insurance expenses	1,160,519	1,034,659	576,161	470,672
Expenses of professional education and professional literature	519,678	348,521	327,714	198,435
Expenses of representation of own products	349,416	435,267	128,483	161,336
Bank expenses	340,706	325,040	136,699	161,131
Expenses of registering own products	321,320	308,418	218,801	202,692
Non-depreciated value of decommissioned tangible assets	104,187	536,178	79,224	530,141
Donation expenses	88,665	137,245	57,265	96,691
Other operating expenses	973,255	1,181,459	714,460	775,931
Total	**11,245,427**	**10,165,295**	**8,113,468**	**7,474,064**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Other operating expenses from subsidiaries	-	-	172,591	246,633
Ukupno	**-**	**-**	**172,591**	**246,633**

11. NET FINANCE EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Revenue from exchange rate differences	1,433,115	7,989,946	1,110,287	7,979,000
Interest revenue	536,663	46,679	333,063	3,847
Other financial revenue	164,665	18,684	164,665	18,684
Total financial expenses	**2,134,443**	**8,055,309**	**1,608,015**	**8,001,531**
Expenses from foreign exchange differences	(5,902,204)	(11,078,904)	(5,575,230)	(11,056,422)
Interest expenses	(1,584,755)	(1,301,744)	(1,344,636)	(826,557)
Interest expenses for leases	(264,719)	(322,116)	(120,001)	(141,460)
Other finance expenses	-	(555,360)	-	(555,360)
Total finance expenses	**(7,751,678)**	**(13,258,124)**	**(7,039,867)**	**(12,579,799)**
Net financial expenses	**(5,617,235)**	**(5,202,815)**	**(5,431,852)**	**(4,578,268)**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2023	2022	2023	2022
Interest revenue from related parties	258	212	258	212
Revenue from foreign exchange differences related to subsidiaries	-	-	726,989	3,428,060
Total financial expenses	**258**	**212**	**727,247**	**3,428,272**
Expenses from foreign exchange differences related to subsidiaries	-	-	(5,038,889)	(9,350,550)
Total finance expenses	**-**	**-**	**(5,038,889)**	**(9,350,550)**
Net financial expenses	**258**	**212**	**(4,311,642)**	**(5,922,278)**

12. SHARE IN RESULT OF AN ASSOCIATE

	GROUP		COMPANY	
	2023	2022	2023	2022
Share in result of an associate	5,205	3,372	-	-
Total	**5,205**	**3,372**	-	-

13. INCOME TAX

	GROUP		COMPANY	
	2023	2022	2023	2022
Current tax	(2,082,208)	(1,040,891)	(19,239)	(25,567)
Deferred tax	287,143	1,312,443	155,140	1,225,290
Total	**(1,795,065)**	**271,552**	**135,901**	**1,199,723**

	GROUP		COMPANY	
	2023	2022	2023	2022
Profit before tax	**21,377,538**	**18,931,745**	**12,948,835**	**14,471,170**
Increase of the base due to representation expenses, temporarily unrecognized differences and other	15,268,844	6,373,957	6,287,005	2,244,388
Base reduction	(1,321,539)	(1,542,485)	(1,230,640)	(1,345,826)
Tax base	**35,324,843**	**23,763,217**	**18,005,200**	**15,369,732**
Tax incentive for investment	(3,221,697)	(2,740,985)	(3,221,697)	(2,740,985)
Tax liability at the corporate tax rate of 18%	(107,346)	993,954	135,901	1,199,723
The effect of different tax rates	(1,687,719)	(722,402)	-	-
Total corporate income tax	**(1,795,065)**	**271,552**	**135,901**	**1,199,723**
Profit after tax	**19,582,473**	**19,203,297**	**13,084,736**	**15,670,893**

On 10 March 2022, pursuant to the Act on Investment Promotion, the Ministry of Economy and Sustainable Development granted the Company the status of a beneficiary of incentive measures for the project "Digitisation and Modernisation of Development Capacities". The Company enjoys tax benefits in the form of a reduced corporate income tax rate of 0 %. In 2022, the Company made full use of the incentive measures for the project "Digitisation and Modernisation of Development Capacities". The amount of used incentives for the mentioned project in 2023 is EUR 245,803 (EUR 3,105,946 in 2022).

On 1 February 2023, pursuant to the Act on Investment Promotion, the Ministry of Economy and Sustainable Development granted the Company the status of a beneficiary of incentive measures for the project INTEGRA 2020 – 2023 integration of new production, logistics and development capacities. The Company enjoys tax benefits in the form of a reduced corporate income tax rate of 0 %. The amount of used incentives for the mentioned project in 2023 is EUR 2,975,894 (EUR 589,971 in 2022). EUR 5,635,244 remains for use in the period until 2030.

The Company annually considers the use of tax incentives in the following year and recognizes deferred tax assets in the current year based on this.

In 2023, the Company reported tax payable of EUR 19,239 (EUR 25,567 in 2022) and settled it with corporate income tax paid abroad based on the withholding tax on the sale of licenses and profits of its permanent business unit in Ukraine. Other companies in the Group do not use tax benefits.

In 2022, the Company was subject to an additional income tax, which was introduced as a one-time tax. Pursuant to Art. 5 of the Rulebook on additional income tax, the Company reduces the obligation of additional income tax by applying a rate of 100%, which also reduces the obligation of income tax according to the Law on Investment Promotion.

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

14. TOTAL COMPREHENSIVE RESULT

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Result after tax	19,582,473	19,203,297	13,084,736	15,670,893
Exchange rate differences from translation of foreign operations	(460,831)	41,367	-	-
Total comprehensive result	**19,121,642**	**19,244,664**	**13,084,736**	**15,670,893**

15. INTANGIBLE ASSETS

Movement of intangible assets in 2023

					GROUP
	Internally developed intangible assets	**Patents, licences, trademarks, registration of own products**	**Goodwill**	**Intangible assets in preparation**	**Total intangible assets**
Purchase value of intangible assets					
Balance as at 31 December 2022	5,319,51	15,305,52	3,933,241	8,267,042	**32,825,286**
Direct increases	-	7,610	4,000	6,096,505	**6,108,115**
Other increases / reductions	-	619,504	-	6	**619,510**
Increase by transfer from assets in preparation	226,658	1,513,289	-	(1,739,947)	**-**
Other change / exchange rate differences	-	109,218	-	99,578	**208,796**
Impairment of intangible assets	-	-	-	(4,730,656)	**(4,730,656)**
Disposalsand sale	-	(896,733)	-	(16,239)	**(912,972)**
Balance as at 31 December 2023	**5,546,309**	**16,658,240**	**3,937,241**	**7,976,289**	**34,118,079**

Accumulated amortization and impairment of intangible assets					
Balance as at 31 December 2022	2,157,230	5,996,596	1,016,836	(28,566)	**9,142,096**
Amortization for 2023	311,598	1,413,502	-	(2,027)	**1,723,073**
Other changes / exchange rate differences	-	109,672	-	28,566	**138,238**
Impairment of disposed and sold assets	-	(848,439)	49,421	-	**(799,018)**
Balance as at 31 December 2023	**2,468,828**	**6,671,331**	**1,066,257**	**(2,027)**	**10,204,389**
Current value of intangible assets as at 31 December 2022	**3,162,421**	**9,308,756**	**2,916,405**	**8,295,608**	**23,683,190**
Current value of intangible assets as at 31 December 2023	**3,077,481**	**9,986,909**	**2,870,984**	**7,978,316**	**23,913,690**

Licenses to practice pharmacy with an unlimited period of validity amount to EUR 3,230,208 on 31 December 2023 (EUR 2,764,961 in 2022).

Impairment test of goodwill and licenses with an unlimited life as of 31.12.2023 showed that the recoverable amount exceeds the book value and there was no impairment loss.

Testing for impairment of goodwill and intangible assets with an unlimited useful life

The recoverable amount of cash-generating units is determined by value-in-use calculations based on cash flow projections based on financial projections approved by the Board of Directors and covering a five-year period.

The assumption about the growth rate is based on historical data and the Board's expectations about market development. The terminal growth rate is 14.90% and is based on the Board's expectations of market development (2022: 10.20%). After-tax discount rates in 2023 are generally higher than in 2022 as a result of the increase in the cost of debt due to higher interest rates.

By testing for impairment of goodwill and intangible assets with an unlimited useful life on the balance sheet date, no impairment of goodwill and intangible assets was recognized.

The sensitivity analysis of the key assumptions used when testing the impairment of goodwill and licenses shows that an increase in the discount rate by 100 basis points, with other assumptions unchanged, would lead to an additional impairment of goodwill and licenses in the amount of 47 thousand euros. At the same time, if the terminal growth rate were to decrease by 100 basis points, with other assumptions unchanged, this would not lead to an additional decrease in the value of goodwill and licenses. A decrease in expected free cash flow by 500 basis points, with other assumptions unchanged, would also not lead to an additional impairment of goodwill and licenses.

Movement of intangible assets in 2022

					GROUP
	Internally developed intangible assets	**Patents, licences, trademarks, registration of own products**	**Goodwill**	**Intangible assets in preparation**	**Total intangible assets (restated)**
Purchase value of intangible assets					
Balance as at 31 December 2021	5,004,955	15,571,312	4,195,066	4,383,904	**29,155,237**
Direct increases	-	434,650	19,776	7,264,463	**7,718,889**
Increase by transfer from assets in preparation	526,033	2,564,702	-	(3,090,735)	-
Reversal of impairment of intangible assets	78,970	-	-	51,938	130,908
Reclassification	-	(2,385,648)	(281,601)	-	**(2,667,249)**
Disposal and sale	(211,337)	(879,664)	-	(290,590)	**(1,381,591)**
Balance as at 31 December 2022	**5,398,621**	**15,305,352**	**3,933,241**	**8,318,980**	**32,956,194**
Accumulated amortization and impairment of intangible assets					
Balance as at 31 December 2021	2,038,673	6,601,874	1,298,436	41,225	**9,980,208**
Amortization for 2022	276,082	1,208,868	-	(17,859)	**1,467,091**
Exchange rate differences and effect of conversion to EUR	(107)	-	-	6	**(101)**
Reclassification	-	(1,204,526)	(281,601)	-	**(1,486,127)**
Value adjustment for scrapped and sold assets	(78,447)	(609,620)	-	-	**(688,067)**
Balance as at 31 December 2022	**2,236,201**	**5,996,596**	**1,016,835**	**23,372**	**9,273,004**
Current value of intangible assets as at 31 December 2021	**2,966,282**	**8,969,438**	**2,896,630**	**4,342,679**	**19,175,029**
Current value of intangible assets as at 31 December 2022	**3,162,420**	**9,308,756**	**2,916,406**	**8,295,608**	**23,683,190**

Movement of intangible assets in 2023

				COMPANY
	Internally developed intangible assets	**Patents, licences, trademarks, registration of own products**	**Intangible assets in preparation**	**Total intangible assets**
Purchase value of intangible assets				
Balance as at 31 December 2022	5,319,651	11,651,381	8,361,536	25,332,568
Direct increases	-	-	6,086,676	6,086,676
Increase by transfer from assets in preparation	226,658	1,503,460	(1,730,118)	-
Impairment of intangible assets	-	-	(4,730,656)	(4,730,656)
Disposal and sale	-	(887,185)	(16,239)	(903,424)
Balance as at 31 December 2023	**5,546,309**	**12,267,656**	**7,971,199**	**25,785,164**
Accumulated amortization and impairment of intangible assets				
Balance as at 31 December 2022	2,157,230	5,746,701	-	7,903,931
Amortization for 2023	311,598	1,381,643	(2,027)	1,691,214
Impairment of disposed and sold assets	-	(827,750)	-	(827,750)
Balance as at 31 December 2023	**2,468,828**	**6,300,594**	**(2,027)**	**8,767,395**
Current value of intangible assets as at 31 December 2022	**3,162,421**	**5,904,680**	**8,361,536**	**17,428,637**
Current value of intangible assets as at 31 December 2023	**3,077,481**	**5,967,062**	**7,973,226**	**17,017,769**

Movement of intangible assets in 2022

				COMPANY
	Internally developed intangible assets	**Patents, licences, trademarks, registration of own products**	**Intangible assets in preparation**	**Total intangible assets (restated)**
Purchase value of intangible assets				
Balance as at 31 December 2021	5,004,955	10,989,428	4,339,016	**20,333,399**
Direct increases	-	-	7,043,369	**7,043,369**
Increase by transfer from assets in preparation	526,033	2,232,656	(2,758,689)	**-**
Reversal of impairment of intangible assets	78,970	-	23,373	**-**
Reclassification	-	(736,437)	-	**(736,437)**
Disposal and sale	(211,337)	(834,266)	(262,160)	**(1,307,763)**
Balance as at 31 December 2022	**5,398,621**	**11,651,381**	**8,384,909**	**25,332,568**
Accumulated amortization and impairment of intangible assets				
Balance as at 31 December 2021	2,038,673	5,274,362	41,225	**7,354,260**
Amortization for 2022	275,974	1,171,456	(17,268)	**1,430,162**
Effect of conversion to EUR	-	-	(584)	**(584)**
Reclassification	-	(126,941)	-	**(126,941)**
Impairment of disposed and sold assets	(78,447)	(572,176)	-	**(650,623)**
Balance as at 31 December 2022	**2,236,200**	**5,746,701**	**23,373**	**8,006,274**
Current value of intangible assets as at 31 December 2021	**2,966,282**	**5,715,066**	**4,297,791**	**12,979,139**
Current value of intangible assets as at 31 December 2022	**3,162,421**	**5,904,680**	**8,361,536**	**17,428,637**

16. PROPERTY, PLANT, EQUIPMENT

Movement of property, plant and equipment in 2023

GROUP

	Land	Buildings	Right-of-use assets - property	Plant and equipment	Tools, plant and office inventory, furniture and means of transportation, devices
Balance as at 31 December 2022	6,112,750	49,600,408	6,034,330	65,316,117	4,914,098
Direct increases	-	41,885	1,610,204	303,354	82,894
Increase by transfer from assets in preparation	-	12,478,894	-	12,813,818	1,418,943
Other changes / exchange rate differences	(1,053)	66,042	(168,927)	133,451	(46,665)
Reclassification	-	-	-	2,466,421	-
Disposal and sale	(109,500)	(1,042,661)	(426,283)	(414,598)	(258,737)
Balance as at 31 December 2023	**6,002,197**	**61,144,568**	**7,049,324**	**80,618,563**	**6,110,533**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2022	-	11,440,956	2,543,237	26,449,560	3,464,955
Depreciation for 2023		1,256,627	1,003,802	4,481,074	385,401
Other changes / exchange rate differences	-	81,257	(35,459)	141,297	21,816
Reclassification	-	-	-	1,260,080	-
Impairment of disposed and sold assets	-	(511,202)	(435,871)	(407,329)	(294,690)
Balance as at 31 December 2023	-	**12,267,638**	**3,075,709**	**31,924,682**	**3,577,482**
Current value of tangible assets as at 31 December 2022	**6,112,750**	**38,159,452**	**3,491,093**	**38,866,557**	**1,449,143**
Current value of tangible assets as at 31 December 2023	**6,002,197**	**48,876,930**	**3,973,615**	**48,693,881**	**2,533,051**

Movement of property, plant and equipment in 2023

GROUP

	Right-of-use assets - equipment	Right-of-use assets - vehicles	Other tangible assets	Tangible assets in preparation	Total tangible assets
Balance as at 31 December 2022	5,050,522	3,664,044	152,376	14,759,276	155,603,921
Direct increases		1,230,651		13,339,566	16,608,554
Increase by transfer from assets in preparation	5,400	-	12,896	(26,729,951)	-
Other changes / exchange rate differences		(149,347)		(335)	(166,834)
Reclassification	(2,466,421)	-	-	-	-
Disposal and sale	-	(225,080)	-	(175,733)	(2,652,592)
Balance as at 31 December 2023	**2,589,501**	**4,520,268**	**165,272**	**1,192,823**	**169,393,049**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2022	1,500,420	1,426,831	-	(164,216)	46,661,743
Depreciation for 2023	214,633	991,717		(175,447)	8,157,807
Other changes / exchange rate differences	(179)	(57,038)			151,694
Reclassification	(1,260,080)	-	-	-	-
Impairment of disposed and sold assets	-	(225,080)	-	-	(1,874,172)
Balance as at 31 December 2023	**454,794**	**2,136,430**	-	**(339,663)**	**53,097,072**
Current value of tangible assets as at 31 December 2022	**3,550,102**	**2,237,213**	**152,376**	**14,923,492**	**108,942,178**
Current value of tangible assets as at 31 December 2023	**2,134,707**	**2,383,838**	**165,272**	**1,532,486**	**116,295,977**

In 2023, lease paid to related parties for the right-of-use assets - property amounts to EUR 66,140 (EUR 47,405 in 2022), depreciation expense on these assets amounts to EUR 37,799 (EUR 37,475 in 2022).

Movement of property, plant and equipment in 2022

GROUP

	Land	Buildings	Right-of-use assets - property	Plant and equipment	Tools, plant and office inventory, furniture and means of transportation, devices
Purchase value of tangible assets					
Balance as at 31 December 2021	6,111,110	39,415,997	5,558,154	35,130,674	4,892,870
Direct increases	-	7,879	597,750	163,039	127,207
Increase by transfer from assets in preparation	-	7,773,405	-	21,810,516	563,473
Other changes / exchange rate differences	1,640	17,479	45,764	51,658	18,073
Reclassification	-	2,385,648	-	8,481,182	75,783
Disposal and sale	-	-	(167,338)	(320,952)	(763,308)
Balance as at 31 December 2022	**6,112,750**	**49,600,408**	**6,034,330**	**65,316,117**	**4,914,098**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2021	-	9,109,245	1,698,231	20,166,982	3,348,041
Depreciation for 2022	-	1,125,240	1,002,764	3,234,081	326,466
Other changes / exchange rate differences	-	1,945	(12,385)	94,910	(15,094)
Reclassification	-	1,204,526	-	3,244,240	-
Impairment of disposed and sold assets	-	-	(145,373)	(290,653)	(194,458)
Balance as at 31 December 2022	**-**	**11,440,956**	**2,543,237**	**26,449,560**	**3,464,955**
Current value of tangible assets as at 31 December 2021	**6,111,110**	**30,306,752**	**3,859,923**	**14,963,692**	**1,544,829**
Current value of tangible assets as at 31 December 2022	**6,112,750**	**38,159,452**	**3,491,093**	**38,866,557**	**1,449,143**

Movement of property, plant and equipment in 2022

	Right-of-use assets - equipment	Right-of-use assets - vehicles	Other tangible assets	Tangible assets in preparation	Total tangible assets (restated)
					GROUP
Purchase value of tangible assets					
Balance as at 31 December 2021	13,220,444	2,715,432	150,224	27,432,619	134,627,524
Direct increases	152,005	2,080,673	-	17,544,247	20,672,800
Increase by transfer from assets in preparation	-	-	2,152	(30,149,546)	-
Other changes / exchange rate differences	-	(152,343)	-	465	(17,264)
Reclassification	(8,086,889)	(470,076)	-	-	2,385,648
Disposal and sale	(235,038)	(509,642)	-	(68,509)	(2,064,787)
Balance as at 31 December 2022	**5,050,522**	**3,664,044**	**152,376**	**14,759,276**	**155,603,921**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2021	4,518,921	1,507,330	-	(95,706)	40,253,044
Depreciation for 2022	459,687	776,165	-	(68,526)	6,855,877
Other changes / exchange rate differences	-	(350,555)	-	16	(281,163)
Reclassification	(3,244,240)	-	-	-	1,204,526
Impairment of disposed and sold assets	(233,948)	(506,109)	-	-	(1,370,541)
Balance as at 31 December 2022	**1,500,420**	**1,426,831**	**-**	**(164,216)**	**46,661,743**
Current value of tangible assets as at 31 December 2021	**8,701,523**	**1,208,102**	**150,224**	**27,528,325**	**94,374,480**
Current value of tangible assets as at 31 December 2022	**3,550,102**	**2,237,213**	**152,376**	**14,923,492**	**108,942,178**

Movement of property, plant and equipment in 2023

COMPANY

	Land	**Buildings**	**Right-of-use assets - property**	**Plant and equipment**	**Tools, plant and office inventory, furniture and means of transportation, devices**
Purchase value of tangible assets					
Balance as at 31 December 2022	5,930,036	45,667,067	1,633,836	63,505,823	3,245,849
Direct increases	-	-	574,715	197,828	-
Increase by transfer from assets in preparation	-	12,358,000	-	12,750,246	1,301,745
Reclassification	-	-	-	2,466,421	-
Disposal and sale	(109,500)	(932,934)	(70,575)	(340,272)	(156,551)
Balance as at 31 December 2023	**5,820,536**	**57,092,133**	**2,137,976**	**78,580,046**	**4,391,043**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2022	-	9,572,640	816,066	25,359,604	2,400,261
Depreciation for 2023	-	1,112,441	323,054	4,340,370	232,888
Reclassification	-	-	-	1,260,080	-
Impairment of disposed and sold assets	-	(399,880)	(64,958)	(337,175)	(156,073)
Balance as at 31 December 2023	-	**10,285,201**	**1,074,162**	**30,622,879**	**2,477,076**
Current value of tangible assets as at 31 December 2022	**5,930,036**	**36,094,427**	**817,770**	**38,146,219**	**845,588**
Current value of tangible assets as at 31 December 2023	**5,820,536**	**46,806,932**	**1,063,814**	**47,957,167**	**1,913,967**

Movement of property, plant and equipment in 2023

					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					
Balance as at 31 December 2022	4,830,053	2,146,736	152,376	14,742,155	141,853,931
Direct increases	-	625,814	-	12,967,613	14,365,970
Increase by transfer from assets in preparation	5,400	-	12,896	(26,428,287)	-
Reclassification	(2,466,421)	-	-	-	-
Disposal and sale	-	(136,538)	-	(175,448)	(1,921,818)
Balance as at 31 December 2023	**2,369,032**	**2,636,012**	**165,272**	**1,106,033**	**154,298,083**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2022	1,456,147	885,035	-	(164,215)	40,325,538
Depreciation for 2023	192,586	576,355	-	(175,448)	6,602,246
Reclassification	(1,260,080)	-	-	-	-
Impairment of disposed and sold assets	-	(125,651)	-	-	(1,083,737)
Balance as at 31 December 2023	**388,653**	**1,335,739**	-	**(339,663)**	**45,844,047**
Current value of tangible assets as at 31 December 2022	**3,373,906**	**1,261,701**	**152,376**	**14,906,370**	**101,528,393**
Current value of tangible assets as at 31 December 2023	**1,980,379**	**1,300,273**	**165,272**	**1,445,696**	**108,454,036**

Movement of property, plant and equipment in 2022

COMPANY

	Land	**Buildings**	**Right-of-use assets - property**	**Plant and equipment**	**Tools, plant and office inventory, furniture and means of transportation, devices**
Purchase value of tangible assets					
Balance as at 31 December 2021	5,930,036	37,180,330	1,631,014	33,404,156	3,327,482
Direct increases	-	759	17,720	147,565	-
Increase by transfer from assets in preparation	-	7,749,541	-	21,736,890	392,517
Reclassification	-	736,437	-	8,481,182	75,783
Disposal and sale	-	-	(14,898)	(263,970)	(549,933)
Balance as at 31 December 2022	**5,930,036**	**45,667,067**	**1,633,836**	**63,505,823**	**3,245,849**

Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2021	-	8,453,823	508,474	19,205,160	2,249,262
Depreciation for 2022	-	991,876	316,547	3,076,799	176,835
Reclassification	-	126,941	-	3,331,645	64,450
Effect of conversion to EUR	-	-	-	-	-
Impairment of disposed and sold assets	-	-	(8,955)	(254,000)	(90,286)
Balance as at 31 December 2022	-	**9,572,640**	**816,066**	**25,359,604**	**2,400,261**
Current value of tangible assets as at 31 December 2021	**5,930,036**	**28,726,507**	**1,122,540**	**14,198,996**	**1,078,220**
Current value of tangible assets as at 31 December 2022	**5,820,536**	**36,094,427**	**817,770**	**38,146,219**	**845,588**

Movement of property, plant and equipment in 2022

					COMPANY
	Right-of-use asset - equipment	**Right-of-use assets - vehicles**	**Other angible assets**	**Tangible assets in preparation**	**Total tangible assets (restated)**
Purchase value of tangible assets					
Balance as at 31 December 2021	12,999,975	1,737,674	150,224	27,412,761	123,773,652
Direct increases	152,005	1,362,039	-	17,279,003	18,959,091
Increase by transfer from assets in preparation	-	-	2,152	(29,881,100)	-
Reclassification	(8,086,889)	(470,076)	-	-	736,437
Disposal and sale	(235,038)	(482,901)	-	(68,509)	(1,615,249)
Balance as at 31 December 2022	**4,830,053**	**2,146,736**	**152,376**	**14,742,155**	**141,853,931**
Accumulated depreciation and impairment of tangible assets					
Balance as at 31 December 2021	4,496,874	1,030,072	-	(95,706)	35,847,959
Depreciation for 2022	437,461	486,185	-	(66,421)	5,419,282
Reclassification	(3,244,240)	(151,855)	-	-	126,941
Effect of conversion to EUR	-	-	-	(2,088)	(2,088)
Impairment of disposed and sold assets	(233,948)	(479,367)	-	-	(1,066,556)
Balance as at 31 December 2022	1,456,147	**885,035**	**-**	**164,215**	**40,325,538**
Current value of tangible assets as at 31 December 2021	**8,503,101**	**707,602**	**150,224**	**27,508,467**	**87,925,693**
Current value of tangible assets as at 31 December 2022	**3,373,906**	**1,261,701**	**152,376**	**14,906,370**	**101,528,393**

A lien has been registered on part of the real estate assets owned by the Group and the Company as security for repayment of long-term loans.

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Net value of real estate lien	51,577,045	40,203,736	51,577,045	40,203,736

In 2023, the Group continues to use fully depreciated property, plant and equipment with a gross book value of EUR 7,865,152 (EUR 6,655,986 in 2022).

In 2023, the Company continues to use fully depreciated property, plant and equipment with a gross book value of EUR 6,348,249 (EUR 5,031,438 in 2022).

17. INVESTMENT PROPERTY

	GROUP			COMPANY		
Description	**Investment property IAS 40 - Land**	**Investment property IAS 40 - Buildings**	**Total assets IAS 40**	**Investment property IAS 40 - Land**	**Investment property IAS 40 - Buildings**	**Total assets IAS 40**
Balance as at 31 December 2021	506,476	1,843,582	2,350,058	506,476	1,843,582	2,350,058
Increase/decrease in fair value	3,161	15,580	18,741	3,161	15,580	18,741
Balance as at 31 December 2022	**509,637**	**1,859,162**	**2,368,799**	**509,637**	**1,859,162**	**2,368,799**
Increase/decrease in fair value	20,567	68,745	89,312	20,567	68,745	89,312
Reclassification/sale	(2,588)	(117,781)	(120,369)	(2,588)	(117,781)	(120,369)
Balance as at 31 December 2023	**527,616**	**1,810,126**	**2,337,742**	**527,616**	**1,810,126**	**2,337,742**

18. INVESTMENTS IN SUBSIDIARIES

The following investments in subsidiaries are recorded in the Company's balance sheet, sorted chronologically according to establishment and acquisition:

	Ownership share	2023	2022
Farmis d.o.o. Sarajevo	100%	22,593	22,593
Jadran-Galenski laboratorij, d.o.o.Ljubljana	100%	127,825	127,825
JGL d.o.o. Beograd - Sopot	100%	3,377,539	3,377,539
Pablo d.o.o. Zagreb	100%	4,481,854	4,481,854
Adrialab d.o.o.	100%	1,764,878	1,764,878
JADRAN LLC Moskow	100%	92,061	92,061
JGL PPH d.o.o.	100%	8,625,422	8,625,422
Total		**18,492,172**	**18,492,172**

The subsidiary Pablo d.o.o. holds 100% of the shares in the Pablo Rijeka Health Institution.

The subsidiary Pablo Rijeka Health Institution holds 100% of the shares in the Goranske ljekarne Health Institution that was bought in 2023. In the course of 2023 Pablo Rijeka Health Institution incorporated Health Institution Zorka Muvrin.

19. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Galena d.o.o. (i)	87,905	82,699	6,503	6,503
Kanal Ri d.o.o. (ii)	112,151	112,151	112,151	112,151
Kvarner Vienna Insurance Group d.d. (ii)	44,804	44,804	44,804	44,804
Deposits given	26,839	26,839	-	-
Accruals	10	21	-	-
Total	**271,709**	**266,514**	**163,458**	**163,458**

(i) Galena d.o.o. is considered an associated company. The Company is managed according to the cost method, while the Group is managed according to the equity method.
(ii) There is not enough data available for the listed entities to estimate the fair value, and the acquisition cost represents the best estimate of the fair value of the listed investments. The total value of the mentioned financial assets is not materially significant.

20. DEFERRED TAX ASSETS

	GROUP		COMPANY	
	2023	2022	2023	2022
Unused tax relief	1,788,120	2,350,919	1,788,120	2,350,919
Temporary tax differences - reduction of long-term intangible assets	865,440	96	851,518	-
Temporary tax differences - unrealized expense according to IFRS 9	721,373	820,777	2,038	50,429
Temporary tax differences - unrealized expense according to IFRS 16	175,387	229,573	1,685	5,582
Temporary tax differences - Jubilee awards, severance pay and others	129,732	174,363	92,873	147,629
Temporary tax differences - unrealized expense from the investment fund	91,003	117,538	91,003	117,538
Total	**3,771,055**	**3,693,266**	**2,827,237**	**2,672,097**

Deferred tax assets on unused tax credits may be used until 2030.

21. INVENTORIES

	GROUP		COMPANY	
	2023	2022	2023	2022
Raw materials	19,493,020	15,355,294	18,373,091	14,643,384
Finished goods	16,947,068	12,252,390	16,275,765	11,583,468
Goods	10,002,438	9,509,678	6,009,889	5,921,795
Work in progress	5,469	-	776	-
Total	**46,447,995**	**37,117,362**	**40,659,521**	**32,148,647**

22. TRADE RECEIVABLES AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Trade receivables	49,072,136	47,730,871	38,137,224	41,040,748
Other receivables from the government	2,915,182	3,263,277	1,122,923	1,166,375
Other current receivables	1,319,831	2,349,457	740,186	1,592,592
Receivables from employees	21,037	15,199	16,405	2,603
Total	**53,328,186**	**53,358,804**	**40,016,738**	**43,802,318**

Trade receivables

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Receivables from subsidiaries	-	-	21,388,021	26,347,964
Receivables from other customers	49,072,136	47,730,871	16,749,203	14,692,784
Total	**49,072,136**	**47,730,871**	**38,137,224**	**41,040,748**

The breakdown of trade receivables by currency, expressed in EUR:

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
RUB	23,551,452	26,279,432	16,299,484	22,649,384
EUR	23,586,731	19,595,591	21,729,268	17,965,519
BAM	1,563,316	1,167,845	-	-
RSD	262,165	258,908	-	-
USD	108,472	429,095	108,472	425,845
Total	**49,072,136**	**47,730,871**	**38,137,224**	**41,040,748**

The age structure of overdue trade receivables except for receivables from subsidiaries for which value adjustment has not been performed:

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
0-90 days	4,400,659	5,871,827	1,391,488	1,401,895
91-180 days	294,060	181,219	269,067	8,342
181-360 days	63,928	172,025	55,419	111,131
over 360 days	-	8,720	-	1,016
Total	**4,758,647**	**6,233,791**	**1,715,974**	**1,522,384**

Receivables from subsidiaries and related parties

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Relations with subsidiaries and related parties				
JADRAN LLC Moscow	-	-	16,295,048	22,649,397
Pablo d.o.o.(group)	-	-	2,713,118	2,051,381
JGL d.o.o. Beograd - Sopot	-	-	1,147,988	953,255
Farmis d.o.o. Sarajevo	-	-	1,013,489	679,667
Adrialab d.o.o.	-	-	86,477	11,980
JGL PPH d.o.o.	-	-	69,415	-
Jadran Galenski laboratorij d.o.o. Ljubljana	-	-	62,486	2,284
Kanal RI d.o.o.	160	3,185	160	3,185
JADRAN informatika d.o.o.	-	4,320	-	3,075
Total	**160**	**7,505**	**21,388,181**	**26,354,224**

Other current receivables

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Receivables for advance payments	1,302,985	2,014,539	729,315	1,462,754
Receivables based on damages (insurance claims)	12,722	120,981	10,871	120,464
Other receivables	86	213,937	-	9,370
Total	**1,315,793**	**2,349,457**	**740,186**	**1,592,588**

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE STATEMENT OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Investments in investment funds	2,919,805	2,772,388	2,919,805	2,772,388
Total	**2,919,805**	**2,772,388**	**2,919,805**	**2,772,388**

24. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2023	2022	2023	2022
Given loans and deposits	46,210	40,725	30,000	24,156
Loans to subsidiaries	-	-	18,100	400,000
Total	**46,210**	**40,725**	**48,100**	**424,156**

25. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2023	2022	2023	2022
Cash at bank	20,786,035	14,337,931	16,546,229	10,475,571
Cash in hand	104,765	72,284	1,140	281
Total	**20,890,800**	**14,410,215**	**16,547,369**	**10,475,852**

Structure of money in the bank and cash register by currency, expressed in euros:

	GROUP		COMPANY	
	2023	2022	2023	2022
EUR	18,191,604	12,063,345	15,878,787	10,118,928
RUB	1,317,153	1,354,476	229,631	245,600
BAM	802,942	718,833	1,645	1,599
USD	387,963	80,852	367,620	69,341
RSD	121,759	152,660	307	336
Other currencies	69,379	40,048	69,379	40,048
Total	**20,890,800**	**14,410,215**	**16,547,369**	**10,475,852**

26. OTHER ASSETS

Other assets relate to prepaid expenses:

	GROUP		COMPANY	
	2023	2022	2023	2022
Other assets	1,036,562	770,128	821,074	525,506
Total	**1,036,562**	**770,128**	**821,074**	**525,506**

27. SHARE CAPITAL

As at 31 December 2023, the share capital of the Company amounts to EUR 16,315,325 (EUR 16,374,743 in 2022) and is divided into 1,255,025 shares (1,233,755 shares in 2022) with a nominal value of EUR 13 per share. The change is the result of an increase due to the issuance of 21,270 new ordinary shares for EUR 276,510 (in 2022, 13,330 ordinary shares) and a decrease of EUR 335,928, which is the result of reducing the nominal value of a share from HRK 100 to a whole number in EUR, in accordance with the Commercial Company Act.

28. RESERVES

	GROUP		COMPANY	
	2023	2022	2023	2022
Legal and other reserves*	11,587,785	7,329,288	11,865,873	7,147,924
Capital reserves (premiums on issued shares)**	6,618,482	4,691,017	6,618,482	4,691,017
Reserves for own shares***	688,771	1,003,444	688,771	1,003,444
Total	**18,895,038**	**13,023,749**	**19,173,126**	**12,842,385**

**Legal reserves are formed in accordance with the local regulations of the Group members. Other reserves include the effect of the exchange rate difference from the translation of foreign operations. These reserves are not distributable.*
***The company enters into the capital reserves a part of the paid amount for which the shares are issued, which exceeds the nominal amount of the shares and is not distributable.*
***Reserves for own shares are entered and cancelledupon acquisition and disposal of own shares and are not distributable.*

Changes in reserves are a consequence of the premium on issued shares, the formation of reserves to cover unwritten development costs shown in assets, and the exchange rate difference due to the conversion of foreign currencies into the reporting currency in the consolidation process. In 2022, the reserves decreased by the amount of exchange differences due to the conversion of the Company's results at the average exchange rate in accordance with IAS 21.

29. OWN SHARES

As at 31 December 2023, the Company has own shares in the amount of EUR 532,558 (EUR 864,981 in 2022).

30. RETAINED EARNINGS OR ACCUMULATED LOSS

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Retained earnings	85,174,930	72,664,667	88,863,597	79,348,611
Total	**85,174,930**	**72,664,667**	**88,863,597**	**79,348,611**

By decision of the General Assembly dated 19.06.2023 the profit of 2022 in the amount of EUR 15,554,780 was allocated to legal reserves for unwritten development costs in the amount of EUR 4,717,948 and the retained profit of the Company in the amount of EUR 10,946,832. By additional decision of the Board of Directors, the profit in 2022 was corrected for the amount of exchange rate differences due to the conversion of the Company's results at the average exchange rate in accordance with IAS 21. The profit in 2022 was increased and allocated to the retained profit in 2022.

A decision was made to pay dividends against retained earnings in 2009 and 2010 in the total amount of EUR 3,582,339.

In the course of 2023, EUR 2,158,517 was returned to retained earnings due to the reduction of reserves for the purchase of own shares.

Reserves for the purchase of own shares in the amount of EUR 14,137 were formed from retained earnings in 2023.

31. RESULT FOR THE FINANCIAL YEAR

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Result after tax	19,582,473	19,203,297	13,084,736	15,670,893
Total	**19,582,473**	**19,203,297**	**13,084,736**	**15,670,893**
Earnings per share	**16,41**	**16,57**		

Distribution of the Company's profit was not determined at the time of drafting these notes. Once adopted, the decision on the distribution of the profit shall be published on the websites of the Financial Agency (FINA), the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, as well as on the Company's website www.jgl.hr.

32. LONGTERM PROVISIONS

	GROUP		COMPANY	
	2023	2022	2023	2022
Provisions for years of service awards and severance allowances	484,617	422,876	373,865	321,283
Provisions for ongoing legal cases	98,208	101,058	98,208	101,058
Total	**582,825**	**523,934**	**472,073**	**422,341**

Changes in provisions in 2023 were as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
Provisions as at 1 January	**523,934**	**488,003**	**422,341**	**389,495**
Cancellation of provisions	(8,069)	(10,387)	(4,944)	(6,206)
Additional provisions	90,961	72,796	70,688	59,757
Transfer to current provisions	(24,001)	(26,478)	(16,012)	(20,705)
Provision as at 31 December	**582,825**	**523,934**	**472,073**	**422,341**

33. LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2023	2022	2023	2022
Liabilities towards banks	60,396,185	53,726,060	60,396,185	53,726,060
Total	**60,396,185**	**53,726,060**	**60,396,185**	**53,726,060**

	GROUP		COMPANY	
	2023	2022	2023	2022
Average interest rate on long-term loans	1.17%	1.61%	1.17%	1.61%

	GROUP		COMPANY	
	2023	2022	2023	2022
Liabilities towards banks				
Balance at 1 January	53,726,060	34,451,454	53,726,060	34,451,454
New debt and exchange rate differences	11,798,773	23,514,025	11,798,773	23,514,025
Transfer to short-term position	(5,128,648)	(4,239,419)	(5,128,648)	(4,239,419)
Balance at 31 December	**60,396,185**	**53,726,060**	**60,396,185**	**53,726,060**

Maturity of liabilities towards banks and financial institutions:

			GROUP
	Current maturity in 2024	2025 - 2028	2029-onward
Liabilities towards banks	6,416,622	32,107,720	28,288,465
Total	**6,416,622**	**32,107,720**	**28,288,465**

			COMPANY
	Current maturity in 2024	2025 - 2028	2029-onward
Liabilities towards banks	5,316,559	32,107,720	28,288,465
Total	**5,316,559**	**32,107,720**	**28,288,465**

The company JGL d.d. is the only company within the JGL Group that has long-term loan liabilities. Total short-term and long-term debt to HBOR as at 31 December 2023 amounts to EUR 65,712,744 (EUR 57,368,641 in 2022).

The long-term loan liability toward HBOR, which was used in 2013 to finance the investment of the Svilno 2 production plant, amounts to EUR 13,233,463 on 31 December 2023 (EUR 16,762,387 in 2022). The loan was approved at the amount of EUR 37,139,873, and the repayment of the principal began in 2019.

In 2020, the Company launched a new investment called INTEGRA 2020, which will be financed in part from a long-term loan from HBOR in the amount of EUR 39,314,328. As of 31. December 2023 the loan has been fully used and the obligation under this loan amounts to EUR 39,314,328 (in 2022, EUR 31,458,593). The loan is contracted for a period of 9 years, with principal repayment beginning in 2026 and ending in 2035.

During 2022, the Company contracted a new loan with HBOR, a loan for working capital in the amount of EUR 13,272,281. As of 31. December 2023 the loan has been fully used and the obligation under this loan amounts to EUR 13,272,281 (in 2022, EUR 9,290,597). The loan has a repayment term of 5 years, with a grace period of 1 year.

During 2023, ZU Ljekarne Pablo takes a short-term loan in the amount of EUR 1,100,000, the loan was approved from the short-term framework in a commercial bank, it was contracted for a period of 1 year and the principal payment is one-time. The funds were used to purchase property.

34. LONG-TERM LEASE LIABILITIES

	GROUP		COMPANY	
	2023	2022	2023	2022
Lease liabilities	4,578,816	4,549,846	1,575,057	1,856,857
Total	**4,578,816**	**4,549,846**	**1,575,057**	**1,856,857**

Relations with related parties:

	GROUP		COMPANY	
	2023	2022	2023	2022
Non-current lease liabilities	78,108	62,534	-	-
Total	**78,108**	**62,534**	**-**	**-**

	GROUP		COMPANY	
	2023	2022	2023	2022
Lease liabilities				
Balance at 1 January	4,549,846	4,902,486	1,856,857	2,337,088
Effect of conversion to EUR	-	-	(691)	-
New debt and exchange rate differences	2,818,377	2,662,876	1,236,975	1,337,935
Transfer to short-term position	(2,789,407)	(3,015,516)	(1,518,084)	(1,818,166)
Balance at 31 December	**4,578,816**	**4,549,846**	**1,575,057**	**1,856,857**

Maturity of non-current lease liabilities:

			GROUP
	Current maturity in 2024	2025 - 2028	2029-onward
Lease liabilities	2,521,650	3,943,893	634,923
Total	**2,521,650**	**3,943,893**	**634,923**

			COMPANY
	Current maturity in 2024	2025 - 2028	2029-onward
Lease liabilities	1,323,814	1,445,676	129,381
Total	**1,323,814**	**1,445,676**	**129,381**

35. LIABILITIES FOR ISSUED BONDS

	GROUP		COMPANY	
	2023	2022	2023	2022
Liabilities toward securities	-	17,141,174	-	17,141,174
Total	**-**	**17,141,174**	**-**	**17,141,174**

On 21 November 2019, HANFA issued a Decision, Class No: UP/I-976-02/19-01/06, Reg.No: 326-01-60-62-19-12, approving a single prospectus of bonds in the amount of EUR 17,253,965, in registered dematerialised form, denominated in EUR 0,13 (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 EUR 17,253,965, code JDGL-O-24XA, ISIN HRJDGLO24XA2, with a fixed annual interest rate and maturity on 18 December 2024.

On 24 April 2023 the Company purchased bonds in the value of EUR 265,445 and they were cancelled, which reduced the liability for long-term securities by that amount.

36. DEFERRED TAX LIABILITY

	GROUP		COMPANY	
	2023	2022	2023	2022
Deferred tax liability	838,551	756,308	-	-
Total	**838,551**	**756,308**	**-**	**-**

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%.

37. SHORT-TERM LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2023	2022	2023	2022
Liabilities towards banks	6,416,622	3,648,912	5,316,559	3,642,581
Total	**6,416,622**	**3,648,912**	**5,316,559**	**3,642,581**

	GROUP		COMPANY	
	2023	2022	2023	2022
Liabilities towards banks				
Balance at 1 January	3,648,913	12,217,237	3,642,581	10,884,077
Yield, new debt and exchange rate differences	8,112,692	6,423,238	7,013,693	6,422,602
Repayment	(5,344,983)	(14,991,563)	(5,339,715)	(13,664,098)
Balance at 31 December	**6,416,622**	**3,648,912**	**5,316,559**	**3,642,581**

38. SHORT-TERM LEASE LIABILITIES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Lease liabilities	2,521,650	2,728,852	1,323,814	1,532,075
Total	**2,521,650**	**2,728,852**	**1,323,814**	**1,532,075**

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Lease liabilities				
Balance at 1 January	2,728,852	2,482,184	1,532,075	1,553,275
Yield, new debt and exchange rate differences	2,816,058	3,202,267	1,635,216	1,886,310
Repayment	(3,023,260)	(2,955,599)	(1,843,477)	(1,907,510)
Stanje na 31,12,	**2,521,650**	**2,728,852**	**1,323,814**	**1,532,075**

39. SHORT-TERM TRADE PAYABLES

Structure of trade payables by currency:

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
EUR	24,043,703	27,726,512	18,484,822	22,063,681
RUB	4,776,678	5,084,318	42,558	56,033
USD	172,602	243,724	85,315	144,151
Other currencies	625,519	227,222	11,193	1,047
Total	**29,618,502**	**33,281,776**	**18,623,888**	**22,264,912**

Relations with subsidiaries and related parties:

	GROUP		COMPANY	
	2023	2022	2023	2022
Adrialab d.o.o.	-	-	448,898	328,297
Farmis d.o.o. Sarajevo	-	-	12,991	3,907
JGL d.o.o. Beograd- Sopot	-	-	11,975	3,523
Jadran Galenski laboratorij d.o.o. Ljubljana	-	-	1,493	607
Jadran LLC	-	-	40,879	56,033
Jadran informatika d.o.o. Rijeka	33,926	44,360	20,369	33,280
Total	**33,926**	**44,360**	**536,605**	**425,647**

40. SHORT-TERM LIABILITIES FOR ISSUED BONDS

	GROUP		COMPANY	
	2023	2022	2023	2022
Short-term liabilities toward securities	16,941,677	-	16,941,677	-
Total	**16,941,677**	**-**	**16,941,677**	**-**

Within the JGL Group, the Company JGL d.d. has short-term liabilities for issued bonds, and they refer to liabilities for issued bonds marked JDGL-O-24XA, ISIN HRJDGLO24XA2 that mature in 2024 and so on 31 December 2023 became classified as short-term securities liabilities. On 31 December 2023 these liabilities amount to EUR 16,941,677 (during 2022, they were classified as long-term).

41. OTHER SHORT-TERM LIABILITIES

	GROUP		COMPANY	
	2023	2022	2023	2022
Accrued liabilities	4,297,844	3,932,913	2,100,105	1,929,603
Liabilities towards employees	3,887,128	3,263,589	3,146,274	2,767,490
Liabilities for income tax, VAT, contributions and other fees	3,183,710	3,207,655	2,678,904	2,504,605
Liabilities for received advance payments	117,020	1,134,908	101,884	1,112,969
Other current liabilities and current provisions	780,869	619,875	765,457	602,651
Total	**12,266,571**	**12,158,940**	**8,792,624**	**8,917,318**

Relations with subsidiaries and related parties:

	GROUP		COMPANY	
	2023	2022	2023	2022
Other liabilities towards related parties	-	558,368	-	558,368
Total	**-**	**558,368**	**-**	**558,368**

42. RISK MANAGEMENT

Financial risk factors

In the course of their ordinary business activities, the Group and the Company are exposed to various financial risks which are connected to currency, interest rate, credit and liquidity risks. The Group and the Company monitor these risks and seek to minimise their potential impact on the financial exposure of the Group and the Company.

The most significant risks and the methods used to manage them are described below.

Foreign currency risk

The Group and the Company are exposed to the risk of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. It is also exposed to transaction risk, which represents the risk of negative exchange rate effects on cash flows from business activities, as well as balance sheet risk, which manifests itself as a lower value of net monetary assets in foreign currencies. Currency risk is also present when reporting operations of foreign subsidiaries, which are reported in euros in the consolidated reports.

The introduction of the euro as the official currency in the Republic of Croatia significantly reduces the currency risk for the Group in 2023. The most significant risk remains the risk of changing the EUR against the RUB.

Exposure to currency risk is continuously monitored and hedging instruments are used if necessary. The decision on protection depends on the currency in which the claim is stated, and the type of risk protection instrument as well as its price. Parent company on 31 December 2023 had no active forward contracts.

The following table shows the carrying amounts of assets and liabilities of the Group in foreign currencies as at 31 December 2023

In thousand EUR

	LIABILITIES		ASSETS	
	2023	**2022**	**2023**	**2022**
RUB	7,446	8,198	25,114	28,071
USD	111	210	787	507
Other currencies	1,460	902	2,809	2,094

The following table shows the carrying amounts of assets and liabilities of the Company in foreign currencies as at 31 December 2023.

In thousand EUR

	LIABILITIES		ASSETS	
	2023	**2022**	**2023**	**2022**
RUB	56	60	15,994	28,719
USD	111	210	787	507
Other currencies	75	134	6	5

The Group and the Company are primarily exposed to the foreign currency risk arising from the fluctuation of the EUR against 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 per barrel of oil on global markets.

In 2023, political risk related to the war in Ukraine occurred. The Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. The crisis continues and during 2023, the ruble exchange rate depreciates by almost 30% compared to the exchange rate at the end of 2022.

Should the exchange rate of RUB increase by 10% against the exchange rate of EUR on 31 December 2023, provided that all other indicators remain the same, the net profit of the Group for the reporting period would be EUR 1,589,034 lower, mostly as a result of the exchange rate loss during the conversion of foreign currency assets and liabilities. 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 Euro, the effect on profit would be equal and opposite.

Should the exchange rate of RUB increase by 10% against the exchange rate of EUR on 31 December 2023, provided that all other indicators remain the same, the net profit of the Company for the reporting period would be EUR 1.638.614 lower, mostly as a result of the exchange rate loss during the conversion of foreign currency assets and liabilities. 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 Euro, the effect on profit would be equal and opposite.

Interest rate risk

The Group's and the Company's business activities expose their cash flows to interest rate risk only minimally 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 2023, the average interest rate on bank loans to the Group was 1.17% (1.61% in 2022). In 2023, the average interest rate on bank loans to the Group was 1.17% (1.61% in 2022).

During 2023, under the influence of macroeconomic events, interest rates increased to high levels. The Group and the Company do not use derivative instruments to actively hedge its exposure to interest rate risk (cash flow interest rate risk and fair value interest rate risk) as the current structure of debt does not require their use. Within the JGL Group, the Company JGL d.d. has bank and lease debts, with most of them being contracted at favourable fixed interest rates.

For the purposes of short-term financing, the Group and the Company use funds from the framework short-term credit lines arranged with commercial banks. The aforementioned frameworks served as a liquidity reserve and during 2023, EUR 1.1 million was used by the affiliated company ZU Ljekarne Pablo.

Credit risk

Assets that can potentially expose the Group and the Company to credit risk include current 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 most exposed to this risk. This is because about 75% of trade receivables are foreign trade receivables. The company seeks to protect itself by obtaining payment security instruments and by selecting customers based on the evaluation of their creditworthiness. In order to further protect the collection of foreign receivables, the Group and the Company insure receivables from customers.

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 with commercial banks through which they also perform other business operations, and which are among the leading banks and possess satisfactory levels of capital adequacy.

The Group and the Company are part of the healthcare system and are indirectly subject to the risk of the collection period for trade receivables within the Croatian Health Insurance Fund's system. The security risk connected to receivables in the pharmacy system is reduced through the market position of the related entity Ljekarna Pablo, whose purchase from wholesale pharmacies is based on the share of a wholesale pharmacy 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 related entity, so the payment security risk is reduced to a minimum.

In 2023, payment collection deadlines in the Croatian healthcare system ranged from 120 to 180 days, with continued efforts being made by the Ministry of Health to reduce these periods to under 120 days. The situation is similar in other markets and countries where member companies operate (Russia, Belarus, Kazakhstan, Slovenia, Bosnia and Herzegovina, etc.). The average collection period for customers ranges from 30 to 90 days, whereas the average collection period for wholesale pharmacies has been extended and, as a rule, ranges from 90 to 120 days.

Liquidity risk

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 2023, the parent company within the Group has credit lines in EUR approved and contracted with commercial banks in the total amount of EUR 15 million The aforementioned frameworks served as a liquidity reserve and during 2023, EUR 1.1 million was used by the affiliated company ZU Ljekarne Pablo. Of the total contracted 15 million euros at the JGL Group level, 4 million euros are available to the related company LLC Jadran in Russia, while the related company ZU Ljekarne Pablo as a co-debtor under the parent company has an amount of 4 million euros available for use.

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 have been prepared using undiscounted cash flows based on contractual conditions at the reporting date and also include principal and interest cash flows. The liquidity risk analysis given below does not suggest the likelihood of lack of liquidity of the Group and the Company in the short term.

In thousand EUR

	Net carrying value	Contracted cash flows	Up to 1 year	1 - 5 years	Over 5 years
Group as at 31 December 2023					
Non-interest-bearing liabilities:					
Trade payables	29,618	29,618	29,618	-	-
Other liabilities	8,053	8,053	8,053	-	-
Interest bearing liabilities:					
Loan liabilities	71,935	71,935	7,166	34,939	29,830
Liabilities for issued bonds	17,286	17,286	17,286	-	-
Lease liabilities	7,061	7,061	2,518	4,114	429
	133,953	**133,953**	**64,641**	**39,053**	**30,259**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	55,746	55,746	55,746	-	-
Cash and cash equivalents	8,519	-	-	-	-
Interest-bearing assets:					
Loans granted	48	48	48	-	-
Deposits	15,382	15,382	15,382	-	-
	79,695	**71,176**	**71,176**	**-**	**-**
Net liquidity position	**(54,258)**	**(62,777)**	**6,535**	**(39,053)**	**(30,259)**

In thousand EUR

	Net carrying value	Contracted cash flows	Up to 1 year	1 - 5 years	Over 5 years
Group as at 31 December 2022					
Non-interest-bearing liabilities:					
Trade payables	34,384	34,384	34,384	-	-
Other liabilities	9,559	9,559	9,559	-	-
Interest bearing liabilities:					
Loan liabilities	62,017	62,017	4,342	26,205	31,470
Liabilities for issued bonds	17,858	17,858	302	17,556	-
Lease liabilities	7,512	7,512	2,795	4,362	356
	131,330	**131,330**	**51,381**	**48,123**	**31,826**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	54,856	54,856	54,856	-	-
Cash and cash equivalents	9,883	-	-	-	-
Interest-bearing assets:					
Loans granted	24	24	24	-	-
Deposits	7,306	7,306	7,306	-	-
	72,069	**62,186**	**62,186**	**-**	**-**
Net liquidity position	**(59,261)**	**(69,144)**	**10,805**	**(48,123)**	**(31,826)**

in thousand EUR

	Net carrying value	Contracted cash flows	Up to 1 year	1 - 5 years	Over 5 years
Company as at 31 December 2023					
Non-interest-bearing liabilities:					
Trade payables	18,624	18,624	18,624	-	-
Other liabilities	6,693	6,693	6,693	-	-
Interest bearing liabilities:					
Loan liabilities	70,835	70,835	6,066	34,939	29,830
Liabilities for issued bonds	17,286	17,286	17,286	-	-
Lease liabilities	2,899	2,899	1,324	1,575	-
	116,336	**116,336**	**49,992**	**36,514**	**29,830**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	38,137	38,137	38,137	-	-
Cash and cash equivalents	4,176	-	-	-	-
Interest-bearing assets:					
Loans granted	48	48	48	-	-
Term deposits	15,381	15,381	15,381	-	-
	57,743	**53,566**	**53,566**	**-**	**-**
Net liquidity position	**(58,593)**	**(62,770)**	**3,574**	**(36,514)**	**(29,830)**

in thousand EUR

	Net carrying value	Contracted cash flows	Up to 1 year	1 - 5 years	Over 5 years
Company as at 31 December 2022					
Non-interest-bearing liabilities:					
Trade payables	22,265	22,265	22,265	-	-
Other liabilities	6,988	6,988	6,988	-	-
Interest bearing liabilities:					
Loan liabilities	62,409	62,409	4,342	26,205	31,862
Liabilities for issued bonds	17,858	17,858	302	17,556	-
Lease liabilities	3,623	3,623	1,598	2,025	-
	113,142	**113,142**	**35,494**	**45,786**	**31,862**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	41,041	41,041	41,041	-	-
Cash and cash equivalents	5,949	-	-	-	-
Interest-bearing assets:					
Loans granted	424	424	424	-	-
Deposits	7,305	7,305	7,305	-	-
	54,719	**48,770**	**48,770**	**-**	**-**
Net liquidity position	**(58,424)**	**(64,372)**	**13,276**	**(45,786)**	**(31,862)**

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 the 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 compared to the predictions at 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 authorisation for pharmaceutical products or processes, and in some markets frequent regulatory changes make it difficult to predict the process and temporal perspective for the obtaining an authorisation. The Group's and the Company's inability to obtain an authorisation for their pharmaceutical products or processes, or the withdrawal of any such authorisation, 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 authorisations 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 list of medicines maintained by the Croatian Health Insurance Fund, 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 maintain the same level of profitability by decreasing operating costs (other external service costs – promotions, entertainment, consulting services, etc. and by negotiating lower costs of procuring 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.

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 external sources is based on non-current assets with favourable interest rates, and does not impose 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.

The company JGL bears the greatest part of the debt burden. The liability for the long-term HBOR loan used to finance the investment in the new production plant Svilno 2 amounts to EUR 13.2 million. Repayment of the principal began in 2019, and during 2020 an addendum to the contract was signed which reduces the interest rate, which further contributes to the reduction of financing costs.

In 2020, the parent company began the INTEGRA 2020 investment, which includes expanding production capacities, equipping a development laboratory, building a pilot plant and logistics centre, and arranging office space. The investment is financed partly by own funds and partly by a long-term loan from HBOR in the amount of EUR 39.3 million with a favourable fixed interest rate. As at 31 December 2023 the loan is fully used, as for repayment it is agreed for a period of 9 years with the beginning of repayment of the principal in 2026 and the final maturity in 2035.

The Company has liabilities towards the holders of bonds under the code HRJDGLO24XA2, in the amount of EUR 17 million and with a maturity date on 18 December 2024.

In 2022, the Company entered into an agreement with HBOR for a new loan, i.e. a working capital loan amounting to EUR 13.3 million. As at 31 December 2023 the loan is fully used, it has a favourable fixed interest rate and repayment term is 5 years, with a grace period of one year.

The reduction of debt and shorter periods 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	
	2023	**2022**	**2023**	**2022**
Debt				
Short-term and lon-term financial debt	90,854,950	81,794,844	85,553,292	77,898,747
Cash and cash equivalents and loans given	(23,856,815)	(17,223,328)	(19,515,274)	(13,672,396)
Net debt	**66,998,135**	**64,571,516**	**66,038,018**	**64,226,351**
Capital and reserves	139,435,208	120,401,475	136,904,226	123,371,651
Net debt/capital and reserves	48.05%	53.63%	48.24%	52.00%
Financial leverage	32.46%	34.91%	32.54%	34.24%

Categories of financial instruments

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Financial assets at fair value				
Investments in securities	3,076,760	2,929,343	3,076,760	2,929,342
Total	**3,076,760**	**2,929,343**	**3,076,760**	**2,929,342**
Financial assets at amortised cost				
Trade receivables	49,072,136	47,730,871	38,137,224	41,040,748
Cash and cash equivalents	20,890,800	14,410,215	16,547,369	10,475,852
Other financial assets	46,210	40,725	48,100	424,156
Total	**70,009,146**	**62,181,811**	**54,732,693**	**51,940,756**
Financial assets at amortised cost				
Loan liabilities	66,812,807	57,374,973	65,712,744	57,368,641
Liabilities arising from securities	16,941,677	17,141,174	16,941,677	17,141,174
Trade payables	29,618,502	33,281,776	18,623,888	22,264,912
Lease liabilities	7,100,466	7,278,698	2,898,871	3,388,932
Total	**120,473,452**	**115,076,621**	**104,177,180**	**100,163,659**

43. FAIR VALUE

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

44. 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 arising from disputes and appeals will not have any significant impact on the financial position or future business performance of the Group or the Company.

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Net salaries	1,582,330	1,518,234	969,099	974,922
Remuneration of the Board of Directors and allocation of shares	1,062,794	1,011,307	947,473	911,680
Tax and contributions from salaries	781,475	574,622	574,166	574,622
Contributions on salaries	370,150	333,451	254,638	255,852
Total	**3,796,749**	**3,437,613**	**2,745,376**	**2,717,075**

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Annual awards and bonuses to the key management personnel	844,316	840,695	620,121	664,090
Number of shares assigned to the key management personnel	3,460	3,475	2,875	2,850

46. IMPACT OF COVID-19 ON OPERATION OF THE GROUP AND THE COMPANY

In May 2023, the end of the pandemic was declared, and the Group and the Company did not feel the negative effects of it.

47. 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		COMPANY	
	2023	**2022**	**2023**	**2022**
Credit lines with banks	10,660,000	13,763,674	10,660,000	8,663,614
Guarantees issued	5,079,291	6,141,750	5,079,291	6,141,750
Guarantees received	2,417,184	3,309,745	2,417,184	3,309,745
Contracted raw materials	447,153	146,148	447,153	146,148
Pre-supplied EUR cash	-	501	-	501
Total	**18,603,628**	**23,361,317**	**18,603,628**	**18,261,758**

48. RECLASSIFICATION OF FINANCIAL STATEMENT POSITIONS

In 2023, the Group and the Company reclassified certain positions in the 2022 statement of financial position and statement of comprehensive income in order to correct the incorrect classification.

Other operating income and material expenses

	GROUP			COMPANY		
	2022 before reclassification	**Effect of reclassification on the result**	**2022 after reclassification**	**2022 before reclassification**	**Effect of reclassification on the result**	**2022 after reclassification**
Other operating income	5,227,445	(2,871,944)	2,355,501	2,209,322	(313,798)	1,895,524
Material expenses	(71,233,161)	2,871,944	(68,361,217)	(41,391,888)	313,798	(41,078,090)
Total	**(66,005,716)**	**-**	**(66,005,716)**	**(39,182,566)**	**-**	**(39,182,566)**

In the original statement of comprehensive income in 2022, subsequent discounts from suppliers were part of Other operating income. The amount was reclassified and reported under the item Material expenses.

Depreciation

	GROUP			COMPANY		
	2022 before reclassification	Effect of reclassification on the result	2022 after reclassification	2022 before reclassification	Effect of reclassification on the result	2022 after reclassification
Amortization of intangible assets	1,608,423	141,332	1,467,091	1,496,100	(65,938)	1,430,162
Depreciation of tangible assets	4,475,930	(141,332)	4,617,262	4,112,667	65,938	4,178,605
Depreciation of right of use assets	2,238,616	-	2,238,616	1,240,677	-	1,240,677
Total	**8,322,969**	**-**	**8,322,969**	**6,849,444**	**-**	**6,849,444**

In the original 2022 statement of comprehensive income, amortization of fixed assets - leasehold improvements were part of the item amortization of intangible assets. The amount was reclassified and shown under the item Depreciation of tangible assets.

Fixed assets

	GROUP			COMPANY		
	2022 before reclassification	Effect of reclassification on the result	2022 after reclassification	2022 before reclassification	Effect of reclassification on the result	2022 after reclassification
Intangible assets	24,723,508	(1,040,317)	23,683,191	17,972,195	(543,558)	17,428,637
Property, plant and equipment	107,901,861	1,040,317	108,942,178	100,984,835	543,558	101,528,393
Total	**132,625,369**	**-**	**132,625,369**	**118,957,030**	**-**	**118,957,030**

In the original 2022 statement of financial position, Leasehold improvements were part of the Intangible assets position. The amount was reclassified and shown under Property, plant and equipment.

49. INDEFINITE BUSINESS

In 2023, political risk related to the war in Ukraine continues. The JGL Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. It is clear that this situation impacts not only the financial market, but also the market for energy products. Due to their operations in war-affected areas, the Group and the Company are exposed to foreign currency risk, the risk of the inability to collect receivables, the risk of the inability to deliver goods and the risk of losing control over the operations in these countries. These risks are managed in several ways: by controlling inventories, insuring exports, finding alternative routes for the distribution of products, diversifying the portfolio and focusing on other markets, as well as by reducing costs to reduce the impact that a decline in sales has on business operations.

The Group and the Company are to a lesser extent directly dependent on suppliers from conflict-affected countries, but we are witnessing an increase in fixed and variable costs due to increased prices of raw and other materials and energy products. This crisis indirectly impacts the price of products through the prices of raw and other materials. Business management of this crisis will be performed in the best interest of the employees and the company, and sales and investments will continue in accordance with business plans.

50. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

After the reporting period, on March 25, 2024, the representative office of JGL in Uzbekistan was opened. In addition to the above, there were no significant events that occurred after the balance sheet date, which would have a significant impact on the financial statements as of the date or for the period then completed, or that are of such importance for the operations of the Group and the Company that they would require publication in the notes to the financial statements.

51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements shown in the preceding pages were prepared and approved for issuing by the Company's Executive Director on 29 April 2024.

For JGL d.d.

Mislav Vučić,
Chief Executive Officer

JGL d.d.
Svilno 20
51000 Rijeka

Graphic design
Studio Sudar

jgl Sense the Life