INTEGRATED ANNUAL REPORT OF THE JGL GROUP

2021

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.

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

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

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

Reference to the "previous period" relates to the period from 1 January 2020 to 31 December 2020, while the "current period" relates to the period from 1 January 2021 to 31 December 2021.

Rijeka, April 2022

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ORGANISATIONAL PROFILE, STRATEGY, ETHICS AND INTEGRITY, GOVERNANCE

MANAGEMENT REPORT

Ivo Usmiani,
President of JGL's Board of Directors

Dear Stakeholders,

In exceptionally challenging conditions of a pandemic providing us with daily reminders of the significance of the domestic industry for the stability of the national economy and financial strength of the country as well as of the significance of the pharmaceutical industry for the overall health of our civilisation, I am proud that JGL has remained the leading domestic pharmaceutical company.

Strength in people

We remain focused on the high-quality management of operations and risks with a particular emphasis on the health and safety of our employees, customers, and partners, as well as balancing cost effectiveness and operational efficiency. Our advantage primarily lies in competent, motivated, and loyal employees, investment in people and their competencies, new technology, and many innovation projects, as well as in partner relations with our customers. The crisis we have been living with for more than two years demanded our swift responses and adjustments as well as constant focus. At the same time, it brought many new insights and opportunities we have prudently used over the past 12 months.

In 2021, we marked 30 years of business, a decade of our globally present Meralys and, as part of the first anniversary of the JGL Pharmacy Museum, we organised an exhibition on 750 years of pharmacy in Croatia and the 120th anniversary of the first pharmacopoeia in Croatian. In the core business segment, we have been dedicated to defining a long-term company strategy aimed at providing the highest quality products for our patients and consumers as well as partners in existing and new markets in three key therapeutic areas – flu and cold, ophthalmology, and dermatology. We have founded the Science Council and joined forces with internationally renowned experts commanding abundant experience allowing us to steer existing and develop new ideas for the production and technology portfolio with solid scientific backing. We successfully registered and launched Clindamycin + Benzoyl Peroxide 10 mg/g + 50 mg/g gel, the first in the European Union to do so, and continued the planned development of the key investment project Integra 2020 as an investment in our future allowing further forays into the global health market.

Green transformation

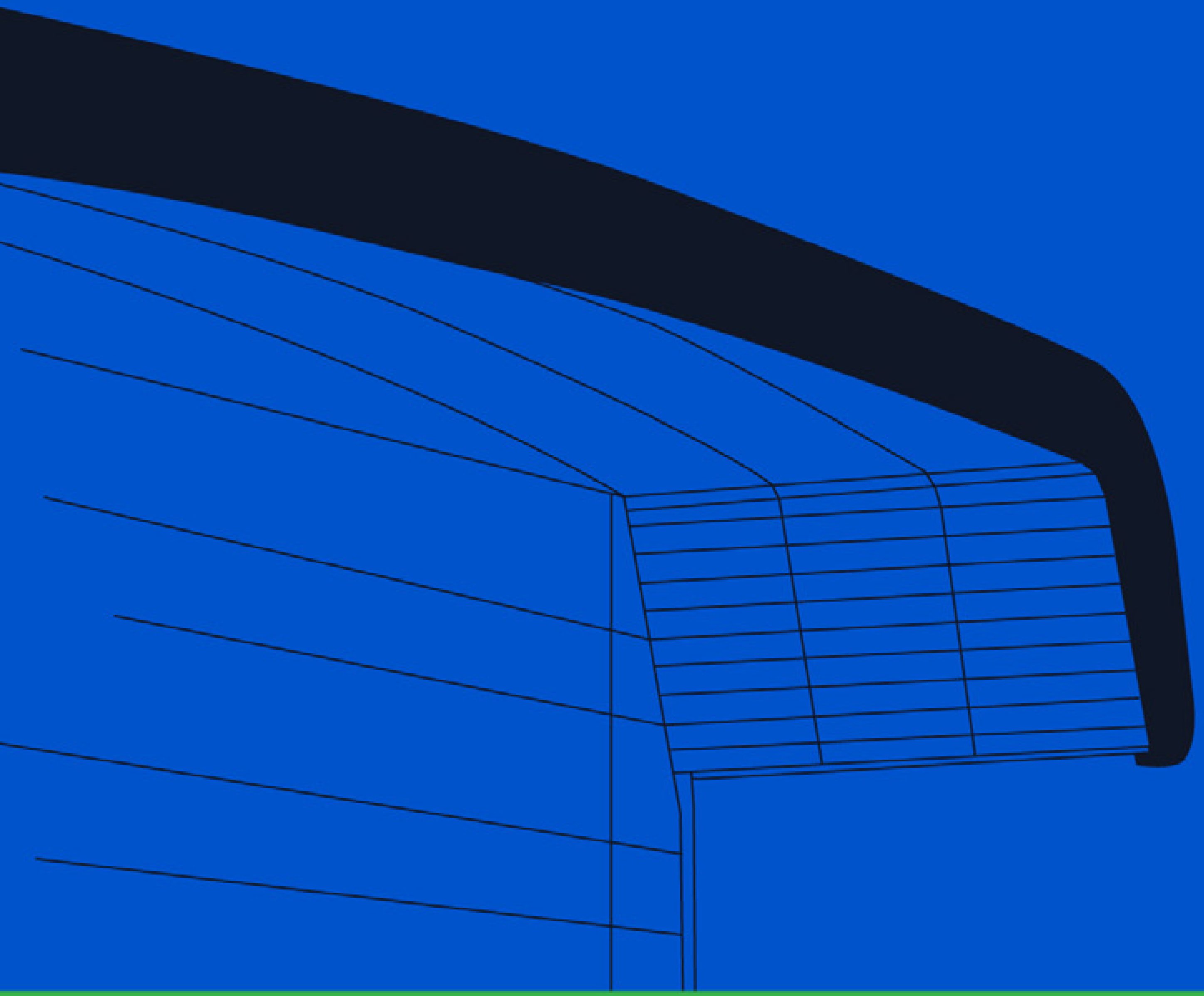
In the years ahead of us, the above project will allow us significant advancement in research and development, quality control, production and warehousing processes. Also, within the framework of development of innovative practices and strengthening of smart specialisation, it will allow an even stronger networking with the scientific and educational sector. In this segment, I am exceptionally proud we supported the establishment of the study of pharmacy at the Faculty of Medicine of the University of Rijeka in 2021 through know-how and experience. It meets the general and specific needs for knowledge, skills, and competencies of pharmaceutical industry professionals and marks a high-quality platform for further development of our country in the segment of pharmaceutical and biological development.

Due to the ongoing orientation to long-term and sustainable business, we were also awarded the first Golden Kuna in the category of the best socially-responsible and sustainable company. Awareness of sustainable business and investing in green transformation are central to JGL's business strategy as we are dedicated to achieving sustainable development and facing the main challenges of our day such as climate protection, digitalisation, and the current pandemic. In 2021, we specifically recognised the potential of digital technologies allowing for efficient production, consuming less energy, and facilitating the reduction of our environmental footprint and embedded them in many of our processes; we made new strides forward and activated new potential for further development and growth of competitiveness of the company.

Sense of responsibility

Ongoing education and learning are our priorities. We are investing many resources and time in our employees and we will continue to do so. Human resources are key at all levels of business from strengthening the culture of accepting new ideas, through the wish to implement changes, to dedication to achieving goals and development. In the period ahead of us, we have set the expectations of ourselves high, aware of the role we would like to perform for our employees, customers, and partners and the role JGL can and wishes to pursue in society. In accordance with the new purpose of the company, it is our goal to help people sense the world around themselves in a better, richer, and more reliable manner. To sense the life.

BOARD OF DIRECTORS



Ivo Usmiani
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 (production of drugs) 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
Vice President of the Board of Directors*

Dino Ćoza Saršon was born on 9 October 1988. He graduated from the Faculty of Pharmacy and Biochemistry of the University of Zagreb. He was Member of the Board at Adrialab, and in JGL, he successfully managed the intra-group transfer of technology, with technological and infrastructure investments in production capacities of affiliated companies. He was appointed a Member of the Board of Directors on 1 July 2021.

* Until 30 June 2021, Zdravko Saršon was the Vice President of the Board of Directors

Marina Pulišić
Member of the Board of Directors

Marina Pulišić was born in Đakovo on 26 February 1958. She graduated from the University of Zagreb, Faculty of Pharmacy and Biochemistry in 1983. She was an Executive Director of Corporate Affairs until 31 December 2014, when she assumed responsibility in JGL's Board of Directors. During her entire professional career, she has been an active and wholehearted supporter of the pharmaceutical profession.

Grozdana Božić
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
Member of the Board of Directors

Mislav Vučić
Member of the Board of Directors
Chief Executive Officer

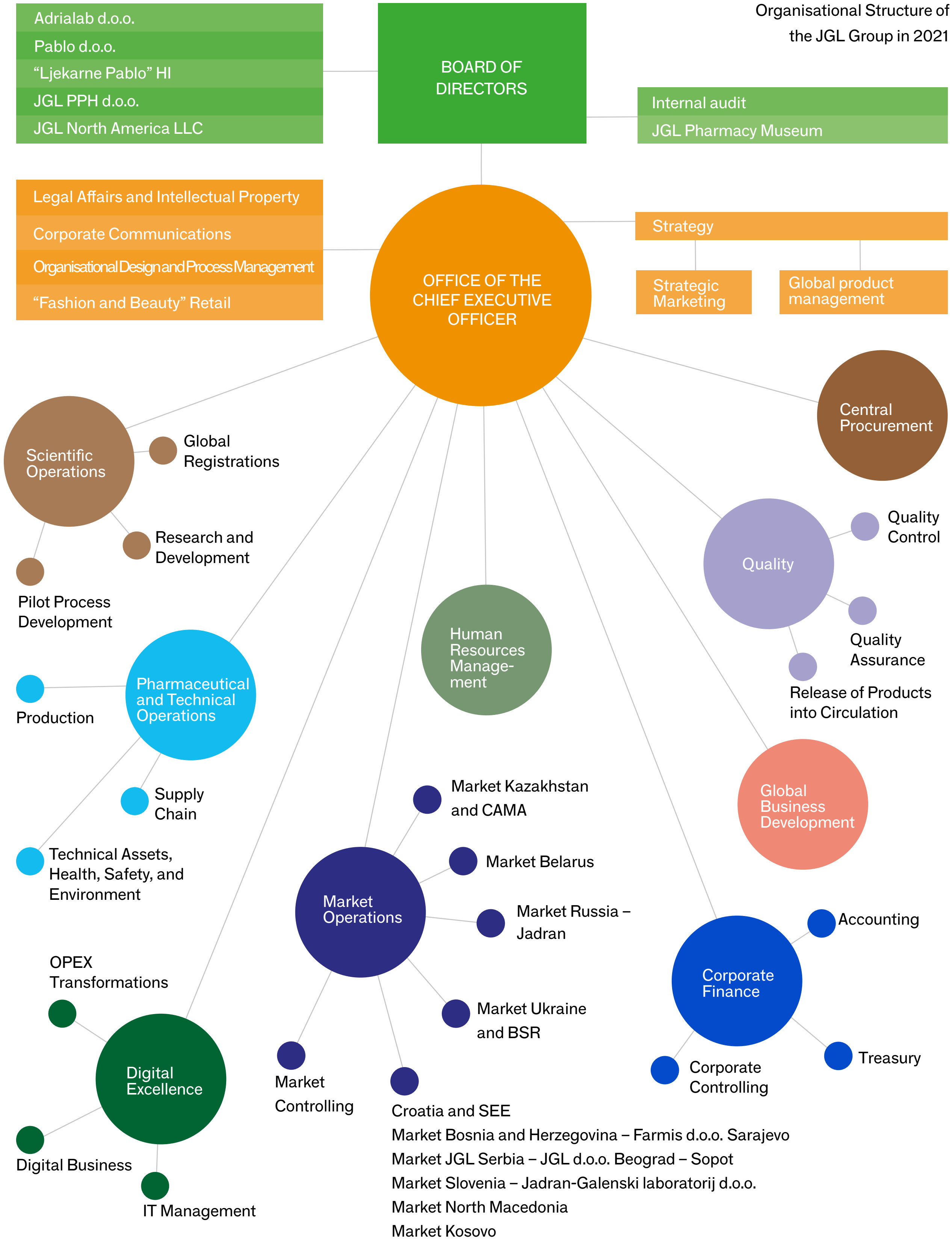
Eva Usmiani Capobianco was born in Rijeka on 24 March 1982. She graduated from the University of Rijeka, Faculty of Economics and Business, with a management major. She obtained her masters degree in Madrid in 2007 in enterprise management and leadership. She began her career in September 2007 in the 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 was born in Zagreb on 10 April 1974. He holds an MBA from the Instituto De Empresa Business School, one of the best business schools in Europe, and he graduated from the Faculty of Economics and Business in Zagreb. In his 20-year career at Pliva, Teva, and Sandoz, he was active in many fields of pharmaceutical industry. He took over the position of the chief executive officer of JGL on 31 December 2017 after serving as the general manager of Teva Romania where he successfully completed integration of Actavis.

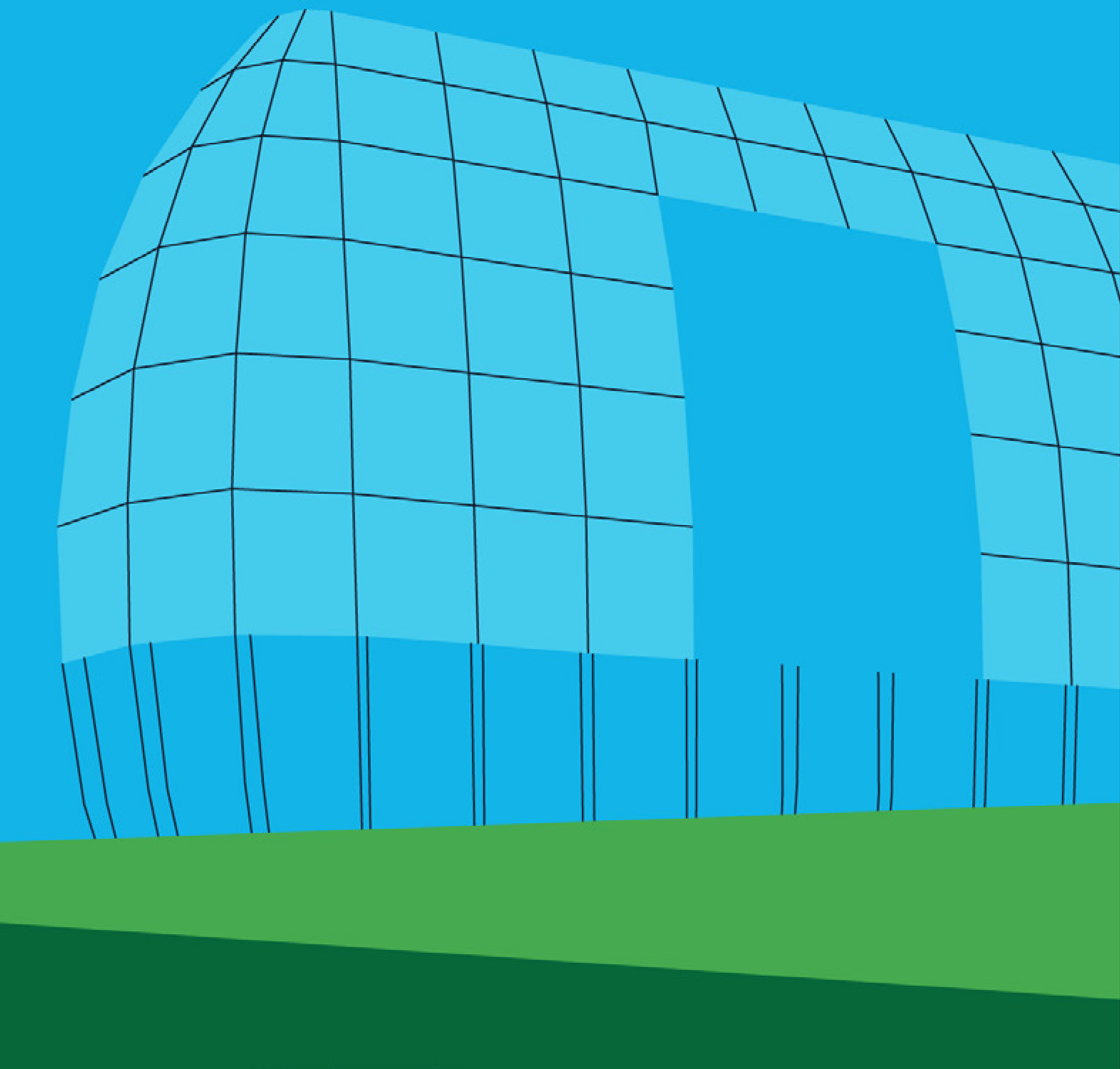
Dorotea Pernjak Banić
Member of the Board of Directors, workers' representative
Director of Pilot Process Development

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 in 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 Director of Process Development in Pilot.

Organisational Structure of the JGL Group in 2021



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 has its headquarters in Rijeka, where production facilities are also located. There are also two other offices in Croatia; in Zagreb and Split. Except in Croatia, the company is also present in other markets in Central and Eastern Europe with its operations and products, and outside Europe, the key markets are Russia, Ukraine, Kazakhstan and Belarus.

JGL's products are present in 60 markets.

Other companies comprising the JGL Group are also owned by JGL. The pharmaceutical part of the business (JGL Pharma), i.e. the core business, includes the parent company JGL d.d. and foreign daughter companies except Adrialab and Pablo.

Key manufacturing activities are located at three addresses:

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

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
"Ljekarne Pablo" 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	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.	Slovenia	Sale of pharmaceutical preparations
JGL North America LLC – the company is not active	USA	Sale of pharmaceutical preparations

INTERNATIONAL PRESENCE

The JGL Group operates in ten different markets in the CIS Region (Commonwealth of Independent States – Russia, Kazakhstan and Belarus), the SEE Region (South-East Europe – Croatia, Bosnia and Herzegovina, Serbia, Slovenia, Macedonia and Kosovo) and the BSR Region (Black Sea Region – Ukraine).

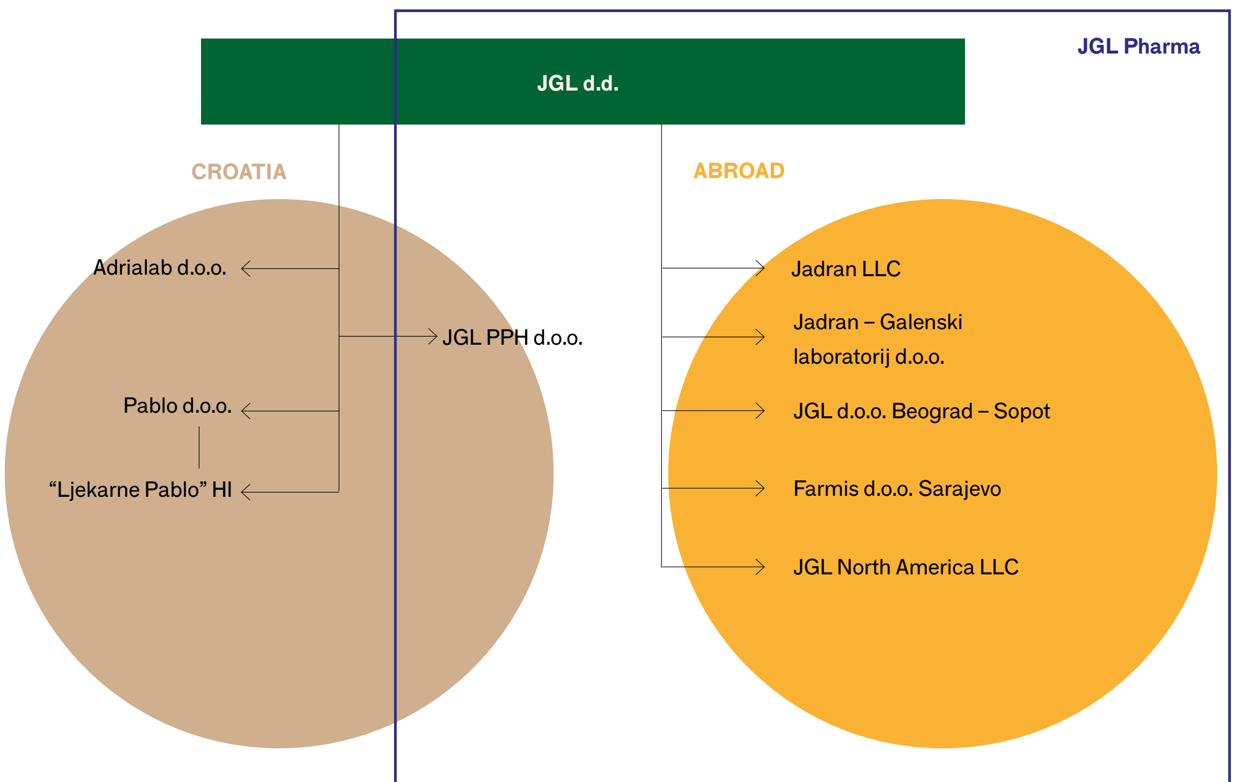
Business is carried out through the parent company JGL d.d. in Croatia and representative offices in Ukraine, Belarus, Kazakhstan, Macedonia and Kosovo.

The company's affiliates operate in Croatia (Pablo d.o.o., "Ljekarne Pablo" Health Institution, Adrialab d.o.o., JGL PPH d.o.o.), Russia (Jadran LLC), Serbia (JGL d.o.o. Belgrade-Sopot), Bosnia and Herzegovina (Farmis d.o.o. Sarajevo) and Slovenia (Jadran – Galenski laboratorij d.o.o.).

Since nearly 85 per cent of revenue is generated outside Croatia, JGL is an export-oriented company and all investments are directed accordingly. However, through distributors and B2B (*Business-to-Business*) relations with other companies, JGL products are present in 60 markets (Hungary, Switzerland, Italy, Greece, Romania, Poland…).

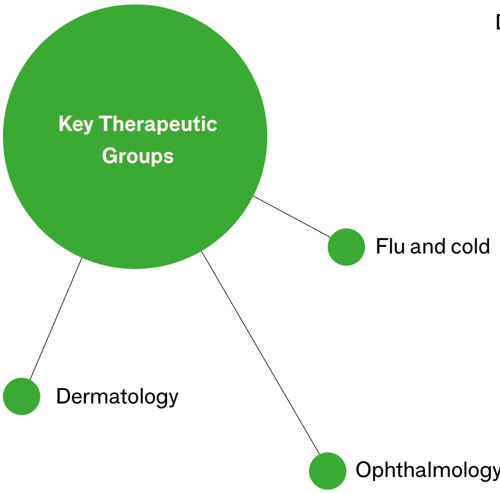
JGL cooperates with international partners through several cooperation models:

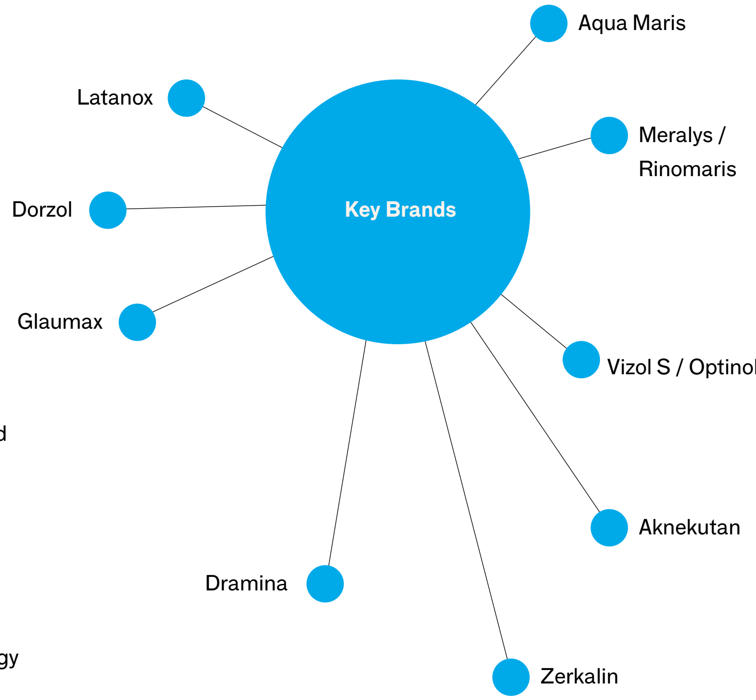
- through the distribution of JGL brands and cooperation through licensing, JGL products are widely present in Europe and the ASEAN and MENA regions
- JGL cooperates with large pharmaceutical manufacturers through contract manufacturing

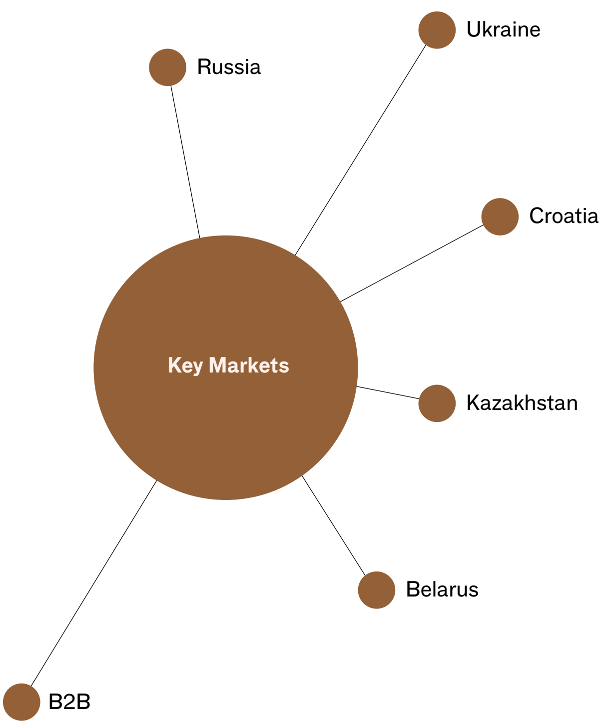


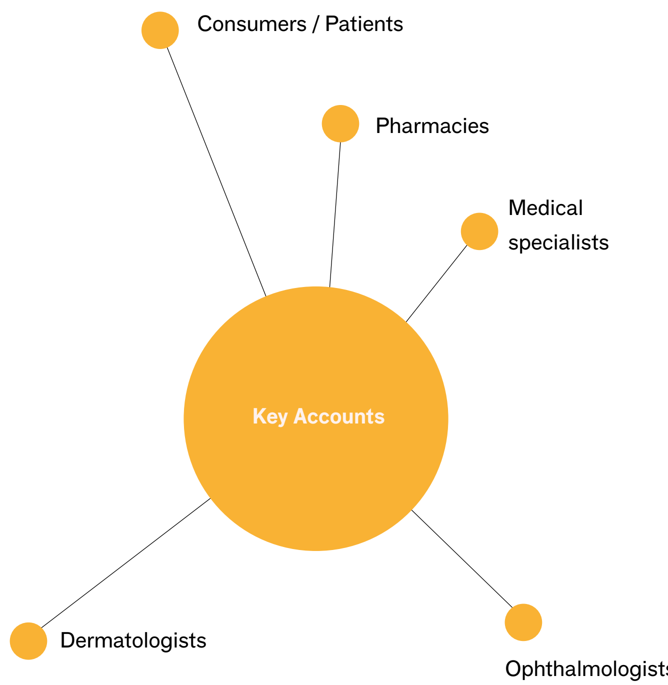
An overview of affiliated companies in the JGL Group

BUSINESS FOCUS









KEY INDICATORS

1,097.9

Total revenue
JGL Group
(in HRK million)

161.2

EBITDA
of the JGL Group
(in HRK million)

1,112

Number of employees
JGL Group

100.5

Profit before tax
JGL Group
(in HRK million)

875.5

Operating revenue
JGL Pharma
(in HRK million)

16.9%

EBITDA margin
JGL Pharma

2.8

Net debt/EBITDA
JGL Pharma

55.9%

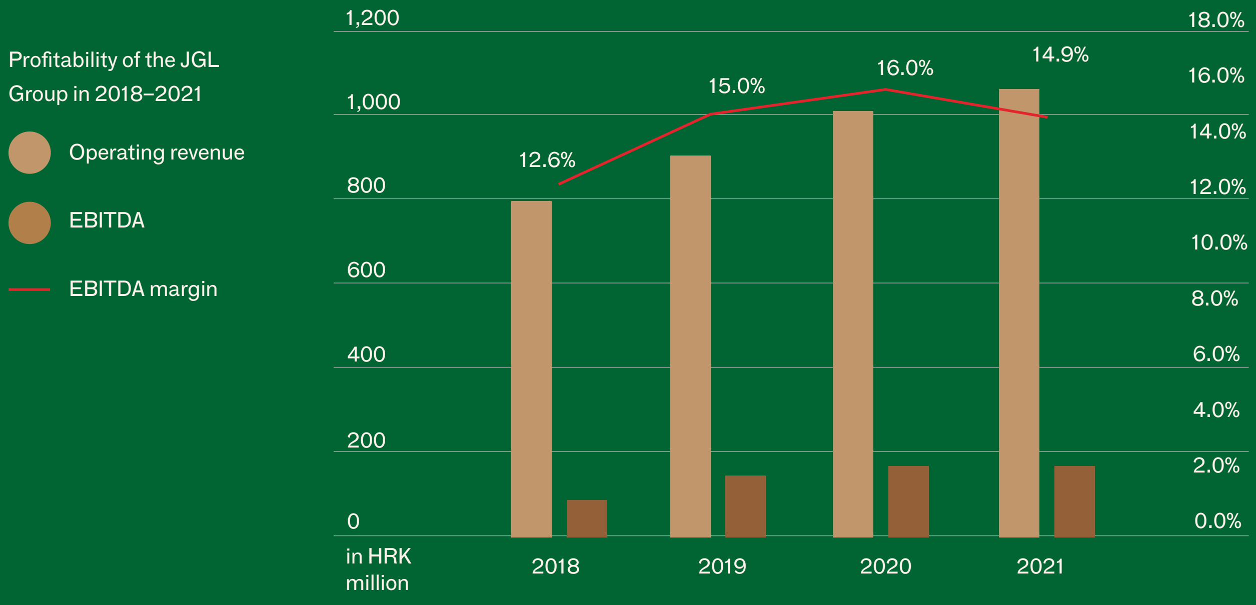
Net debt / capital
JGL Pharma

GRI 102-7 SCALE OF THE ORGANISATION

in HRK million

	JGL GROUP		JGL PHARMA[1]		JGL d.d.	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Total revenue	**1,097.9**	**1,020.1**	**894.0**	**820.6**	**721.2**	**609.7**
Operating revenue	1,079.5	1,011.4	875.5	811.9	703.0	585.5
EBITDA	**161.2**	**161.8**	**148.0**	**150.1**	**183.2**	**126.2**
Profit before tax	**100.6**	**70.4**	**93.1**	**64.1**	**133.1**	**61.1**
EBITDA margin	14.9%	16.0%	16.9%	18.5%	26.0%	21.6%
Net debt	432.1	349.2	412.4	332.8	415.7	334.9
Net debt / EBITDA	2.9	2.2	2.8	2.2	2.3	2.7
Net debt / capital	56.6%	51.2%	55.9%	50.2%	51.1%	48.5%
Debt ratio	50.3%	47.0%	49.0%	44.7%	45.5%	42.0%
Quick liquidity ratio	1.3	1.5	1.4	1.7	1.5	2.0
Number of employees	**1,112**	**1,077**	**934**	**905**	**663**	**636**

Profitability of the JGL Group in 2018–2021



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

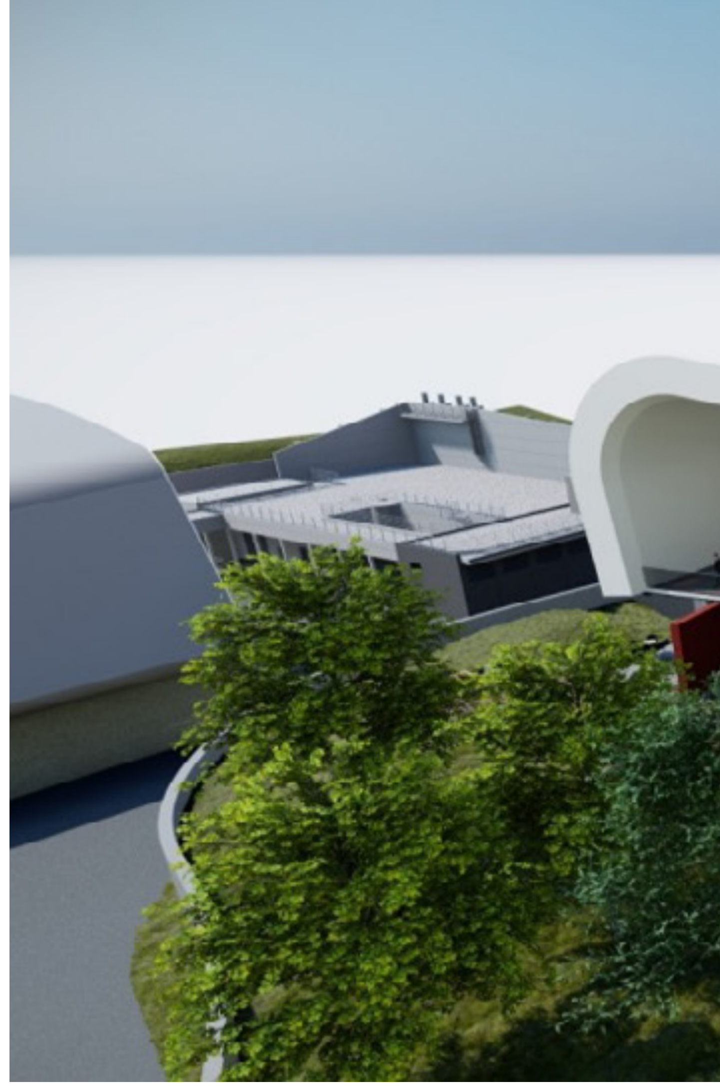
INTEGRA 2020

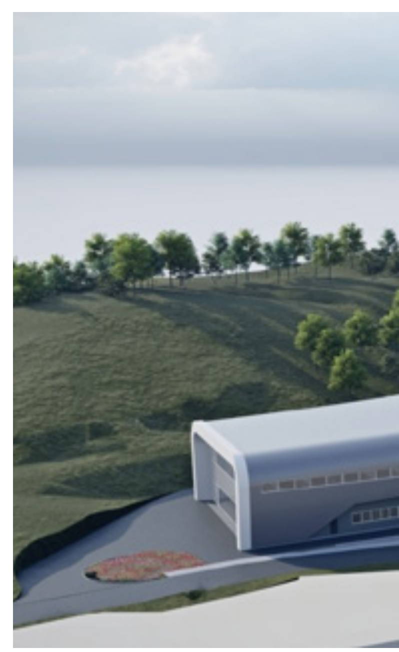
The 2021 reporting year will remain, from a technological aspect, a year of significant investment and increasing technological readiness of JGL production aimed at securing capacity for future growth and development. In accordance with the Integra 2020 project plan, the first floor of the largest existing structure has been repurposed from a storage to a production area. An investment in the amount of HRK 98.5 million allowed a technological predisposition for growth of capacity in the segment of sterile sprays, drops, and BoV forms by 60% as well as premises for future extensions of dosage and packaging lines.

Construction of a logistical centre consisting of two functionally related and structurally separated parts – automated high-bay warehouse and expediting – is nearing completion of works in late 2021. The project ensures storage of production materials, semi-finished and finished pharmaceutical products, handling of incoming and outgoing goods as well as additional office and auxiliary spaces for on-site workers.

In addition to exceptional insulating properties of materials built into the structure, most of the automated storage operations take place within a safe zone, in total darkness to save energy. Special signage reminds drivers to turn off their engines while they wait. Energy-efficient lighting minimises consumption of energy needed for lighting in the structure. Future construction of our own solar power plant and a charging station at the same site is planned to satisfy most needs at both Rijeka sites.

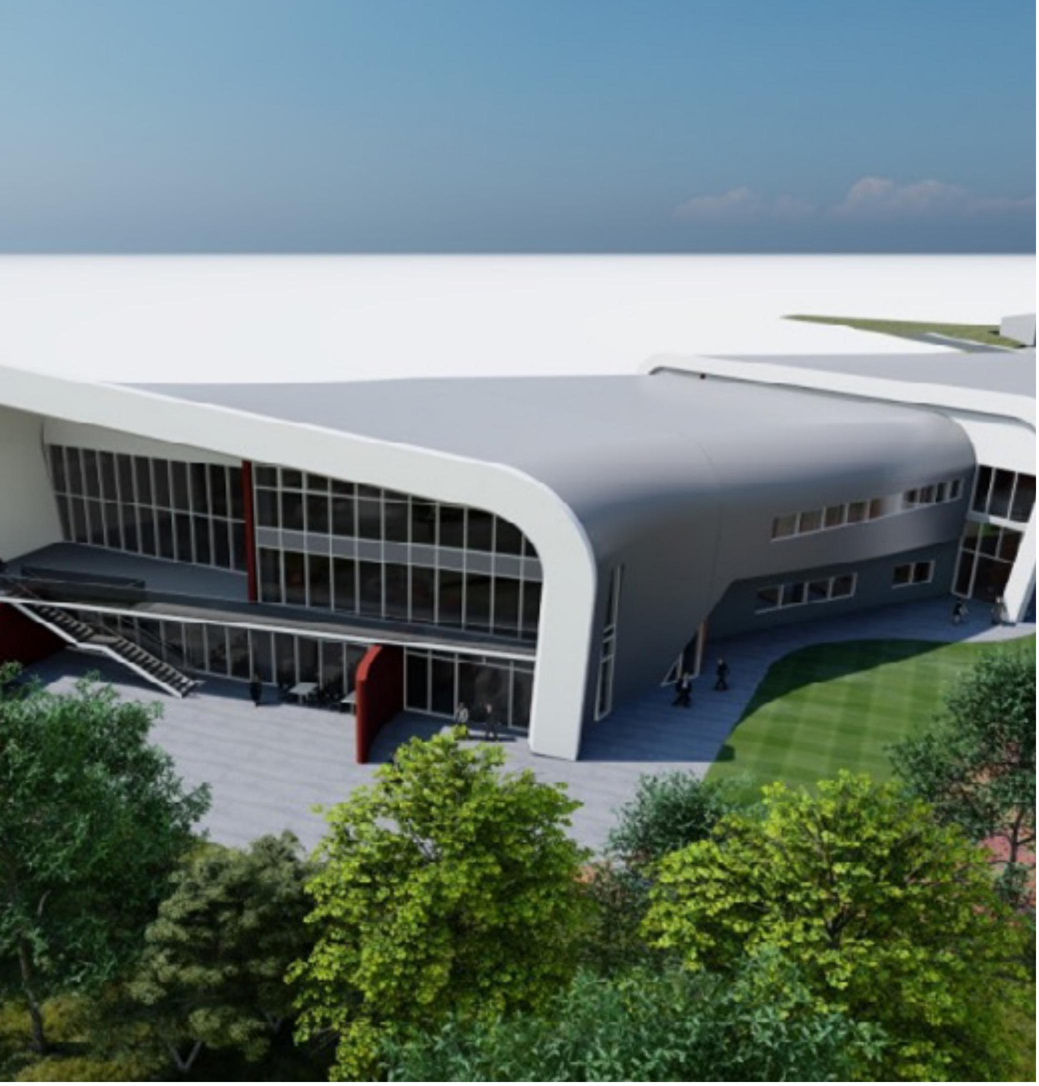
The research and development structure is a new multi-disciplinary structure complementing the Pharma Valley complex by following the visual identity of the site. The modern contour of the facility unifies laboratory premises of research and development; quality control, and the pilot plant serving as a GMP production plant for smaller batches. The building will also have a social segment providing employees with additional amenities – a restaurant, office spaces, multi-purpose conference rooms of various sizes, and the JGL Pharmacy Museum space. All these amenities will take up an area of about 5,200 m². This structure is at a stage of intensive construction expected to continue in 2022.

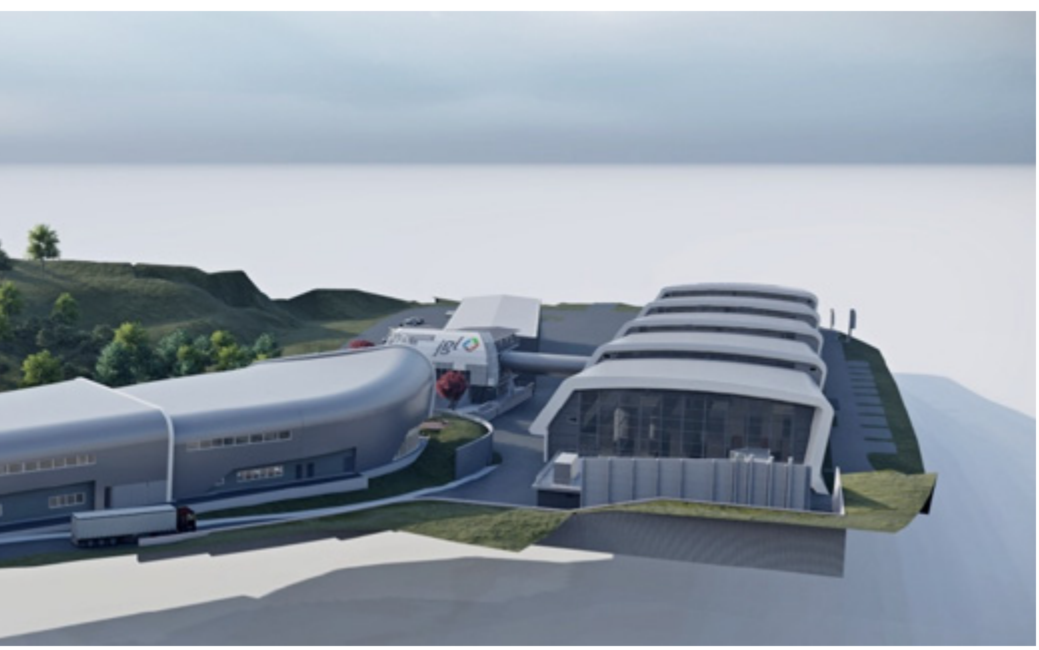




Simulation of the new research and development structure and the JGL pilot plant at the Pharma Valley site

GRI 102-10 SIGNIFICANT CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN





375
HRK million – investment value

280
HRK million – HBOR loan

60%
increased sterile production capacity

10
years of international growth

3
units
Research and Development
Production
Logistics Centre

JGL SCIENTFIFIC ADVISORY BOARD

The JGL Scientific Advisory Board was founded in Rijeka on 23 September 2021 as an independent and international body that brings together leading national and foreign experts, which will strengthen the scientific profile of the company's research and development projects.

The Board consists of ten internationally renowned experts with extensive practical, regulatory, clinical and industrial experience in the fields of pharmacology, preclinical, clinical and regulatory phases of drug development, pharmaceutical product design, and drug delivery systems and technologies.

The objective of the body is to steer existing and develop new ideas for the production and technology portfolio with sound scientific backing. Establishing the Board marks a summit of science and talent where synergy is applied for networking and sharing of relevant, scientifically sound know-how and ideas, which lays the groundwork for increasing the company's competitiveness.

PORTFOLIO REGISTRATIONS

During the reporting period, the following was recorded in the regulatory activities segment:

- 50 regulatory procedures successfully completed and marketing authorisation decisions obtained,
- 59 applications submitted for regulatory procedures to obtain marketing authorisation decisions.

In the first half of 2021, registration procedures were concluded successfully in the EU (8 countries) and the UK for Clindamycin + Benzoyl Peroxide 10 mg/g + 50 mg/g gel as the first generic parallel in those markets. Preparations were continued for certification according to the new EU regulation (Medical Device Regulation, MDR), which was supposed to come into effect on 26 May 2020; however, due to the COVID-19 pandemic, the implementation of Regulation (EU) 2017/745 on medical devices was extended for a year, until 26 May 2021.

Furthermore, although the implementation of a new regulation on medical devices in the EEU region was also postponed from 1 January 2022 to 1 January 2027 (for a period of five years), due to the great importance of the MD portfolio for the company and its business operations in the EEU region, preparations for the registration of products as per the new regulation were continued to ensure free movement of products from 1 January 2027. In the reporting period, 33 new products were realised in the portfolio management segment in the B2C segment of operations.

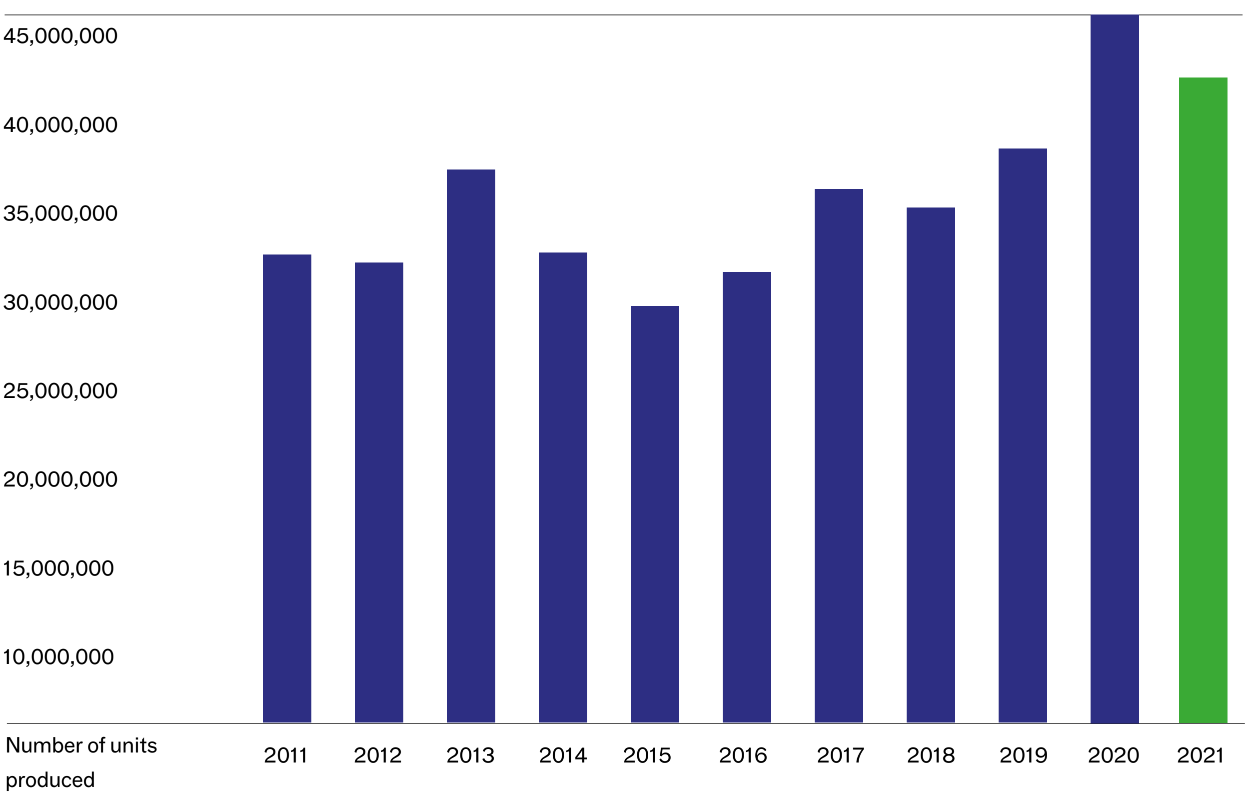
RESEARCH AND DEVELOPMENT

Research and development (R&D) of new technologies, in addition to the work on the development of new products and partner technology transfers to JGL, are the constant focus of the work of the R&D Department. In 2021, research and development became a part of Scientific Operations thereby emphasising the scientific component in the department's deliverables. Throughout 2021, activities within the scope of own product development were enhanced in order to increase the intellectual capital of the company in the future. In 2021, there were a total of 24 active projects in various stages of technological maturity, 17 projects for the development of own products, and 7 technology transfers for partners.

Throughout 2021, the trend of focusing on own development projects, and projects of an innovative character were nominated and approved. Within the scope of strengthening scientific competencies, two works were published in *Current Contents* journals, and two posters at public professional conferences ensuring visibility in the scientific community. R&D employees participated in the work of the JGL Science Council, a group of eminent experts active in key JGL segments also contributing to visibility among the professional public.

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

Overview of the number of manufactured products from 2011 to 2021



DEVELOPMENT OF RINO SPRAY

Following the Decision on award of the European Union "IRI 2" grant in the amount of HRK 13.87 million for an investment in the development of an innovative nasal spray on the basis of natural ingredients with antiviral action, JGL cooperated with the Centre for Proteomics Rijeka of the Faculty of Medicine of the University of Rijeka led by prof. Jonjić and his scientific team as well as with contributors form scientific research organisations – the Biotechnology Department, the Faculty of Pharmacy and Biochemistry, and the Faculty of Science in Zagreb and others.

This is a step forward for the company, considering that this is the first time it is developing a product from the ground up with substances that, up until now, have not been used in nasal sprays, but which contribute to reducing symptoms and the progression of colds caused by rhinoviruses.

The project is also important because, as part of the Smart Specialisation Strategy of the Republic of Croatia, the thematic priority area "Health and Quality of Life" has been selected as one of the five key areas for the development of the Croatian economy.

AUDITS

In 2021, there were 18 inspections by competent bodies and partner audits. Due to travel restrictions, most audits were not conducted on-site but through applications (online). Despite the inability of all auditors to visit the company and check compliance on-site, certificates required for operation and/or marketing of products continued to be issued.

The more important ones included the inspection by the Centre for Professional Assessment and Testing of Public Healthcare of the Republic of Belarus, the positive outcome of which allowed us to obtain an EAEU GMP certificate valid for the Eurasian Union (EAEU or EAU), i.e. the political and economic union of five Eurasian area countries (Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan)

Unified EAEU regulations applicable to production and registration of medicines will significantly reduce the number of inspections conducted by national agencies of individual countries in the course of registration of individual products, the administrative costs for manufacturers, and allow greater flexibility in the product registration process.

In the reporting year, inspectors praised the infrastructure, quality system and expertise of employees. Due to constant changes and increasingly rigorous regulatory requirements, the continuous implementation of improvements in the system is required as well as consolidation of requirements of regulations in new markets.

EXPANSION OF B2B OPERATIONS

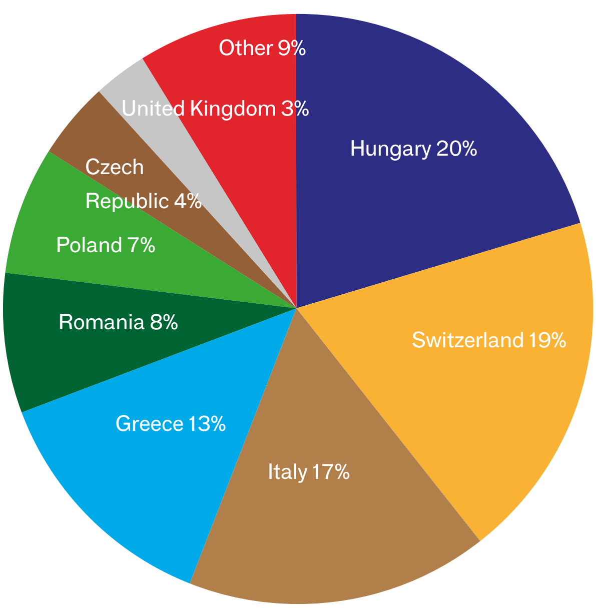
In 2021, the B2B segment of operations generated record revenue of as much as 2.3 million euros from licences and services. In 2021, 26 new contracts were signed, which will bring the company revenue of 30 million euros over five years. Most of the contracts (20) is for European markets, four for the Asia Pacific region and two for the MENA (Middle East and North Africa) region.

There were 56 new products launched, which brought revenues of 3.1 million euros. An especially important launch in the licensing segment was the first generic anti-acne gel in the United Kingdom, as well as half a million bottles of Nazol N drops in Poland. On top of that, Naftifin solution was launched in the markets of Czechia and Romania, Vizol S line in the United Kingdom, Meralys spray in the Netherlands, and Nasoryl spray in Portugal. Expansion of Aqua Maris brands in Asian and Middle Eastern markets continued, and Vizored drops were launched in Hungary. There were 35 new products launched through a contractual production business model.

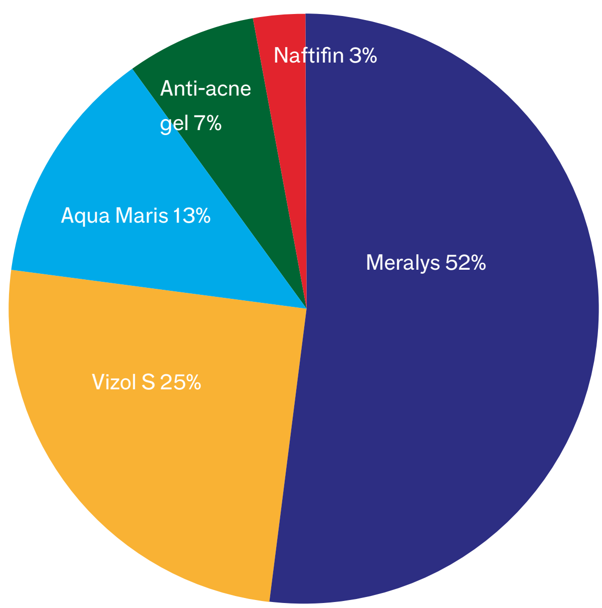
It should be emphasised that authorisation was received at the end of the year for the first generic anti-acne gel in several additional European markets – Italy, Spain, Portugal, Germany, and Austria – and corresponding launches are expected in early 2022.

Within the scope of strategic cooperation with the Polish company Polpharma, we continued the transfer of the partner's ophthalmology portfolio to the JGL production plant. In 2021, the registration process for Aqua Maris line was also started in China, which is expected to be launched in late 2022.

Structure of sales by the most significant B2B markets in 2021



Structure of JGL portfolio sales in B2B markets in 2021



DIGITALISATION OF BUSINESS

In 2021, JGL continued to invest and implement new solutions in information architecture providing for stronger cooperation between employees and improved data flow for business processes as well as information flow for managerial decisions. The hybrid method of working continued and expanded in the reporting period coupled with ongoing efforts to expand Group-level collaborative IT infrastructure used for work involving documents, data, or teleconferencing. Also, efforts are being made to strengthen each position with IT capabilities for monitoring and further process development.

Digitalisation and integration of laboratory processes in the Quality Assurance Department, Production, and Development was carried out through three projects, and regular upgrades with new equipment are being made through the Integra 2020 project. It is our objective to achieve a fully paperless process of market release of series of products, which, in addition to the laboratory segment, requires a production segment planned by 2024. The *DemandDriven model of* managing production orders has been implemented in production allowing lower stocks and greater flexibility in response to the growing volatility in the market and supply chain. Growth of portfolio, as a pillar of the overarching corporate strategy, follows the new PLIMA information system supporting product lifecycle management from development or licensing nomination to market delisting. A strong focus on financial discipline and reporting on achievement of planned revenue and costs is supported by changes in planning processes and systems, the performance of transactions and rich multidimensional reporting in the *PowerBI* environment. Using this method of managerial reporting, the company consistently links processes from sales plans to new product launches, planning stocks or production, sufficiency of individual materials, and successfully moves to the forefront of companies establishing such a level of ICT systems.

Besides an increasing efficiency of digital channel campaigns, even the first projects such as Vizol X-lab (*Expert Lab*) were met with positive market responses, and “100% digital” marketing was successfully piloted in markets where budgets were not sufficient for the use of traditional media. A new “*Unify Web*” digital platform was launched at the end of the year for the corporate website in Croatian and English and it will soon unify all JGL Group websites.

CAPITALISATION

In 2021, JGL Group had a 53.96% share of capital in sources of funds, which means that it participated in the total sources of financing with 53.96%. If we compare this indicator in 2021 with earlier years, it is evident that this self-financing ratio is more favourable than previously. This is mostly the result of increased assets of the parent company.

Indicator	Self-financing ratio
2021	53.96%
2020	51.39%
2019	49.37%
2018	48.78%
2017	45.76%
2016	35.08%

INVESTMENTS AND INCENTIVES

In 2021, the company invested a total of HRK 231,796,015 in non-current assets. Investments in intangible assets amount to HRK 29,556,733, of which HRK 8,981,875 relates to investments in computer programs, HRK 527,159 for the acquisition of licences, HRK 3,975,628 for registration of own products, HRK 12,998,918 for investments in development projects, and HRK 3,073,153 for investments in non-owned assets. Investments in tangible assets amounted to HRK 202,239,282. HRK 55,108,612 was invested in the improvement of functions of buildings owned by the company, with a further HRK 147,130,670 invested in the purchase of production, IT and transport equipment, and furniture.

ESTABLISHMENT OF NEW COMPANIES/ BODIES

JGL PPH d.o.o.

Pursuant to the decision of Zagreb Commercial Court of 15 February 2021, JGL PPH d.o.o. was established as a new company and member of the Group, 100% owned by JGL d.d. The company JGL PPH d.o.o. was established for the purposes of future operations pursuant to the Strategic Partnership Agreement concluded with pharmaceutical company Polfa Warszawa S.A. from Poland as a Special Purpose Vehicle (SPV) for implementation and monitoring of a specific business segment involving the foreign partner. This customary practice of establishing a special purpose vehicle will allow better monitoring of operations through the separate business entity giving improved insights, control, and record of business events related to the strategic partnership agreement.

By establishing the special purpose vehicle, the rights and obligations set out in the Strategic Partnership Agreement concluded with the pharmaceutical company Polfa Warszawa S.A. were transferred; on 16 March 2021, pursuant to the Decision of the Commercial Court in Zagreb, the Company increased the capital of JGL PPH d.o.o. in the amount of HRK 64,968,239 by addition of rights. This transaction resulted in an increase of Investment in shares (stocks) of the enterprises within the group as a result of the establishment and the increase of capital of JGL PPH on account of rights i.e. accounts receivable (no transaction in NT), and an increase of Other business revenue within the group.

CHANGES IN SUPERVISORY BODIES OF AFFILIATED COMPANIES

In 2021, supervisory boards were established in affiliated companies JADRAN LLC Moskva and JGL d.o.o. Beograd. On 23 June 2021, member of the Board of Directors of JGL d.d. Eva Usmiani Capobianco, Chief Executive Officer Mislav Vučić, Corporate Finance Director Anton Barbir, Market Operations Director Alenka Jajac Knez, and CIS Regional Director Aleksandar Belavić were appointed members of JADRAN LLC supervisory board; Aleksandar Belavić was appointed president of the supervisory board.

On 18 June 2021, Vice President of the Board of Directors of JGL Dino Ćoza Saršon, Chief Executive Officer Mislav Vučić, Market Operations Director Alenka Jajac Knez, Corporate Finance Director Anton Barbir were appointed members of JGL d.o.o Beograd-Sopot supervisory board; Corporate Strategy Advisor Sanja Vujić Šmaguc was appointed president of the supervisory board. In Adrialab, whose supervisory board was established in 2018, in addition to the existing members of the supervisory board, i.e. President of the Board of Directors of JGL Ivo Usmiani, Chief Executive Officer Mislav Vučić, Member of the Board of Directors Eva Usmiani Capobianco, and Corporate Strategy Advisor Sanja Vujić Šmaguc, Dino Ćoza Saršon, Vice President of the Board of Directors of JGL was also appointed a member on 7 July 2021.

NEW COMPANY HEADQUARTERS IN ZAGREB

In the reporting period, there was a change of headquarters of Zagreb offices of JGL, Pablo, and Adrialab. The new address is Ivana Lučića 2a, 10 000 Zagreb. The offices are located in the Eurotower complex, outfitted in accordance with the highest working standards.

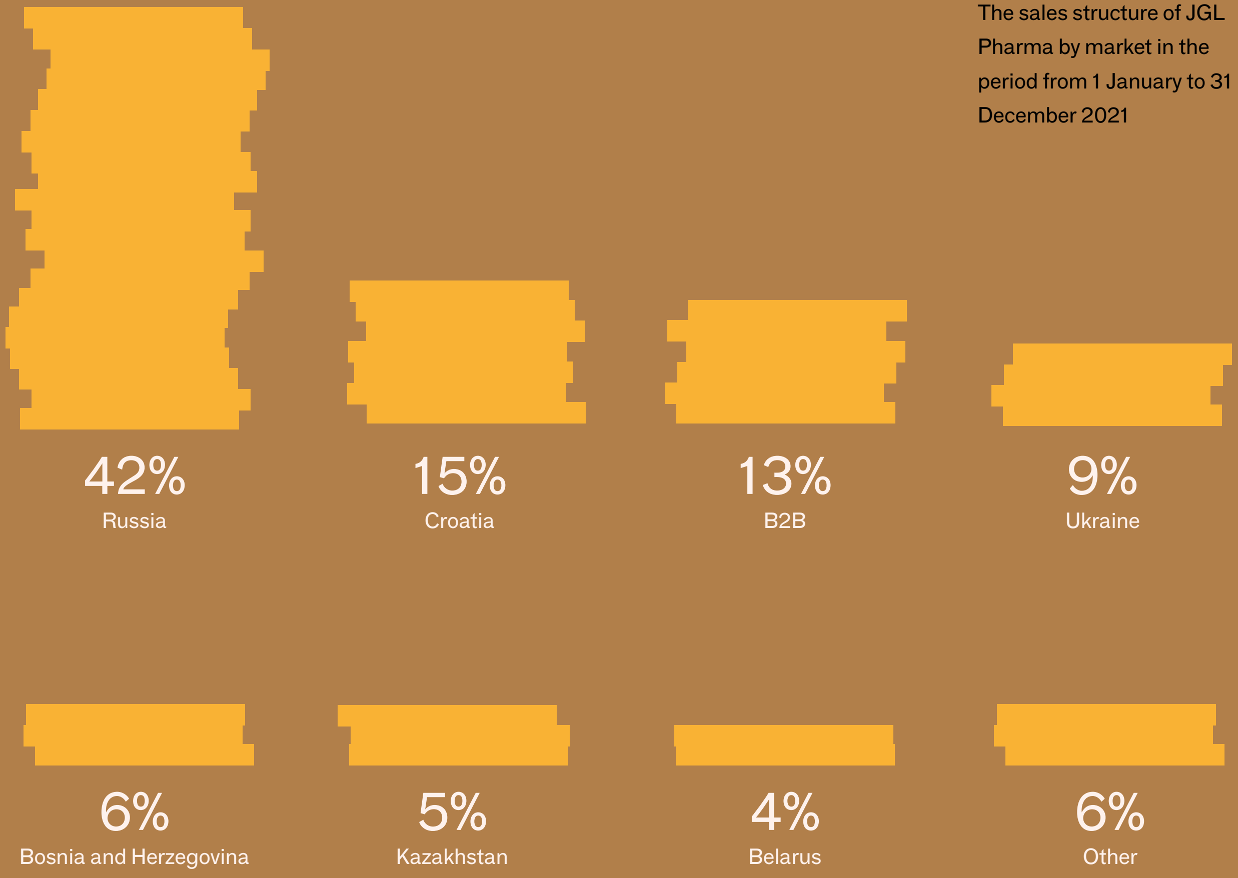
A tour of JGL after a protocol meeting held to celebrate the establishment of the Department of Pharmaceutical Studies with the Rector, Prof. Snježana Prijić-Samaržija, PhD, and Prorector, Prof. Marta Žuvić, PhD, and representatives of the Faculty of Pharmacy and Biochemistry at the University of Zagreb, the Faculty of Medicine in Rijeka, and the Department of Biotechnology

START OF PHARMACEUTICAL MEDICINE STUDY PROGRAMME IN RIJEKA

In 2021, building on the "Pharmaceutical Strategy for Europe" entailing cascading its objectives to the education system and development strategy of the Republic of Croatia until 2030 and its strategic objectives within the framework of smart specialisation, the company became involved in the process of establishing a pharmaceutical medicine study programme in Rijeka with an expert project team relying on synergy to produce a curriculum balancing knowledge and skills employed in retail, service and industrial segments of pharmaceutical medicine.

SALES RESULTS

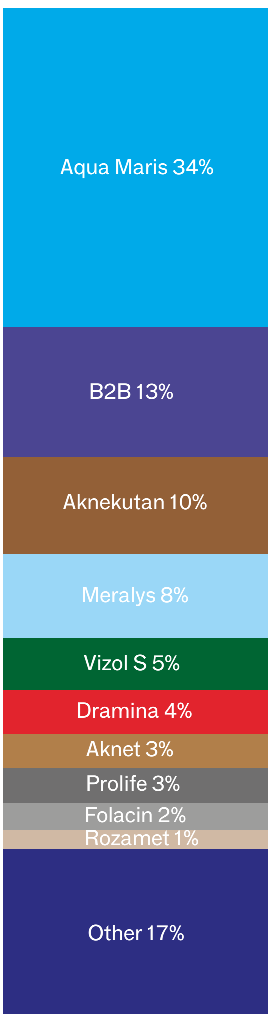
The sales structure of JGL Pharma by market in the period from 1 January to 31 December 2021



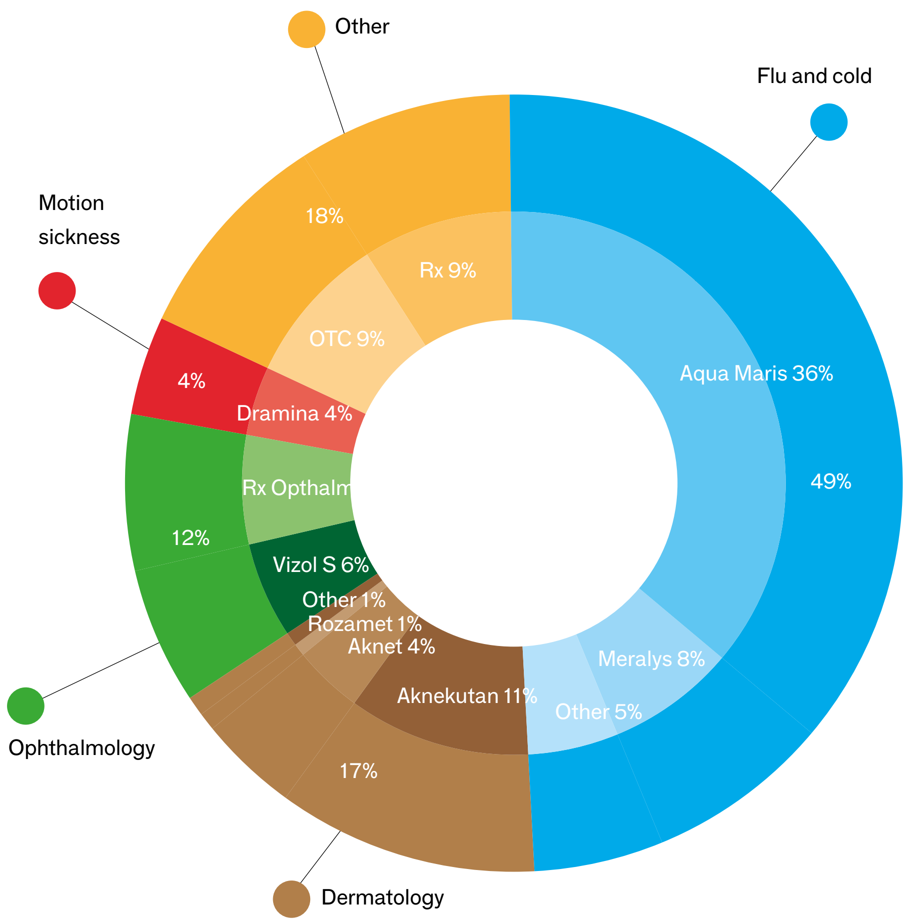
In 2021, JGL Pharma generated product sales revenue of HRK 845 million. Compared to the previous year, sales grew by HRK 70 million, i.e. 9%. Russia remains the largest market by share in total net sales; its share grew this year by 3 percentage points. Croatia and the B2B market followed Russia, as in previous years, with a 15% and 13% share, respectively. The ranking of other markets remains unchanged since 2020.

The structure of net sales by brand did not see significant changes in relation to 2020. Aqua Maris is still overwhelmingly in the lead with a 34% share. The second brand by size is Aknekutan (Isotretinoin) whose share increased from last year's 7% to 10% in 2021. Third place continues to be held by Meralys brand with an 8% share, followed by Vizol S with a 5% share, Dramina at 4%, Aknet and Prolife at 3%, and Folacin with a 2% share.

The sales structure of JGL Pharma by brand in the period from 1 January to 31 December 2021



Sales structure by therapeutic area in 2021



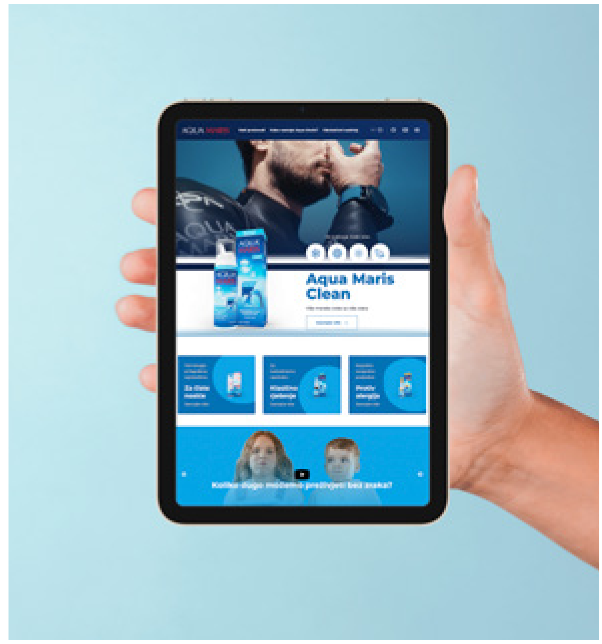
AQUA MARIS®

Pharmaceutical experience and a tradition of thalassotherapy allow control over the entire production process and marketing of top products based on the pure Adriatic Sea.

Fully natural line of products on the basis of Adriatic seawater for the hygiene, prevention and treatment of upper respiratory tract ailments; Aqua Maris is the leader in most of JGL's key markets.

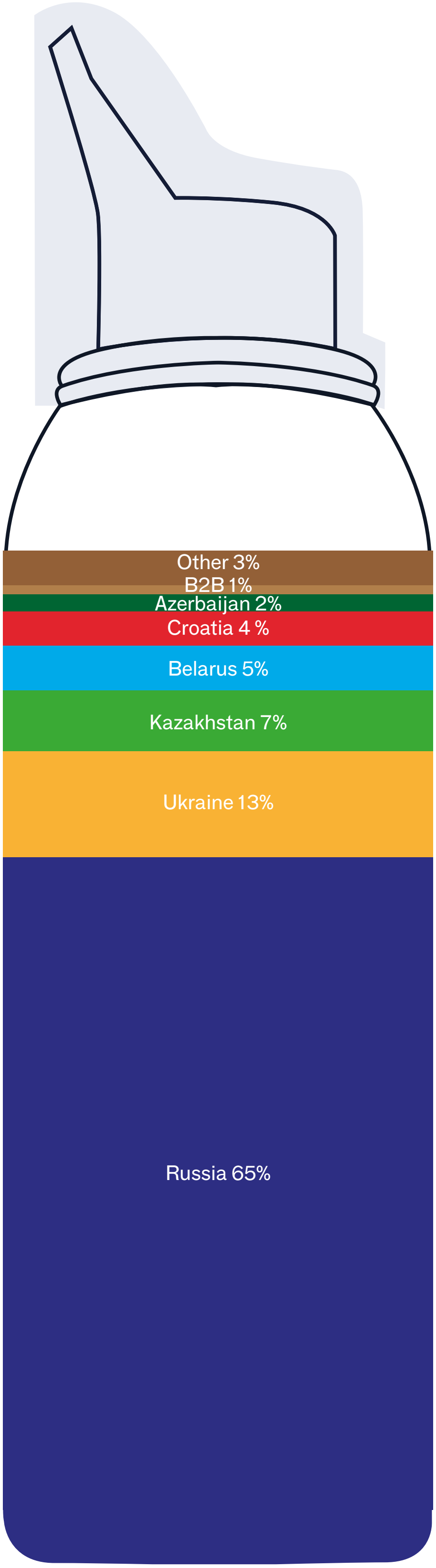
During 2021, the brand achieved net sales of HRK 290 million, which is an increase of 3% compared to the previous year. The market with the largest share in sales is still Russia with 65%. Russia is followed by the market of Ukraine with a 13% share, Kazakhstan with a 7% share and Belarus with a 5% share.

In 2021, the biggest drivers of growth were the markets of Russia and Ukraine, each with HRK 6 million higher sales compared to the previous year. Azerbaijan, Armenia, and Croatia achieved HRK 1 million higher sales, while other markets remained at a level similar to the previous year. The market of Kazakhstan is an exception where net sales fell by HRK 7 million.



More than 220,000,000 units sold since 1999.

In 2021, the strategic focus within the Aqua Maris brand was placed on growth in the BoV segment (Bag-On-Valve, aerosol forms). It is therefore especially encouraging that BoV forms have grown in all key markets significantly faster than the segment by up to 30% relative to the past year. Accordingly, market share of the brand and leading positions in the markets of Croatia, Belarus and Kazakhstan were strengthened. In the reporting period, the position of market leader has been achieved in Ukraine, while the gap behind the market leader in Russia shrank. In 2021, a new website was launched for Aqua Maris – marking uniform communication in all SEE markets. This will also be transferred to other key company markets in 2022.



The sales structure of the Aqua Maris brand by market in the period from 1 January to 31 December 2021

MERALYS

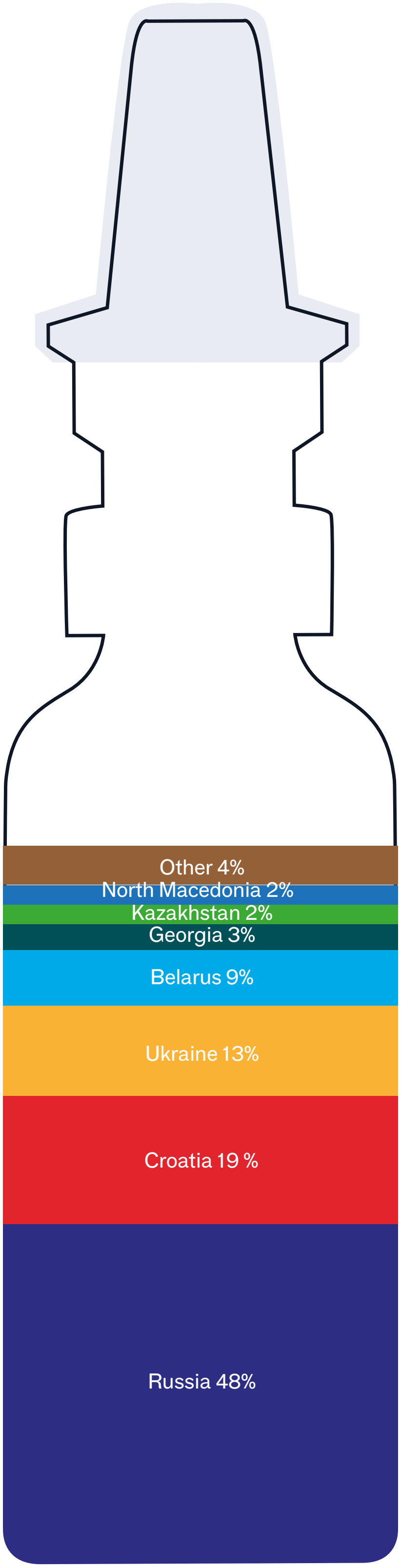
Both forms of Meralys HA are the best selling nasal sprays in Croatia according to 2021 IMS data

Meralys nasal sprays (Rinomaris in CIS and BSR markets) contain a unique blend of a reliable and tested medicine, xylometazoline and Adriatic seawater and contain no preservatives. Due to their enriched composition, they represent a new generation of nasal decongestants.

Meralys celebrated its tenth anniversary in 2021. It is the leading nasal spray in Croatia, and with a solid 27% share, it is making strides towards the leading position in the overall market of decongestants.

In 2021, the brand achieved double-digit sales growth (15%). Total net sales amounted to HRK 64 million, which is HRK 8 million more than the previous year. The largest increase in sales compared to the previous year, HRK 3 million, was recorded in Russia, while Croatia and Ukraine recorded an increase of HRK 2 million each.

The Russian market still holds the largest share in total brand sales with 48%. It is followed by Croatia at 19%, Ukraine at 13% and Belarus at 9%. The only change compared to the previous year is Ukraine ranking third, overtaking Belarus.

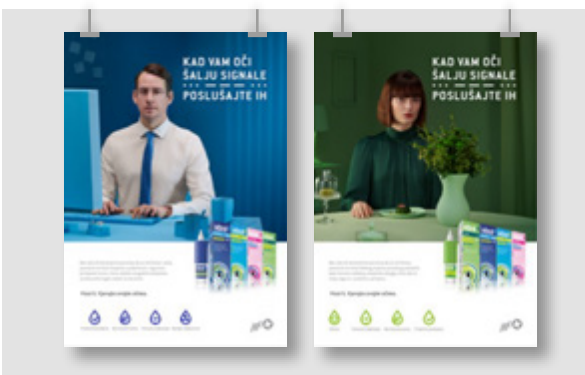


As many as 27 million Meralys bottles made their way to 27 million users in 27 different markets (B2C + B2B) in the past 10 years.

"What are you putting in your nose" is the name of a new Meralys promotional campaign launched in many markets and widely noted by customers and patients.

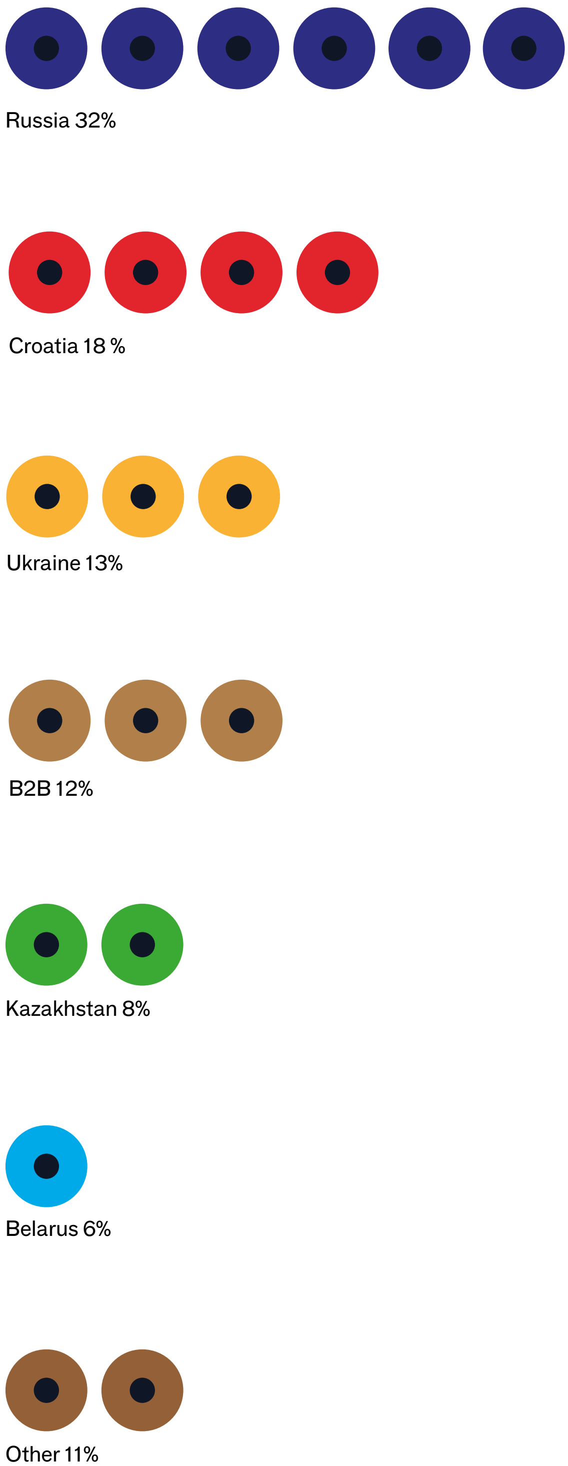
The sales structure of the Meralys brand by market in the period from 1 January to 31 December 2021

- *Selection of products to suit different needs of modern consumers with dry and irritated eye symptoms*
- *Free of preservatives, containing sodium hyaluronate in various percentages*
- *Ergonomic applicator and silver iodide filter – user-friendly*
- *Economical and accurate application*
- *Active protection of content sterility for 6 months after opening*



Vizol S brand (Optinol in CIS and BSR markets) is the fastest-growing CHC (*Consumer Healthcare*) brand. In the markets of Croatia and Belarus, it has a long-defended leading position, increasing the lead over the closest competitors. In the market of Ukraine and Kazakhstan, Vizol S is a serious competitor among the top three leading brands, while quickly growing on the Russian market, five times faster than the overall market.

In 2021, net sales increased by as much as 36% and amounted to HRK 45 million. The largest growth of sales is recorded in the market of Russia where sales rose by 118%, or HRK 8 million. This year, Russia also accounts for the largest share in the overall sales of the brand at 32%. According to brand sales, Croatia is ranked second with a market share of 18% while recording a growth in sales of HRK 2 million. In terms of share in sales, B2B markets follow with a 12% share, Kazakhstan with an 8% share and Belarus with a 6% share.



The sales structure of the Vizol S brand by market in the period from 1 January to 31 December 2021

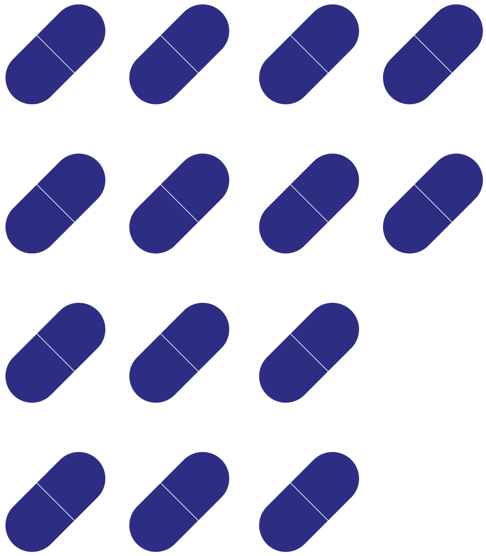
In 2021, the campaign "When Your Eyes Are Sending Distress Signals, Pay Attention" was launched in key JGL markets where SOS Morse code is used as a clear illustration of a warning that dry, itching and stinging, irritated eyes and eyes exposed to strain are calling for help and seeking relief from unpleasant situations.

The campaign was also awarded a gold medal in the Health and Pharmaceuticals category at the IDEA X best creative campaign competition. An integrated marketing campaign was also launched in the reporting period with the X-lab platform with the objective of educating patients on the problem of dry eyes as well as to promote the measuring of eye pressure and tear film in pharmacies.

Акнекутан®

Aknekutan is used in the treatment of severe forms of acne with the unique “lidose technology”, an added value that sets it apart from the competition. Aknekutan is the best selling isotretinoin in most JGL markets.

The JGL dermatology portfolio contains products intended for the treatment of acne, dermatitis, rosacea, as well as fungal and bacterial skin infections. Special focus is placed on medication for the treatment of acne. Aknekutan (isotretinoin) is a therapy for severe forms of acne recording the highest growth rate compared to the previous year and increasing its market share from year to year. It is the market leader in Ukraine, Kazakhstan, and Belarus, and – since October 2021 – also in Russia.



Russia 69%

Ukraine 21%

Kazakhstan 6%

Belarus 4%

The sales structure of the Aknekutan brand by market in the period from 1 January to 31 December 2021

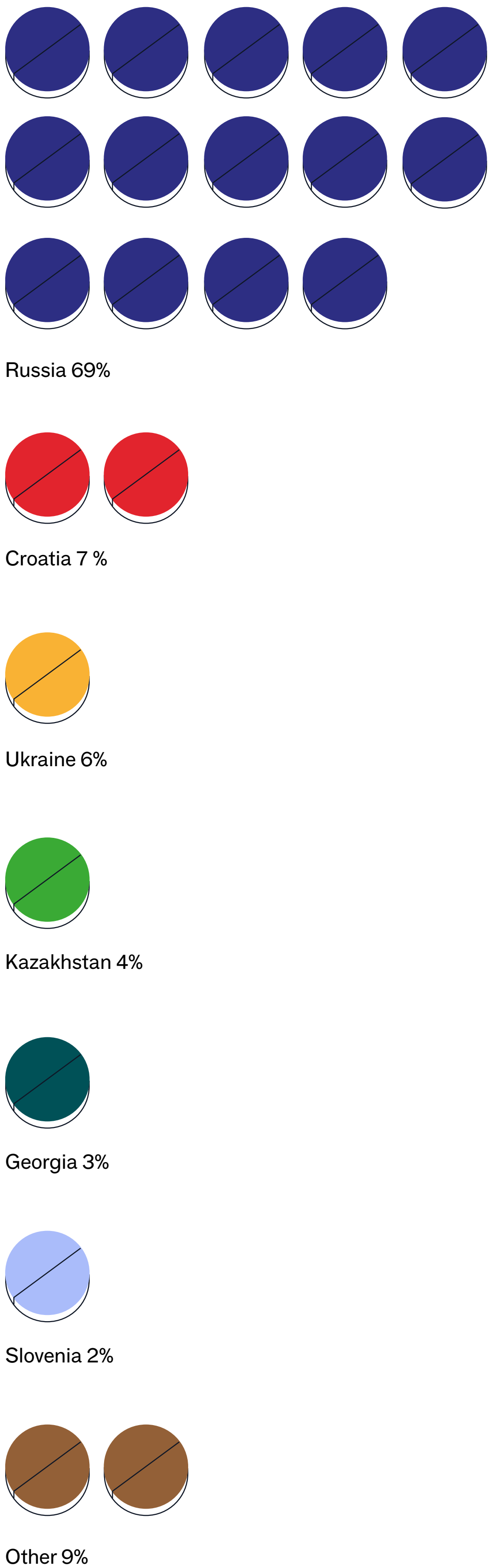
In 2021, it achieved sales of more than HRK 83 million, i.e. HRK 25 million more than in the previous year, representing growth of 43%. Aknekutan sales enjoyed the greatest growth in the Russian market where sales exceeded the 2020 value by HRK 15 million. The growth in sales compared to the previous year amounted to HRK 6 million in Ukraine, 1 million HRK in Kazakhstan, and HRK 3 million in Belarus. The largest share in the brand's net sales belongs to the Russian market with a 69% share, followed by Ukraine with a 21% share, Kazakhstan with a 6% share, and Belarus with a 4% share.

DRAMINA

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

After last year's 43% drop in sales due to the COVID-19 pandemic, Dramina brand recorded renewed growth of 44% in 2021. Generated net sales amounted to HRK 34 million, which is HRK 10 million more than in the previous period.

The greatest growth was achieved in the markets of Russia, Ukraine, Kazakhstan, and Croatia. Sales in Russia grew by HRK 6 million, and by HRK 1 million in Ukraine, Kazakhstan, and Croatia. Russia's market share in net sales dropped from last year's 77% to 69%, while it grew from 6% to 7% for Croatia and from 3% to 6% for Ukraine.



The sales structure of the Dramina brand by market in the period from 1 January to 31 December 2021

AFFILIATED COMPANIES

PHARMACEUTICAL BUSINESS

JADRAN LLC

Despite a difficult start of the year and great uncertainty caused by the COVID-19 pandemic, 2021 is again a successful year in the company's key market in which good financial results were achieved with high growth rates of sales and market shares in the main therapeutic groups.

Operating revenue was record high, reaching as much as HRK 353.5 million, representing 20% growth compared to the previous year. As regards trends relative to the relevant market, in 2021, the market grew by 6% while JGL achieved a growth rate of 14%. This result positions the company among the fastest-growing pharmaceutical companies in selected therapeutic groups.

Due to constant global and local uncertainties present throughout the reporting period, it is particularly worth pointing out income before tax generated by Jadran LLC Moskva in the amount of HRK 21,549,541 resulting from successful sales and marketing strategies as well as careful cost management. The company's strategy in the Russian market remained primarily based on a proper balance of investments in employees, marketing, and pharmacy chains, strengthening JGL's position in selected areas as well as launching new products. At the same time, it should be pointed out that the company grew at a higher rate than the reference market in most therapeutic groups according to DSM, an independent agency.

With key products of the Aqua Maris line, in declining market conditions (-11%), the company grew by 6%. At the same time, market share and the leading position in the relevant segment in terms of units of product sold were retained. In 2021, the strategic plan referred to growth of market share in aerosols where a share of 16% means fulfilment of the objective. Success of Aqua Maris Ectoin should also be pointed out as it grew by 16% while the market shrank by 9%.

As regards other products, Rinomaris (Meralys) grew by 8% (market by 5%), Dramina kept its clear leading position with a 78% share and grew by 12%, Izotretinoin grew by 42% and regained the leading position in the segment with a 38.5% market share in the second half of the year. Optinol (Vizol S) should be especially emphasised as it achieved high growth rate throughout the year, outpacing all competitors. Optinol sales grew by 88%, while the market grew by only 17%, leading to a 4.7% market share by the end of the year.

The greatest credit for the achieved results certainly belongs to our employees, good cooperation of all company teams – both in the market and in the parent company.

JGL D.O.O. BEOGRAD – SOPOT

The 2021 business year was marked by further revenue growth of 199% compared to 2020. Total revenue amounted to around HRK 23 million with income before tax in the amount of about HRK 850,220.

In 2021, total revenue includes sales of parent company products in the market of Serbia in the amount of around HRK 10 million while the rest was generated through sales of own products and transferred products in the country and abroad. Revenue from the sale own products amounts to about HRK 3 million, while the rest relates to revenue from the sale of products abroad (about HRK 10 million).

In the field of marketing and sales, the company narrowed its focus on working in the segments of pharmacies, consumers, gynaecologists, and ophthalmologists. It also introduced KAM (*Key Account Management*) with two key account managers covering 32 large chains of pharmacies accounting for about 43% of total sales in Serbia. In the reporting period, a large-scale digital campaign focused on Vizol S, Reflustat and Prolife was launched in the market for the first time.

In the field of production, the company was oriented to production of drugs and dietary products for sale in Serbia and for export. Key of revenue growth in 2021 is the sale of products transferred to Sopot in 2020 – Lactogyn oral capsules, Feminal capsules, Normia capsules and Normia sachets. The result was additionally reinforced by the sale of products to Hungarian Egis for sale in Russia.

JADRAN – GALENSKI LABORATORIJ D.O.O.

During all 12 months of the reporting period, intensive work was done on promotion, education, relationships and communication with partners and clients, with the aim of integrating them into the many business activities.

Some of the activities were not performed or were performed online or in hybrid form due to the epidemiological situation. In several market segments and in several key brands, significant sales growth rates were recorded compared to the previous year.

For example, Vizol S eye drops recorded 19% growth, the Aqua Maris brand grew by more than 20% two years in a row and holds the second largest market share in 2021. The growth of Reflustat strengthened its position within the category and both forms of Meralys HA (the brand is named Maresyl HA in Slovenia) were successfully launched during the year.

In the period from 1 January to 31 December 2021, operating revenue amounted to HRK 13.4 million, and a net profit of HRK 1,293,433 was realised.

FARMIS D.O.O. SARAJEVO

High standards of business, focus and responsibility towards customers, but also towards employees and owners, have helped build a recognisable image of Farmis as part of JGL in the market of Bosnia and Herzegovina. The business is in line with the EN ISO 9001:2015 quality management system and the requirements of GDP standards, which guarantees the safety, quality and stability of cooperation to customers and partners. In addition to the portfolio of the JGL Group (JGL d.d., JGL Beograd – Sopot and Adrialab), Farmis also offers products from suppliers/partners from Germany, Slovenia, Croatia, the UK, Serbia, Turkey and domestic partners.

Operating revenues for the year amounted to HRK 56.2 million, and a profit of HRK 2,170,445 was achieved.

Brands producing excellent results are key JGL brands such as Aqua Maris, Meralys, Visol S, Reflustat, Rx drugs such as Potassium, Folacin and the ophthalmic range, and other products from other manufacturers.

JGL PPH D.O.O.

In early 2021, the affiliated company JGL PPH d.o.o. was established as a new member of the JGL Group, 100% owned by JGL d.d. The company JGL PPH d.o.o. was established for the purposes of future operations pursuant to the Strategic Partnership Agreement concluded with pharmaceutical company Polfa Warszawa S.A. from Poland as a Special Purpose Vehicle (SPV) for implementation and monitoring of a specific business segment involving the foreign partner thereby allowing better control and records of business events related to the strategic partnership agreement.

In 2021, JGL PPH generated revenues of HRK 4.8 million, and EBITDA of HRK 1.2 million along with a 25% EBITDA margin. Profit before tax amounts to HRK 219,884.

JGL NORTH AMERICA LLC

JGL North America LLC is an enterprise whose operations have been suspended. In 2021, it generated HRK 0 of revenue and a loss of HRK 49,129.

PHARMACY AND COSMETICS

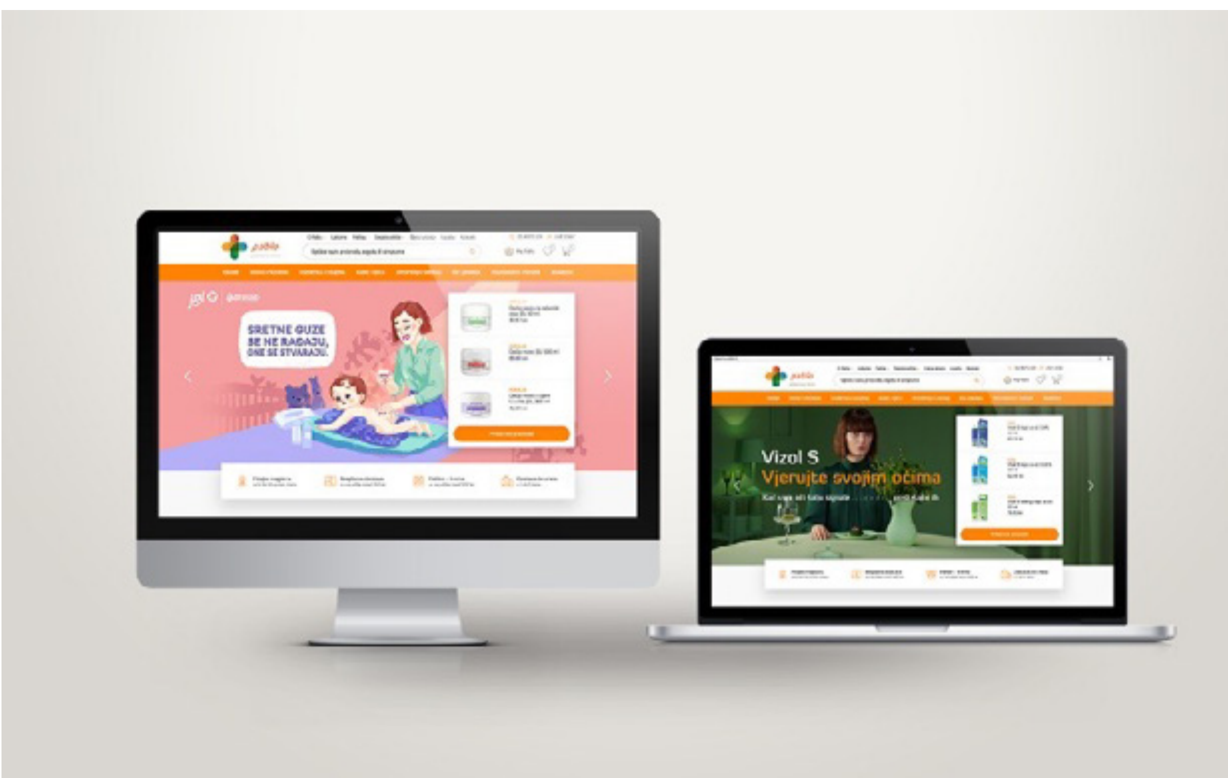
"LJEKARNE PABLO" HI, PABLO D.O.O

In 2021, Pablo Health Institution still has 30 pharmacies and 146 employees, with an increase in sales revenue of 2% (1% in the Rx segment, and 4% in cash revenue). Total operating revenues amounted to HRK 194 million, which is 2% higher than in 2020, while operating expenses are also 2% higher than last year.

In 2021, Pablo Health Institution generated HRK 193.6 million of operating revenue, and EBITDA of HRK 10.5 million with an EBITDA margin of 5.7%. Profit before tax amounts to HRK 5,732,092, while margin before tax is 3.00%. In the reporting period, Pablo d.o.o. generated total revenue in the amount of HRK 53 thousand and profit before tax of HRK 28,720.

Despite the pandemic which continued to affect activities, 2021 will be remembered in Pablo by the successful completion of several public health activities "Listen to Your Heart", World Hypertension Day, and "Mirisnovnica – Scents for Health". The activities attracted numerous patients who had an opportunity to consult doctors and nutritionists and take measurements for free to prevent or control diseases.

It is worth noting that Pablo web shop achieved an excellent result in 2021 in e-commerce competitions. For example, in regional competition of online retailers "Web Retailer Award 2021", where 412 web shops from Croatia, Slovenia, and Serbia took part, Pablo was ranked second in the "Health & Beauty" category.



ADRIALAB D.O.O.

The 2021 business year was marked by growth of sales revenue and especially an investment in increasing production capacity within the project of transfer of production outside the medicine category.

Through the above transfer project, in addition to the planned growth of sale of own products, there is successful ongoing cost optimisation to produce savings at the level of the entire JGL Group.

According to financial indicators for 2021, HRK 19.7 million of revenue was generated, which is 21% more than in 2020. Growth of production, at a very significant rate of 46%, was certainly the main factor of growth. The above was reflected in growth of revenue, but nonetheless in the aforementioned lower rates because this primarily concerns contractual production and comparison with 2020 which exceeded all boundaries of profitability.

The pharmacy segment declined by 12% at the annual level. The above is primarily a consequence of comparisons with COVID results of this channel, i.e. sales of disinfectants. A continuous positive trend of 2% growth in the retail network segment should also be noted in addition to the aforementioned growth of revenue with the parent company JGL d.d. of a factor of 3.3.

The year was also marked by several new projects, most importantly investments in production equipment in the amount of about HRK 3 million. Adrialab continued the trend of establishing itself in the Croatian market, focusing its marketing and sales activities on key brands – JGL Baby Ointment, Galenia topical pharmaceuticals, Vitalia dietary supplements, Holyplant cosmetics, and continued work on Dermospray disinfectant.

Despite stabilisation of the antiseptics market, it is also worth noting the growth of the Vitalia line at a rate of 21% compared to the previous year and the 7% growth of the largest brand Dječja mast JGL (baby ointment), which was challenging in the pandemic in the first half of the year. The product is supported by a creative marketing campaign and very well received activities in maternity hospitals throughout the country.

Summer season products posted a decline from record-breaking 2020 due to the COVID-19 pandemic, but their position is stable and earlier positions will be regained through investments in 2022. The reporting period was also marked by a policy of continued monitoring of non-current inventories, with a value adjustment made in the amount of HRK 200,000.

All of the above leads to the conclusion that this has been another successful year for Adrialab, ending with an operating profit (EBITDA) of HRK 2.7 million and profit before tax of HRK 1,335,032.

In conclusion, it is noteworthy that a demanding inspection by the notified body ISS was concluded in March 2021 in compliance with the process optimisation strategy within the JGL Group. In September 2021, Adrialab continued to maintain the quality system according to ISO 9001:2015 and 22716:2008 standards, with the HACCP certificate of the Institute of Public Health of the Primorje-Gorski Kotar County. Compliance with these standards, with a guarantee of quality to partners and customers, allows export to key JGL markets in the categories of medicinal products, cosmetics and dietary supplements and offers an additional opportunity to the Group in meeting increasingly stringent, but due to the number of markets, also differentiated, regulatory requirements. Additionally, within the JGL Group, registration of products was successfully performed in Ukraine as well as the first such export from Adrialab.

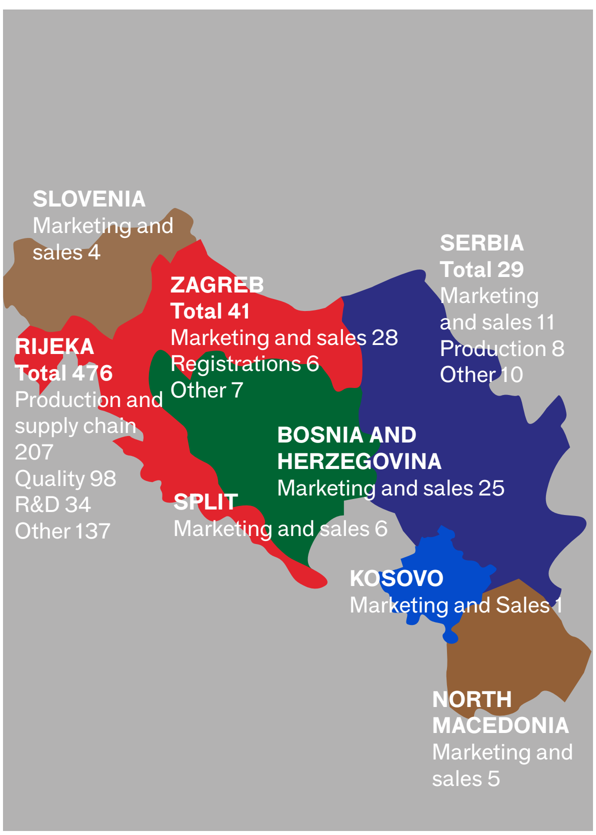
EMPLOYEES

The total number of employees in the JGL Group on 31 December 2021 was 1,112, in JGL Pharma 934, and 663 in the parent company.

The Croatian market is the largest in terms of the number of employees, with 701 employees working within the parent company JGL d.d., the company Adrialab and Pablo Health Institution. The Russian market is the second largest in terms of the number of employees (Jadran LLC Moskva) with 217 employees.

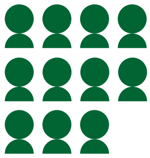
Out of the total number employed within the JGL Group in 2021, 75% are women, 66% of the employees have university education, and average age is 40.

Structure of employees in 2021 by market and key area of work



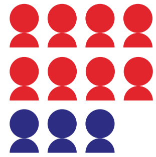
1,112

Number of employees JGL Group



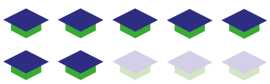
75%

Percentage of women at JGL Group



66%

Percentage of employees with university degree



40 years

Average age of employees

Number of employees on 31 December 2020 and 2021 in the JGL Group

	31/12/2021	31/12/2020
JGL d.d.	**663**	**636**
Croatia	523	508
North Macedonia	5	5
Russia	4	5
Belarus	20	19
Ukraine	63	56
Kazakhstan	47	42
Kosovo	1	1
Affiliated companies	**449**	**441**
JGL d.o.o. Beograd – Sopot	**29**	**27**
Farmis d.o.o. Sarajevo	25	26
JGL d.o.o. Ljubljana	4	4
Adrialab d.o.o. Rijeka	31	26
Ljekarna Pablo Health Institution	147	146
Jadran LLC Moskva	213	212
Total for JGL Group	**1,112**	**1,077**

An overview of the number of employees in the JGL Group in 2021 and 2020 by age and gender

	2021		2020	
	Women	**Men**	**Women**	**Men**
<29	118	51	114	59
30 – 49	579	192	564	173
>50	142	30	135	32
Total	**839**	**273**	**813**	**264**

An overview of the number of employees in the JGL Group in 2021 and 2020 according to age and professional qualification

	2021		2020	
	Women	**Men**	**Women**	**Men**
<Secondary education	9	6	10	7
Secondary education	241	119	228	117
Post-secondary education	23	14	23	15
University education	544	128	533	121
Postgraduate education	22	6	19	4
Total	**839**	**273**	**813**	**264**

An overview of the number of employees in the JGL Group according to employment contract type in 2021 and 2020

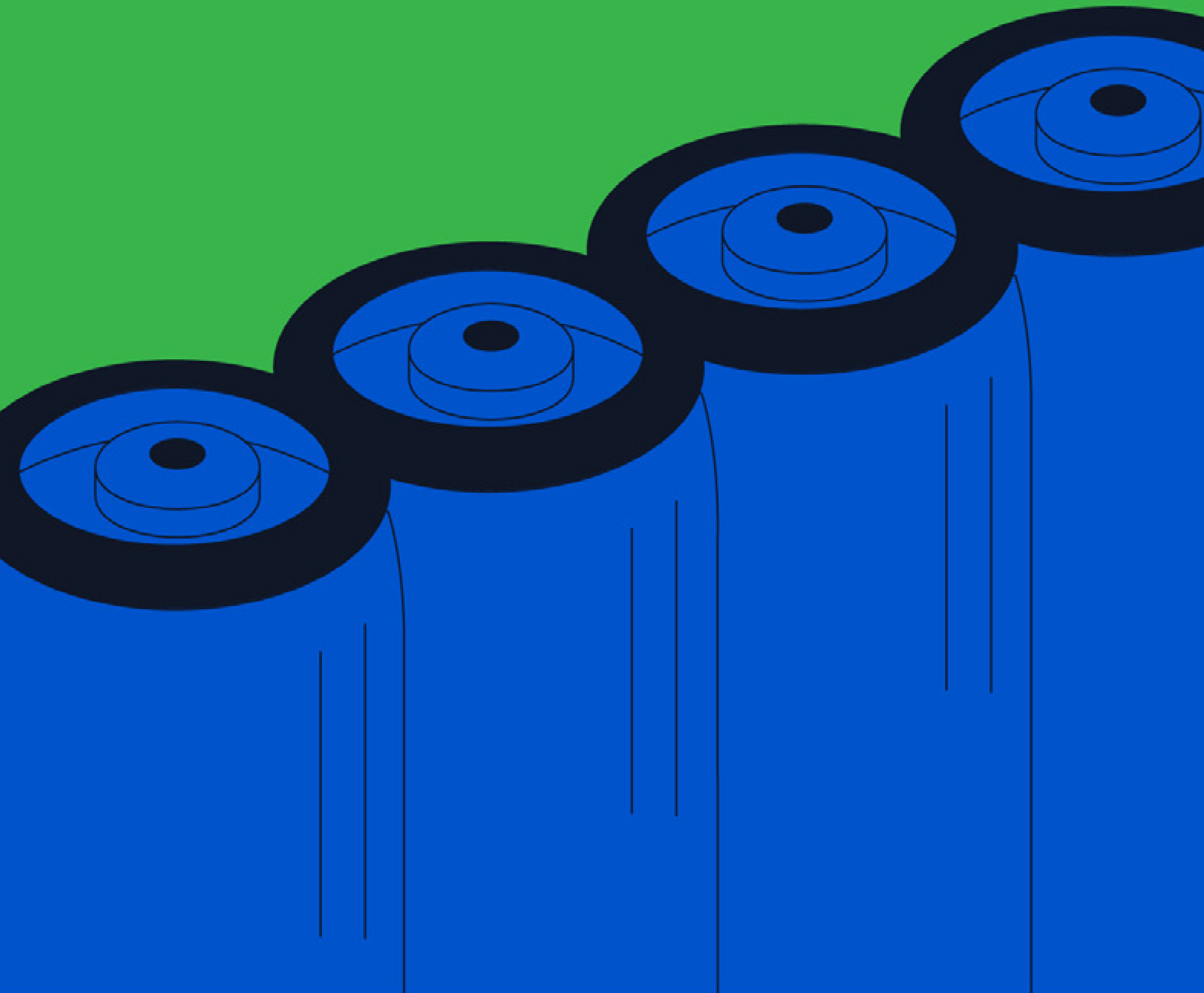
**In accordance with Belarusian labour legislation, JGL exercises the option of reorganisation of the employment system where employees conclude fixed-term employment contracts instead of permanent contracts*

	2021		2020	
	Fixed-term contract	**Permanent contract**	**Fixed-term contract**	**Permanent contract**
JGL d.d.	**63**	**600**	**66**	**570**
Croatia	41	482	63	445
North Macedonia	0	5	0	5
Russia	0	4	0	5
Belarus	19*	1	1	18
Ukraine	0	63	1	55
Kazakhstan	3	44	1	41
Kosovo	0	1	0	1
Affiliated companies	**69**	**380**	**69**	**372**
JGL d.o.o. Beograd – Sopot	9	20	12	15
Farmis d.o.o. Sarajevo	2	23	2	24
JGL d.o.o. Ljubljana	0	4	0	4
Adrialab d.o.o. Rijeka	8	23	2	24
Ljekarna Pablo Health Institution	32	115	30	116
Jadran LLC Moskva	18	195	23	189
Total	**132**	**980**	**135**	**942**

An overview of the number of employees in the JGL Group according to the type of employment in 2021 and 2020

	2021		2020	
	Part time	**Full time**	**Part time**	**Full time**
JGL d.d.	**16**	**647**	**10**	**626**
Croatia	10	513	8	500
North Macedonia	0	5	0	5
Russia	0	4	0	5
Belarus	4	16	2	17
Ukraine	2	61	0	56
Kazakhstan	0	47	0	42
Kosovo	0	1	0	1
Affiliated companies	**4**	**445**	**6**	**435**
JGL d.o.o. Beograd – Sopot	0	29	0	27
Farmis d.o.o. Sarajevo	0	25	0	26
JGL d.o.o. Ljubljana	0	4	0	4
Adrialab d.o.o. Rijeka	0	31	0	26
Ljekarna Pablo Health Institution	3	144	6	140
Jadran LLC Moskva	1	212	0	212
Total	**20**	**1,092**	**16**	**1,061**

OVERVIEW OF FINANCIAL PERFORMANCE



In accordance with the consolidated, audited financial results for 2021, the JGL Group generated a total revenue of HRK 1.1 billion, and for the first time, generated profit before tax greater than HRK 100 million, specifically HRK 100,554,861 thereby continuing the positive trend of growth of revenue and profitability.

JGL also reported increases of revenue and operating income in 2021 in its core, pharmaceutical business. Operating revenue grew by 7.8% compared to the previous year and amounts to HRK 875.5 million, with EBITDA operating income of HRK 148.0 million and an impressive EBITDA margin of 16.9 per cent.

The parent company's income statement should be viewed normalised, i.e. adjusted for the transaction with the affiliated company JGL PPH d.o.o., the special purpose vehicle established to facilitate implementation and monitoring of a specific segment of business involving the foreign partner Polfa Warszawa S.A. After establishment, there was an increase of capital on account of rights held by JGL PPH d.o.o. in the amount of HRK 65 million resulting in an increase of other operating revenue and investment in shares (stocks) of enterprises within the group.

The result is particularly important because it concerns one of the more difficult years of operation. Namely, in the pharmaceutical industry, just like in many others, there was a decline in demand and disruptions in raw materials and packaging supply chains. The reason lies primarily in more difficult access to healthcare. The growth is a result of above-average growth rates of key brands in all our markets and an increased market shares in stiff competition, especially in the first half of the year in which the flu and cold season was absent. 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 2020 as its non-current assets, specifically tangible assets, were increased as a result of the Integra 2020 investment project. In the field of money and financial assets, there is an increase of money at hand and an increase of current financial assets resulting from the investment of surplus financial assets in a fund.

As regards liabilities, the Group's balance sheet indicates an increase in capital caused by an increase in 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 2020 investment started in late 2020. In addition to INTEGRA, a short-term loan in the Russian rouble was taken to minimise the currency risk, i.e. reduce exposure in the Russian rouble through a decrease of the difference between foreign-currency assets and liabilities.

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 HRK million)[2] as at 31 December 2021 and 31 December 2020

	JGL GROUP			JGL PHARMA		
	31/12/2021	31/12/2020	Index	31/12/2021	31/12/2020	Index
Operating revenue	**1,079.5**	**1,011.4**	**107**	**875.5**	**811.9**	**108**
Sales revenue	1,050.3	983.6	107	861.8	798.5	108
Other revenue	29.2	27.8	105	13.7	13.4	102
Operating expenses	**971.9**	**898.4**	**108**	**776.0**	**705.8**	**110**
Change in inventory value	-4.8	-32.1	-	-4.8	-31.3	-
Material costs	649.7	629.2	103	490.5	471.8	104
Personnel costs	204.6	188.6	108	179.0	163.4	110
Other costs	122.4	112.8	109	111.3	101.8	109
Finance revenue	**18.5**	**8.7**	**214**	**18.5**	**8.7**	**214**
Finance expenses	**25.5**	**51.3**	**50**	**24.9**	**50.6**	**49**
Total revenue	**1,097.9**	**1,020.1**	**108**	**894.0**	**820.5**	**109**
Total expenses	**997.4**	**949.7**	**105**	**800.9**	**756.4**	**106**
Profit before tax	**100.6**	**70.4**	**143**	**93.1**	**64.1**	**145**
Income tax and deferred tax assets	**14.4**	**4.7**	**300**	**13.0**	**3.4**	**379**
Profit after tax	**86.2**	**65.7**	**131**	**80.1**	**60.7**	**132**

[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 JGL d.d. (in HRK million)[2] as at 31 December 2021 and 31 December 2020

	JGL d.d.				
	31/12/2021	31/12/2020	Index	31/12/2021*	Index
Operating revenue	**703.0**	**585.5**	**120**	**638.0**	**109**
Sales revenue	628.8	574.9	109	628.8	109
Other revenue	74.2	10.6	695	9.2	86
Operating expenses	**563.7**	**498.6**	**113**	**563.7**	**113**
Change in inventory value	-4.9	-31.0	-	-4.9	-
Material costs	342.0	322.9	106	342.0	106
Personnel costs	129.3	115.2	112	129.3	112
Other costs	97.3	91.8	106	97.3	106
Finance revenue	**18.2**	**24.2**	**75**	**18.2**	**75**
Finance expenses	**24.3**	**50.1**	**49**	**24.3**	**49**
Total revenue	**721.2**	**609.7**	**118**	**656.2**	**108**
Total expenses	**588.0**	**548.7**	**106**	**588.0**	**107**
Profit before tax	**133.2**	**61.0**	**218**	**68.2**	**112**
Income tax and deferred tax assets	**6.7**	**-5.1**	**-**	**6.7**	**-**
Profit after tax	**126.5**	**66.1**	**191**	**61.5**	**93**

**normalised – adjusted for a transaction with affiliated company JGL PPH d.o.o.*

[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 (in HRK thousands)[3] as at 31 December 2021 and 31 December 2020

	JGL GROUP			JGL PHARMA		
	31/12/2021	31/12/2020	Index	31/12/2021	31/12/2020	Index
Assets	**1605.7**	**1,327.0**	**121**	**1511.4**	**1,236.8**	**122**
Non-current assets	**891.4**	**697.9**	**128**	**861.4**	**669.1**	**129**
Current assets	**708.5**	**623.5**	**114**	**645.3**	**563.4**	**115**
Inventories	222.9	216.1	103	197.5	192.3	103
Receivables	381.7	355.0	108	349.6	327.1	107
Current financial assets	51.4	19.8	260	51.4	19.7	260
Cash at bank and in hand	52.5	32.6	161	46.8	24.3	193
Prepaid expenses and accrued revenue	**5.8**	**5.6**	**104**	**4.7**	**4.3**	**110**
Liabilities	**1605.7**	**1,327.0**	**121**	**1511.4**	**1,236.8**	**122**
Capital and reserves	**763.7**	**681.9**	**112**	**738.5**	**662.7**	**111**
Non-current provisions	**3.7**	**3.4**	**107**	**2.9**	**2.8**	**104**
Non-current liabilities	**428.9**	**345.5**	**124**	**413.8**	**330.8**	**125**
Liabilities for leasing and banks	296.5	213.5	139	285.1	202.5	141
Bond liabilities	128.7	128.3	100	128.7	128.3	100
Deferred tax liability	3.7	3.7	99	0	-	-
Current liabilities	**376.4**	**275.0**	**137**	**324.3**	**220.3**	**147**
Suppliers	210.8	173.9	121	176.6	137.1	129
Financial liabilities	110.8	59.7	186	96.9	46.1	210
Other current liabilities	54.8	41.4	132	50.8	37.1	13
Accrued expenses, deferred revenue and provisions	**33.0**	**21.2**	**156**	**31.9**	**20.2**	**158**

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

Balance sheet of JGL Pharma and JGL d.d. (in HRK thousand)[3] as at 31 December 2021 and 31 December 2020

	JGL d.d.		
	31/12/2021	31/12/2020	Index
Assets	**1,520.3**	**1,208.8**	**126**
Non-current assets	**929.5**	**675.4**	**138**
Current assets	**587.5**	**530.4**	**111**
Inventories	173.9	170.7	102
Receivables	329.7	325.9	101
Current financial assets	56.6	22.0	258
Cash at bank and in hand	27.3	11.9	230
Prepaid expenses and accrued revenue	**3.3**	**3.0**	**110**
Liabilities	**1,520.3**	**1,208.8**	**126**
Capital and reserves	**812.9**	**690.8**	**119**
Non-current provisions	**2.9**	**2.8**	**104**
Non-current liabilities	**405.9**	**325.8**	**125**
Liabilities for leasing and banks	277.2	197.5	140
Bond liabilities	128.7	128.3	100
Deferred tax liability	-	-	-
Current liabilities	**284.9**	**181.0**	**157**
Suppliers	144.4	104.3	138
Financial liabilities	93.7	43.0	218
Other current liabilities	46.8	33.7	139
Accrued expenses, deferred revenue and provisions	**13.7**	**8.4**	**162**

[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*

BUSINESS RISKS

BUSINESS ENVIRONMENT RISK

Business environment risk includes political, 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.

The Group protects itself from this risk by diversifying, operating in different markets, increasing the share of the B2B segment in total revenues, and indirectly reducing its dependence on the CIS Region as well as by protecting its foreign receivables though export insurance.

Political risk related to the war in Ukraine.

In February 2022, before the conclusion of financial statements and publication of the annual management report, a conflict escalated between Russia and Ukraine and a war started in the territory of Ukraine. The JGL Group operates in the markets of Russia, Ukraine and Belarus, the areas affected by this political crisis the most.

The situation is clearly affecting financial markets where the value of the Russian rouble and other domestic values declined. Even though the Russian market comprises a significant part of the Group's revenue, for years, efforts have been invested in diversifying and reducing the dependence on a handful of markets – the Group currently operates in about 60 global markets.

Risks the Group is exposed to are currency risk, as well as the risk of the inability to collect receivables, the risk of the inability to deliver goods, and the risk of a decline of sales revenue. These risks are managed in several ways: through forward contracts to protect the exchange rate, by controlling inventories, insuring exports, diversifying the portfolio and focusing on other markets, as well as by reducing costs to reduce the impact of reduced sales on our operations.

The JGL Group is less dependent on suppliers from the conflict-affected countries, but it is expected that fixed and variable costs will rise due to increased prices of raw and other materials, as well as the price of energy. This crisis will have an indirect impact on the price of cost of products through the prices of raw and other materials.

The company, as always, places health and safety of its employees in first place, and is making all efforts to protect them. 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.

COVID-19 crisis

In 2021, the healthcare and economic crisis caused by the coronavirus pandemic continues. Given that the protection of the health and safety of employees at work is one of JGL's highest business priorities, the company has an operational Response Team, which includes doctors of medicine and pharmacists. The crisis team manages the procedures and measures in the fight against coronavirus on a daily basis, communicates regularly with employees in all markets and is in proactive contact with epidemiologists and other professional staff of the Healthcare Centre of Primorje-Gorski Kotar County and the Teaching Institute for Public Health of the PGC.

Safeguarding employee health has been the highest priority since the beginning of the pandemic. In this segment, work was reorganised to reduce the risks of the potential spread of infection, numerous preventive measures were introduced, and advisory and professional services for all employees were strengthened. The JGL Group continued to invest in protection of its employees and their families including procuring and donating protective masks, disinfectant, protective equipment, prevention and hygiene products, SARS-CoV-2 tests, and there were several organised vaccination campaigns in the company in cooperation with the Healthcare Centre of Primorje-Gorski Kotar County.

After the outbreak of the crisis, it seemed that the supply chain would be interrupted, however, these obstacles were quickly eliminated by adapting the way of working so that there were no delays or negative effects within the EU.

It is worth noting that the key products of the JGL Group are 100% EU. The company has neither sought nor received any financial aid from the Croatian government.

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

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

During 2021, but also in the future, the focus of the JGL Group is to adjust strategic plans, develop different types of economic scenarios and consequences of this crisis, as well as the benefits brought by the flexibility of jobs in terms of location and working hours.

COMPETITIVE RISK

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

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

OPERATIONAL RISK

Operational risk is the risk of loss due to inadequate internal procedures or omissions, due to human or system errors and external 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 the improvement, further development and implementation of new technologies in day-to-day operations. Through the division of functions and responsibilities, precisely prescribed methodologies and procedures, and regular internal and external audits, the JGL Group strives to minimise operational risks, but also to improve the quality, efficiency and transparency of operations.

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

RISKS DUE TO CLIMATE CHANGE

Climate change is one of the major economic, social and environmental challenges of our time. The effects of climate change exist in all parts of the world. The most recent data provided by leading scientists indicate unprecedented global climate changes. According to the most recent report of the Intergovernmental Panel on Climate Change (IPCC), global warming causes increased, and in some cases, irreversible changes in precipitation patterns, oceans and winds in all regions of the world. In some regions, the number of heat-related deaths has increased, while in others the number of cold-related deaths has decreased. Changes in the prevalence of some water-borne diseases can already be seen.

Damage to property and infrastructure and human health is a major cost to society and the economy. Financial losses caused by extreme weather conditions and climate phenomena exceeded 419 million euros in EU27 in the past 40 years. Additional risks associated with climate change are regulatory risks arising from the introduction of regulations related to greenhouse gas emissions.

Increased frequency and intensity of extreme weather conditions, including marine heat waves, are predicted to occur in Europe, with warnings that a 2°C temperature rise will have critical effects on both nature and humans. Higher temperatures and more intense weather conditions will also lead to huge costs for the EU economy and adversely impact the capacity of countries to produce food.

However, scientists deem human actions can change the course of events. Immediate, swift and large-scale reduction of greenhouse gas emissions and achieving a net zero CO_2 emission rate could limit climate change and its effects.

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

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

The share of taxonomically acceptable economic activities in total revenue, capital and operating expenditure of the JGL Group in 2021 amounts to 0%.

FINANCIAL RISKS

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

Foreign currency risk

The Group is exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. The Group is exposed to transaction risk, which is the risk of a negative impact of the exchange rate on cash flows from operating activities, as well as balance sheet risk which manifests as a lower value of net monetary assets in foreign currencies. Currency risk is also present in the presentation of the performance of foreign subsidiaries, which is presented in HRK in the consolidated reports. The dominant share of export in sales results in the exposure to foreign currency in such a manner that foreign currency assets exceed foreign currency liabilities.

The exposure to foreign currency risk is constantly monitored and hedge accounting is used as necessary. The decision on hedging depends on the currency in which the receivables are denominated, type of hedge accounting and its price. As at 31 December 2021, the parent company did not have any active forward contracts.

The Group is mostly exposed to the foreign currency risk arising from the fluctuation of the kuna (HRK) against the euro (EUR) and the rouble (RUB). The risk arising from the fluctuation of the kuna against the rouble is the higher of the two, affecting the parent company JGL d.d. and its affiliate JADRAN LLC at a ratio of 50:50.

JGL d.d. is naturally protected from the effects of changes in the euro exchange rate, namely foreign currency assets and liabilities are equal. Also, the movement of the euro exchange rate against the kuna is less volatile, with an absolute change of about 1.5% occurring during the year.

Exposure to the currency risk of change in EUR exchange rate in 2021

Source: ECB

JGL d.d. invoices products for the Russian market in the Russian rouble. In 2021, the exchange rate of the rouble was strongly influenced by the health and economic crisis caused by the COVID-19 virus, the political situation between the USA and Russia, and by the price of oil on global markets.

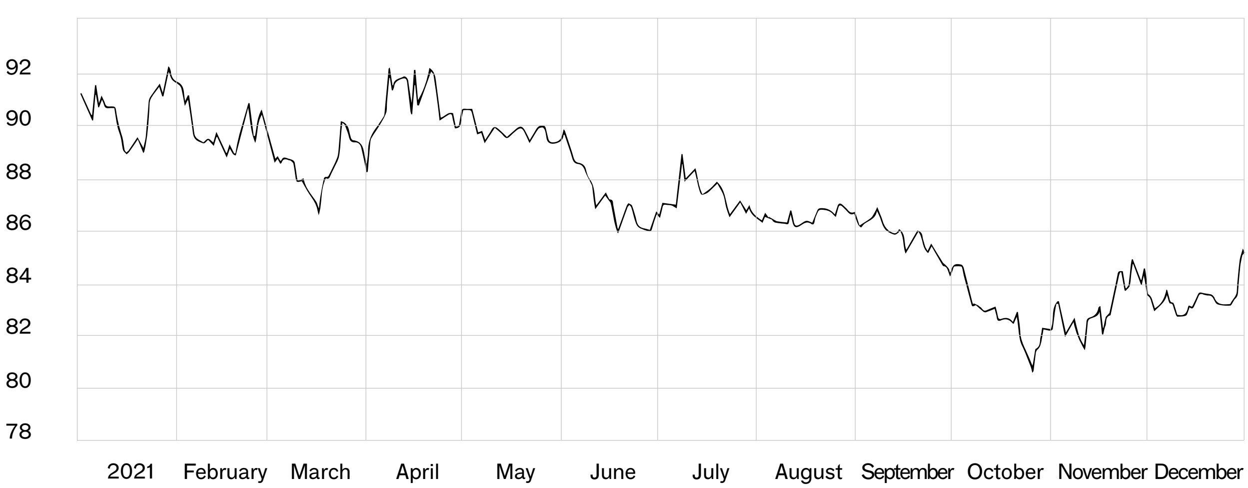
In 2021, the exchange rate of the Russian rouble strengthened in relation to the euro primarily due to the rising prices of oil and gas. By the end of the year, due to political tensions in the territory of Russia and Ukraine, the trend was reversed and the Russian rouble lost value relative to the euro. The spread between the maximum and the minimum EUR/RUB exchange rate is 15%, evidence of exceptional volatility of this currency.

Considering the whole of 2021, the value of the rouble increased, increasing the receivables of the parent company JGL d.d. from the affiliated company Jadran LLC. Direct revenue related to the increase of the value of receivables was recorded, as well as indirect revenue related to the increased purchasing power of Russia's population.

In 2021, currency risk of exposure to the Russian rouble was reduced through a short-term loan in the amount of RUB 600 million reducing the difference of the foreign currency assets and foreign currency liabilities in the Russian rouble associated with the parent company and thereby with the JGL Group.

In 2021, preparations for an agreement on the TARF model of protection against the currency risk were finalised. It concerns a target forward, a product which is relatively new on the market and JGL is among the first in Croatia planning to use it as a model for protection of the EUR/RUB currency exchange rate.

In 2022, the rouble exchange rate risk will be reduced by holding security inventory in kuna in consignment storage in Russia, reducing the payment deadline within the Group, establishing a policy of managing the rouble in accounts, and, if necessary, hedging the EUR-RUB currency pair with forward contracts.



Exposure to the currency risk of change in RUB exchange rate in 2021
Source: ECB

INTEREST RATE RISK

As the JGL Group does not have significant assets that generate interest income, income and cash flow from operating activities are not significantly dependent on changes in market interest rates.

The Group's interest rate risk arises from long-term loans and bonds issued.

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

Within the framework of the currency risk protection policy, the parent company JGL d.d. took a short-term loan in the Russian rouble, a high-interest rate currency. The agreed interest rate is fixed and was the most favourable on the market at the time. For the purposes of short-term financing, JGL uses funds from the lines of short-term credit arranged with its commercial banks at favourable interest rates which are reviewed annually.

LIQUIDITY RISK

The liquidity risk is manifested as the risk that the JGL Group will not be able to fulfil its obligations towards creditors or that it will not be able to collect cash fast enough and sell its less liquid assets (receivables and inventories).

The Group manages liquidity risk by planning cash flow on a monthly basis, and by maintaining a sufficient amount of liquid assets and working capital.

This risk is further mitigated by contracting favourable credit frameworks with various commercial banks that allow for the rapid withdrawal of short-term funds. In 2021, credit lines were approved and contracted with commercial banks in the total amount of EUR 10,000,000 and RUB 400,000,000. These lines are used as a liquidity reserve and there was no need for their use in the reporting year.

CREDIT RISK

Credit risk is the risk of non-payment or default of customers, i.e. the risk associated with the collection of receivables.

The accounts receivable risk of the JGL Group is significantly diversified through the distribution of receivables by various geographical areas and customers (CIS, SEE, global markets). The Group protects itself from this risk by obtaining payment insurance instruments and by selecting customers based on the evaluation of their creditworthiness, as well as by insuring export receivables.

Export accounts receivables belonging to the parent company are insured with the Croatian Bank for Reconstruction and Development (HBOR) and the Croatian Credit Insurance (HKO). The total insured amount of foreign receivables in 2021 was EUR 18.9 million. The insurance covered accounts receivable due from foreign customers who were contractually granted delayed payment. Together with insurers, the company is monitoring the risk profile, creditworthiness and liquidity of the insured customers and revises their approved limits annually. In the last couple of years, the Group has recorded a constant increase of the insured amounts as a result of growing turnover from existing customers and insuring new customers. The receivables are analysed weekly and all measures needed to collect them are taken.

Despite the crisis caused by the COVID-19 virus in 2021, there were no claims related to the insurance of accounts receivable.

The receivables of the associated company Jadran LLC are insured in Russia through the insurance company Euler Hermes. The total insured credit limit for customers in Russia in 2021 was EUR 33,449,433.

The parent company is part of the healthcare system of the Republic of Croatia and is indirectly subject to the risk of collection maturity from customers within the HZZO system. JGL manages this risk through the market position of the affiliate HI Ljekarna Pablo, which bases its purchase from wholesalers on the share of each wholesaler in the sales of the parent company JGL d.d.

The Group ensures nearly 90% of its pharmaceutical wholesale in Croatia by directing the purchase policy of its affiliate, so the payment security risk is reduced to a minimum.

Although the JGL Group does not deal directly with the healthcare system, due to operating with wholesale pharmacies, payment collection deadlines in healthcare significantly affect operations.

Payment collection deadlines in the Croatian healthcare system in 2021 were 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.

An overview of insured amounts in EUR for JGL d.d. by country in the period from 2018 to 2021

	2018	2019	2020	2021
Kazakhstan	EUR 2,400,000	EUR 3,900,000	EUR 5,700,000	EUR 6,350,000
Ukraine	EUR 1,600,000	EUR 4,200,000	EUR 4,400,000	EUR 5,800,000
Belarus	EUR 1,100,000	EUR 1,770,000	EUR 2,920,000	EUR 3,170,000
Other Countries	EUR 3,787,271	EUR 4,160,000	EUR 3,860,000	EUR 3,560,000
	EUR 8,887,271	**EUR 14,030,000**	**EUR 16,880,000**	**EUR 18,880,000**

MARKET RISK

Research and Development

The pharmaceutical industry is characterised by significant investments in research and development (R&D), which are at the same time a significant generator of the JGL Group's future growth and development.

The success of research and development of new products is inherently uncertain. Research and development in the pharmaceutical industry in the segment of medicinal products is a multi-annual process, and there is a possibility of changes in market conditions during the course of the project. 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 regulations. Due to operations in the CIS and Eurasian Economic Union countries, the JGL Group is exposed to the risk of change in the regulatory framework for processes, existing and new products, as well as the implementation of serialisation in Russia, and harmonisation of product registration within the Eurasian Economic Union. The pharmaceutical industry is characterised by the obligation to comply with strict regulatory rules, and without its timely and continuous implementation, it is not possible to conduct regular business.

Companies operating in the pharmaceutical industry are exposed to the possibility that the national regulatory authorities withhold or revoke their approval of pharmaceutical processes and products, and in some markets frequent regulatory changes make it difficult to predict the duration and time of obtaining an approval and market authorisation for medicinal products and other pharmaceutical products. The company's inability to obtain approval for its pharmaceutical processes or products, or the withdrawal of any such approval, can have a negative effect on the Group's operations, financial position, business performance and prospects.

By continuously investing significant funds in advanced technological solutions and equipment, investing in acquiring the necessary knowledge and skills of employees and through constant efforts aimed at optimising production processes and achieving demanding performance, the 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, other production costs, as well as strong pressures from competitors and customers. The pharmaceutical industry is characterised by frequent changes in prices of medicinal products, which can be caused by healthcare reforms, changes in the policy of including medicines on the approved medicines list, tax reforms, market instability, etc. Prices of OTC products are not regulated. In case of market price decreases, the JGL Group can keep the same level of profitability by decreasing operating costs (external service costs – promotions, entertainment, consulting services, etc. and negotiating lower costs of purchase of raw materials). The Group manages its market risks through a diversified product portfolio, sophisticated technology and manufacturing processes, and through investments in highly skilled staff and research and development.

CAPITAL MANAGEMENT

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

quidity. With regard to debt type, the Group has long-term liabilities for received loans, leasing and issued bonds. Long-term loan liabilities of the parent company (JGL d.d.) consist of two long-term loans in kuna obtained from the Croatian Bank for Reconstruction and Development. Short-term liabilities for the parent company's loans include a Zagrebačka banka loan denominated in the Russian rouble. Of other members of the JGL Group, HI Pablo has a short-term loan in the amount of HRK 10,000,000.

The liability for the long-term HBOR loan used to finance the investment in the Svilno 2 production plant amounts to HRK 152,884,878. Repayment of the principal began in 2019, and in 2020 an addendum to the contract was signed, reducing the interest rate and driving down financing costs. The amount of the short-term HBOR loan due in 2022 is HRK 26,588,675.

In 2020, the parent company started the INTEGRA 2020 investment which includes expanding production capacity, equipping a development laboratory, building a pilot plant and a logistics centre, and developing office spaces. 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 HRK 279,830,373, with a low fixed interest rate. The estimated duration of the investment and drawing period of the loan is until 30 June 2022. By the end of 2021, 48% of the loan was drawn and, as of 31 December 2021, the principal amounts to HRK 134,853,496.

JGL has liabilities under the issue of bonds under the code HRJDGLO24XA2, in the amount of HRK 130,000,000 with a maturity date of 18 December 2024; the interest on these bonds is fixed and amounts to 1.75%.

Long-term lease liabilities are divided into those for operating and financial leases, accompanied by four- or five-year contracts with low fixed interest rates. Within the Group, there are short-term loan liabilities assumed by JGL d.d. and affiliated company HI Pablo. JGL has a short-term loan in the amount of RUB 600,000,000 arranged for the purpose of reducing the company exposure to the Russian rouble by reducing the difference between the foreign currency assets and liabilities thus minimising currency risks associated to this volatile currency. Affiliated company Pablo HI has a short-term loan for financing of its working capital in the amount of HRK 10,000,000 which will become due and payable in July 2022.

The decrease of debt and shorter deadlines for collection of receivables in 2021 resulted in financial stability, company liquidity, creditworthiness, and a good net debt-to-capital ratio.

OWNERSHIP STRUCTURE

At the beginning of 2021, the Company had 76,957 own shares. By 31 December 2021, JGL repurchased 3,440 and allocated 3,298 own shares, so the number of own shares in the portfolio was 77,099 as at 31 December 2021.

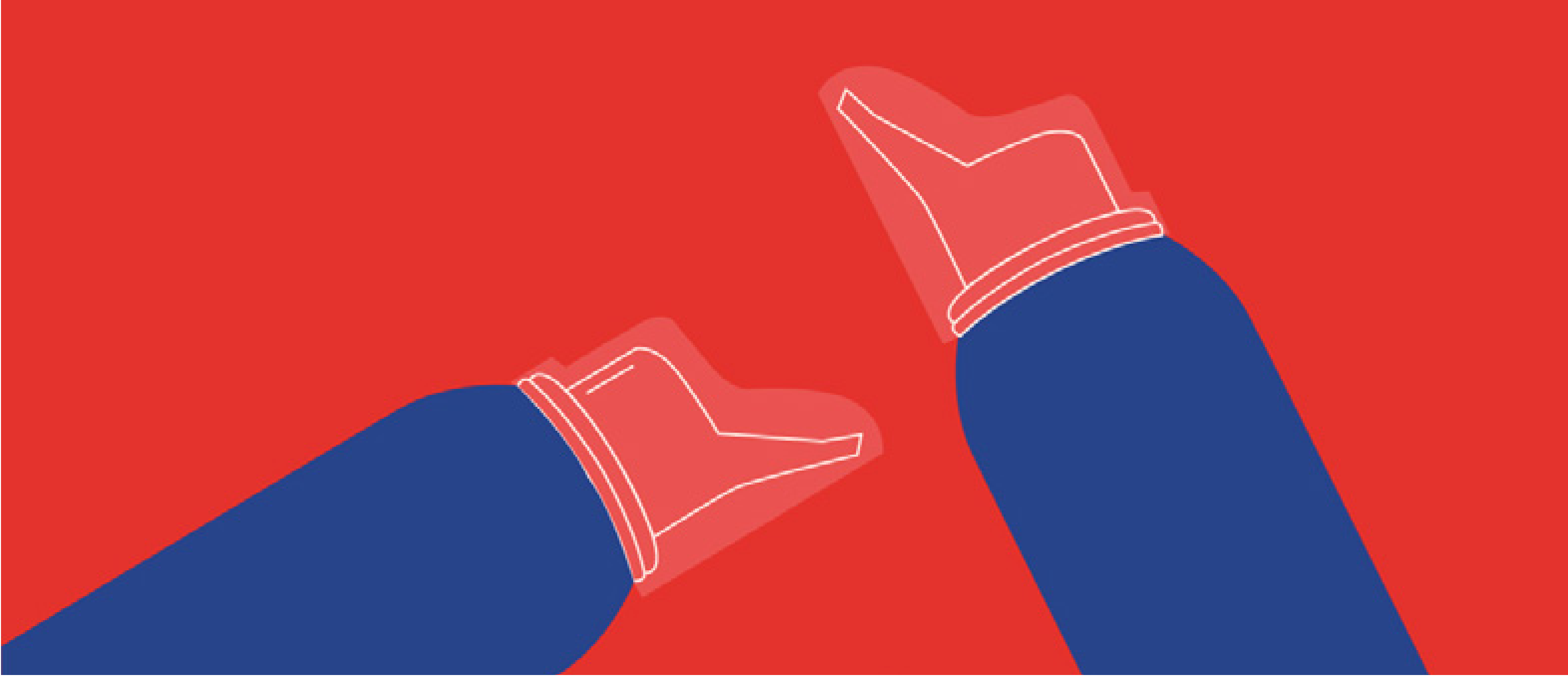
The share capital of the Company is divided into 1,220,425 shares, 1,143,326 of which are shares with voting rights, while those remaining are own shares.

Based on the authorisation given by the Resolution of the General Meeting of 28 February 2020, on 12 April 2021, the Board of Directors rendered a Decision on the issue of 14,825 new J series shares, with a nominal amount of HRK 100 per share. This increased the share capital from HRK 120,560,000.00 to HRK 122,042,500.00.

The increase of the share capital was performed by entry into the court register of the Commercial Court in Rijeka, under No Tt-21/6161-2, with the delivery of the consolidated text of the Articles of Association of JGL on 2 September 2021.

Ownership structure of JGL d.d. as at 31 December 2021

Owner	Number of shares	% in capital	% in capital with voting rights
Ivo Usmiani	378,574	31.02%	32.71%
Small shareholders	369,077	30.24%	31.13%
Zdravko Saršon	241,496	19.79%	21.31%
Own shares	77,099	6.32%	-
Eva Usmiani Capobianco	31,982	2.62%	2.71%
Grozdana Božić	29,712	2.43%	2.60%
Marina Pulišić	27,696	2.27%	2.59%
Vesna Črnjarić	24,962	2.05%	2.17%
Sanja Vujić Šmaguc	20,027	1.64%	1.75%
Đurđica Miletović Forempoher	19,800	1.62%	1.74%
Total	**1,220,425**	**100.00%**	**100.00%**



SUPPLY CHAIN

In its supply chain, JGL cooperates with a large number of suppliers. In 2021, there were a total of 732 of them, an increase of 97 compared to the previous year. All suppliers have to meet the high standards of the pharmaceutical industry, with materials and services only procured from an approved source of consistent quality.

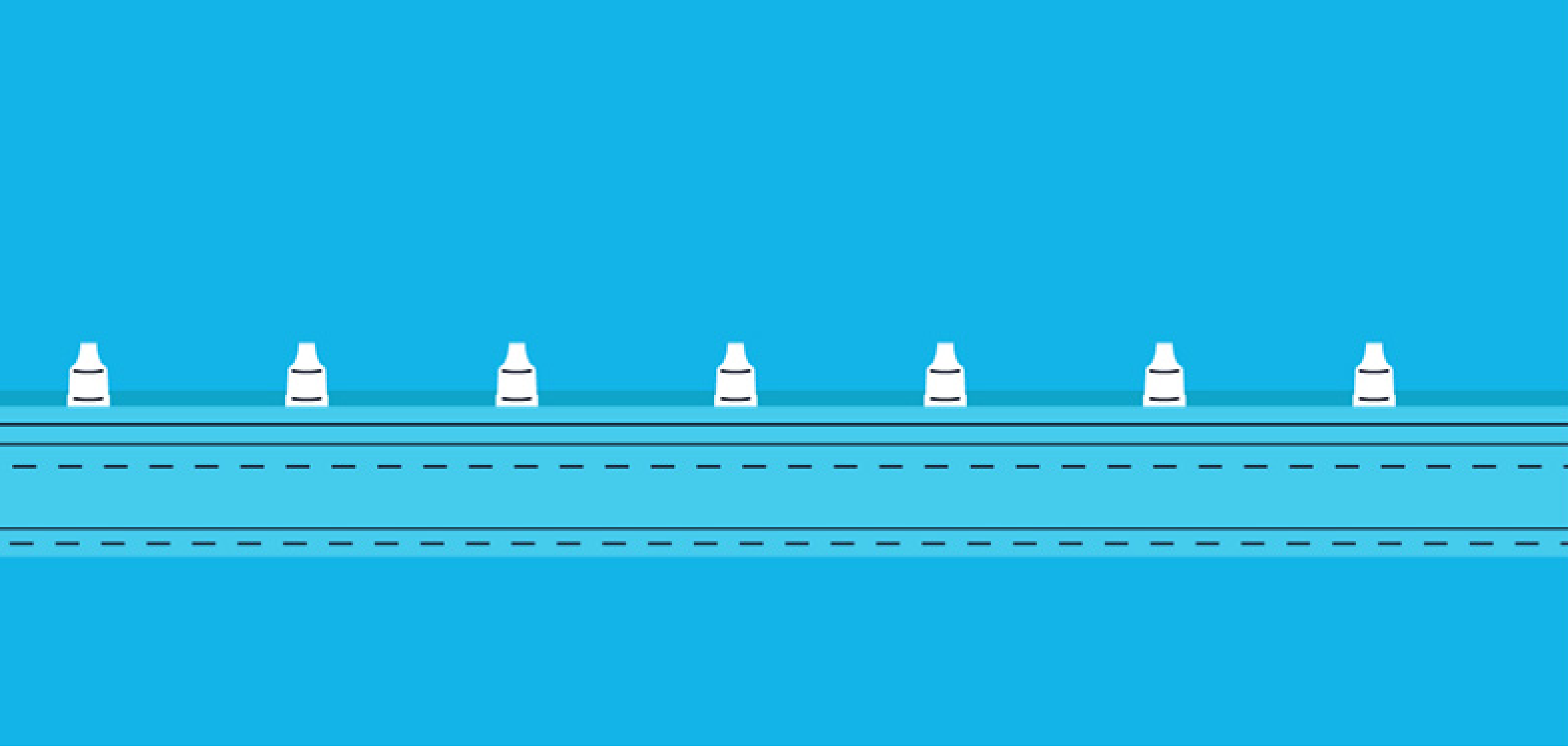
The selection and approval of a new supplier is a complex and lengthy process, starting with supervision and understanding of the quality process of a potential supplier. In addition to initial verification, both new and long-term suppliers are regularly subjected to inspections (every two to three years),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

Establishing a partnership creates the prerequisites for meeting delivery deadlines, and maintaining sustainable and fair prices and the quality of products and services. Partnerships with suppliers are also a prerequisite for supply chain management, which directly affects company savings and profitability.

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

Within the supply chain, companies that provide transportation services also have an important role. It is expected from the suppliers to prove themselves in terms of quality, speed, innovation and full expense transparency. We select companies that regularly service and properly maintain their vehicles and have lower emission levels of harmful gases.
The selection of a new supplier, in addition to all of the above, includes a tendering process or the necessary fulfilment of all pre-defined technical and commercial conditions for suppliers and products.

There were no significant changes in the structure, location, selection, and termination of supplier relationships in the reporting period compared to the previous year.



APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

JGL d.d. has not adopted the Corporate Governance Code developed by the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga, HANFA) and the Zagreb Stock Exchange (Zagrebačka burza d.d.). (https://www.hanfa.hr/media/4098/zse_kodeks_hr.pdf), but implements it in the appropriate manner. The Code is published on the company's website (www.jgl.hr).

JGL d.d. operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal control, fostering personal responsibility, and corporate social responsibility. The company duly fulfils the obligation of reporting to HANFA on the application of the Code. JGL d.d's organisational structure follows the one-tier model, in which the functions of governance and supervision are carried out by the Board of Directors, elected by the General Meeting, while the CEO (appointed by the Board of Directors) represents and manages the company's operations.

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

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

PRECAUTIONARY APPROACH

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

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

In certain stages of development, the evaluation of the achieved results must be performed to determine that the individual requirements have been met and the result must be verified before moving to the next stage.

Before the start of normal production and application of the new product, it is necessary to carry out the validation of the production process in order to confirm that the production process is reliable and that reproducibility is ensured, meaning that the production process is always capable of delivering a product of defined quality. If any changes occur during development (e.g. change of requirements), it is necessary to assess the need for rating, verification and validation of the change.

Records are kept on all stages of development, including risk analysis and developmental changes.

MEMBERSHIP IN ASSOCIATIONS

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

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

AWARDS

GOLDEN KUNA AWARD FOR SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

JGL is the recipient of the first-ever “Zlatna kuna” (Golden Kuna) award in the category of sustainability and corporate social responsibility! For the first time, the Croatian Chamber of Economy (HGK) rewarded excellence in the segment of sustainable business and contribution to the Croatian economy, which is achieved through responsible practices in terms of financial, social and environmental indicators.

Mario Šiljeg, PhD, State Secretary of the Ministry of Economy and Sustainable Development, presented the award at the 25th annual ceremony to Mislav Vučić, Chief Executive Officer of JGL. Vučić said that he was especially glad that the award coincides with the Glasgow climate summit, where participants discussed how the business world can and must help protect our planet.

“The philosophy of responsible and sustainable practices has permeated our entire business from the very beginning. Although the past year was challenging for everyone, I am proud to say that we at JGL, as well as the entire sector, were able to ensure a seamless supply of products that are competitive on a global and European level. The pharmaceutical industry has proven to be a reliable partner of the Croatian healthcare system,” Vučić said, reminding those present that in 2020 JGL became the largest Croatian pharmaceutical company.

This award belongs to JGL employees who develop and implement sustainable practices in the company every day. The recognition is an additional motivator to nurture business excellence at each step of creating high-quality products with ongoing development of additional value for patients, the environment, and the community in which we live and work every day.

Years of investment in development of new products and their placement on the Russian market in 2021 were rewarded with the Golden Key award for the best exporter to the Russian Federation in 2020.

In 2021, JGL was also recipient of the Golden Kuna award of the Croatian Chamber of Economy (HGK), Rijeka County Chamber. In the reporting period, the President of the Board of Directors, Ivo Usmiani, was awarded the Golden Plaque "Arms of the City of Rijeka" for exceptional contribution to ongoing creation of new value in pharmaceutical business and networking of business, science and culture.

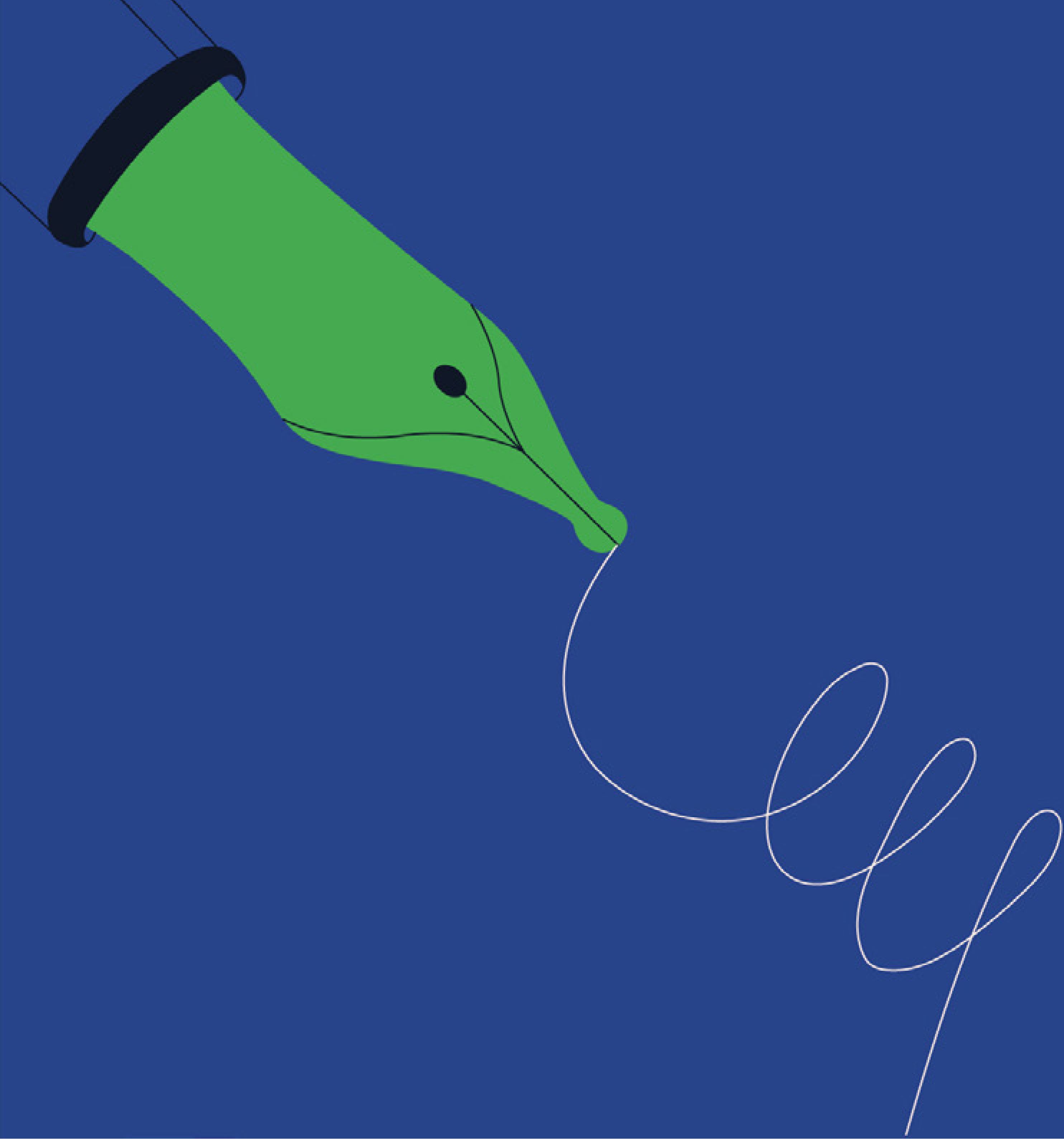
In 2021, professional recognition was also received by the JGL Pharmacy Museum. It received the Croatian Museum Association award for its permanent exhibit, and the BigSEE Interior Design Award 2021 for design of the exhibit and of the interior in the category of public use spaces.

The year 2021 also brought national awards to JGL teams in CIS markets! Within the "national trademark" project, as many as three JGL brands – Aqua Maris, Dramina and Optinol – were declared winners in categories of products based on seawater, motion sickness medicine and eye drops on the basis of votes of consumers in Russia.

Also, the leading position of Aqua Maris, Optinol, and Rinomaris (Meralys) products was recognised in Belarus with the annual "Number One" award.

Celebration of the well-deserved awards by a part of the Russian JGL team

FUTURE DEVELOPMENT



Even though we expected this year to be more difficult than 2020, behind us is one of the most difficult business years on record. In our industry, as well as in many others, there was a drop in demand compounded by disruptions to the raw materials and packaging supply chains. The reason lies primarily in more difficult access to healthcare. However, we managed to absorb all adverse shocks due to the level of demand and supply and, considering the circumstances, we can be pleased with the results.

Our revenues are growing, we created many new business opportunities, implementation of numerous initiatives is in progress, which will strengthen us, increase global competitiveness and place Croatia on the map of countries whose pharmaceutical industry is a force to be reckoned with.

This year, JGL defined a new strategy. Under the motto – Sense the Life – we are even more focused on three strategic therapeutic fields in which we have solid market positions and a complete set of prerequisites for further advances: flu and cold, ophthalmology, and dermatology.

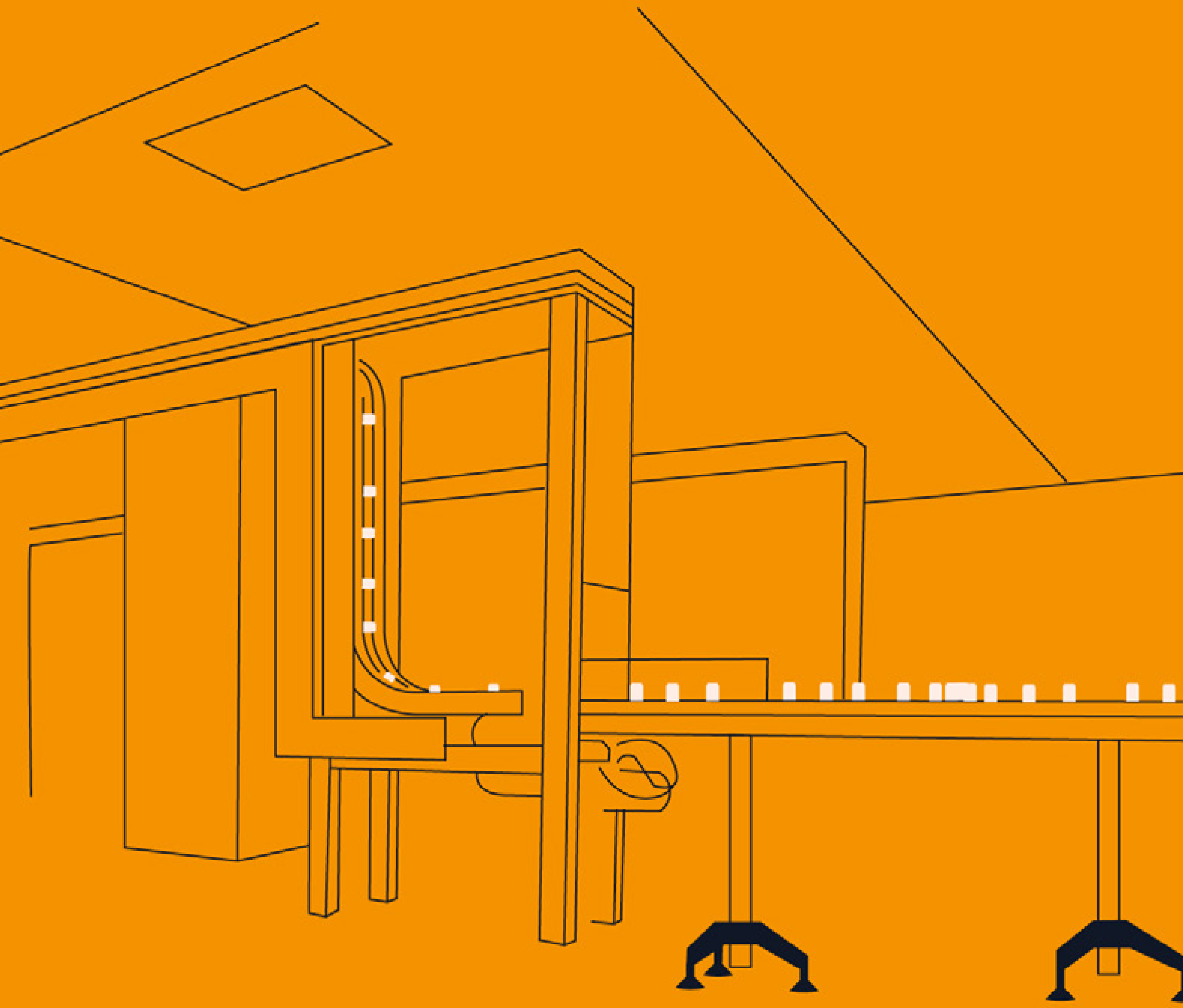
With the Integra 2020 project under way and the established JGL Science Council, I trust we will develop new and innovative products in the strategic fields, in our key therapeutic areas. Our objective is to significantly increase investments in our intellectual property and harness investments in R&D and the scientific potential of the university, clinics and institutes as our partners to position ourselves as innovators with the ultimate objective of bringing distinctive added value for our consumers and patients. We plan to achieve this not only in our traditional markets, but also using a hybrid approach to the US and China.

Even though the global pandemic and current global geopolitical shifts largely prevent accurate planning and require a proactive, short-term outlook and quick response to current market situations, in JGL, we are viewing the course of business in the next year with optimism.

We are striving for new growth opportunities with courage, persistence and motivation, taking a clear position in our responsible relations with employees, the environment, and the community in which we operate.

Mislav Vučić
Chief Executive Officer

REPORT ON SUSTAINABLE DEVELOPMENT



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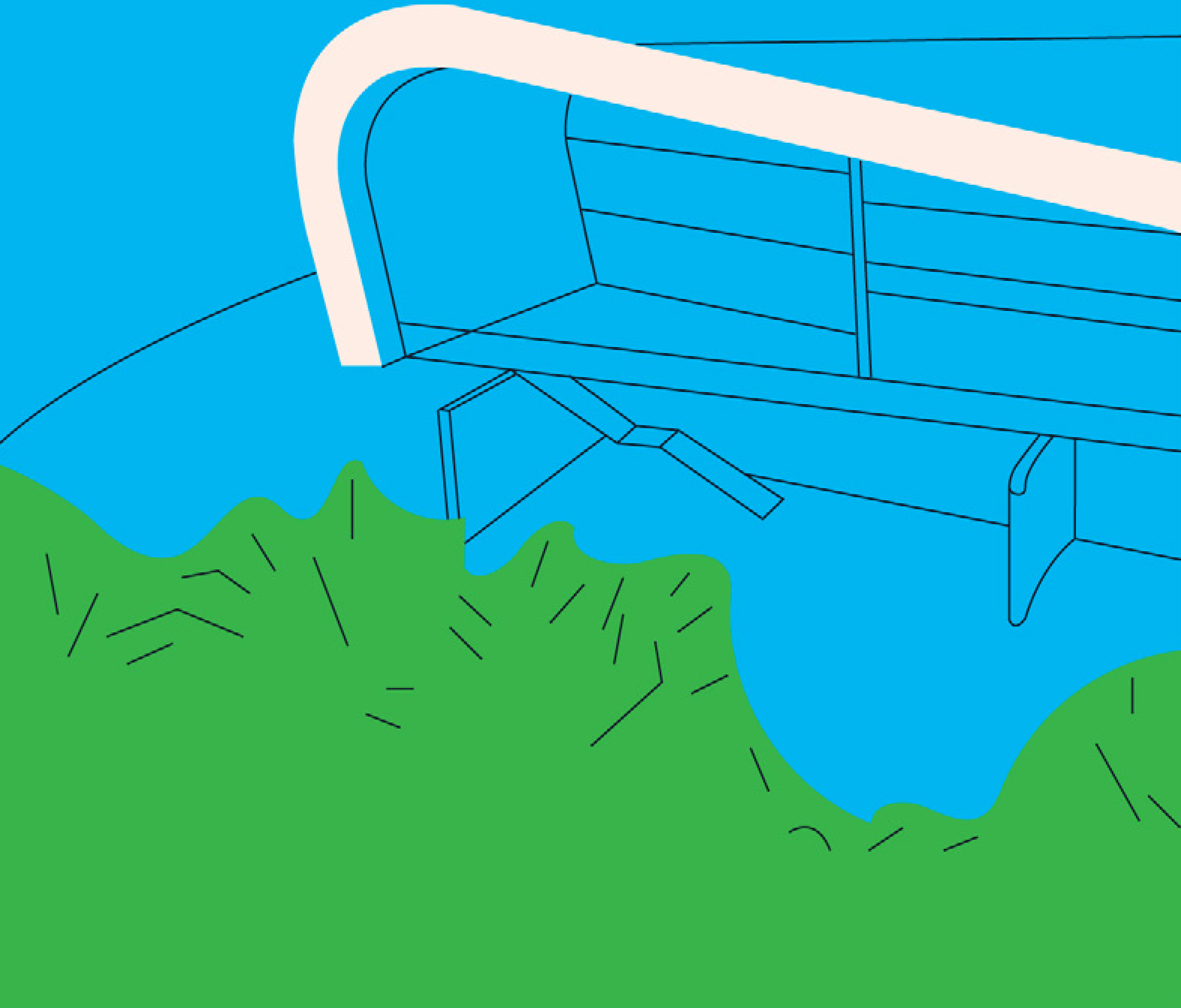
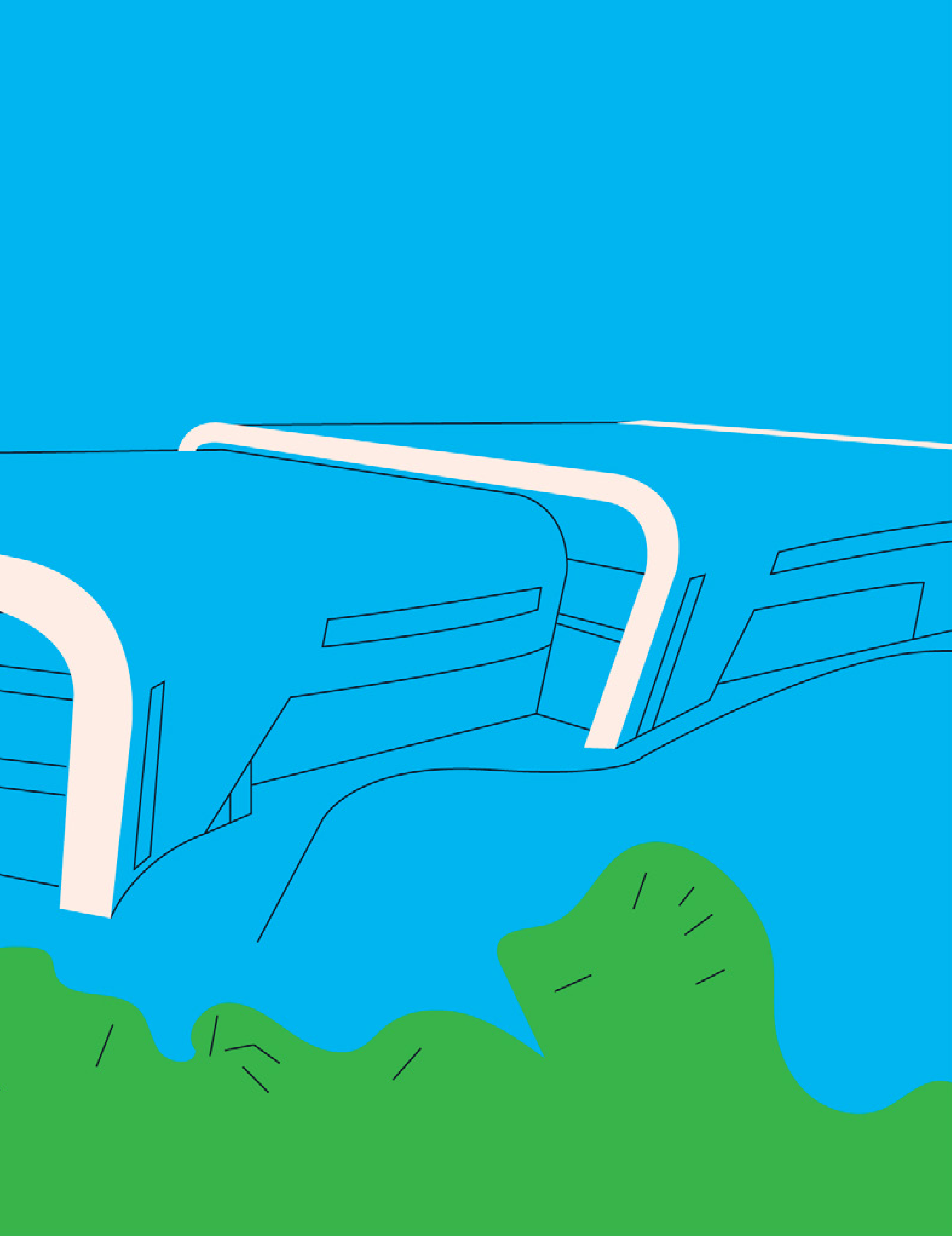




GLOBALLY ADOPTED UN DEVELOPMENT PROGRAMME UNTIL 2030

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

Economic:

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

Social:

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

Environmental:

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

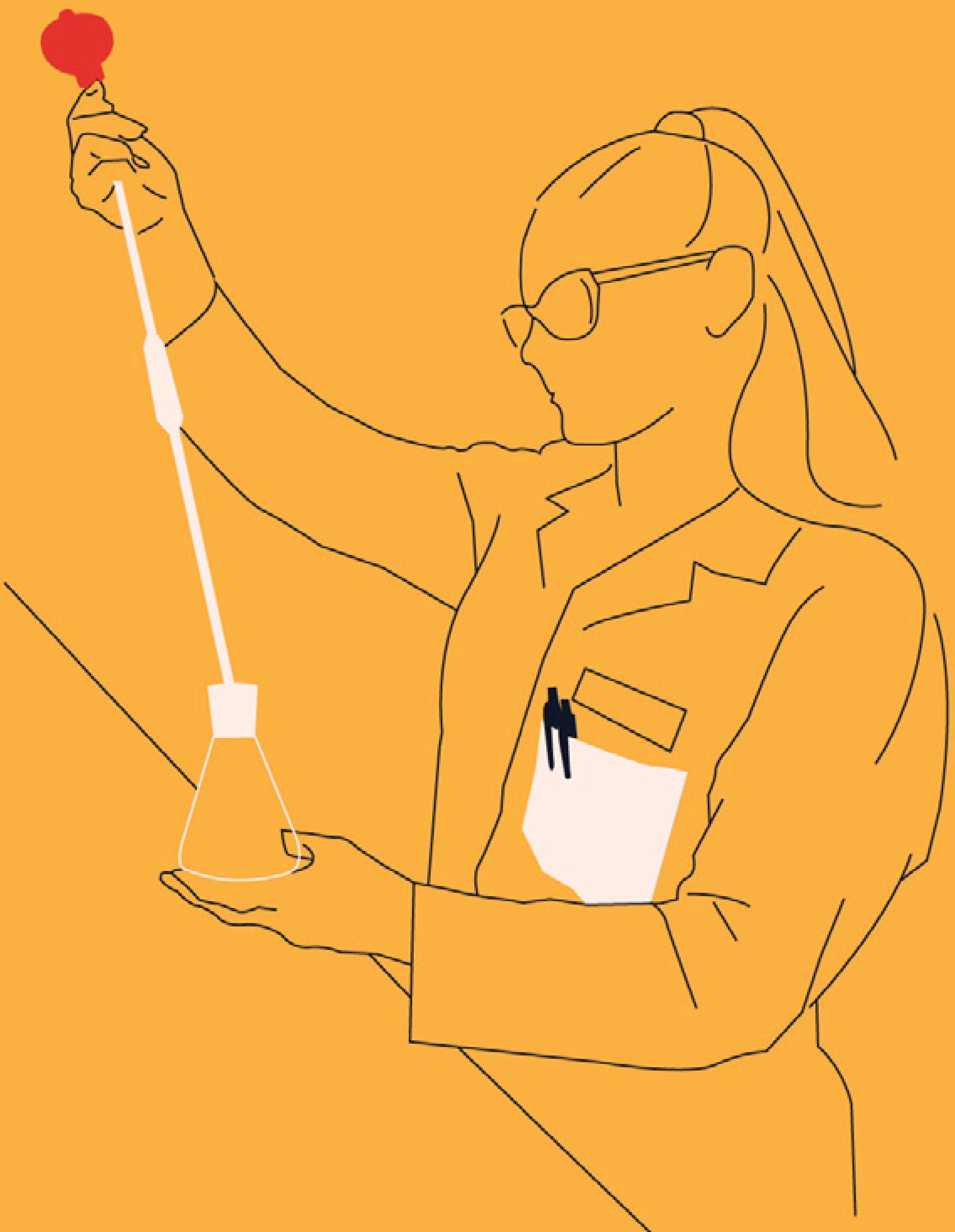
In connection with the above, we devote particular attention to the integration of six global goals in our overall business process and activities:

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

This report shows our efforts in their implementation and promotion.


1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
SUSTAINABLE DEVELOPMENT GOALS

GENERAL STANDARDS



GRI 102 – GENERAL DISCLOSURES

STAKEHOLDER ENGAGEMENT

102-40 LIST OF STAKEHOLDER GROUPS

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

102-42 IDENTIFYING AND SELECTING STAKEHOLDERS

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

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

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

- In 2020, a questionnaire was sent by e-mail to stakeholder representatives on the topic of assessing the importance of sustainability issues, as well as the impact of JGL on relevant topics;
- A reminder was sent on two occasions to encourage involvement in important areas of expectations and stakeholder interest for non-financial information.

ENGAGED STAKEHOLDERS

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

102-43 APPROACH TO STAKEHOLDER ENGAGEMENT

Based on the survey, we asked the involved stakeholders questions related to their needs, expectations and interests in terms of the economic, social and environmental impacts of JGL.

Respondents expressed their agreement with each offered topic on a scale of one to five, with five indicating extreme importance and one no importance of the topic to stakeholders.

102-44 KEY TOPICS AND CONCERNS RAISED

A total of 57 of the 120 stakeholders involved participated in the survey, and 97% of those involved considered each topic important or extremely important.

The focus of the reporting is on the topics that are defined by all involved as extremely important:

- Health and safety in the workplace
- Training and education
- Waste water and waste
- Water
- Energy
- Health and safety of customers.

REPORTING PRACTICES

102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of JGL Group are available at https://www.jgl.hr/o-nama/jgl-danas/financial-records and include the following entities:

- JGL d.d.
- Farmis d.o.o. Sarajevo
- Jadran – Galenski laboratorij d.o.o. Ljubljana
- Adrialab d.o.o. Rijeka
- Pablo HI, Rijeka
- LLC Jadran Moskva
- JGL PPH d.o.o.
- JGL d.o.o. Beograd – Sopot
- Pablo d.o.o. Zagreb

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

102-47 LIST OF MATERIAL TOPICS

GRI 200 ECONOMIC TOPICS

- GRI 201 Economic Performance
- GRI 202 Market Presence

GRI 300 ENVIRONMENTAL TOPICS

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

GRI 400 SOCIAL TOPICS

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

102-48 RESTATEMENTS OF INFORMATION

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

102-49 CHANGES IN REPORTING

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

102-50 REPORTING PERIOD

This is the fourteenth edition of JGL's Sustainable Development Report, which includes a one-year reporting cycle, i.e. the period between 1 January and 31 December 2021.

102-51 DATE OF MOST RECENT REPORT

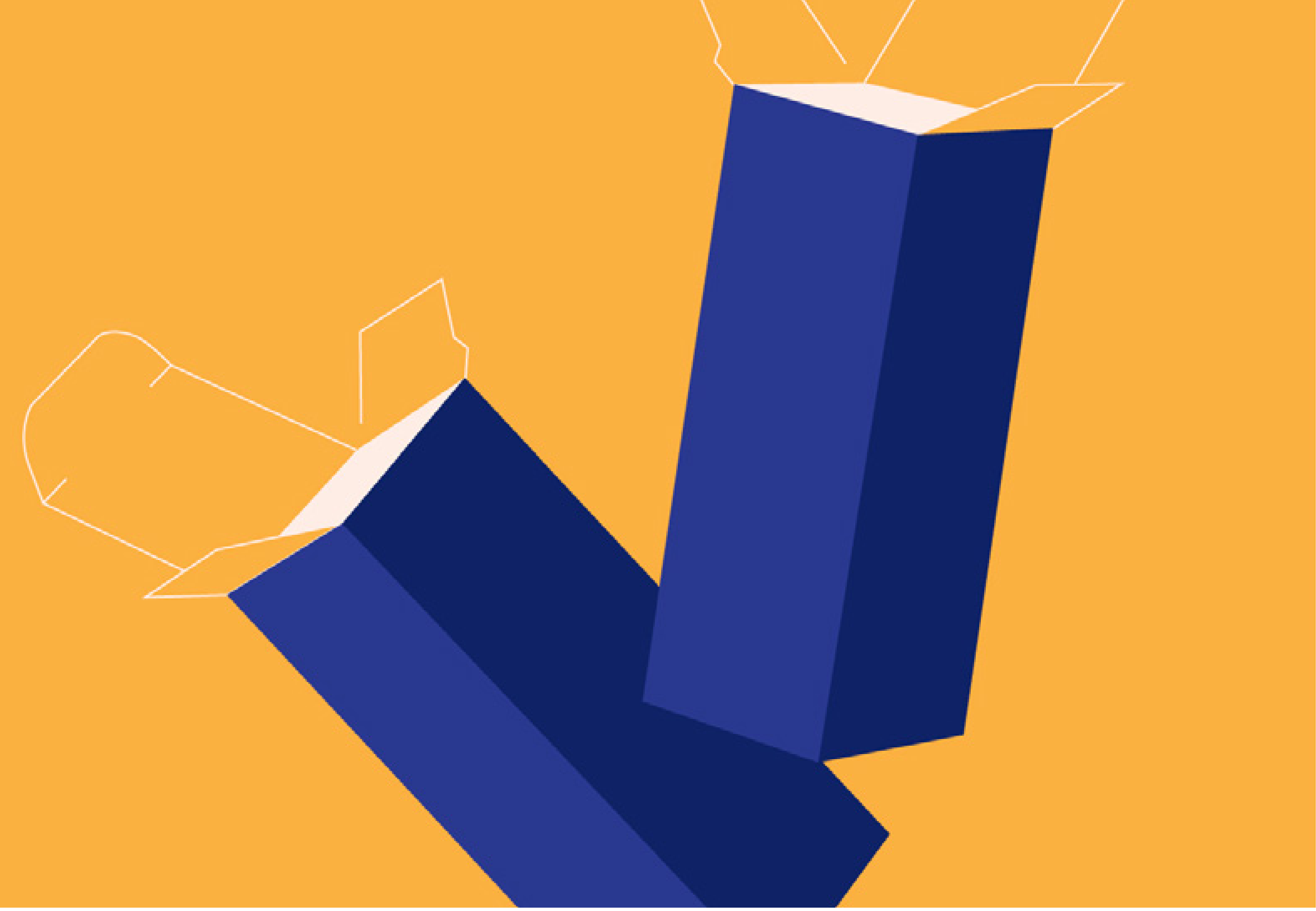
The last, thirteenth edition of JGL's Sustainable Development Report was published on 30 April 2021. All published JGL Sustainable Development Reports are available at https://www.jgl.hr/o-jgl-u/jgl-u-zajednici.

102-52 REPORTING CYCLE

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

102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT

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



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

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

102-56 EXTERNAL ASSURANCE

Under the with the continuous and comprehensive support of the Croatian Business Council for Sustainable Development (HR BCSD), JGL has, for each published report, sought the opinion of the HR BCSD Management Board to be included in the Report. This issue is no exception either – HR BCSD is most often called upon when it comes to promoting corporate social responsibility in the Republic of Croatia, and we appreciate their opinions and verification of the Report.
It is important to emphasise that, in 2021, specifically on 6 July 2021, training was held by dr.sc. Mirjana Matešić for JGL employees reporting on corporate sustainability programme on sustainability and non-financial reporting.

ECONOMIC TOPICS

GRI 201 – ECONOMIC PERFORMANCE 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to its significant economic impacts on stakeholders and local, regional, national and international economic systems. The material nature of the topic is confirmed by the expectations and interests of stakeholders, who place the focus of the company's business on economic performance.

To determine significant impacts related to economic performance, the JGL Group conducts systematic monitoring and analysis of its economic performance and reports on it through quarterly, semi-annual and annual reports. Economic performance has a significant impact within the entire JGL Group, while outside the Group, it impacts local communities and countries where the Group operates and our business partners.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

The long-term strategy of JGL Group is based on increasing the share in sales of other regions and markets and reducing the share of the CIS region. During the reporting period, new markets were opened for licensing business models and several new markets were opened with distribution contracts in the Asia and Middle East clusters. Additional use of technology of sterile forms is realised through projects of simultaneous development of contract manufacturing with partners.

The Group also reduces the risk of securing the collection of receivables through the diversification of sales across different markets, the creation of customer credit ratings, credit limits and insuring foreign receivables.

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

The Group also uses financial derivatives to hedge against sharp exchange rate fluctuations, manage liquidity risk by maintaining sufficient cash and working capital, and by contracting credit lines that allow quick withdrawal of short-term funds. The Group minimises the risk of debt by regulating the share of financing with its own resources in relation to financing from other sources.

Also, through developing a thriving and cooperative culture oriented towards success, leadership and managerial skills are developed in a targeted manner and accountability and independence of all employees are ensured in all markets where there are sales operations.

The basic salary is determined on the basis of the role's value which is used to determine the complexity and level of responsibility of the role. An additional scale of the required competence levels for each individual employee at a given position is used to determine the employee's salary.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

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

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

in HRK 000

	2021	2020
Direct generated economic value	**1,079,737**	**1,011,785**
Net sales revenue	1,072,585	1,003,766
Revenue from the lease and sale of assets	6,883	7,676
Revenue from interest	269	343
Distributed economic value	**872,953**	**843,157**
Operating costs	649,782	629,096
Salaries and employee benefits	204,183	188,618
Payments to providers of capital	10,545	14,668
Payments to government	7,800	10,059
Investments into the community	643	716
Economic value retained	**206,784**	**168,628**

201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

In 2021, the parent company qualified for state incentives in the amount of HRK 30,129,791.85.

Incentives were obtained through tax relief for training costs, investments, preferential interest rates on loans and grants awarded for the Rino Spray project.

GRI 202 – MARKET PRESENCE 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to its significant impact on the economic conditions of employees, on economic systems at the local, regional, national and international levels, and on the assessments and decisions of stakeholders.

To determine significant impacts related to market presence, JGL Group systematically includes members of local communities in senior management and monitors the impact of their inclusion in its management teams.

Significant impacts related to market presence occur in the entire JGL Group, as well as outside the Group, in local communities and in all markets where the Group operates.

Based on job value, impact on defining and/or realising the business strategy and goals, and expected levels of impact on creating an additional job value, all of the positions are divided into three categories: management, professional and support. Each group of jobs is further defined through three career levels of impact and responsibility.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

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

202-1 RATIOS OF ENTRY LEVEL / MINIMUM WAGE AND AVERAGE WAGE IN THE ORGANISATION AND THE LOCAL COMMUNITY

	JGL Croatia	**Croatia**	**JGL Russia**	**Russia**
year	**initial salary BT 1**	**minimum salary BT 1**	**initial salary BT 1**	**minimum salary**
2019	HRK 5,000.00	HRK 3,750.00	HRK 4,574.10	HRK 1,892.30
2020	HRK 5,000.00	HRK 4,062.51	HRK 5,812.41	HRK 5,812.41
2021	**HRK 5,000.00**	**HRK 4,250.00**	**HRK 4,722.78***	**HRK 2,092.50****

year	**average salary BT 1**	**average salary in the private sector**	**average salary BT 1**	**average salary in the private sector**
2019	HRK 11,848.85	data not available	HRK 14,276.21	HRK 4,373.15
2020	HRK 12,415.98	data not available	HRK 13,122.91	HRK 4,770.00
2021	**HRK 12,426.47**	**data not available**	**HRK 11,103.94***	**HRK 4,770.00****

**JGL salaries in Russia were lower relative to the previous year due to a change in the exchange rate*
***Data taken from Mazars' Central and Eastern European Tax Guide 2021*

REWARD TO ALL EMPLOYEES FOR PERFORMANCE IN 2021

In December, JGL paid its employees for their efforts and results achieved in the previous year a tax-exempt bonus and Christmas bonus in the amount of HRK 4,000.

This means that in 2021, on top of basic pay, company employees received a package of tax-exempt benefits in the amount of HRK 12,500. The decision on rewarding employees on account of the achieved results was made by the JGL Board of Directors.

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

In the JGL Group, there is no difference in starting salary for men and women, and the business performance of the company is reflected in employee benefits. Significant places of business are considered to be the markets with the largest number of employees (Croatia and Russia), those that account for more than 95% of the total JGL Group production (Croatia), as well as those with the most significant share in total revenue (Russia and Croatia).

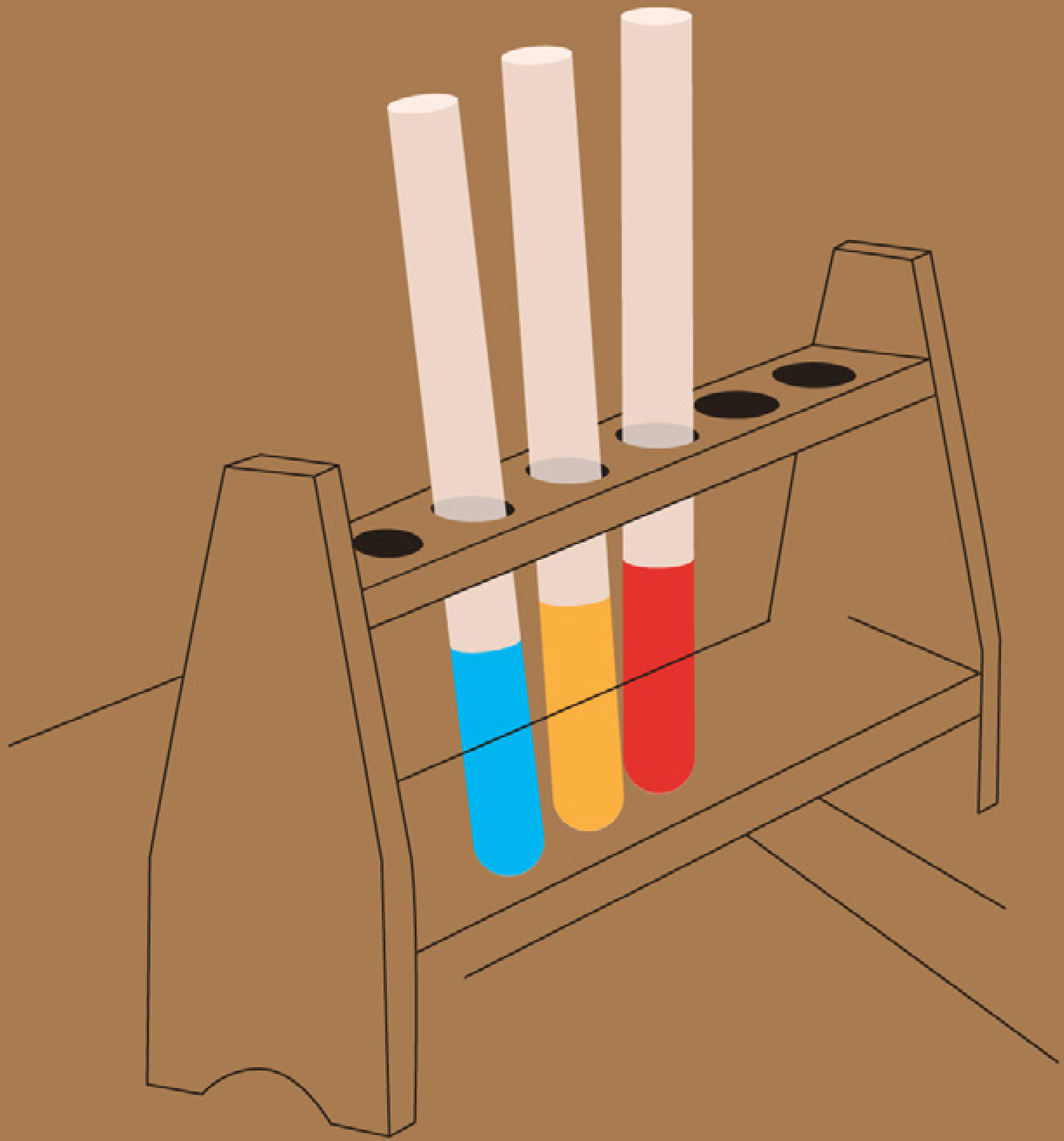
All of the senior management (the Board of Directors, the Chief Executive Officer, the first line of directors, managers, and department heads) are employed from the local community in significant places of business, whereby the definition of a local community is the country of the business location. The same applies to middle and lower management.

203-2 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

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

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

ENVIRONMENTAL TOPICS



GRI 302 – ENERGY 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

To increase competitiveness, the “ISO 50001:2018 energy management system” in the segment of investing in energy efficiency of JGL structures has successfully been implemented for years. The 2020 recertification has confirmed the success of our implementation.

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

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

The successful system of monitoring and control of consumption of all sources of energy in place at Svilno 2 production site was also implemented at Svilno 1 production site in 2021.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

To achieve the above, the Board of Directors defines goals for energy system management and provides resources for their attainment. At the same time, participation in the energy management system is a duty of all JGL Group employees, who have a key role in carrying out the system activities.

Our Energy Management Policy is a public document, available to all employees, partners, and other interested parties. It is additionally important to emphasise that managing gas emissions, i.e. the release of gases into the environment, is one of the biggest priorities for JGL when it comes to caring for the environment.

Through our green way of thinking, own production of environmentally friendly energy, and the introduction of the ISO 50001:2018 standard, a high degree of environmental consciousness and care was achieved.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

The supervision of the energy management system is performed and recertified by an external certification body in compliance with the ISO 50001:2018 standard.

The company Board of Directors verifies and controls the determined objectives and monitors their achievement on the basis of requirements of the standard, continuous measurement systems, implementation, and analysis of collected data.

302-1 ENERGY CONSUMPTION WITHIN THE ORGANISATION

The main energy sources used within JGL are electricity and extra light fuel oil (ELFO).

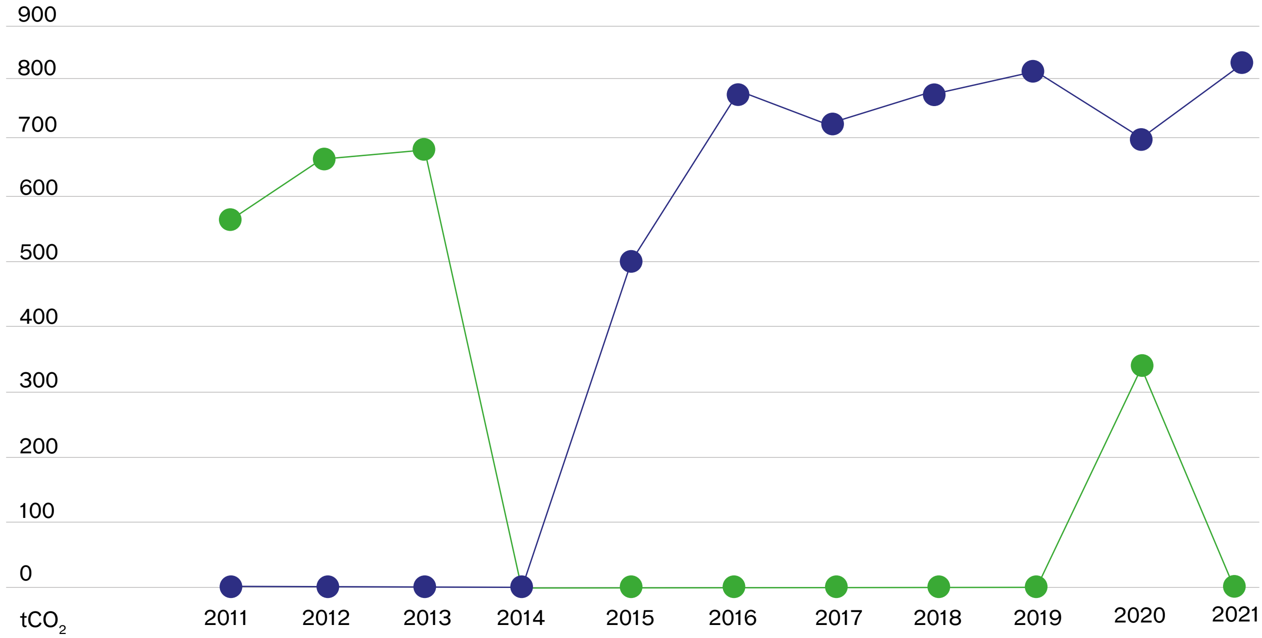
By encouraging sustainable economic growth within the environment, JGL continues to use only electricity produced from renewable sources.

ELFO is a relatively new energy source that has been in use since the opening of the new production plant within the Pharma Valley complex. Seeing as JGL is not in the position to use a more environmentally friendly energy source due to the remote location of the facility, it will continue to use ELFO for now. In the long run, a facility that uses ELFO as fuel is also equipped to use natural gas as an energy source. Natural gas is an alternative to ELFO and a project was launched in 2021 to connect Svilno 2 plant to the local gas supply network. Our objective is to use a medium acceptable from the aspect of energy requirements and environmental protection. Completion of the plan is expected by mid-September 2022.

	Electrical energy		ELFO		
	MWh	**tCO_2***	**l**	**GJ**	**tCO_2***
2011	4,383	564	0	0	0
2012	5,080	653	0	0	0
2013	5,821	685	0	0	0
2014	5,749	0**	0	0	0
2015	7,287	0**	169,000	6,449	503
2016	8,193	0**	260,000	9,922	775
2017	8,769	0**	247,000	9,426	736
2018	8,428	0**	260,000	9,922	775
2019	8,327	0**	273,000	10,418	813
2020	8,218	349	234,000	8,929	697
2021	8,372	0**	286,000	10,914	852

The ratio of electricity and ELFO consumption in relation to greenhouse gas emissions (tCO_2) from 2011 to 2021

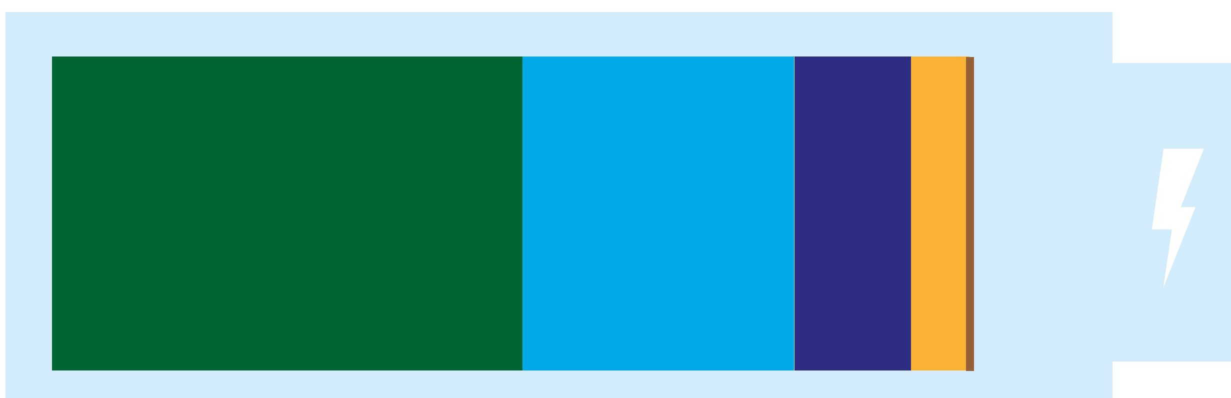
** Specific CO_2 emissions per kWh of energy produced are 276.75 g/kWh; while for ELFO it is 299.70 g/kWh Source: Manual for Energy Consultants, UNDP*
*** On 1 September 2013, a contract was signed with HEP Opskrba for the supply of electricity from renewable sources (ZelEn – Green Energy)*



Emission of greenhouse gases (CO_2) inside the organisation

Electrical energy

ELFO



Distribution of invested energy by consumer in 2020

- Heating/cooling – 30%
- Production – 54%
- Lighting – 5%
- Office equipment – 10%
- Other – 1%

302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION

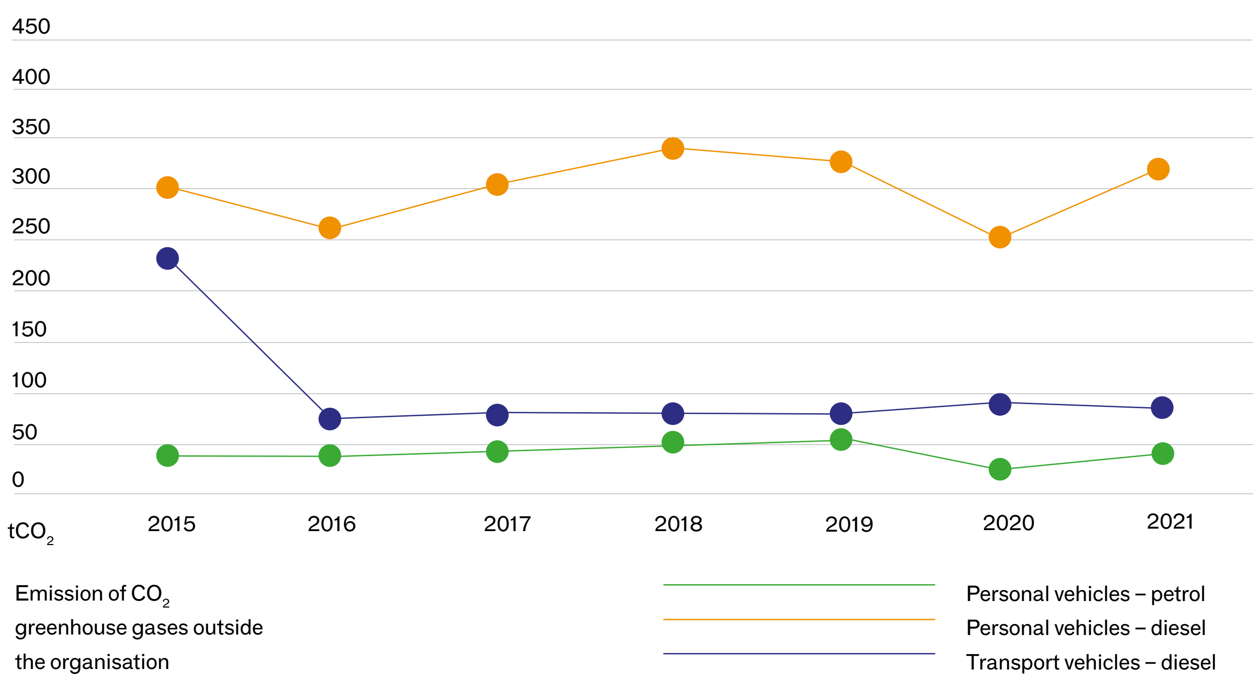
From 2018 to 2021, tCO2 stagnation or a reduction trend may be observed in relation to passenger cars. In this regard, it should be pointed out that the COVID-19 pandemic primarily influenced the reduction trend in 2020.

JGL continuously follows energy consumption trends outside the organisation and reduces pollution by replacing old vehicles and purchasing new vehicles with more efficient and environmentally acceptable engines.

Relationship between the consumption of eurosuper fuel in personal vehicles, diesel fuels in personal vehicles and diesel fuels in freight vehicles in relation to greenhouse gas emissions (CO_2) from 2015 to 2021

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

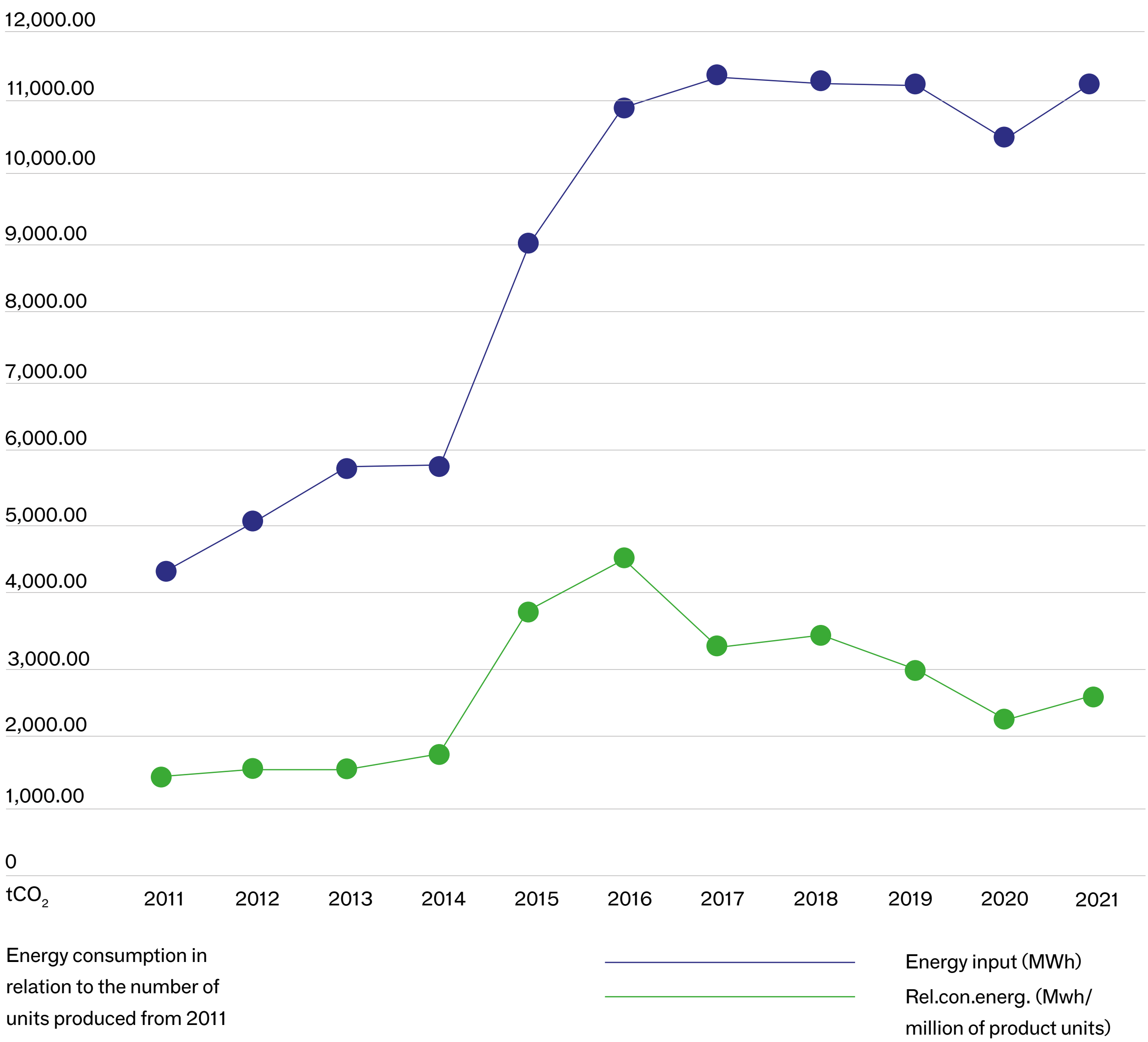
	Passenger vehicles – petrol		**Passenger vehicles – diesel**		**Transport vehicles – diesel**	
	l	**t CO_2***	**l**	**tCO_2**	**l**	**tCO_2**
2015	13,305	32	112,850	306	85,888	233
2016	12,348	30	96,330	262	28,343	77
2017	15,407	37	109,646	298	26,523	72
2018	18,200	44	126,339	343	25,623	69
2019	19,937	48	121,718	331	25,890	70
2020	8,561	20	91,464	250	33,482	91
2021	18,212	44	110,936	319	32,251	87



Emission of CO_2 greenhouse gases outside the organisation

302-3 ENERGY INTENSITY

In 2021, energy consumption grew slightly due to works and final testing of the new production facility within the framework of the Integra 2020 project. Once production starts in 2022, with optimisation and ongoing monitoring of energy sources, it is our objective to restore a long-standing downward trend of consumption while production is increasing.



Energy consumption in relation to the number of units produced from 2011 to 2021

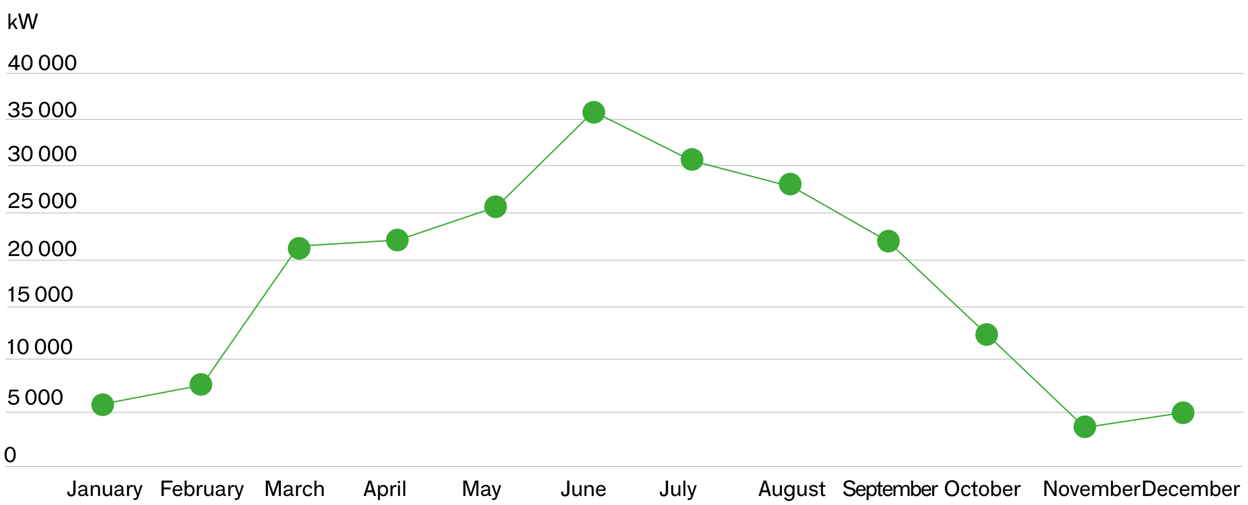
302-4 REDUCTION OF ENERGY CONSUMPTION

Consumption of electrical power in the company is falling through the use of solar energy to heat water, and through own production of electrical power from a photovoltaic power station. Solar energy no longer represents only an alternative energy source. It is one of the most current and most promising areas of the modern economy. It also represents clean, renewable and inexhaustible energy whose advantages far outstrip the possible costs incurred through its use. By implementing the ISO 50001:2018 system for energy management in structures, we are constantly monitoring all segments of energy and have achieved noticeable savings in energy consumption and therefore a lower emission of harmful substances in the last five years.

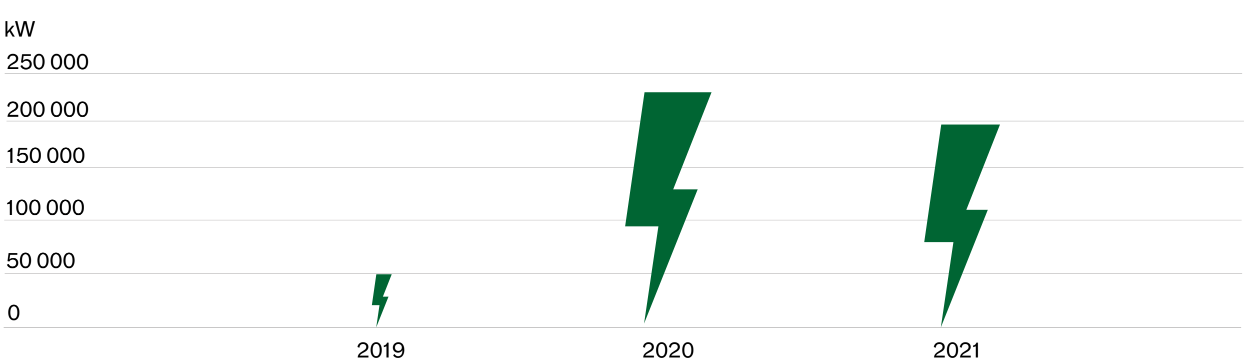
In addition to good management and investments in equipment, the following measures to reduce energy consumption were implemented in the reporting period:

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

Electricity production from own photovoltaic power plant in 2021



Changes in production of electrical energy from a photovoltaic power station for own use.



GRI 303 – WATER AND EFFLUENTS 2018

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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

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

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

The goal and purpose of the approach to waste water management are to systematically monitor the quality of effluents on a daily basis through own efforts, as well as to analyse the quality of discharges of authorised partners based on water permits.

The obligation to manage waste water is based on compliance with legal regulations and, where possible, even stricter own measures.

Water discharge is controlled and water is treated in biological purifiers before being discharged into municipal systems.

At Svilno 1 and Svilno 2 production sites, there are two biological treatment plants which are constantly being upgraded with new technologies.

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

103-3 EVALUATION OF THE MANAGEMENT APPROACH

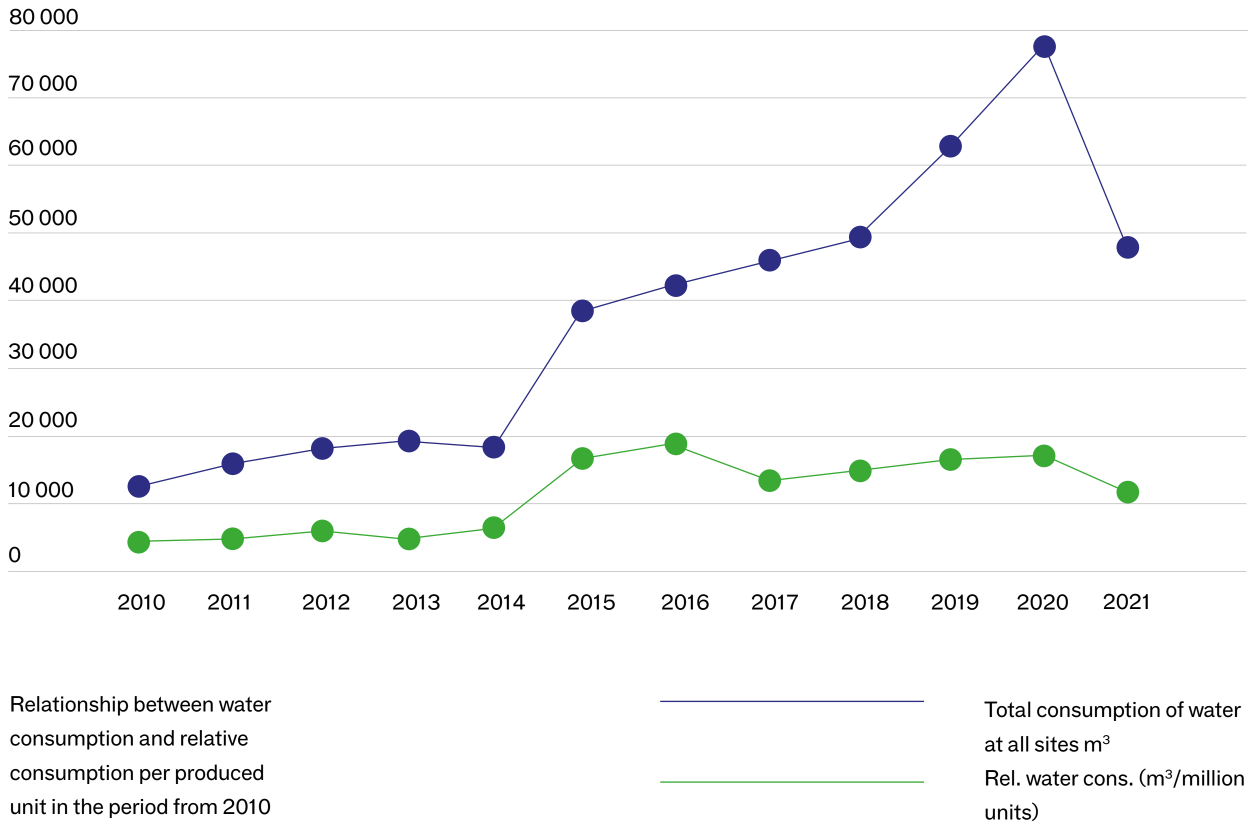
Mechanisms for monitoring the effectiveness of the management approach include water authority inspections, monitoring of waste water quality through authorised laboratories, and own daily discharge analysis. The processes arising from the above are:

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

303-1 WATER WITHDRAWAL BY SOURCE

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

A sharp increase in water consumption was recorded in 2015 due to the opening of a new production site and testing of different systems. By optimising consumption and through continuous remote monitoring of the entire water supply system of the plant, uncontrolled leaks have been greatly reduced. The trend of growth of production stimulated the growth of water consumption, but it remained within the same values in relation to the number of units produced.



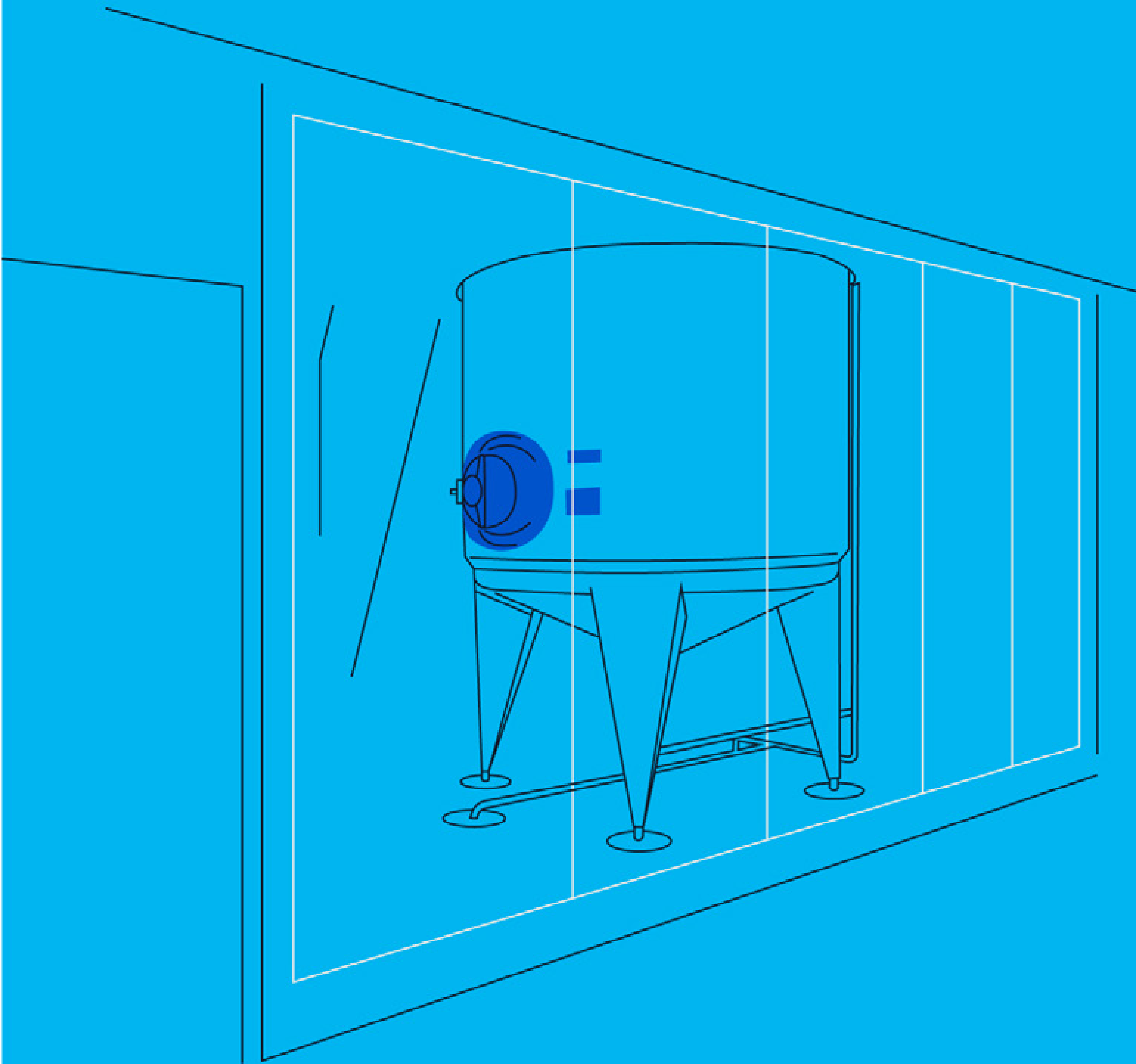
Relationship between water consumption and relative consumption per produced unit in the period from 2010 to 2021

It is worth pointing out that the discharged water from the clean water production system and rainwater from the roof surfaces is accumulated in the collection pool and used for watering green areas.

303-3 WATER RECYCLED AND REUSED

JGL is undertaking numerous measures to reduce water consumption:

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



GRI 305 – EMISSIONS 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

The topic is significant for the JGL Group due to significant environmental impact associated with the emissions.

305-6 EMISSIONS OF OZONE DEPLETING SUBSTANCES (ODS)

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

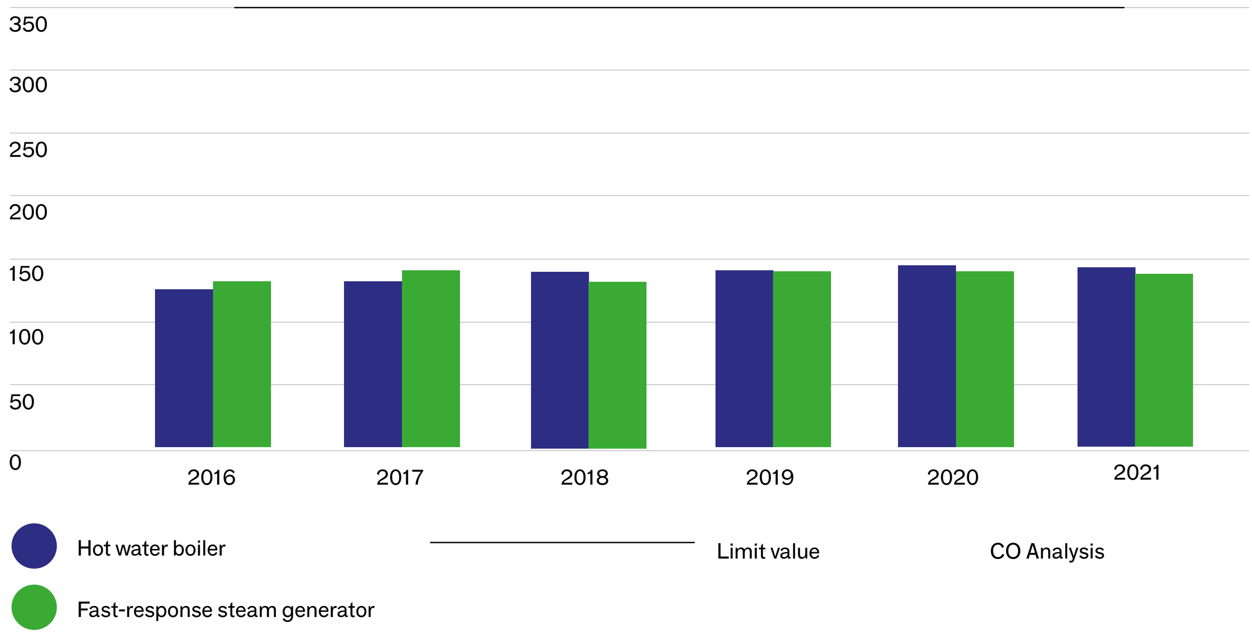
Through planned measurements, as well as preventive and predictive maintenance of air pollutant emissions from stationary sources, in the past year, the emissions were maintained far below the legally prescribed limit values. Our primary task in the future will be to continue to maintain the minimum prescribed pollution values by expanding the hot water preparation and heating plant to conform to the same standard.

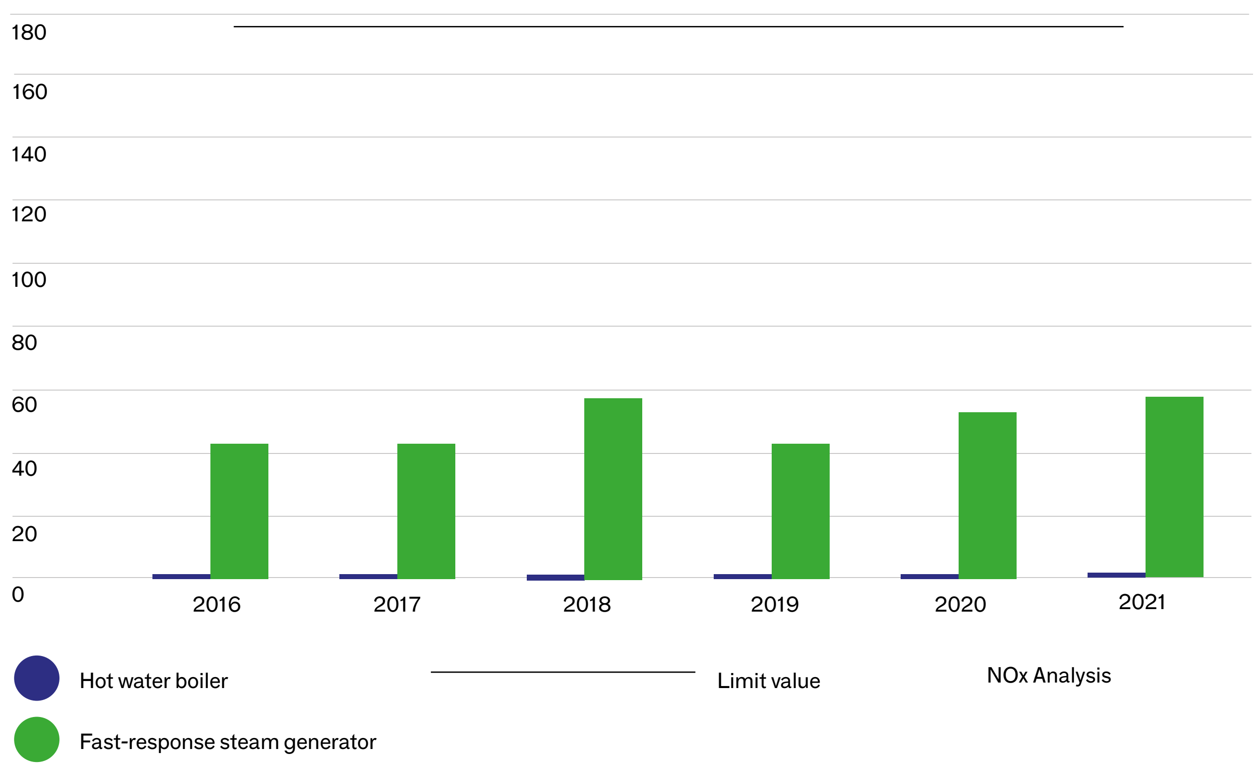
Quantity of coolants used in the company from 2016 to 2021

Quantity in kg

	2016	2017	2018	2019	2020	2021
R22	47	41.71	21.71	20.01	13.66	13.66
R407C	165.2	163.15	178.85	133.85	137.1	137.1
R410A	382.94	394.94	407.71	430.51	430.51	430.51
R32	0	0	0	1.7	1.7	1.7
R404A	97.2	97.2	97.2	97.2	10	10
R134A	532	532	662	662	662	662
R513A	0	0	0	0	21	21
R449A	0	0	0	0	45	45

Analysis of air pollutants
from stationary sources
from 2016 to 2021





GRI 306 – WASTE 2020

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic was chosen as material topic for JGL to report on because JGL, through its regular operations and activities, generates hazardous and non-hazardous waste.

We deem information related to the above of significant interest to key stakeholders, namely employees, shareholders, partners, end users of our products, and people living and working in the local community where JGL is active.

Because of the above, it is clear that the way in which JGL controls the risks associated with its activities affecting the environment is significant for the stakeholders.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

In JGL, waste management is handled by the Technical Assets, Health, Safety, and Environment Department. The department continuously reviews the ways in which JGL manages waste from the moment it is generated to the moment it is handed over to an entity authorised to collect waste.

Emphasis is placed on the separation of different types of waste, especially recyclable or otherwise reusable waste, and on the labelling of generated waste in terms of micro-location. This gives JGL better information on the amount and type of waste generated in certain work processes, which is the basis for more efficient waste management and better reporting on its generation.

JGL is aware that its work affects the environment. The company is aware of the importance of protecting the environment against its activities and a new person was employed in 2021 in the Technical Assets, Health, Safety, and Environment Department as the person responsible for hazardous chemicals and environmental protection, including waste management. JGL does not take into account the waste produced within its value chain, i.e. waste produced before or after its business processes.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

Monitoring the efficiency of the JGL waste management system is performed by managing documents and data, internal audits and supervisions, JGL partner audits, supervision by competent state institutions, as well as JGL employee feedback.

An integrated software solution is used for monitoring the amount and type of waste generated that, among other functionalities, provides an overview of the amount and type of waste by site for any time interval from the start of use of the system.

In the previous reporting period, objectives were set for improving the JGL waste management system, especially in terms of reviewing waste catalogue codes used by JGL to categorise waste it generates as well as separate records of various types of waste belonging under the same code for the purpose of obtaining more accurate information on the quantity of each individual type of waste within individual waste catalogue codes.

306-1 WASTE GENERATION AND SIGNIFICANT WASTE-RELATED IMPACTS

Through its activities, JGL generates hazardous and non-hazardous waste. Activities and processes leading to the generation of the above waste and reasons why certain input raw and other materials end up as waste are diverse.

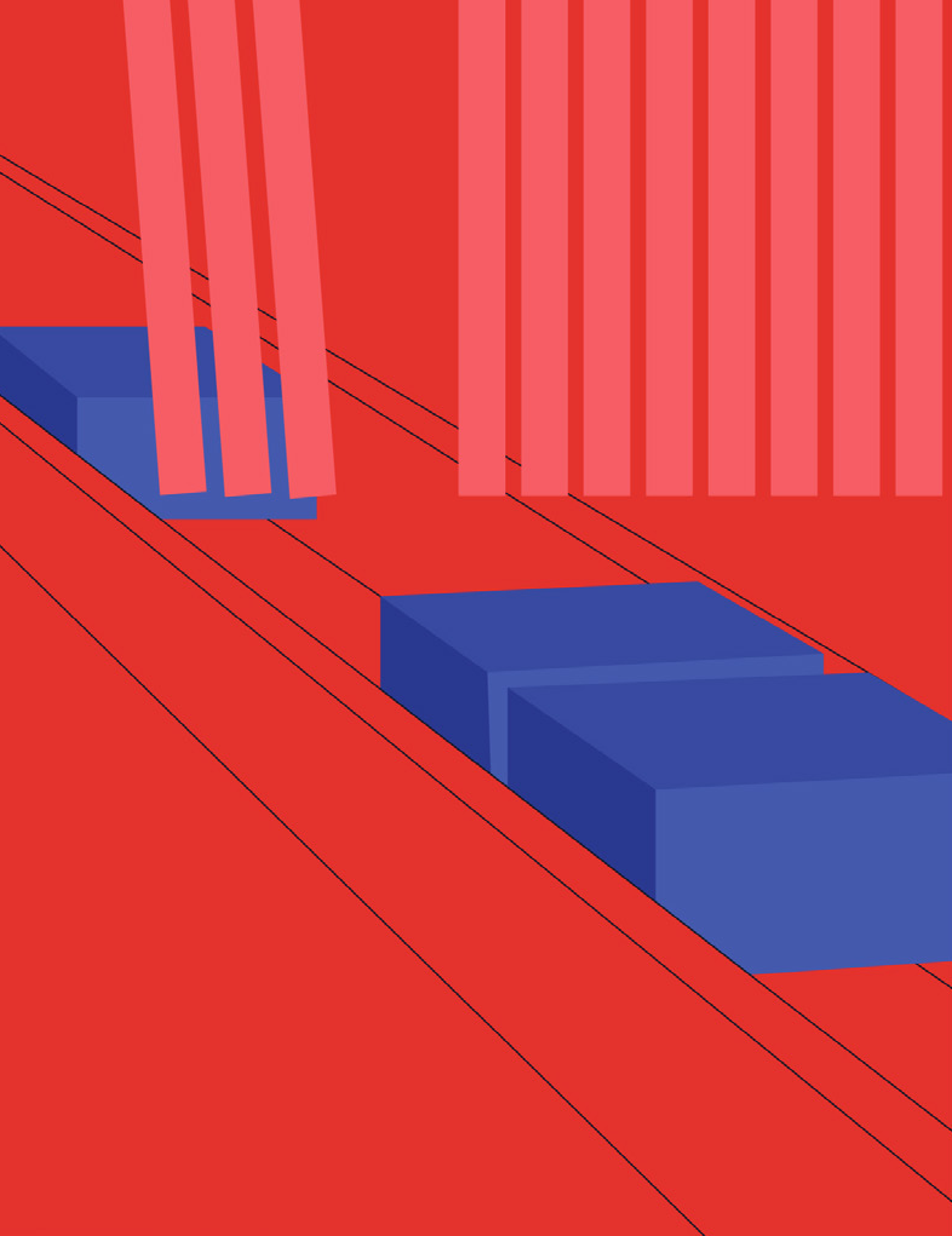
Most waste generated by JGL stems from production and analytical (laboratory) processes. Also, a significant quantity of waste is also generated due to regular maintenance and servicing of various JGL systems where components/elements are frequently replaced and the old element no longer has any function thereby becoming waste requiring adequate disposal.

The table below provides an overview of waste generated in 2021 based on the waste catalogue code and JGL's specific waste that the waste catalogue code pertains to.

EWC	WASTE CATALOGUE CATEGORY	JGL WASTE
02-03-04	Materials unsuitable for consumption or processing	Marsh mallow pressing residue from production of marsh mallow syrup
07-05-14	Solid wastes other than those mentioned in 07 05 13*	1. Faulty products discarded in the production process 2. Production waste generated in test production of products not intended for market (e.g. dosage for the purpose of analyses or testing of machinery) 3. Inadequate/faulty materials and/or semi-finished products
07-06-99	Wastes not otherwise specified	Glass or plastic packaging filled with non-hazardous substances 1. Faulty products discarded in the production process 2. Production waste generated in test production of products not intended for market (e.g. dosage for the purpose of analyses or testing of machinery) 3. Inadequate/faulty materials and/or semi-finished products 4. Stability samples after performed analyses 5. Counter samples after prescribed retention period Cosmetics/creams/ointments/gels without hazardous properties 1. Faulty products discarded in the production process 2. Remains from analyses 3. Expiration of shelf life in JGL retail premises (Fashion and Beauty) 4. Inadequate/faulty materials and/or semi-finished products 5. Stability samples after performed analyses 6. Counter samples after prescribed retention period
15-01-01	Paper and cardboard packaging	1. Inadequate semi-finished product 2. Cardboard and paper packaging from production – packaging for supply of semi-finished products 3. Waste cardboard and paper from other departments

EWC	WASTE CATALOGUE CATEGORY	JGL WASTE
15-01-02	Plastic packaging	1. Plastic wrap packaging of semi-finished products 2. Plastic wrap securing material on pallets 3. Empty plastic packaging
15-02-03	Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02*	Exhausted HVAC (ventilation) system filters
17-02-01	Wood	Waste wood from construction sites of Integra 2020 project facilities
17-04-05	Iron and steel	1. Waste iron and steel from construction sites of Integra 2020 project facilities
18-01-09	Medicines other than those mentioned in 18 01 08*	1. Faulty products discarded in the production process 2. Waste generated in test production of products not intended for market (e.g. dosage for the purpose of analyses or testing of machinery) 3. Remains from analyses 4. Stability samples after performed analyses 5. Counter samples after prescribed retention period
20-03-07	Bulky waste	1. Various mixed, non-hazardous, inert waste generated by JGL processes, containing parts which have certain value as raw material, but cannot be extracted at the place of generation 2. Construction waste belonging to the bulky waste category
06-01-01*	Sulphuric acid and sulphurous acid	1. Laboratory chemicals past expiration date 2. Remains from analyses
06-01-03*	Hydrofluoric acid	1. Laboratory chemicals past expiration date 2. Remains from analyses
07-05-03*	Organic halogenated solvents, washing liquids and mother liquors	1. Laboratory chemicals past expiration date 2. Remains from analyses
07-05-04*	Other organic solvents, washing liquids and mother liquors	1. Laboratory chemicals past expiration date 2. Remains from analyses
08-01-11*	Waste paint and varnish containing organic solvents or other hazardous substances	1. Remnants of paint / varnish / epoxy resins, etc. used by JGL for maintenance and signage in its premises
08-03-17*	Waste printing toner containing hazardous substances	Photocopier toner

EWC	WASTE CATALOGUE CATEGORY	JGL WASTE
13-02-05*	Mineral-based non-chlorinated engine, gear and lubricating oils	Waste oils obtained through maintenance of machinery/equipment/systems
15-01-10*	Packaging containing residues of or contaminated by hazardous substances	1. Various wiping cloths 2. Various filters inside the system 3. Empty packaging for chemicals
15-01-11*	Metallic packaging containing a hazardous solid porous matrix (for example asbestos), including empty pressure containers	1. Faulty products discarded in the production processes – empty pressurised aluminium bottles / pressurised aluminium bottles containing non-hazardous liquid (seawater) 2. Waste generated in test production of products not intended for market (e.g. dosage for the purpose of analyses or testing of machinery)
15-02-02*	Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances	1. Exhausted HVAC (ventilation) system filters 2. Various cloths, oil filters
16-02-13*	Discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	Old IT equipment, etc.
16-05-06*	Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	1. Mixtures of laboratory chemicals – remnants of analyses 2. Concentrated chemicals past expiration date
16-06-02*	Ni-Cd batteries	Batteries collected in battery containers installed at sites
18-01-03*	Wastes whose collection and disposal is subject to special requirements in order to prevent infection	1. Remnants of analyses performed in the microbiological laboratory (laboratory equipment + substrates) 2. Nutrient substrates used for monitoring
20-01-21*	Fluorescent tubes and other mercury-containing waste	Exhausted fluorescent tubes used for lighting
20-01-23*	Discarded equipment containing chlorofluorocarbons	Exhausted refrigeration equipment (refrigerators, etc.)
20-01-33*	Batteries and accumulators included in 16 06 01*, 16 06 02* or 16 06 03* and unsorted batteries and accumulators containing these batteries	Batteries collected in battery containers installed at sites



The above JGL waste represents the most significant quantities generated for the assigned waste catalogue codes. Due to the large number of various production and other processes, it is not possible to specify all JGL waste categorised under a specific waste catalogue code.

306-2 MANAGEMENT OF SIGNIFICANT WASTE-RELATED IMPACTS

Due to large quantities of recycled wasted generated by JGL each year, which has its market value, JGL has a special area at its Svilno site intended for sorting of larger quantities of recyclable waste. The above area contains presses for paper and cardboard, plastics and bulky waste, processing all waste materials from JGL facilities at the Svilno site which belong to one of the above categories. In order to allow the above system to function properly and maximise the portion of the separately collected recyclable material, JGL workers are trained in waste sorting. Sorted waste is sold/handed over to a partner who forwards it for further processing in order to turn the above waste into raw materials again.

Within these JGL environmental protection management processes, a responsible attitude towards waste and the development of a culture of waste management form the foundations for creating a sound and sustainable business. JGL has, therefore, provided bins for the separate collection of various types of household waste and placed them at all its sites in 2021. The bins are located in the place where most household waste is generated – restaurants. To collect sorted household waste, JGL concluded an agreement with the Rijeka municipal services company for additional containers for sorted waste and emptying of those once a week. Furthermore, containers for the collection of waste batteries have been placed in hallways of all JGL facilities in the Rijeka area. Once full, they are turned over to an authorised partner for disposal and recycling.

JGL cooperates with several companies authorised to collect hazardous and non-hazardous waste in the Republic of Croatia. All partners with whom JGL has concluded agreements on waste collection have all the prescribed/required licences issued by competent institutions of the Republic of Croatia.

In order to turn it over to a waste-collecting company, the waste must be first adequately sorted and marked in accordance with the associated category and waste catalogue code. All employees involved in processes generating waste which should be sorted before it is turned over have been trained in waste sorting and marking methods and criteria (e.g. use of separate pallets for plastics, glass, etc.). After waste is sorted and marked on site, it is taken to designated locations in JGL warehouses and/or other designated appropriate places (e.g. waste chemicals are placed in a locked space equipped with spill pallets).

Once an adequate quantity of waste is generated, the number of pallets is determined for each waste catalogue code and collection is arranged with an authorised contractual partner. Collections are performed approximately once a week. For each removal, the required documents are drawn up, i.e. an accompanying consignment note listing the waste catalogue codes of the collected waste. Each consignment note is drawn up in two originals, each certified by the producer of the waste (JGL), the waste shipment entity (the contractual partner for the collection of waste or its subcontracting partner) and the waste collection entity. Each party retains one original of the consignment note with the quantity of the waste handed over entered after its weighing. When the entire process is completed, the certified consignment note is archived in binders designated for this purpose. In order to obtain a better overview of the quantities of waste generated by site, the consignment note is also executed in digital format in software provided for the purpose.

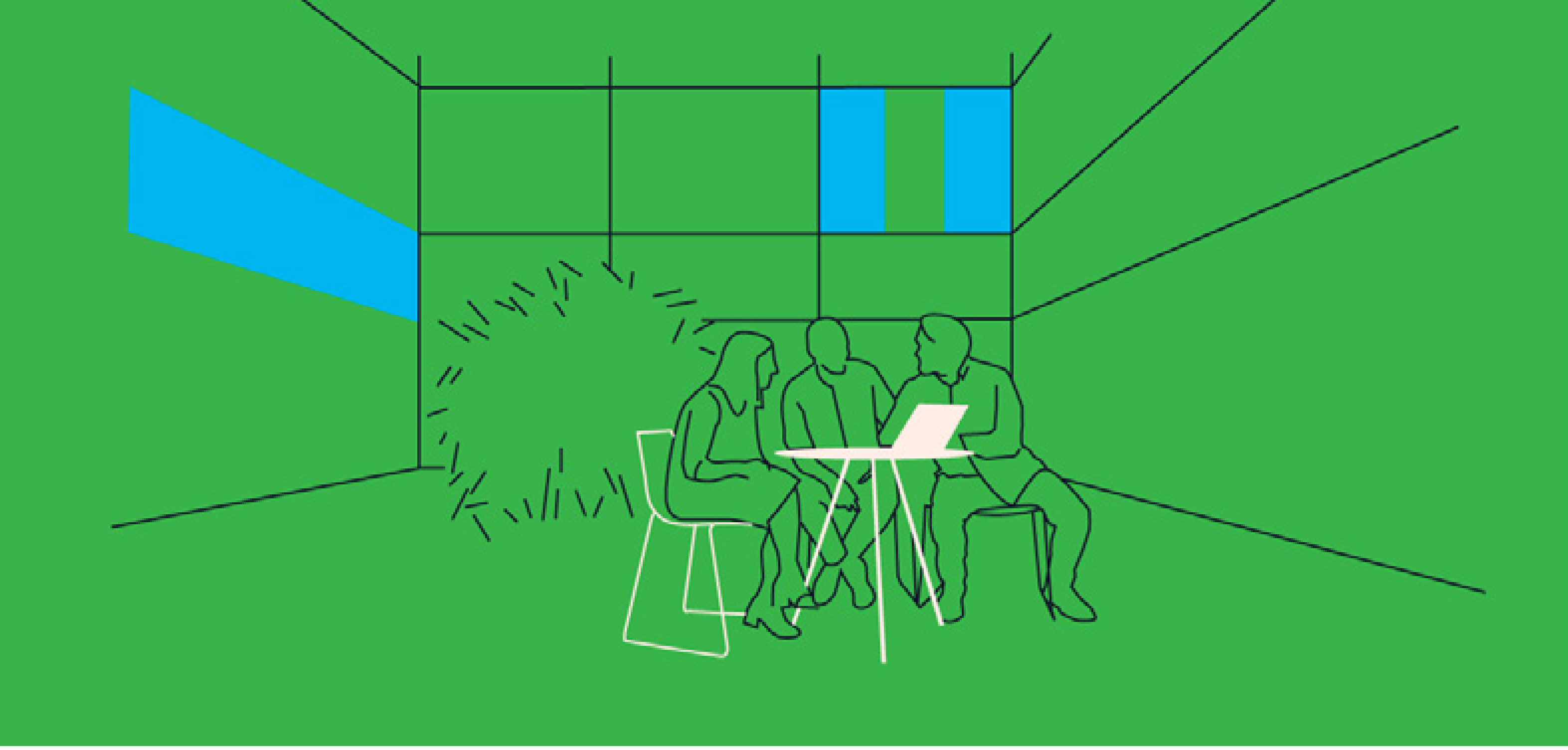
306-3 WASTE GENERATED

In 2021, JGL operations generated a total of 497.64 t (497,644.00 kg) of waste, including 480 t (479,975.00 kg) of non-hazardous waste and 17.66 t (17,669.00 kg) of hazardous waste. An overview of the generated waste by waste catalogue code and site is shown in the table on the following page.

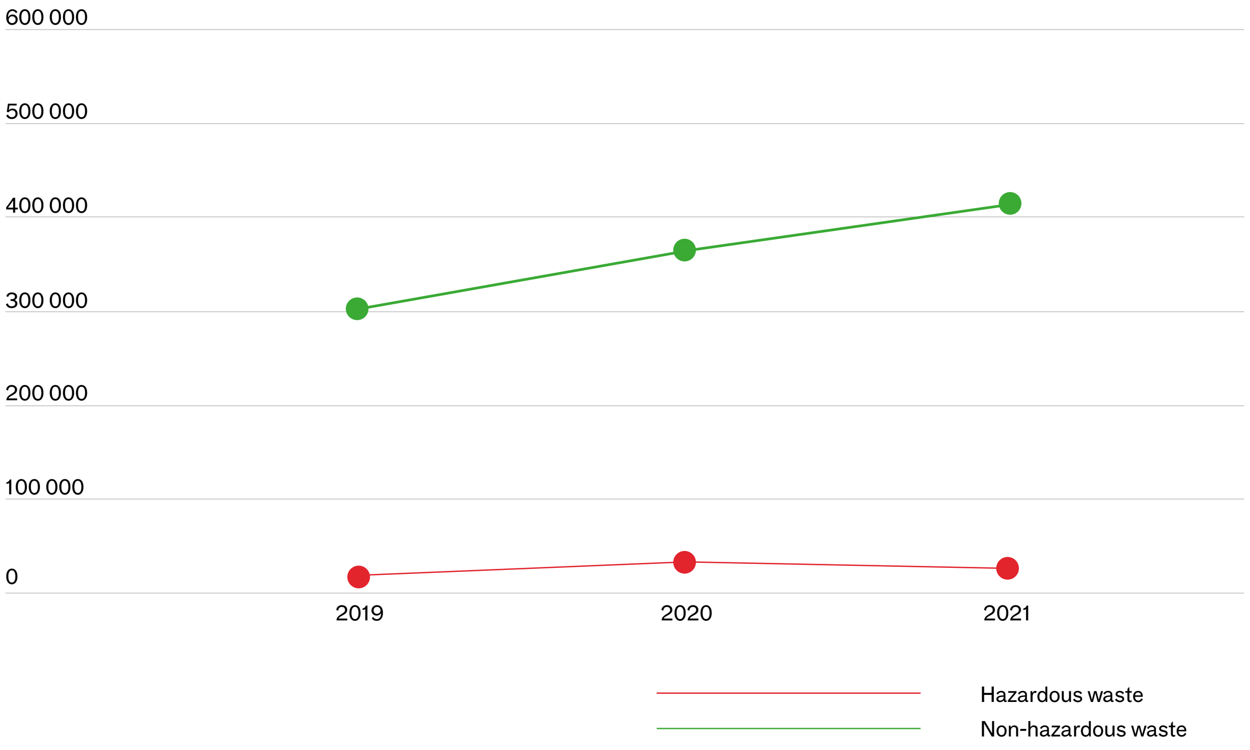
Mass (t)

EWC	NAME	Type of waste	Svilno 1	Svilno 2	Pulac	Kukuljanovo	Total
02-03-04	Materials unsuitable for consumption or processing	Non-hazardous	0.640	0.290	0.000	0.000	0.930
07-05-14	Solid wastes other than those mentioned in 07 05 13*	Non-hazardous	2.480	12.853	0.000	0.000	15.333
07-06-99	Wastes not otherwise specified	Non-hazardous	0.070	21.025	0.213	0.000	21.308
15-01-01	Paper and cardboard packaging	Non-hazardous	14.25	134.741	0.000	0.000	148.991
15-01-02	Plastic packaging	Non-hazardous	2.871	23.870	0.105	0.000	26.846
15-02-03	Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02*	Non-hazardous	1.557	0.000	0.000	0.000	1.557
17-02-01	Wood	Non-hazardous	0.000	0.000	0.000	13.220	13.220
17-04-05	Iron and steel	Non-hazardous	0.000	0.480	0.000	0.000	0.480
18-01-09	Medicines other than those mentioned in 18 01 08*	Non-hazardous	52.000	37.151	1.489	0.000	90.640
20-03-07	Bulky waste	Non-hazardous	0.100	123.290	0.000	37.280	160.670
06-01-01*	Sulphuric acid and sulphurous acid	Hazardous	0.001	0.000	0.000	0.000	0.001
06-01-03*	Hydrofluoric acid	Hazardous	0.001	0.000	0.000	0.000	0.001
07-05-03*	Organic halogenated solvents, washing liquids and mother liquors	Hazardous	0.039	0.000	0.000	0.000	0.039
07-05-04*	Other organic solvents, washing liquids and mother liquors	Hazardous	2.051	0.000	0.400	0.000	2.451
08-01-11*	Waste paint and varnish containing organic solvents or other hazardous substances	Hazardous	0.000	0.080	0.000	0.000	0.080
08-03-17*	Waste printing toner containing hazardous substances	Hazardous	0.000	0.015	0.000	0.000	0.015
13-02-05*	Mineral-based non-chlorinated engine, gear and lubricating oils	Hazardous	0.035	0.000	0.000	0.000	0.035
15-01-10*	Packaging containing residues of or contaminated by hazardous substances	Hazardous	0.000	0.265	0.040	0.000	0.305
15-01-11*	Metallic packaging containing a hazardous solid porous matrix (for example asbestos), including empty pressure containers	Hazardous	0.357	0.196	0.150	0.000	0.703
15-02-02*	Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances	Hazardous	0.000	0.920	0.294	0.000	1.214
16-02-13*	Discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	Hazardous	0.001	0.000	0.000	0.000	0.001
16-05-06*	Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	Hazardous	0.766	0.000	0.686	0.000	1.452
16-06-02*	Ni-Cd batteries	Hazardous	0.002	0.000	0.000	0.000	0.002
18-01-03*	Wastes whose collection and disposal is subject to special requirements in order to prevent infection	Hazardous	11.237	0.000	0.000	0.000	11.237
20-01-21*	Fluorescent tubes and other mercury-containing waste	Hazardous	0.025	0.000	0.000	0.000	0.025
20-01-23*	Discarded equipment containing chlorofluorocarbons	Hazardous	0.000	0.000	0.045	0.000	0.045
20-01-33*	Batteries and accumulators included in 16 06 01*, 16 06 02* or 16 06 03* and unsorted batteries and accumulators containing these batteries	Hazardous	0.050	0.000	0.000	0.000	0.050
Total non-hazardous			**73.97**	**353.70**	**1.81**	**50.50**	**479.98**
Total hazardous			**14.57**	**1.48**	**1.62**	**0.00**	**17.66**
Total waste			**88.53**	**355.18**	**3.42**	**50.50**	**497.63**

** EWC – European Waste Codes*



Recorded growth of non-hazardous waste in 2020 is a consequence of activities related to expansion of the new sterile production plant within the Integra 2020 investment and, in part, measures introduced to curb the epidemic which led to increased use of protective equipment. The growth also continued in 2021 as a result of newly opened construction sites associated with the above project.



In 2021, JGL generated 81 t of waste more than in 2020. The above increase of waste comprises non-hazardous waste. Production of hazardous waste declined in 2021 by 2.7 t compared to the previous year.

In 2021, within the Integra 2020 project, JGL started construction of a new logistics centre in Kukuljanovo and a new structure at the Svilno site. In addition to the above, in the reporting year, JGL repurposed a storage space within a structure at the Svilno site as a new production space.

Due to all of the above, in 2021, the company assumed the obligation to dispose of waste from three construction sites also resulting in an increase in total quantity of generated non-hazardous waste.

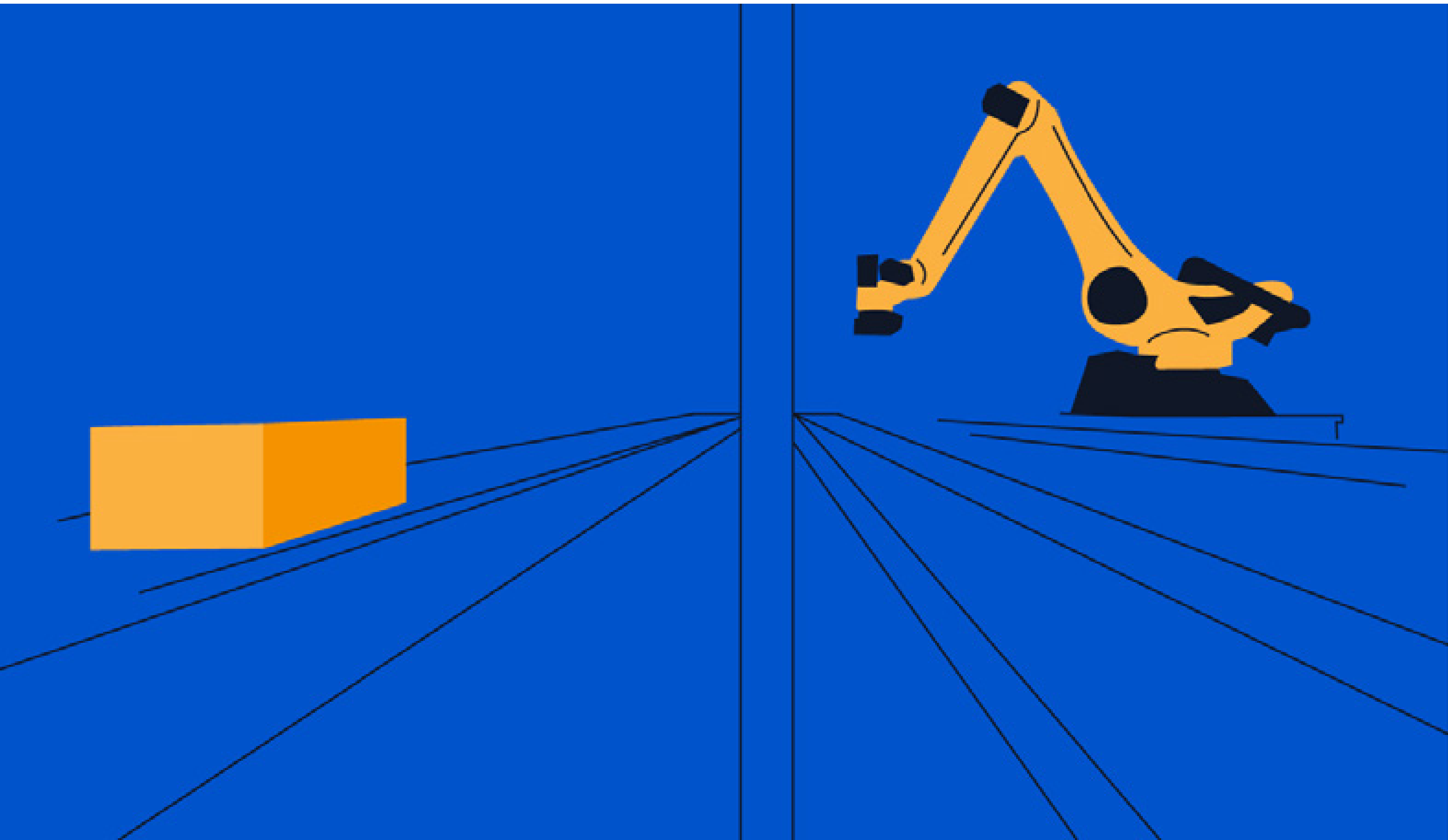
Two out of the above three construction sites have been opened at the Svilno site, i.e. Svilno 2 and the waste generated from the above-mentioned storage sites was assigned to the Svilno 2 site. Because of the construction site at Kukuljanovo where JGL had no facilities previously, a new waste registration site was opened. The new site entails opening a new location of waste generation within the software used by JGL to track quantities of waste generated per site and opening of new user accounts in the Register of Environmental Polluters.

All above quantities of waste were determined by direct measurement (weighing) of the waste by entities collecting it under contracts with JGL at the time of unloading of the waste in their storage facilities.

ADDITIONAL DISCLOSURE FOR INTERPRETATION OF DISCLOSURES 306-4 and 306-5

Several tables and clarifications follow for the purpose of better understanding of disclosures 306-4 and 306-5.

The following text contains a table indicating the codes and operations of waste recycling/disposal with separately indicated operations used to recycle/dispose of waste generated by JGL.



RECYCLING OPERATIONS

Code	Description
R1	Use principally as a fuel or other means to generate energy
R2	Solvent reclamation/regeneration
R3	Recycling/reclamation of organic substances which are not used as solvents (including composting and other biological transformation processes)
R4	Recycling/reclamation of metals and metal compounds
R5	Recycling/reclamation of other inorganic materials
R6	Regeneration of acids or bases
R7	Recovery of components used for pollution abatement
R8	Recovery of components from catalysts
R9	Oil re-refining or other reuses of oil
R10	Land treatment resulting in benefit to agriculture or ecological improvement
R11	Use of wastes obtained from any of the operations numbered R1 to R10
R12	Exchange of wastes for submission to any of the recycling operations
R13	Storage of wastes pending any of the recycling operations (excluding temporary storage, pending collection, on the site where it is produced)

DISPOSAL OPERATIONS

Code	Description
D1	Deposit into or onto land (e.g. landfill)
D2	Land treatment (e.g. biodegradation of liquid or sludgy discards in soils)
D3	Deep injection (e.g. injection of pumpable discards into wells, salt domes or naturally occurring repositories)
D4	Surface impoundment (e.g. placement of liquid or sludgy discards into pits, ponds or lagoons)
D5	Specially engineered landfill (e.g. placement into lined discrete cells which are capped and isolated from one another and the environment)
D6	Release into a water body, except seas/oceans
D7	Release into seas/oceans, including sea-bed insertion
D8	Biological treatment resulting in final compounds or mixtures which are discarded by any of the operations numbered D1 to D12
D9	Physico-chemical treatment resulting in final compounds or mixtures which are discarded by any of the operations numbered D1 to D12 (e.g. evaporation, drying, calcination, etc.)
D10	Incineration on land
D12	Permanent storage (e.g. emplacement of containers in a mine etc.)
D13	Blending or mixing prior to submission to any of the operations numbered D1 to D12
D14	Repackaging prior to submission to any of the operations numbered D1 to D13
D15	Storage pending any of the operations numbered D1 to D14 (excluding temporary storage, pending collection, on the site where it is produced)

The following table shows the European Waste Catalogue codes generated by JGL in the reporting year and subjected to recycling operations, as well as recycling operation sites.

EWC	WASTE CATALOGUE CATEGORY	RECYCLING OPERATIONS	LOCATION
02-03-04	Materials unsuitable for consumption or processing	R3	CRO
07-05-14	Solid wastes other than those mentioned in 07 05 13*	R4	CRO /EU
07-06-99	Wastes not otherwise specified	R5 R1	
15-01-01	Paper and cardboard packaging	R12	EU
15-01-02	Plastic packaging	R12	CROATIA
15-02-03	Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02*	R1	CROATIA
17-02-01	Wood	R1	EU
17-04-05	Iron and steel	R4	CRO /EU
18-01-09	Medicines other than those mentioned in 18 01 08*	R1	CRO /EU
08-01-11*	Waste paint and varnish containing organic solvents or other hazardous substances	R1	EU
13-02-05*	Mineral-based non-chlorinated engine, gear and lubricating oils	R1	CROATIA
15-01-11*	Metallic packaging containing a hazardous solid porous matrix (for example asbestos), including empty pressure containers	R1	CROATIA
15-02-02*	Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances	R1	CROATIA
16-02-13*	Discarded equipment containing hazardous components[3] other than those mentioned in 16 02 09* to 16 02 12*	R12 R4	CROATIA
16-06-02*	Ni-Cd batteries	R13	CROATIA
20-01-21*	Fluorescent tubes and other mercury-containing waste	R13	CROATIA / EU
20-01-23*	Discarded equipment containing chlorofluorocarbons	R13	CROATIA / EU
20-01-33*	Batteries and accumulators included in 16 06 01*, 16 06 02* or 16 06 03* and unsorted batteries and accumulators containing these batteries	R13	CROATIA

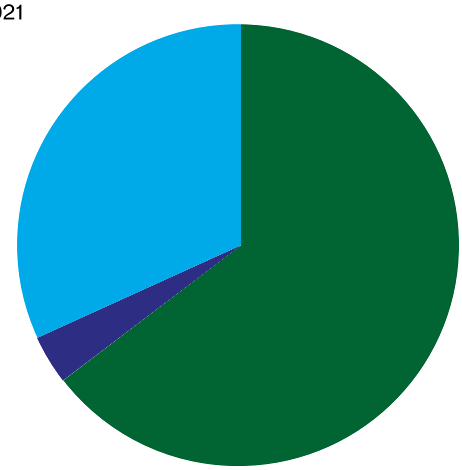
The following table shows the European Waste Catalogue codes generated by JGL in the reporting year and subjected to disposal operations, as well as disposal operation sites.

EWC	WASTE CATALOGUE CATEGORY	RECYCLING OPERATIONS	LOCATION
06-01-01*	Sulphuric acid and sulphurous acid	D9	EU
06-01-03*	Hydrofluoric acid	D9	EU
07-05-03*	Organic halogenated solvents, washing liquids and mother liquors	D10	EU
07-05-04*	Other organic solvents, washing liquids and mother liquors	D10	EU
08-03-17*	Waste printing toner containing hazardous substances	D10	EU
15-01-10*	Packaging containing residues of or contaminated by hazardous substances	D10	EU
16-05-06*	Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	D10	EU
18-01-03*	Wastes whose collection and disposal is subject to special requirements in order to prevent infection	D9	CROATIA

Waste under European waste code 20-03-07 (bulky waste) represents a type of waste for which the company is not in a position to provide specific processing operations by quantity since it is a mixture of waste which is first sorted and then broken into components which are then processed using different recycling/disposal operations. Recycling/disposal operations applied to bulky waste generated by JGL may be R1, R12, and D1.

Waste under European waste catalogue codes 07-06-99 (Wastes not otherwise specified) and 16-02-13* (discarded equipment containing hazardous components other than those mentioned in 16 02 09 to 16 02 12*) is also associated with multiple different treatment operations considering the particular waste transferred under the above codes, but all of them are recycling operations and will all be statistically treated as such. All information concerning the treatment operations of the above types of waste generated by JGL is received from contractual partners collecting the above waste. All of the above treatment operations take place outside the JGL sites.

Share of waste with regard to the treatment operation in the total amount of waste in 2021



Percentage of total waste diverted from disposal

Percentage of total waste directed to disposal

Percentage of total waste in which components are disposed of using both R and D operations, preventing the exact quantity of waste per operation from being determined

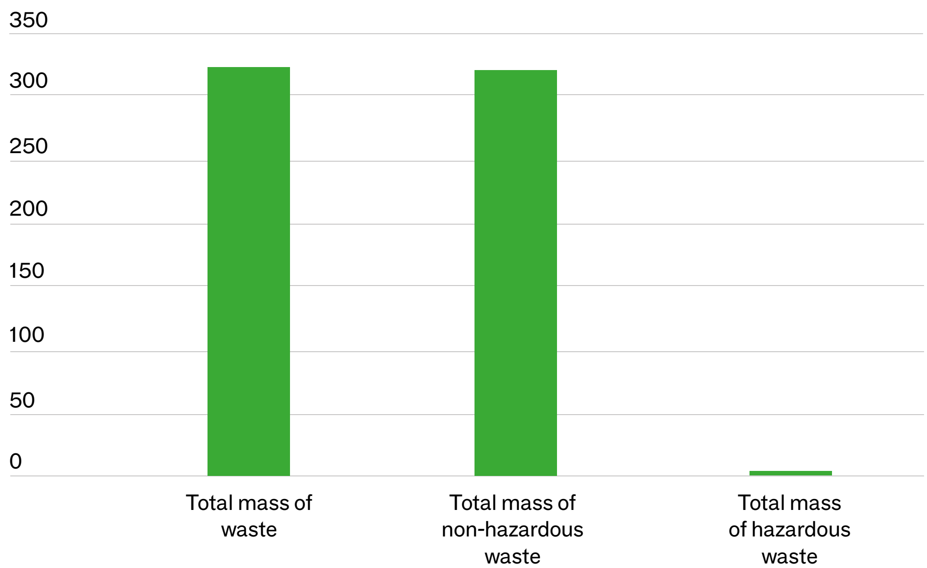
In accordance with the information shown in the graph, JGL safely diverted 65% of the total generated waste from disposal. It safely directed 3.15% of the total generated waste to disposal, and for 32% of the generated waste (20-03-07 – bulky waste) it is impossible to determine the accurate quantity of waste by method of processing since the said waste contains components processed using both R and D operations. Because of the above, statistics in disclosures 306-4 and 306-5 will be presented without the share of the waste for which it is not possible to determine quantities because of the treatment operations involved.

306-4 WASTE DIVERTED FROM DISPOSAL

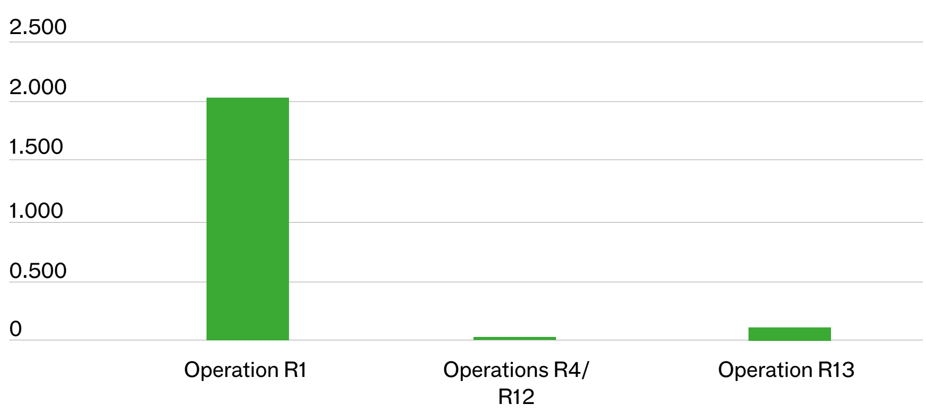
In 2021, out of a total 497.63 t of generated waste, 321.46 t of JGL waste was processed using recycling methods. Out of the total specified quantity of waste processed by recycling, 319.31 t pertains to non-hazardous waste and 2.16 t to hazardous waste.

NOTE: It should be taken into consideration that, out of 160.67 t of bulky waste which was not, in accordance with the clarification in the additional disclosure, included in the statistics in disclosures 306-4 and 306-5, a portion thereof was certainly processed using the R1 and R12 recycling methods.

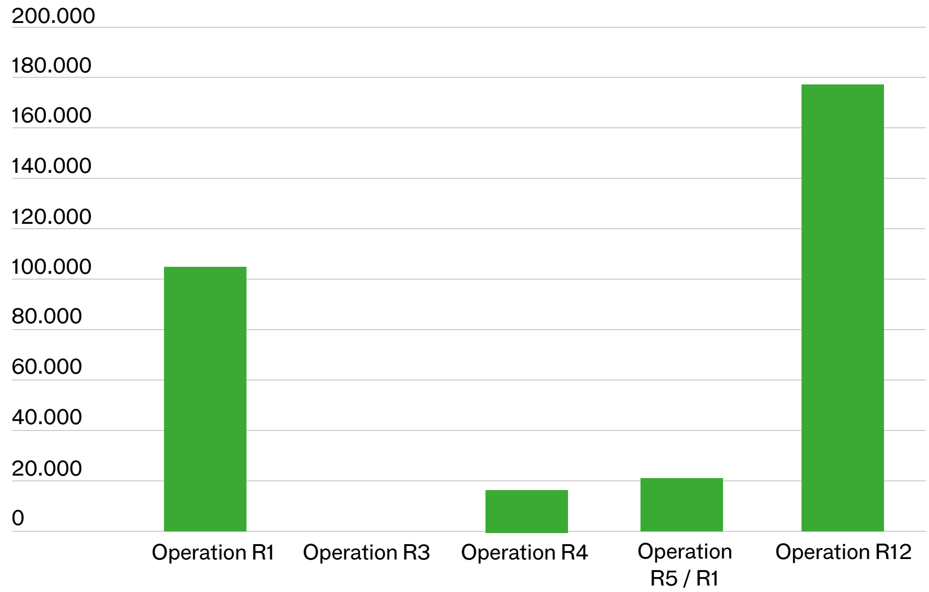
Total mass (t) of waste diverted from disposal and analysis of the sum by composition of waste in 2021



Total mass (t) of hazardous waste diverted from disposal by recycling operations in 2021



Total mass (t) of non-hazardous waste diverted from disposal by recycling operations in 2021

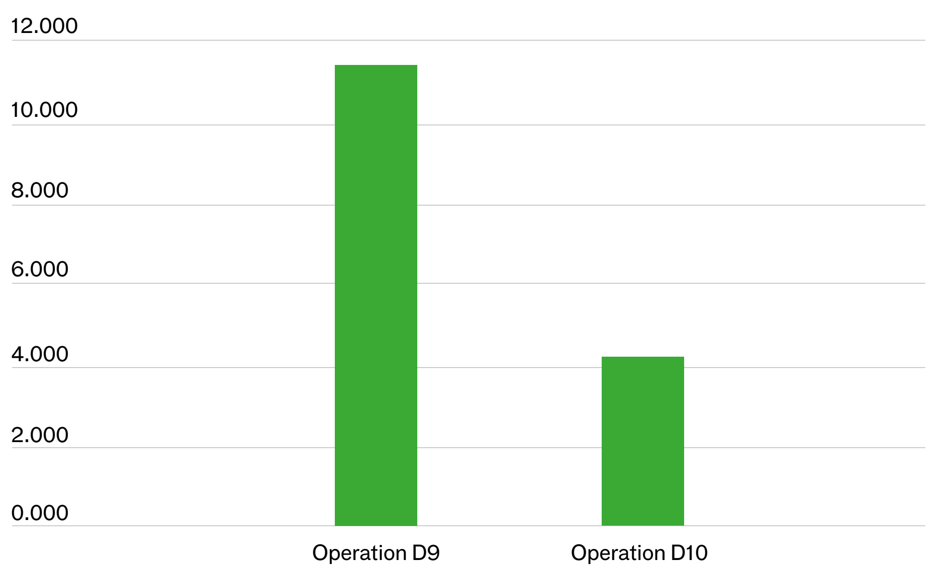


306-5 WASTE DIRECTED TO DISPOSAL

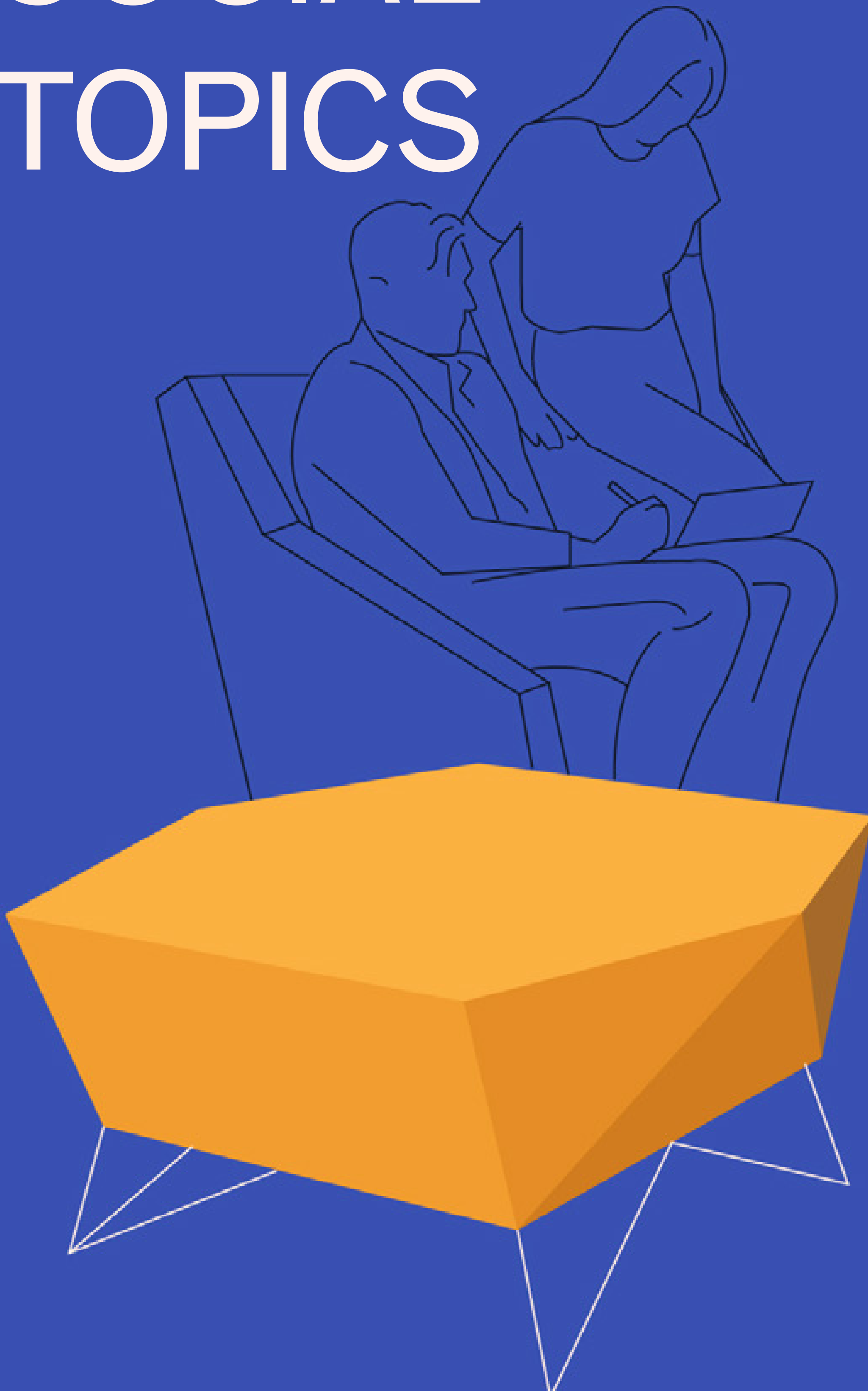
In 2021, out of a total 497.63 t of generated waste, 15.5 t of JGL waste was processed using disposal operations. The total specified quantity of waste treated using disposal operations pertains to hazardous waste. As stated above, the total mass of hazardous waste directed to disposal is 15.5 t.

NOTE: It should be taken into consideration that, out of 160.67 t of bulky waste which was not, in accordance with the clarification in the additional disclosure, included in the statistics in disclosures 306-4 and 306-5, a portion thereof was certainly processed using the D1 disposal method.

Total mass (t) of hazardous waste redirected to disposal by disposal operations



SOCIAL TOPICS



GRI 402 – LABOUR/ MANAGEMENT RELATIONS 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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

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

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

The key topics to be received by all employees are planned at the level of the Board of Directors, the CEO and the senior management team, which includes HR and Corporate Communications representatives.

In this reporting period, work was done on the improvement of the internal communication processes and a changes in the internal communication culture (more responsibility assumed by the management). In 2021, the CEO continued to inform all employees in all markets about company results, goals and business direction through notices and videos in Croatian and Russian. A magazine with current topics is sent to all employees in Croatia and South-East Europe each month, while employees in the markets of Russia, Ukraine, Kazakhstan and Belarus are included in quarterly reporting.

Meetings between the management and teams take place at least once a week or more frequently, as needed. There is a defined policy of meetings of the Board of Directors, which in addition to the president and members includes the CEO and the Works Council representative, who are also members of the Board of Directors.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

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

In 2021, all teams at the JGL Pharma level completed their two-year action plan to accompany the corporate action plan.

Average completion of all the team action plans in 2021 is 98%, while completion of the corporate action plan is 100%. Additionally, in March 2021, training of all employees was conducted to inform them of the importance of participating in the survey. In December 2021, a targeted campaign aimed at the employees was performed as a call to open participation in the survey.

The campaign resulted in an increased percentage of participation in the 2021 survey to more than 90%. The survey was performed in January 2022 while an analysis of the results indicated high marks at the level of the previous year, scoring above 4, both in climate and in terms of engagement.

It is important to note that the Employer Branding project continued in 2021. An EVP declaration and a communications and creative concept, launched in May 2021, were defined within the scope of the project.

Results of the 2021 employee attitude survey

**All JGL Pharma employees are covered by the scope of the survey except employees employed for less than three months and employees who are not actively present in the workplace (maternity or parental leave, or long-term sick leave)*

Year	2021
Percentage of employees covered by the employee attitude survey	90%*
Response of employees to the employee attitude survey	92%
Total result on the last employee attitude survey	4.03
Scale for evaluating employee attitudes (e.g. 1-5)	1-5
Total satisfaction of employees with internal communication	4.02
Scale for evaluating the satisfaction of employees with internal communication (e.g. 1-5)	1-5

“

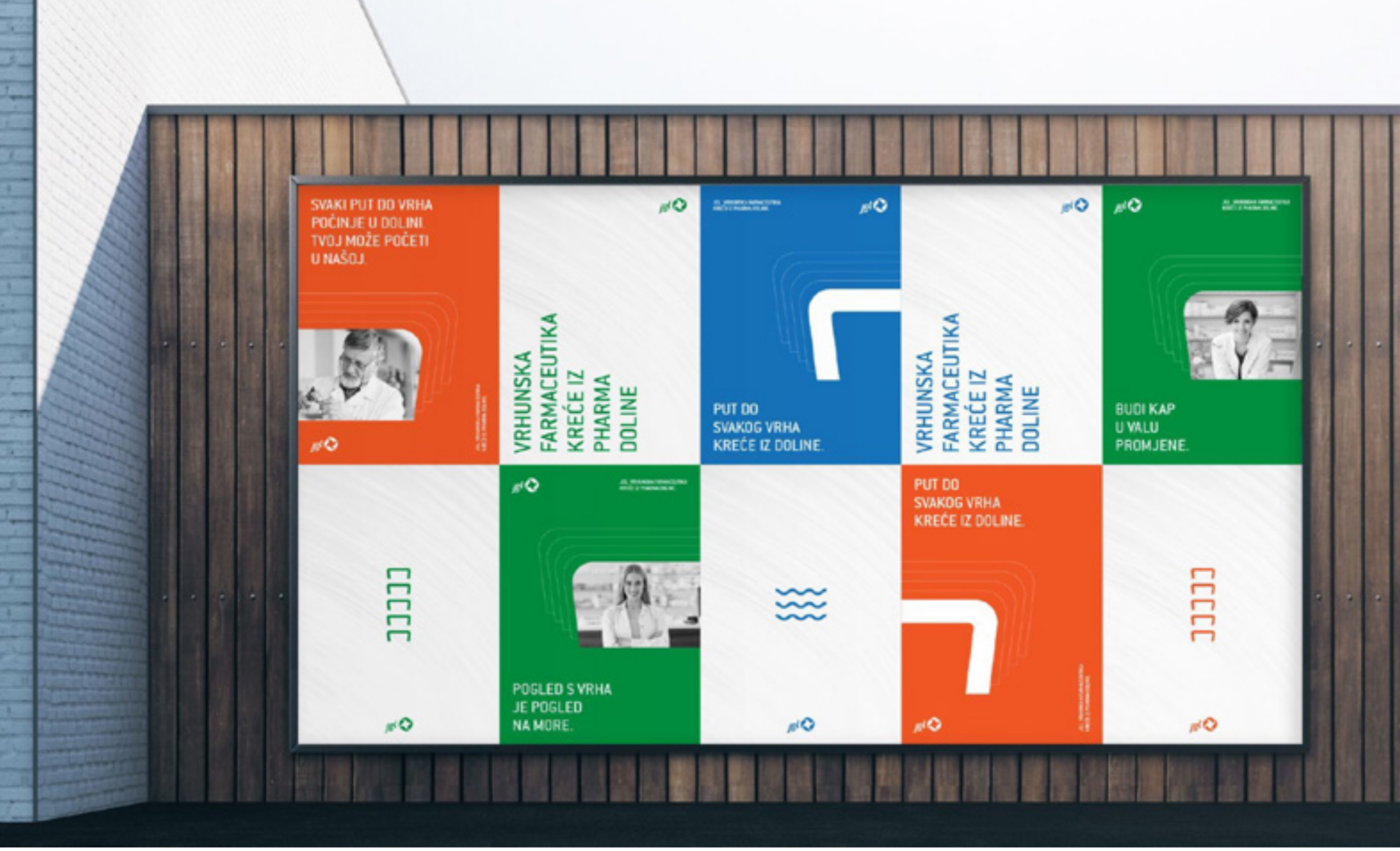
To work at JGL means to be a part of a bold and inspirational international story driven by a scientific and technologically advanced environment with a focus on sterile pharmaceutical forms.

This means taking responsibility for your own career as an important part of this joint entrepreneurial endeavour with a vision of growth and development.
We give a chance to those who are passionate, innovative and professional, while at the same time allowing for a healthy work-life balance.

And all of that... with a view of the sea!

JGL. Top Pharma from Pharma Valley.

”



402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

The minimum period of advance notice for significant changes in work defined by the employer and the Works Council is eight days. Informing employees usually takes place five to seven days after a meeting of the Board of Directors where decisions about changes are made.

In the reporting period, a video address of the top JGL managerial team to all JGL employees was organised with the objective of transmitting a new, long-term strategy of the company. All employees simultaneously received the strategy's messages in Croatian and in Russian. Also, quarterly trends and state of operations are communicated to everyone through the CEO letter in two languages.

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

GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

JGL chose the topic of Occupational Health and Safety as material and important for its business because life, health and the preservation of work ability, as well as occupational health and safety as an organised systematic activity, are values of special social interest for the Republic of Croatia as well as JGL, its employees and partners.

Since joining the European Union and implementing European legislation in its legislative framework, Croatia has been placing increasing emphasis on quality organisation and implementation of occupational health and safety as one of the key factors for the success of a company. JGL recognises this and year after year strives to improve the safety and protection of its employees in their workplaces, as well as in various ways beyond them.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL employs occupational health and safety experts in the Technical Assets, Health, Safety, and Environment Department in compliance with the legislation and the number of workers employed.

In 2021, the department employed by a new employee in the role of the person responsible for hazardous chemicals and environmental protection.

The position of the person responsible for hazardous chemicals and environmental protection was previously filled by three people performing the function in addition to their regular tasks. Since JGL is a pharmaceutical company using a large number of various chemicals in its operation, it was recognised that working with the chemicals requires special attention and a person who will perform supervision of the system from the aspect of use of the chemicals in a permanent role, not just as an additional function.

Given the wide range of jobs at JGL, especially those with special working conditions, the protection of the health and safety of employees is one of the company's priorities. Every employee is made aware that it is also their job to promote JGL's efforts in safely implementing work processes for themselves and their colleagues.

Occupational health and safety (OHS) at JGL is carried out following the legal regulations governing this area, but also with internal acts by which JGL additionally regulates how occupational health and safety is organised and implemented. In accordance with legal regulations and internal acts, the employer has transferred its powers of implementation of occupational health and safety to its authorised representatives.

With the revised Rulebook on Safety at Work, JGL has determined two types of authorised representatives – direct representatives who implement occupational health and safety in their scope of work and the employer's main authorised safety representative who represents the employer in occupational health and safety committees and makes decisions related to occupational health and safety on behalf of the employer.

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

Due to persisting risks caused by the COVID-19 pandemic, JGL is implementing a range of organisational and technical measures to protect its employees in 2021 as well. Some of those measures are:

- Activities of a Response Team tasked with monitoring the epidemiological situation in both Croatia and JGL, and taking appropriate measures in relation to it;
- Periodic distribution of protective masks, disinfectant, and other JGL products reducing the probability of infection;
- Organising working from home where possible;
- Organising periodic flu vaccination within the company for all interested employees;
- Organising periodic COVID-19 vaccination in the company for all interested employees.

In accordance with regulations and in order to prevent occupational accidents and injuries, occupational diseases and any other work-related illnesses, as well as to eliminate potential dangers in the workplace, all activities required by the law were performed in the reporting year in a timely manner:

- Employee workplace safety training;
- Directing workers in positions involving special working conditions to medical exams by occupational medicine physicians in compliance with assessed risks;
- Professional worker training;
- Periodic safety tests of machines and devices as well as initial tests of new machines and devices;
- Inspection and tests of pressurised vessels as well as maintenance of safety valves and pressure gauges where they are present;
- Testing of working environment parameters;
- Testing of safety of new electrical installations;
- Testing of fixed fire fighting systems – sprinkler, NOVEC, hydrant networks;
- Testing of fire alarm systems;
- Testing of IPR push-buttons designed to shut down electrical supply in cases of danger;
- Testing of emergency lighting;
- Maintenance of fire extinguishers;
- Education of workers working with hazardous chemicals;
- Education of the employer's new authorised safety representatives for occupational health and safety issues and re-education of the existing authorised representatives;
- Regular occupational health and safety committee meetings, etc.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

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

- Analysis of injuries at work, and the causes of injuries at work;
- Analysis of risks which may potentially cause occupational diseases or work-related illnesses;
- Internal supervision by occupational health and safety experts over the implementation of occupational health and safety measures;
- Internal audits of the quality assurance department;
- External partner audits;
- Supervision of the state inspectorate over the implementation of measures and regulations from the aspect of safety at work;
- Feedback from persons in the occupational health and safety system – employees, commissioners, authorised representatives, Works Council;
- Analysis of reported accidents at work (near misses).

403-1 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

An occupational health and safety management system is in place in JGL as prescribed by the legislation of the Republic of Croatia. The employer is qualified in the aspect of occupational health and safety and aware of its legal obligations. An occupational health and safety system has been established in JGL through various decisions of the employer. Employer's authorised safety representatives have been appointed – specifically two authorised representatives:

- The main authorised representative as the recipient of the employer's authority in the field of occupational health and safety, i.e. an authorised representative of the employer in the occupational health and safety system. Position of the main authorised representative is that of the Director of Pharmaceutical and Technical Operations which belongs to the top management of the company;
- Direct employer's authorised safety representatives authorised by the employer to implement occupational health and safety measures within their scope of work.

In 2021, a new decision on the appointment of the employer's authorised safety representatives was made increasing the number of direct employer's authorised safety representatives from 14 to 28. Some authorised persons also receive, in compliance with JGL internal criteria, remuneration for their activities of employer's authorised safety representatives. The increase in the number of the additional employer's authorised safety representatives and their education fulfilled the prerequisite for safer work of each worker and other persons in JGL. Further appointments of employer's authorised safety representatives are planned over time including determining a hierarchy of the authorised representatives within JGL.

Workers used their legal right and selected workers' occupational health and safety commissioners, specifically ten commissioners who then selected a coordinator among themselves to work in the occupational health and safety committee and represent workers' interests related to occupational health and safety. It is worth noting that the Works Council is active in JGL, safeguarding, among other things, workers' rights in the field of occupational health and safety by urging the employer to remedy determined irregularities and inform the workers of the actions taken. The Council occasionally informs the workers, in cooperation with occupational health and safety experts, about the state of occupational health and safety in JGL, the activities performed, and new insights about risks the workers may be exposed to in JGL.

JGL employs three 2nd degree occupational health and safety experts in the Technical Assets, Health, Safety, and Environment Department. In addition to the head of the department, the professionals also directly communicate with the employer's main authorised safety representative regarding all occupational health and safety-related issues.

An occupational health and safety Committee has also been established, which meets once every six months in compliance with provisions of the law. The committee consists of the employer's main authorised safety representative, occupational health and safety experts, the coordinator of the workers' representatives for occupational health and safety and a doctor of occupational medicine. In its meetings, the committee examines the most significant events in the field of occupational health and safety since the last meeting, plans future activities, discusses current issues and proposes solutions to those issues.

Pursuant to a decision, there are currently 29 persons tasked with providing first aid at work. All the appointed persons are trained in first aid by an occupational medicine physician active in the occupational health and safety committee. The same decision specifies persons required to check the contents of first aid cabinets once a month, as well as their deputies – 17 persons + 17 deputies. By monitoring one working week, it was determined that there is at least one employee trained to provide first aid in each shift at each site – in line with legislation.

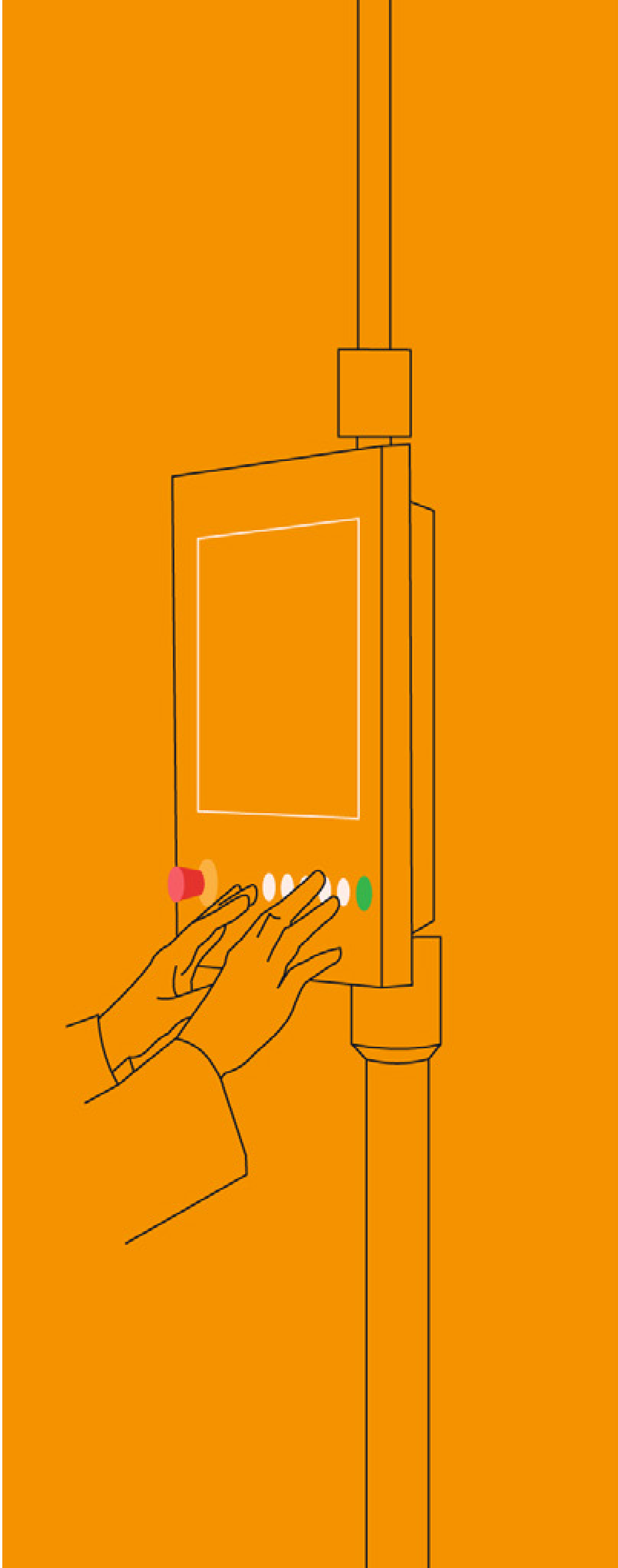
In JGL, occupational health and safety is performed on the basis of a risk assessment which is the main document for the employer in the field of occupational health and safety. The assessment concerns all positions, i.e. all groups of jobs within the operations of the parent company. The risk assessment is not perfect and occasionally discrepancies are noted between the assessment and the actual situation, but it is intended to be a "living document" discussed at every meeting of the occupational health and safety committee. The committee proposes modifications of the assessment which are subsequently accepted or rejected in a vote. JGL monitors workers performing their duties under employment contracts, but also the work by other persons, such as agency staff and students where needed. All specified categories of persons are entitled to occupational health and safety and JGL respects this through medical exams before employment in positions involving special working conditions and in periodically prescribed intervals, through professional training, occupational health and safety training, supply of personal protection equipment, and all other prescribed conditions for safety at work.

JGL is not responsible for occupational health and safety of workers employed by others, for example its suppliers. As regards contractors hired by JGL for specific services at its sites, they are required to comply with the occupational health and safety measures prescribed in JGL and those specific to JGL sites/facilities/processes.

403-2 HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

As stated above, JGL introduces and implements occupational health and safety measures on the basis of a risk assessment. Risks are assessed for all workplaces in accordance with the rules of the profession and legislation. Protective measures follow from the assessment alone and the implemented activities such as workplace tours to determine risks, medical supervision of workers performing work in special working conditions, performance of legally required tests indicating certain risks and quantitative values of the risks (e.g. intensity of noise, vibrations, concentration of chemicals used in air, etc.).

Work related to determining risks is performed by occupational health and safety experts in cooperation with the employer's authorised safety representatives, workers, and external entities such as authorised bodies for the testing of machinery, working environment parameters, etc. After the above processes are used to determine that there is a specific risk in the workplace, protective measures are taken.



The following text contains a summary of an example of the workplace risk assessment process and action following any risk having been determined providing an insight into the method of action and hierarchy of measures and persons in the occupational health and safety system in general.

Within JGL's strategic project Integra 2020, production capacities have been expanded. The expansion represents procurement of new means for work, specifically new machinery affecting the operator performing work on the machine. Since the manufacturer's documentation points to a harmful level of noise generated by the machine during operation, once the machine is installed and before the operator starts using it for work, physical parameters of the working environment were tested. The test determined that the machine emits variable noise which, when converted into eight-hour exposure of the worker, exceeds the limit values determined by the law. Since the specific nature of the process and the pharmaceutical industry itself exhausted the options for any further application of the basic worker occupation health and safety rules (application of protective measures pertaining to the means of work), special occupational health and safety rules are applied (measures pertaining to the workers themselves, the procedures and the supply of personal protective equipment). Specifically, the worker was assigned equipment to protect their hearing in the form of personalised earplugs preventing discomfort and allowing conversation since a filter built into the earplugs allows sounds of certain frequencies to pass through. Workers are encouraged to provide feedback on quality of the earplugs and on the subjective sense of the level of protection.

All of the above was done in cooperation with the authorised health and safety representatives who are trained and aware of their obligations – they must provide the workers with protective equipment and ensure that they use it. The workers are trained on the manner of use of the earplugs and made aware of the obligation of their use while working on the noisy machine. Occupational health and safety experts will verify use of the prescribed equipment in the course of normal work and notify the direct employer's authorised safety representatives and the employer's main authorised safety representative of any irregularities, who then must take appropriate measures in compliance with the legislation and professional rules (caution the worker, remove the worker from the workplace, etc.).

Regardless of protective equipment provided, workers operating noisy machinery may be exposed to harmful noise and they will be sent to medical exams with noise indicated as a workplace risk. There will be a modification of data in the risk assessment in accordance with the foregoing.

The Occupational Health and Safety Committee, i.e. its members will be notified about all of the above at the subsequent meeting of the committee. If the employer's direct authorised health and safety representative in relation to the employee exposed to noise refuses to procure protective equipment and/or implement protective measures arising from the measuring of the physical parameters of the working environment and specific nature of the work process, the employer's main authorised representative would be notified accordingly as they represent they employer itself from the point of view of occupational health and safety in JGL. Even though the employer's main authorised representative is trained in the employer's obligations in the field of occupational health and safety, they would be notified about the potential consequences of the failure to implement workplace protective measures which might lead to criminal liability and they would be encouraged to implement the proposed measures. JGL generally has no problem in procuring the required protective equipment and therefore it is exceptionally unlikely that such a scenario would materialise.

The applicable Occupational Health and Safety Act prescribes that a worker is entitled to refuse to work if their health or life is directly threatened in the workplace. Each worker is informed about this right during occupational health and safety training as well as within the scope of education for their functions in the occupational health and safety system and by the employer, the employer's main representative and direct employer's authorised safety representatives. This right is not only prescribed by the Occupational Health and Safety Act, but also emphasised by the employer's internal act – the Occupational Health and Safety Rules. In cases of refusal of work due to the above reasons, the worker must notify one of the persons in the occupational health and safety system accordingly – the line manager, a direct representative, the main representative, the workers' commissioners for occupational health and safety, the coordinator of the worker's commissioners for occupational health and safety, occupational health and safety experts. The person notified by the worker about the refusal to work is required to remove the worker and any other persons potentially at risk from the workplace and contact the occupational health and safety experts for instructions about further procedure prescribed by the Occupational Health and Safety Act.

As regards complaints against occupational health and safety measures and/or pointing out risks not determined by the workplace risk assessment, workers have multiple options which include:

- Notify any person in the occupational health and safety system – the line manager, a direct representative, the main representative, the workers' commissioners for occupational health and safety, the coordinator of the commissioners, an occupational health and safety expert;
- Notify the Works Council in writing which must then investigate the worker's allegation and provide feedback on its conclusions;
- Notify the Works Council using the "Tko pita ne skita" (One who asks need not wonder) mailbox system installed at JGL sites where workers may anonymously post their questions concerning any segment as well as occupational health and safety.

  The Works Council must act on any inquiry and provide feedback at the level of JGL in the form of an internal notice supplied to all employees by e-mail or a periodic report.

In case of an injury at work, an internal investigation is conducted if necessary, i.e. if causes of the injury are not obvious. It is performed by occupational health and safety experts together with the direct representative of the department where the injury occurred by attempting to determine facts of the case and/or causes of the injury in order to allow its proper reporting to the HZZO and to avoid its recurrence if it was caused by means of work, a failure to comply with procedures or another fault in the field of occupational health and safety.

403-3 OCCUPATIONAL HEALTH SERVICES

In accordance with the provisions of the law, JGL directs workers, agency staff, and students to medical exams for jobs in special working conditions before employment, periodically as required by regulations, when changing position within JGL, in cases of occurrence/detection of new risks if the medical exam obligation is applicable to the specified risk. The medical exams are performed by an occupational medicine institution pursuant to an agreement with JGL and with consent of the HZZO. A physician working in the above institution is a regular member of the occupational health and safety committee, is acquainted with the JGL risk assessment, and also participates in occasional modifications of the assessment.

Except for jobs involving special working conditions, JGL normally directs employees working on a computer for more than 4 hours a day to take eyesight exams in compliance with applicable Occupational Health and Safety Rules regarding workers exposed to statodynamic, psychophysiological, and other work-related stresses. JGL has temporarily suspended the above practice since it has assessed that the risks arising from infection with the COVID-19 virus far outweigh those posed by working on a computer.

The workers are directed to medical exams using referrals whose form and contents comply with legislation. The referral specifies worker information, description of work and specific risks the worker may be exposed to during work. An occupational medicine physician informs JGL about their observations and capacity for work using a prescribed form where they indicate if the worker is fit for work at the assigned position and what their limitations are, if any (e.g. prohibition of night work, prohibition of pushing, lifting and carrying heavy loads, work in a non-physiological body position, permanent disability, temporary disability, etc.). Exceptionally, emergencies absolutely preventing the worker from working in a particular position are reported immediately. In the entire specified process, JGL does not receive specific information in terms of a specific condition of the worker (doctor-patient confidentiality), but only information on the capacity for work as set out above. The design of the system itself at the national level prevents the misuse of personal information related to the health status of a particular worker.

It should be noted that, besides exams representing a legal obligation required from the employer, all JGL workers are also offered a general check-up once a year within the scope of additional healthcare insurance benefits at a healthcare institution of their own choice.

403-4 WORKER PARTICIPATION, CONSULTATION AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

There are several types of formal management and workers' committees in JGL and all of them represent a place where it is possible to discuss, among other things, occupational health and safety issues.

Occupational Health and Safety Committee

It is an obligation of certain employers in the Republic of Croatia in accordance with the criteria laid down by the Occupational Health and Safety Act. In JGL, it consists of the employer's main representative for occupational health and safety who represents the employer, occupational health and safety experts employed by JGL, an occupational medicine physician employed by the institution that has concluded a contract with JGL with consent of the HZZO, and the coordinator of workers' commissioner for occupational health and safety as a representative of all JGL workers. The Committee meets once every six months and discusses current issues related to occupational health and safety, activities performed to improve occupational health and safety in the past six months, as well as long-term and short-term plans for improvement of occupational health and safety in JGL. The Committee takes minutes of its meetings. The Committee discusses only topics related to occupational health and safety and represents one of the most important employer's instances for high-quality organisation and implementation of occupational health and safety. It also has a legitimate role in adopting decisions significant for the health and safety of workers.

Works Council

The Works Council pursues protection of all worker rights including the rights attributed to them in the field of occupational health and safety.

Board of Directors

A member of the JGL Board of Directors is a workers' representative who is involved in, among other matters, adopting decisions directly affecting the protection of workers' rights including the rights in the field of occupational health and safety.

Informing the workers and communicating with the workers about significant aspects of occupational health and safety in JGL are performed in several ways. The workers first come into contact with occupational health and safety in JGL in the course of workplace safety training because, in the course of the training, they are provided with all relevant information on their rights and occupational health and safety including risks they are exposed to in the workplace and in the processes they perform, as well as on measures of protection against those risks. Furthermore, the workers are acquainted with all relevant information and new insights related to occupational health and safety and risks in the workplace through works council reports, reports of the coordinator of the workers' commissioner for occupational health and safety active in the Occupational Health and Safety Committee, and the direct employer's authorised safety representative who is their line manager.

Two-way communication is encouraged between workers and persons in the occupational health and safety system and/or employer's representatives precisely because the workers will be in the best position to recognise the risks they are exposed to and/or risks they may not be adequately protected against. Workers may also provide an assessment of the occupational health and safety system through an annual survey of the organisational climate.

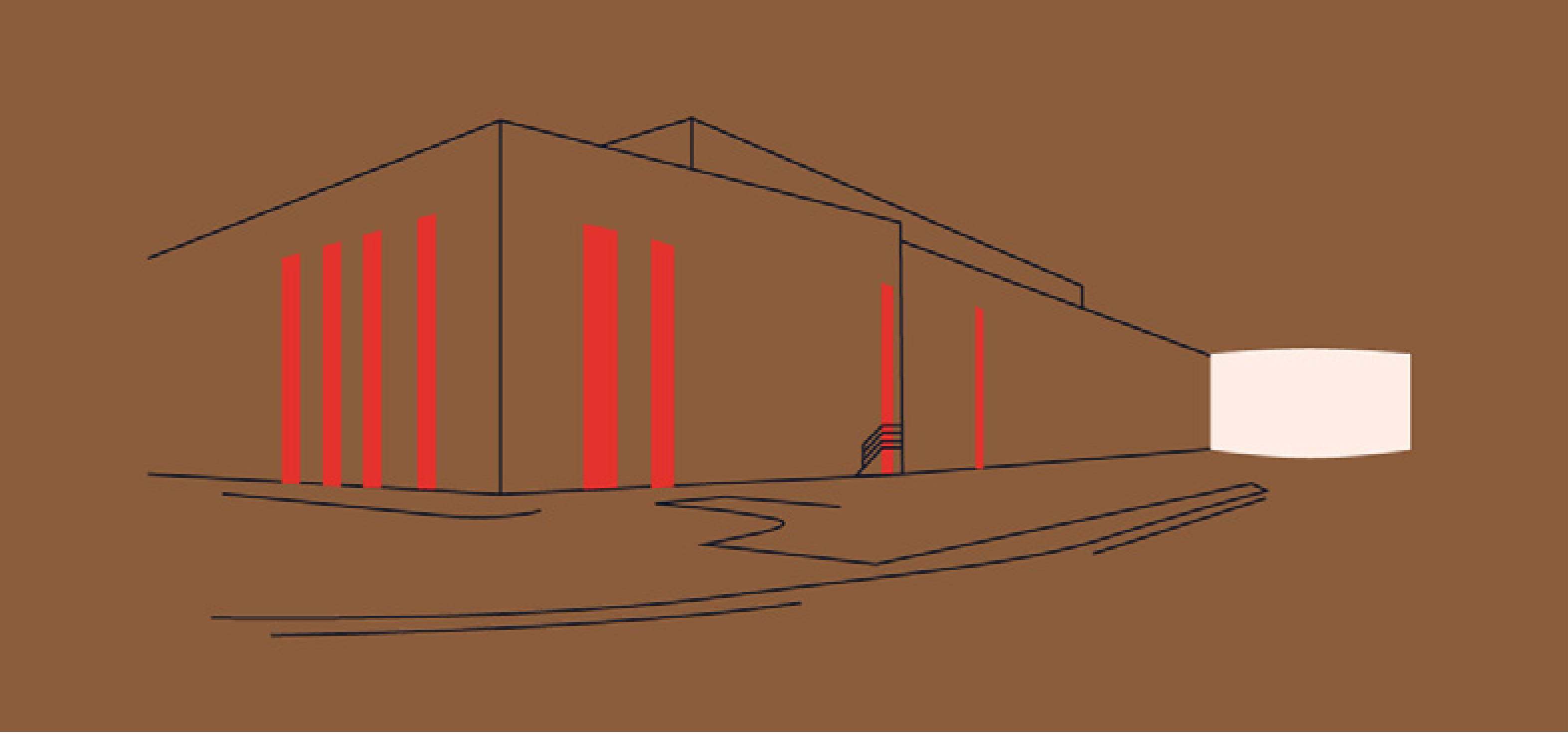
The employer is required to involve the workers and/or their representatives in the risk assessment process specifically to obtain as much relevant information as possible which would allow it to recognise the risks which might elude it otherwise and consequently the measures to protect against those risks. Considering the fact JGL is a company which expands every year, employing new people in new positions, and building new facilities and creating new jobs, JGL plans to completely review the risk assessment procedure. The assessment is modified and upgraded using new insights and discoveries of new risks, but we are of the opinion that the expansion of the system in a relatively short period requires an additional review of the risk assessment. We plan to involve every single worker who wishes to participate in the risk assessment process by conducting a survey allowing the workers to submit their observations related to occupational health and safety in their workplace as well as in the system in general. The objective is to join forces to improve the JGL occupational health and safety system.

403-5 WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

There is a range of training which must be successfully completed by JGL workers depending on their workplace and/or specific risks arising from specific jobs and processes.

Workplace health and safety training belongs to the field of occupational health and safety and it must be completed by all JGL workers as it represents the employer's legal obligation. The workplace health and safety training for workers consists of a theoretical part and a practical part of the training. All workers working in so-called low-risk positions (e.g. administrative office jobs) are required to pass the theoretical part of the training only. In the theoretical part, workers are acquainted with the basic occupational health and safety terms as well as their rights and obligations in the field of occupational health and safety and specific risks associated with specific jobs and processes. A unit related to fire fighting in JGL as well as evacuation methods in cases of undesired events are also covered in the theoretical part of the workplace safety training. The training is performed by an occupational health and safety expert employed by JGL with adult education skills in compliance with legislation. The training is performed using written materials provided to those in attendance, through in-person training or training through digital communication platforms.

Workers in jobs characterised by special work conditions must go through a practical part of the training in addition to the theoretical part. It is performed by direct employer's representatives in their scope of work with expert assistance of occupational health and safety experts. The practical part consists of training in procedures relevant to specific processes, protection measures against potential specific risks in the workplace, etc. Workers are then observed over a certain period, i.e. monitored to determine if they perform work safely – as taught in the theoretical and practical segments of the training (if they work in accordance with the occupational health and safety rules, if they comply



with the prescribed procedures, if they use prescribed and provided protective equipment, etc.).

After a certain period, if the worker complies with all of the above, a record is drawn up and signed by the occupational health and safety expert, the direct workers' representative and the worker who completed the training, after which the worker is deemed qualified to work safely.

Another difference between workers in low-risk jobs and those in jobs associated with special working conditions is that the latter must, in addition to attending the theoretical part of the training, successfully pass an occupational health and safety exam.

Other internal training consists of training of the employer's authorised safety representatives and of the workers' commissioner in the field of occupational health and safety. The courses consist of an extensive theoretical part in which the employer's representatives must, after they have attended the training, successfully pass an extensive exam in the field of occupational health and safety testing their knowledge of the subject and their way of thinking in relation to specific problem situations which may occur in JGL. The training also represents a legal obligation, which is performed by an occupational health and safety expert with the required adult education skills.

As regards external training, there are several types of courses specific workers must complete in consideration of the specific nature of their job, and/or in view of the additional responsibilities assigned to them.

Professional training

Professional training of employees is performed by external, authorised institutions upon request by JGL. The existence of the workers' obligation to attend professional training depends on their position and specific job-related risks which the worker must know how to control. For example, warehouse operators must pass the forklift operator training, persons managing steam and hot water boilers must pass boiler operator exams, etc. Since JGL is a pharmaceutical company pursuing development and production of pharmaceutical preparations, mandatory training for a large number of JGL workers coming in contact with hazardous chemicals is the course on protection against chemicals presented by the toxicology service of the Croatian Public Healthcare Institution (HZJZ) at JGL's request. The workers must attend the chemicals protection course periodically, once every five years. The above training is required by law.

Training of persons appointed first aid providers

In accordance with the Occupational Health and Safety Act, employers must also have a specific number of employees trained as first aid providers depending on the number of employees. The workers are chosen by the direct employer's authorised safety representatives at the request of an occupational health and safety expert. The appointed workers then undergo first aid training provided by occupational medicine offices or the Red Cross. Pursuant to an internal act of the employer, 29 persons have been tasked with providing first aid in JGL. All above training courses represent legal obligations. They are performed during regular business hours, free of charge for the workers required to attend. The effectiveness of the training is assessed by supervising the performance of the workers by occupational health and safety experts and direct representatives, and using data on workplace injuries suffered in JGL.

403-6 PROMOTION OF WORKER HEALTH

JGL has several benefits contributing to the overall health of employees beyond the obligations prescribed in the Occupational Health and Safety Act and accompanying rules.

Certainly, the greatest benefit is the supplemental health insurance of all JGL employees. The supplemental health insurance of the employees has been arranged with a partner providing the above services and allowing every employee to perform one full check-up a year including specialist exams and additional services stemming from findings of the above exams. The insurance company which concluded that agreement with JGL offers a large selection of healthcare institutions for JGL workers to choose from where they may perform the above exams. The insurance also covers optional vaccination of employees against flu. This vaccination is organised by JGL on its premises. In 2021, JGL organised for its workers several opportunities to receive two doses of the vaccine against the coronavirus.

The company normally provides free packages with health protection materials and products for the protection of its workers. In conditions of the current pandemic, this was done on a greater scale.

In addition to the supplemental health insurance, JGL allows its employees to cover monthly costs of supplemental health insurance through its "Cafeteria" benefit. The use of MultiSport cards by the workers is also provided for the second year in a row. The card allows access to a large number of facilities all over Croatia such as saunas, swimming pools, gyms, etc., with most costs subsidised by JGL. The company additionally supports team gatherings promoting a healthy lifestyle and habits. Currently, in JGL there are hiking and futsal organisations, cycling teams, etc.

403-8 WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The occupational health and safety management system implemented in JGL is based on the legislation of the Republic of Croatia. JGL has no occupational health and safety management system in place within the meaning of an internationally recognised standard.

The company devises its own occupational health and safety system in the internal act named Occupational Health and Safety Rules and various employer's internal decisions while recognising risks through a prescribed risk assessment process. The result of the above process is the document of the same name which serves as the basis for occupational health and safety measures. All occupational health and safety-related procedures and processes applied to all JGL workers are equally applied to all agency staff as well as all students hired by JGL through student service contracts.

403-9 WORK-RELATED INJURIES

There is a large number of various departments and positions in JGL associated with risks which, unless monitored and controlled, may cause workplace injuries.

The greatest identified risks potentially causing workplace injuries are present in departments dealing with logistics, production, product and raw materials quality control, and development of new products.

In logistics, the greatest risks stem from the basic work assets, i.e. forklifts used by warehouse operators as well as raw materials (chemicals and preparations) handled by the warehouse operators. In order to keep the risks under control, a range of prescribed activities is performed:

- Professional training of all warehouse operators in the use of forklifts;
- Operator workplace safety training;
- Periodic medical exams of the operators in occupational medicine offices considering the work in workplaces involving special working conditions;
- Regular maintenance of the means of work in compliance with the manufacturers' instructions;
- Testing of the safety elements of the means of work in compliance with the time limits set by the law;
- Testing of the working environment in premises where the operators perform their work;
- Written work procedures;
- Supply of personal protective equipment – steel toe-cap shoes;
- Internal supervision of compliance with occupational health and safety rules and procedures.

Quality control and development departments are departments where workers mostly work in laboratories. Various analyses and controls require use of a large number of various chemicals which also represent the greatest risk to the workers. In order to keep the risks under control, a range of prescribed activities is performed:

Overview of JGL d.d. staff structure as at 31 December 2021 who are subject to the application of all occupational health and safety procedures and processes

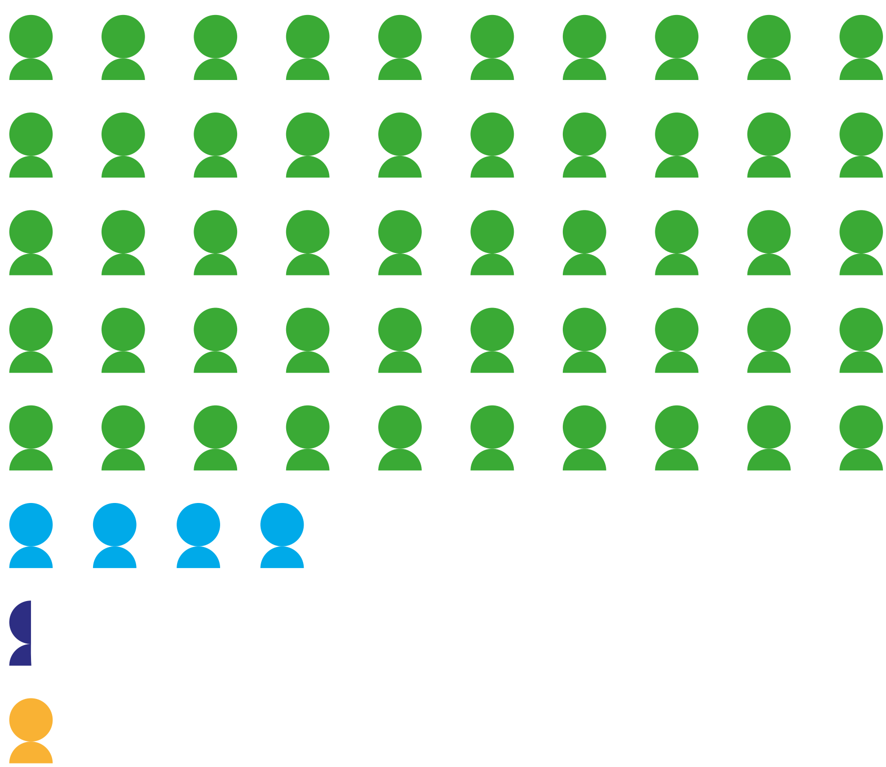
538 Total staff

473 Workers with permanent employment contracts

42 Workers with fixed-term employment contracts

Agency staff

Students



- Directing the workers to attend courses covering work with hazardous chemicals in prescribed time limits;
- Employee workplace safety training;
- Periodic medical exams of the workers in occupational medicine offices considering the work in workplaces involving special working conditions;
- Regular maintenance of the means of work in compliance with the manufacturers' instructions;
- Periodic safety testing of the means of work;
- Periodic testing of the working environment in laboratory spaces;
- Adequate storage of chemicals in ventilated safety cabinets taking care to separate mutually incompatible chemicals;
- Written work procedures;
- Supply of personal protection equipment – gloves, protective goggles, respirators for certain processes, laboratory coats for work with chemicals, etc.;
- Internal supervision of compliance with occupational health and safety rules and procedures.

The Integra 2020 project involves the construction of a new structure at the Svilno site. The facility, currently under construction, will also house new quality control and development laboratories. Considering the spacious facility and more modern and more technically advanced equipment of the laboratories, the level of protection of the workers in the laboratories will be further elevated.

In production, the greatest source of risk of workplace injuries are the means of work in the form of machines and chemicals used in manufacturing of the products and sanitation of sterile spaces.

In order to keep the risks under control, a range of prescribed activities is performed:

- Directing the workers to attend courses covering work with hazardous chemicals in prescribed time limits;
- Employee workplace safety training;
- Periodic medical exams of the workers in occupational medicine offices considering the work in workplaces involving special working conditions;
- Regular internal maintenance of the means of work in compliance with the manufacturers' instructions and daily checks of safety elements of machines by operators themselves;
- Regular maintenance by equipment manufacturers at the annual/semi-annual level;
- Periodic safety testing of the means of work in compliance with legislation;
- Periodic testing of the working environment in production premises in accordance with legislation;
- Written work procedures;
- Supply of personal protective equipment – respirators, laboratory coats for work with chemicals, protective gloves, safety goggles, etc.;
- Internal supervision of compliance with occupational health and safety rules and procedures.

All the above risks have been determined in the risk assessment process in the manner prescribed by legislation.

403-10 WORK-RELATED ILL HEALTH

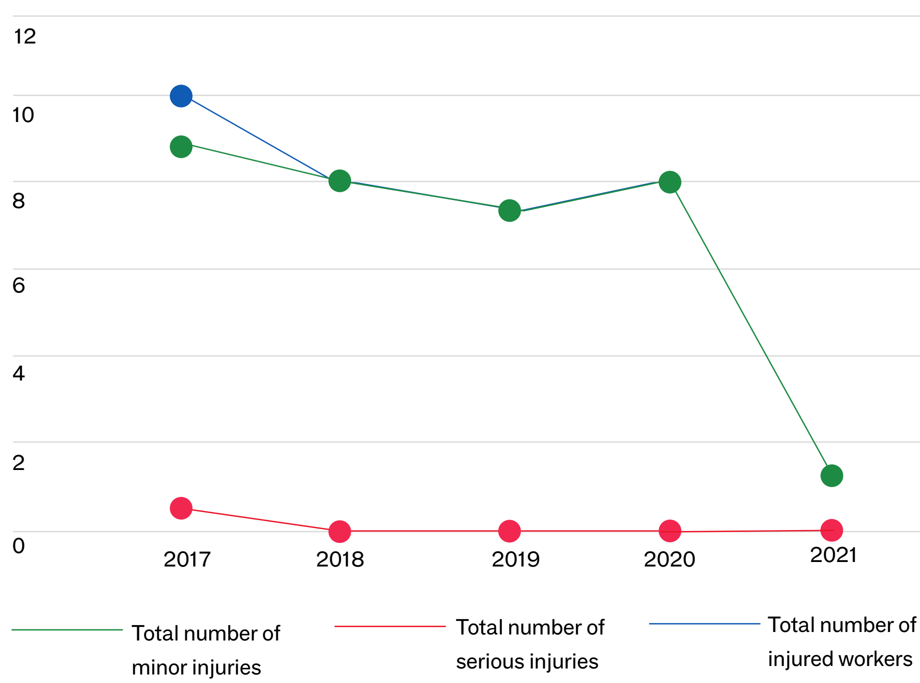
The greatest identified risks potentially causing occupational diseases or work-related illnesses are present in departments dealing with production, quality control of products and raw materials, and development of new products. In production, risk exposure which may cause an occupational disease or a work-related illness arises from machinery and chemicals used to produce the products and for the sanitation of premises. The highest occupational disease risk associated with production is created by machines generating noise. In order to control the risk presented by noise and eliminate, and/or mitigate that risk to the lowest possible level, JGL is applying all the measures prescribed by regulations and professional rules including measuring working environment parameters in order to obtain a quantitative value of exposure of the workers to the risk. Activities performed for the purpose of risk control and protection of exposed workers are equal to those set out in declaration 403-9. In product and raw materials quality control departments, and in development of new products, the greatest risk of occupational disease is associated with chemicals used by laboratory technicians for analyses. In order to control that risk, and/or mitigate it to the lowest possible level, JGL is applying all measures prescribed by regulations and professional rules including measuring working environment parameters in order to obtain a quantitative value of exposure of the workers to the risk. In addition to the obligatory application of safe laboratory practices such as work with chemicals in digestors, activities performed for the purpose of risk control and protection of exposed workers are equal to those set out in declaration 403-9.

All the above risks have been determined in the risk assessment process in the manner prescribed by legislation. In the reporting period, there were no cases of occupational disease or indications which might suggest development of a work-related illness of any worker. Also, in the past five years, there were no cases of occupational disease or indications which might suggest development of a work-related illness of any worker.

Data on the total number and type of workplace injuries in JGL in the past five years (2017 – 2021)

Type of data	**2017**	**2018**	**2019**	**2020**	**2021**
Total number of injured workers	10	6	5	6	1
Total number of minor work-related injuries	9	6	5	6	1
Total number of serious work-related injuries	1	0	0	0	0
Number of injuries on the way from the place of residence to the workplace and vice versa	3	2	0	0	0
Number of workers killed in the workplace / on the way to a health institution and vice versa	0	0	0	0	0

Change in the number of workplace injuries in JGL in 2017 – 2021



GRI 404 – TRAINING AND EDUCATION 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

This topic is material due to significant social impacts related to the training and education of employees and due to the stakeholders' reasonable expectations and interest in the company's systematic care about the engagement of employees, their knowledge and experience in the organisation's development to the greatest degree possible, as well as about employee contribution, conducting internal and external training, and programmes for encouraging lifelong employee learning.

To determine significant impacts related to employee training and education, the Group monitors and analyses investments in training and education. This material topic has an impact on the entire JGL Group, and outside the company, it affects all local communities and countries where the company operates.

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

In 2021, the ongoing development of areas and capacity for learning and training of employees continued. On the basis of feedback provided by employees through organisational climate and engagement surveys as well as feedback received through a poll concerning training materials conducted among the employees, several topics emerged as important.

In 2021, the first few training courses were started on the topics that were pointed out and the others will be pursued in 2022. The SAP LMS corporate e-learning system and learning management system is also in use.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

JGL is keenly focused on the development of its employees. In 2021, we continued the programme of education intended for management, which began in 2020. In 2022, it is going to be complemented by new and current topics, and expanded to topics suitable for all employees. The programme was started in the parent company and is being expanded to JGL Pharma in 2022.

Prior to each HR process cycle, a series of online webinars and additional prework materials for managers and employees are launched. One of the goals is management calibration. All new JGL employees undergo a mandatory onboarding programme with a package of corporate materials and training on the LMS platform in the first six months of employment. The platform also provides training for all employees on topics such as personal development, soft skills, management skills, internal training on the use of various applications or systems, and continues to develop educational content for employees.

Employee development through training is focused on the 70-20-10 model, of which 10% of development programmes are education and training sessions that have elaborated measures before and after, for example, knowledge tests. A further 20% of development programmes involves mentoring and coaching that includes an assessment of effects and a mentor's assessment, as well as a before-and-after assessment arising from the performance agreement. The remaining 70% of development is learning on the job and the results measured are those related to the performance agreement and participation in projects. The JGL mentor training-development programme continued to apply good practices in 2021 and a new group of certified JGL mentors has been profiled this year. Namely, a database of certified mentors was built in 2019, which continues to be upgraded every year with a new generation.

For several years now, we also have in place an external coaching programme, which is not intended exclusively for management but is open to all those who show potential and talent for development and empowerment in various stages of their career. All development programmes are monitored in terms of their success through the analysis of the competency gap. An additional connection has been created between individual KPIs and business goals and results (NMM, brand awareness, net sales, gross 3, OpEx/CapEx realisation, BSC goals realisation).

Effectiveness measuring methods using the Sales Force Effectiveness (SFE) tool are in place. The tool is used to track sales force competence levels introduced during the previous reporting period. It includes an initial assessment of associates, definition of a development plan, and an annual evaluation of competencies required for work. An internal assessment programme is in use for employees who have shown very good results in overall performance as well as show potential in taking on new responsibilities and functions. Those employees enter the talent pool and will have career plans developed for them based on defined gaps and strategic needs.

Compared to the previous years, lower costs of education are the result of an increased online training bringing about a lower cost of education while encompassing a larger number of people (with the same cost associated with the event). Also, in the period of the pandemic, there were significant reductions of costs of travel, accommodation, per diems, and costs of registration fees are lower for online education.

404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

Investments in professional development and total number of training hours in the JGL Group in 2021

**Cost of total training for North Macedonia, and internal training for Belarus and Slovenia is assigned to the parent company (JGL Croatia)*

	Total investment in internal training (HRK)	Total investment in external training (HRK)	Total hours internal training	Total hours external training
JGL Croatia	HRK 614,806.00	HRK 1,011,273.00	11,452.00	6,650.00
North Macedonia*	HRK 0.00	HRK 0.00	10.00	24.00
Belarus*	HRK 0.00	HRK 23,730.00	448.00	369.00
Ukraine	HRK 0.00	HRK 13,884.00	0.00	140.00
Kazakhstan	HRK 92.00	HRK 46,590.00	8.00	244.00
Kosovo	HRK 0.00	HRK 0.00	0.00	0.00
JGL d.o.o. Ljubljana*	HRK 0.00	HRK 6,669.00	20.00	74.00
Farmis d.o.o. Sarajevo	HRK 0.00	HRK 2,155.00	0.00	42.00
JGL d.o.o. Beograd – Sopot	HRK 1,620.00	HRK 67,843.00	111.50	46.00
Jadran LLC Moskva	HRK 0.00	HRK 205,673.00	0.00	720.00
Adrialab d.o.o. Rijeka	HRK 0.00	HRK 6,528.00	0.00	116.00
Ljekarna Pablo Health Institution	HRK 0.00	HRK 15,415.00	0.00	200.00
Total	**HRK 616,518.00**	**HRK 1,399,760.00**	**12,049.50**	**8,625.00**

Comparison of investment in training in JGL Pharma in 2021 and in the past three years

Year	Total investments in internal training (HRK)	Total investments in external training (HRK)	Total hours of internal training	Total hours of external training
2019	1,956,565.00	2,059,155.00	11,529	13,112
2020	816,315.00	1,493,695.00	11,779	13,189
2021	616,518.00	1,377,817.00	12,049	8,309

Average training costs per employee in 2021

**Cost of training for North Macedonia is assigned to the parent company*

JGL Group	Amount
JGL Croatia	HRK 3,109.14
North Macedonia*	HRK 0.00
Belarus	HRK 1,186.50
Ukraine	HRK 221.00
Kazakhstan	HRK 993.23
Kosovo	HRK 0.00
JGL d.o.o. Ljubljana	HRK 1,667.25
Farmis d.o.o. Sarajevo	HRK 86.20
JGL d.o.o. Beograd – Sopot	HRK 2,395.28
Jadran LLC Moskva+Russia RO	HRK 947.80
Adrialab d.o.o. Rijeka	HRK 211.00
Ljekarna Pablo Health Institution	HRK 105.00

404-2 PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMMES

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

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

In 2021, the LMS was also used as a system allowing budget savings: time and money are invested once in preparation of the training, but the training is attended by a large number of employees.

Average annual number of hours for employee training by gender (M and F) and category (management, professional, support) in 2021

	Total	M	F	S	P	M
JGL Croatia	34.6	44.3	30.1	35.4	34.6	31.4
North Macedonia	6.8	26.0	2.0	n/a	2.0	26.0
Belarus	40.9	23.5	42.7	n/a	28.0	92.3
Ukraine	2.2	1.5	2.5	n/a	2.0	2.7
Kazakhstan	5.4	6.5	5.5	n/a	6.8	2.8
JGL d.o.o. Ljubljana	23.5	16.0	26.0	n/a	26.0	16.0
Farmis d.o.o. Sarajevo	1.7	0.0	5.5	0.0	1.5	7.0
JGL d.o.o. Beograd – Sopot	5.4	7.0	2.5	7.5	1.0	4.0
Jadran LLC Moskva+Russia RO	3.3	4.0	3.0	8.0	3.0	4.0
Adrialab d.o.o. Rijeka	3.7	7.0	2.0	4.0	6.0	0.0
Ljekarna Pablo Health Institution	1.4	4.0	1.5	0.0	2.0	0.0
2021 AVERAGE	**11.7**	**12.7**	**11.2**	**9.1**	**10.3**	**16.9**
2020 AVERAGE	22.6	17.6	28.4	5.9	33.9	26.0

Total number of employees who took part in some type of education in 2021 in the JGL Group

JGL Group	**2021**
JGL Croatia	490
North Macedonia	5
Belarus	20
Ukraine	10
Kazakhstan	13
Kosovo	0
JGL d.o.o. Ljubljana	4
Farmis d.o.o. Sarajevo	2
JGL d.o.o. Beograd – Sopot	16
Jadran LLC Moskva	43
Adrialab d.o.o. Rijeka	10
Ljekarna Pablo Health Institution	19
Total	**632**

Professional training performed in 2021

Year 2021	% of employees that completed some form of professional training	% of employees that completed some form of professional training (not required by law)
JGL Croatia	93.0%	92.5%
North Macedonia	100%	100%
Belarus	100%	100%
Ukraine	16%	11%
Kazakhstan	28%	22%
Kosovo	0%	0%
JGL d.o.o. Ljubljana	100%	100%
Farmis d.o.o. Sarajevo	1%	0%
JGL d.o.o. Beograd – Sopot	55%	55%
Jadran LLC Moskva+Russia RO	20%	17%
Adrialab d.o.o. Rijeka	32%	10%
Ljekarna Pablo Health Institution	13%	13%

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

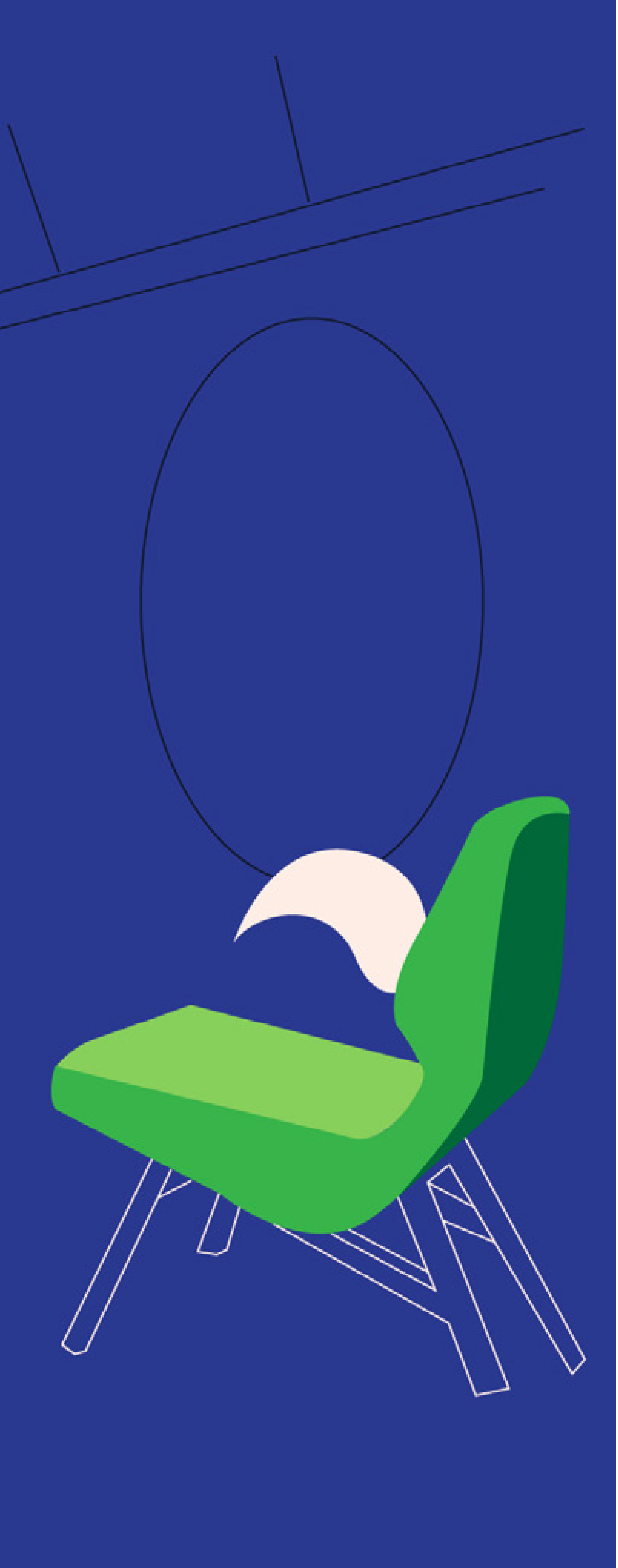
Throughout 2020, detailed consultations were conducted with all managers to ensure an unambiguous understanding of Performance Management and insight into valuable feedback to improve the process. Further activities were created on the basis of an analysis of expectations. Significantly increased satisfaction of everyone involved is expected and thereby also significantly increased benefits from this process.

In early 2021, the process was significantly improved on the basis of all the feedback received from the management. Subsequently, over the year, the focus was additionally placed on improvements of the tool in which we implement this process, and on calibrating managers with the objective of improving the quality of assessments.

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

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

As in every year, in 2022, the goal is to include 100% of employees in an assessment for the previous year if they fulfil the conditions for a complete assessment according to the company's standards, with 100% archiving.



GRI 405 – DIVERSITY AND EQUAL OPPORTUNITY 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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

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

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

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

Although there is no procedure for taking action in the event of discrimination, two persons have been appointed within the HR department that can record discrimination complaints. The company has an open-door policy and the employees have adopted a habit of reporting discriminatory behaviour. Through various seminars and education, the HR department has learned more about respecting diversity and preventing discrimination in the workplace.

Through the implementation and education of management in the Competency Framework, a clear framework was established for the implementation of the principle of equality in the approach to candidates during selection and interviews, in order to fight discrimination and ensure equal opportunities based exclusively on differences in the competency gap (questions that may and may not be asked, potential dangers in the judgement of candidates, how to focus on competencies instead of secondary characteristics, etc.).

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

A specific characteristic of the industry, and of JGL by extension, is a high share of women compared to men, but this makes us all the more motivated to implement the policy of equal opportunities in the workplace, where differences are accounted for exclusively by the level of knowledge, competence and work results, and not external characteristics such as sex. In JGL, 50% of the highest-level managers are women, while in top management that percentage is even higher at 67%. The share of women in staff of the Group is 75%.

103-3 EVALUATION OF THE MANAGEMENT APPROACH

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

405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

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

- Women (4) – 57.14%
- Men (3) – 42.85%

- Under 30 years of age (0) – 0%
- Between 30 and 50 years of age (3) – 42.85%
- Over 50 years of age (4) – 57.14%

The ten people that make up JGL leadership team can be distributed into the following gender and age categories:

- Women (6) – 60.00%
- Men (4) – 40.00%

- Under 30 years of age (0) – 0%
- Between 30 and 50 years of age (6) – 60%
- Over 50 years of age (4) – 40%

The 1,112 employees employed by JGL Group can be distributed into the following gender and age categories:

- Women (839) – 75.45%
- Men (273) – 24.55%

- Under 30 years of age (169) – 15.19%
- Between 30 and 50 years of age (771) – 69.33%
- Over 50 years of age (172) – 15.46%

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

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

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

GRI 407 – FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

In JGL, there is an active Works Council consisting of representatives of all JGL workers elected in accordance with legislation and a representative of the JGL Board of Directors as a liaison between the Board of Directors and the workers, i.e. between their representatives and the Board of Directors. The Works Council pursues protection of all worker rights including the rights attributed to them in the field of occupational health and safety. It conveys its queries and interests to the representative of the Board of Directors who responds to the queries and/or performs specific agreed activities in order to safeguard and increase workers' rights. The Works Council holds regular monthly meetings on which minutes are drawn up.

In 2021, the JGL Works Council held 22 regular meetings, and four meetings with the representative of the employer. It received 18 queries from workers, 15 of which have been resolved with three responses still pending.

In accordance with the epidemiological situation, members of the Works Council prepared their annual address in the form of a short video with technical and organisational support of JGL.

In April, the employer published three new documents following regular consultation with the Works Council:

- Rules on write-off, disposal, sale, buy-back, and donation of used ICT equipment and mobile devices;
- Amendments to the Rules on salaries, compensations, and benefits;
- Decision on appointment of the Commissioner for the protection of workers' dignity

The members of the Works Council also met members of the Board of Directors. The objective of the meeting was to exchange information and raise mutual understanding of the issues related to JGL workers. Key topics of the meeting were:

- Summary of the work performed by the Works Council in the past year;
- Framework plan, objectives, and issues among the workers – the Works Council – the employer;
- Expectations of both sides and possibilities for improvements/synergies in work.

GRI 413 – LOCAL COMMUNITIES 2016

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

JGL has recognised the importance of investing into the local community from the very beginning. The company is often involved in activities of sponsorship, donations and/or launching projects and initiatives contributing to the development of social surroundings. We also strive to continuously build partnerships throughout the world in order to ensure active participation of the company in strengthening the global health system, increase the availability of products, and find sustainable solutions for present and future health challenges.

Promotion is done through partnerships, monetary and non-monetary donations (products, equipment) and services. In all sponsorship activities, we comply with laws and guidelines applicable to promotion and marketing. Activities include sports, healthcare, education, as well as those activities which strengthen social responsibility. All activities related to sponsorships fall under provable communication and marketing services of organisers/partners and must be conducted transparently.

Donation to “dr. Ivo Pedišić”
General Hospital, Sisak

Participation of a JGL team in the
Fiumanka regatta in Rijeka

JGL supports the laws and regulations that promote transparency in relationships between healthcare companies, healthcare workers and healthcare organisations concerning transferring value, following the demands for transparency from the Code of Ethics of the European Generic and Biosimilar Medicines Association (EGA) in interactions with the healthcare community. The Code represents a group of regulations which bind all pharmaceutical manufacturers which are members of the EGA to publish data on payment and other transfers of value which are done to the benefit of healthcare workers (for example, registration fees for participating in professional conferences, as well as travel and accommodation costs linked to participating in professional conferences and so on) and the healthcare community (for example, holding professional conferences, donations, sponsorships and so on). The transfer of value to healthcare workers and healthcare organisations is published transparently for each year on the official JGL website.

GRI 413-1 OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS AND DEVELOPMENT PROGRAMMES

Frequent care for the well-being of the community in which JGL operates spurred the company to urgently join numerous individuals and companies in early 2021 in order to provide help to the population affected by a devastating earthquake in the area of Sisak, Petrinja, and Glina. In addition to financial donations to employees and residents, the main activity had the objective of providing additional help – through donations of medicines and medicinal products. A joint fundraising drive was initiated at the level of the JGL Group where funds were collected through a team effort for the purchase of new equipment for the “dr. Ivo Pedišić” General Hospital in Sisak.

Throughout the year, we organised three blood donation drives, supported two workshops under the auspices of the “Roditelji na zadatku” (Parents on a Mission) programme of the “Naša djeca” (Our Children) Croatia Union of Societies on the influence of increased exposure of children and youth to digital media, and on a healthy diet; the company joined the Zen lice Platka (Zen Face of Platak) project under the auspices of the Aqua Maris brand; followed by the “Nije u redu u uredu” (Not OK in the Office), the JGL team achieved a great result at the UNICEF Mliječna staza (Milky Way)… We continued to improve cooperation with one-breath underwater walk world record holder Vitomir Maričić, participated in the project Moje mjesto pod suncem (My Spot Under the Sun); the Kvarner Health Tourism Cluster; the department for children of the City Library Stribor; and Diving Medicine Summer School with the aim of improving visibility of the corporate brand and product brands through projects benefiting the community.

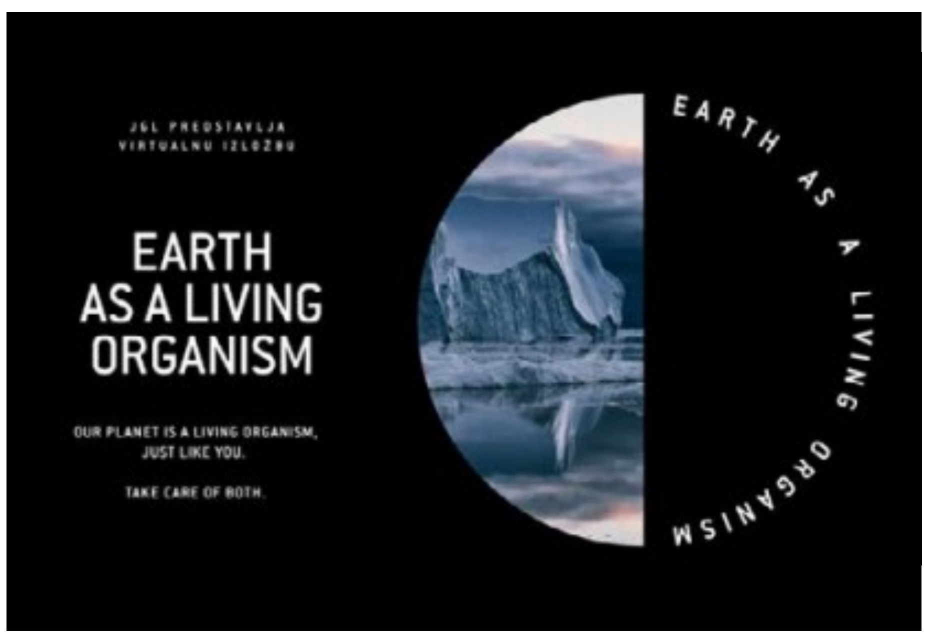
JGL support to the “Nije u redu u uredu” (Not OK in the Office) campaign

Summer school of diving medicine with Aqua Maris

Vitomir Maričić – Aqua Maris brand ambassador

Aqua Maris presentation at the Zen Face of Platak

Virtual photo exhibition “Earth as a Living Organism”



JGL Pharmacy Museum exhibition at the Korzo

JGL with "Naša djeca" Croatia Union of Societies addressing the topic of a healthy diet of children and youth

Two noteworthy exhibitions took place in the JGL Pharmacy Museum in 2021. The first, "Rijeka and Sušak Pharmacies from the Early 20th Century" was exhibited on plinths on the Korzo in July. Visitors learned many interesting facts about Rijeka pharmacies from the turn of the century. The second was organised on the occasion of important anniversaries: 750 years since the first mention of pharmacy on Croatian soil and 120 years since the publication of the first Croatian pharmacopoeia, as well as 30 years of JGL and the first year of the Museum.

GRI 416 – CUSTOMER HEALTH AND SAFETY 2016

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

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

103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS

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

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

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

103-3 EVALUATION OF THE MANAGEMENT APPROACH

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

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

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

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

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

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

Medicinal products

- Medicinal Products Act (Official Gazette No 76/13)
- Act amending the Medicinal Products Act (Official Gazette No 90/14)
- Act amending the Medicinal Products Act (Official Gazette No 100/18)
- Regulation on granting marketing authorisations for medicinal products (Official Gazette No 83/13)
- Regulation amending the Regulation on granting marketing authorisations for medicinal products (Official Gazette No 28/20)
- Regulation amending the Regulation on granting marketing authorisations for medicinal products (Official Gazette No 32/21)
- Regulation on pharmacovigilance (Official Gazette No 83/13)
- Regulation amending the Regulation on pharmacovigilance (Official Gazette No 145/21)
- Guideline on Good Pharmacovigilance (GVP)
- Regulation on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 86/13)
- Corrigendum to the Regulation on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 90/13)
- Regulation amending the Regulation on benchmarks for the classification of medicinal products and on the prescription and dispensing of prescription medicinal products (Official Gazette No 102/14; 107/15; 72/16)
- Regulation on the quality control of medicinal products (Official Gazette No 60/14)
- Regulation on the conditions for granting permits to specialised retail sales outlets of medicinal products (Official Gazette No 122/14)
- Regulation amending the Regulation on the conditions for granting permits to specialised retail sales outlets of medicinal products (Official Gazette No 32/21)
- Regulation amending the Regulation on the conditions for granting permits to specialised retail sales outlets of medicinal products (Official Gazette No 145/21)
- Regulation on the suspension of the placement on and withdrawal of medicinal products from the market (Official Gazette No 122/14)
- Regulation on the suspension of the placement on and withdrawal of medicinal products from the market (Official Gazette No 122/14)
- Regulation on clinical trials on medicinal products and on good clinical practice (Official Gazette No 25/15)
- Regulation amending the Regulation on clinical trials on medicinal products and on good clinical practice (Official Gazette No 32/21)
- Regulation on good practice in the distribution of medicinal products, granting permits in the wholesale of medicinal products, granting permits for the brokering of medicinal products and issuing certificates of good practice in the brokering of medicinal products in wholesale (Official Gazette No 83/13)
- Regulation amending the Regulation on good practice in the distribution of medicinal products, granting permits in the wholesale of medicinal products, granting permits for the brokering of medicinal products and issuing certificates of good practice in the brokering of medicinal products in wholesale (Official Gazette No 19/20)
- Regulation amending the Regulation on good practice in the distribution of medicinal products, granting permits in the wholesale of medic-

inal products, granting permits for the brokering of medicinal products and issuing certificates of good practice in the brokering of medicinal products in wholesale (Official Gazette No 32/21)

- Regulation on the manner of advertising medicinal products (Official Gazette No 43/15)
- Regulation on the marketing, labelling and advertising of traditional herbal medicinal products (Official Gazette No 89/10)
- Regulation on granting marketing authorisations for parallel importation of medicinal products (Official Gazette No 38/20)
- Regulation on the type of information and manner of preparing reports on the consumption of medicines (Official Gazette No 122/14)

Cosmetics

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

Food supplements

- Regulation on Dietary Supplements, OG 126/13
- Decision on promulgation of the Act on Nutrition and Health Claims, and Foods Enriched with Nutrients, OG 39/13; Regulation on substances that may be added to foods and used in food production and the substances whose use in foods is prohibited or restricted, OG 160/13
- Act on Food Information to Consumers, OG 56/13; OG 56/16
- Regulation on Food Information to Consumers, OG 8/13
- ISO 22000: 2005

Medical devices

- Medical Devices Act, OG 76/13
- Act on implementing Regulation (EU) 2017/745 on medical devices and Regulation (EU) 2017/746 on *in vitro* diagnostic medical devices (Official Gazette No 100/18)
- Act on implementing Regulation (EU) No 536/2014 of the European Parliament and of the Council of 16 April 2014 on clinical trials on medicinal products for human use, and repealing Directive 2001/20/EC (Official Gazette No 14/19)
- Act on implementing Commission delegated Regulation (EU) 2016/161 of 2 October 2015 supplementing Directive 2001/83/EC of the European Parliament and of the Council by laying down detailed rules for the safety features appearing on the packaging of medicinal products for human use (Official Gazette No 126/2019)
- Regulation on essential requirements, classification, registration of manufacturers in the register of medical device manufacturers, registration of medical devices in the register of medical devices and conformity assessment of medical devices (Official Gazette No. 84/13)
- Regulation on amending the Regulation on essential requirements, classification, registration of manufacturers in the register of medical device manufacturers, registration of medical devices in the register of medical devices and conformity assessment of medical devices (Official Gazette No. 126/2019)
- Regulation on amending the Regulation on essential requirements, classification, registration of manufacturers in the register of medical device manufacturers, registration of medical devices in the register of medical devices and conformity assessment of medical devices (Official Gazette No. 32/21)
- Regulation on the conditions for retail activity and for granting permits to specialised retail sales outlets of medical devices (Official Gazette No 133/13)
- Regulation amending the Regulation on the conditions retail activity and for granting permits to specialised retail sales outlets of medical devices (Official Gazette No 32/21)

Number of side-effects reported to JGL over the past four years

	Total	Severe side-effects	Non-severe side-effects
2021	**189**	**120**	**69**
2020	242	163	79
2019	196	105	91
2018	215	117	96

- Regulation on monitoring adverse incidents related to medical devices, OG 125/13
- ISO 13485: 2012
- EN ISO 15223-1: 2012
- EN 1041:2008+A1 2013

Although drugs approved for the market are safe for use and of the appropriate quality, side effects may occur, even with the use of over-the-counter drugs.

Therefore, the Agency for Medicinal Products and Medical Devices of Croatia (HALMED) continually invites healthcare professionals and patients to report any suspected side effects of drugs, thereby actively contributing to the monitoring and maintaining of drug safety.

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

Number of reported side-effects in 2021 decreased compared to the previous year.

Over the years, it is also apparent that, in addition to the number of reports submitted by physicians and pharmacists, the number of reports submitted by patients themselves is increasing. The system for reporting side effects is a reflection of the improvement of the pharmacovigilance system in the Republic of Croatia, HALMED's educational activities, and the connection with the Poison Centre, which provides information about reported side effects and drug overdoses (including accidental overdoses). The current number of reported site-effects is certainly connected to the context of the COVID-19 disease pandemic.

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

OPINION OF THE AC COMMISSION HR BCSD

FOR NON-FINANCIAL REPORTING ON JGL GROUP'S 2021 SUSTAINABILITY REPORT

The JGL Group has published another integrated report that combines the company's financial reporting with the widest range of topics in the field of sustainability. It provides an overview of JGL's material impacts in 2021, categorised by economic, environmental and social topics, which have been selected according to GRI Standards. We hereby confirm that the report conforms to the Croatian legislation laying down the scope, contents and deadlines of the annual report, and is in line with the requirements of the core option of sustainability reporting of the Global Reporting Initiative (GRI) Standards.

It is already evident in the foreword by the President of JGL's Board of Directors that the COVID-19 pandemic was the biggest challenge in the past year. It reaffirmed the importance of the industry for a stable national economy and further demonstrated the important role of the pharmaceutical industry in challenging times. For many years now, JGL has been paying special attention to the aspects of supply, production and sale of high-quality, locally made products for treatment and prevention. Encouraging domestic production, recruiting, investments in research and development and employee training has enabled a stable development of the company, thereby minimising the impact of the crisis. As a result, in the past year, JGL once again demonstrated its business vitality and maintained its leading position among Croatian pharmaceutical companies.
We would like to take this opportunity to congratulate the company on its 30th anniversary it celebrated last year, as well as the anniversary of one of its key brands. The year also marked the first anniversary of the JGL Museum of Pharmacy, a particularly valuable

contribution to the social development of the community and the preservation of historical and traditional knowledge of the 750-year-old tradition of pharmacy in Croatia. Significant investments and care for the local community are reflected in the last section of the report. In this regard, we would like to acknowledge JGL's contribution to the establishment of the Department of Pharmaceutical Studies at the Rijeka Faculty of Medicine, which is a great example of corporate social responsibility and the company's continued investments for the betterment of society.

In terms of business management, JGL focused on defining a long-term strategy with integrated aspects of sustainable business, green transformation and digitalisation. One of the highlights is the Integra 2020 investment project, which aims at improving research and development, quality control, production and storage processes, with the ultimate goal of achieving a more efficient production, with reduced energy consumption and environmental footprint. Moreover, as a way of developing innovative practices to strengthen smart specialisation, it will enable stronger networking with the science and education sectors and continuous investments in research and development.

In the section dedicated to sustainability topics according to the GRI Standards for reporting, it is clear that JGL has applied the methodology required by the guidelines very meticulously. For each standard of reporting on a material topic, the GRI 103 – Management Approach standard was also applied, and each topic was accompanied by an explanation of why it is material and how it is managed. As this section of the report is still being developed, and we can assume that it will be refined and supplemented with new information in the coming years, at this stage we would suggest trying to focus the management approach on a particular scope, or at least a group of topics, to avoid duplication and improve readability. While we appreciate JGL's intention to inform its readers in great detail, this portion of the report can be partially summarised. The report states that corporate social responsibility is an important factor in the selection and evaluation of suppliers, so we suggest adding a more detailed explanation in the following reports on the kind of evaluation process being carried out in terms of sustainability topics, methodology and criteria.

We commend the introduction of stakeholder consultations, which are described in detail this time. The reader has a clear picture of how JGL approached stakeholders, what kinds of questions they asked and what information they collected, which was used to create the list of material topics for this year's issue of the report.

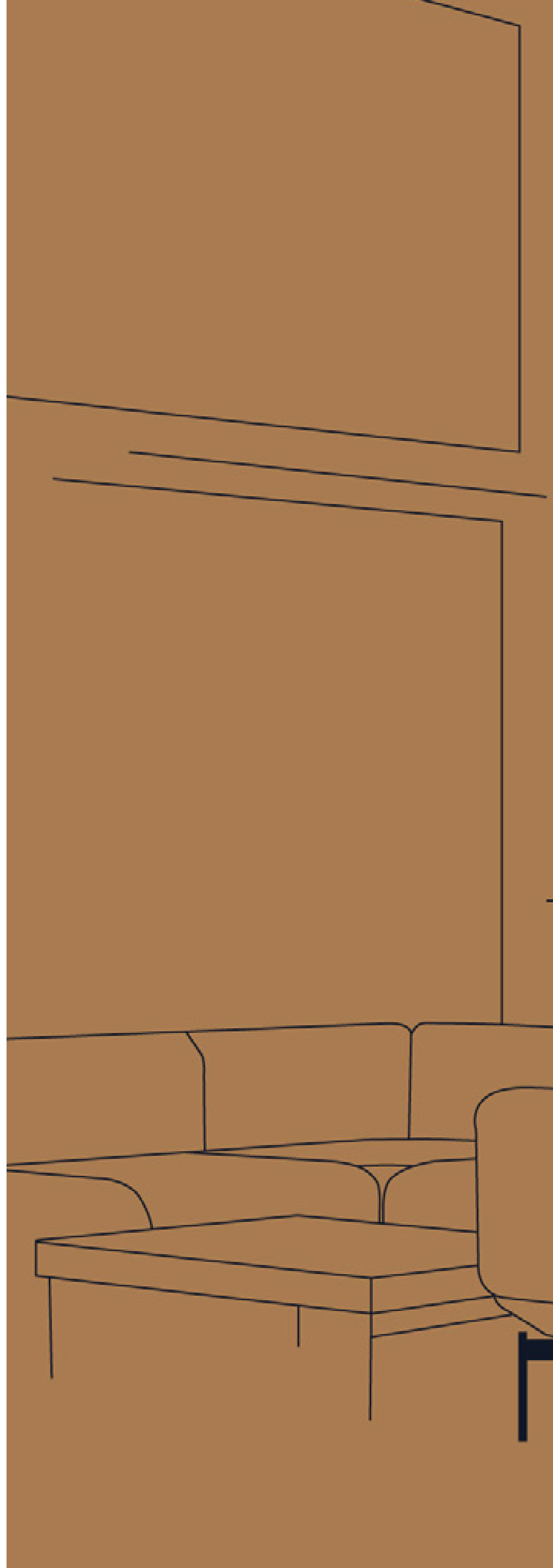
In the section on employee relations, it is evident that employee numbers are growing, and the average salary at JGL shows that the company truly recognises the importance of employees and their expertise, and invests in its people and their satisfaction. The company heavily invests in occupational health and safety, which it has reported on in great detail using the new GRI 403 – Occupational Health and Safety 2018 standard, which is greatly appreciated and commended. Naturally, we were particularly interested in the section on investing in education, which demonstrates JGL's exceptional interest and investments in this area. We have noticed that investments in employees in Croatia are significantly higher compared to other markets, which we assume is the result of recruiting greater numbers of expert staff in production and research and development in Croatia.

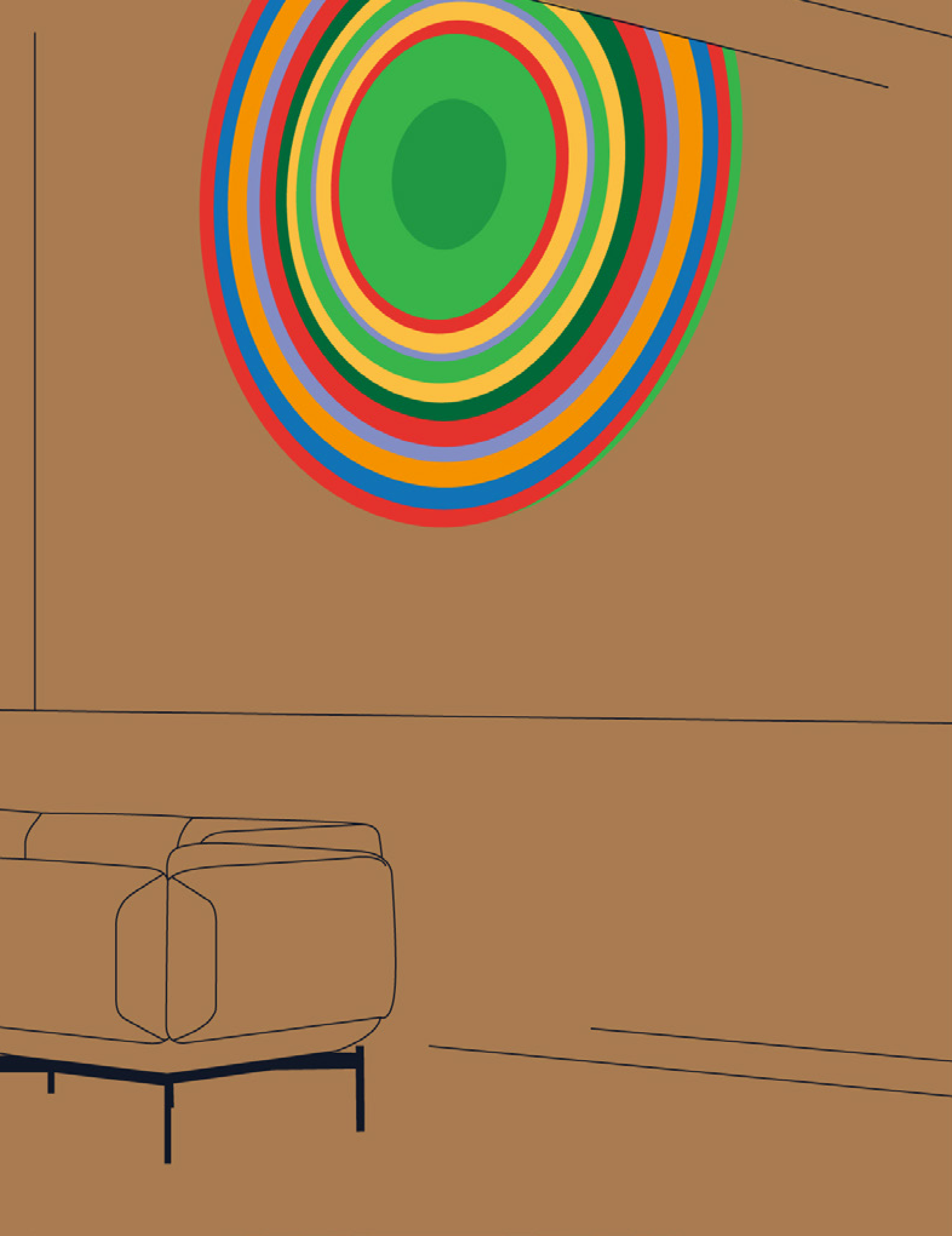
The environmental section of the report displays the company's highly systematic and strategic approach to the continuous reduction of energy consumption and emissions and increasing the share of its own renewable energy sources in order to further reduce emissions. There was a slight increase in energy consumption in the past year, but it was justified by a trial run of the new plant. The company announced its intentions of achieving stability and a further decline in consumption. We suggest gradually introducing a more detailed overview of emissions as part of Scope 3 in the coming period, as it is certainly central to the company's impact on climate change and at the same time offers more opportunities to reduce impact.

JGL manages water responsibly and provides a detailed overview of the generated hazardous and non-hazardous waste, which also represents its most significant impact on the environment. We suggest shifting the focus from separate waste collection to preventing the generation of waste or increasing the share of recycled materials in production where possible.

The icing on the cake of a successful business year with significant investments in sustainable business is the “Zlatna kuna” (Golden Kuna) plaque that JGL won in the category of Responsible and Sustainable Business for 2021. We would like to congratulate and thank JGL for its efforts and continuous improvements visible throughout this report, both in sustainable business and in the quality of sustainability reporting.

Expert Committee for Sustainability Reporting
of the HR BCSD





AUDITOR'S REPORT, AND CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2021

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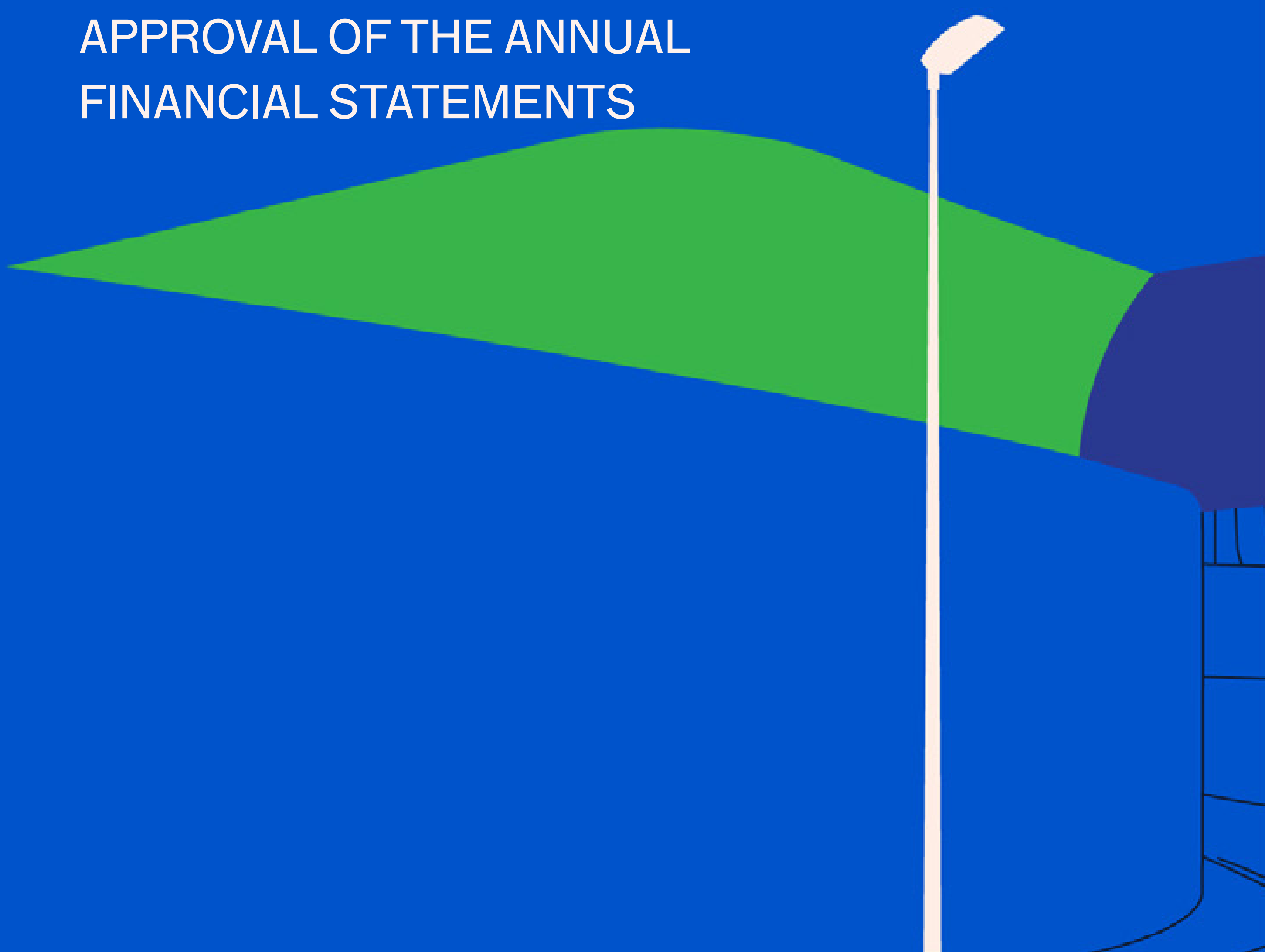
CHIEF EXECUTIVE OFFICER'S RESPONSIBILITY

FOR THE PREPARATION AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS



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

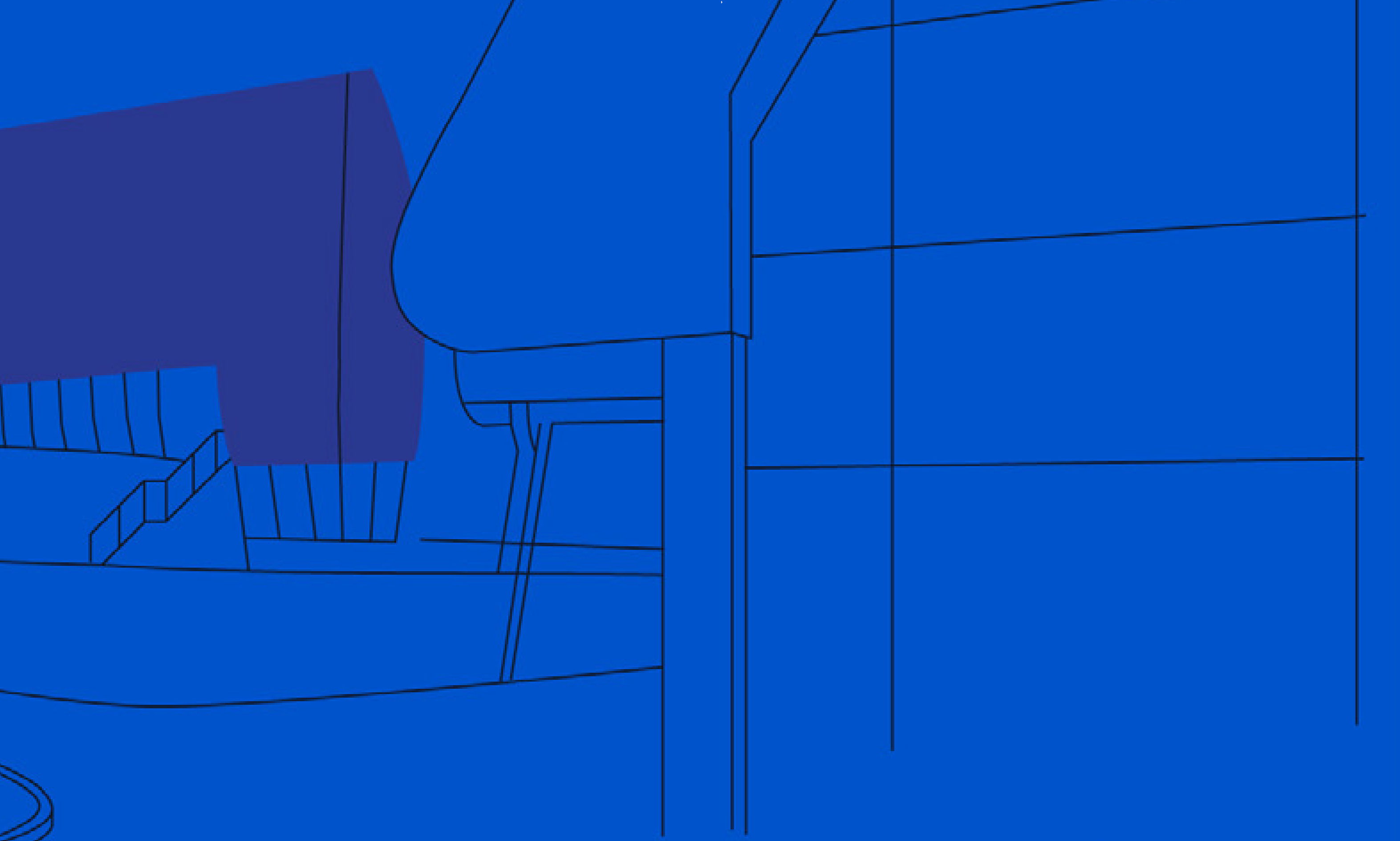
According to the Accounting Act, the Executive Director is responsible for the preparation of financial statements that provide a true and fair view of the Group’s and the Company’s financial positions and business performance in accordance with the applied accounting policies, and for maintaining adequate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

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

The Executive Director has a reasonable expectation that the Group and the Company have the appropriate resources to continue operating in the foreseeable future.

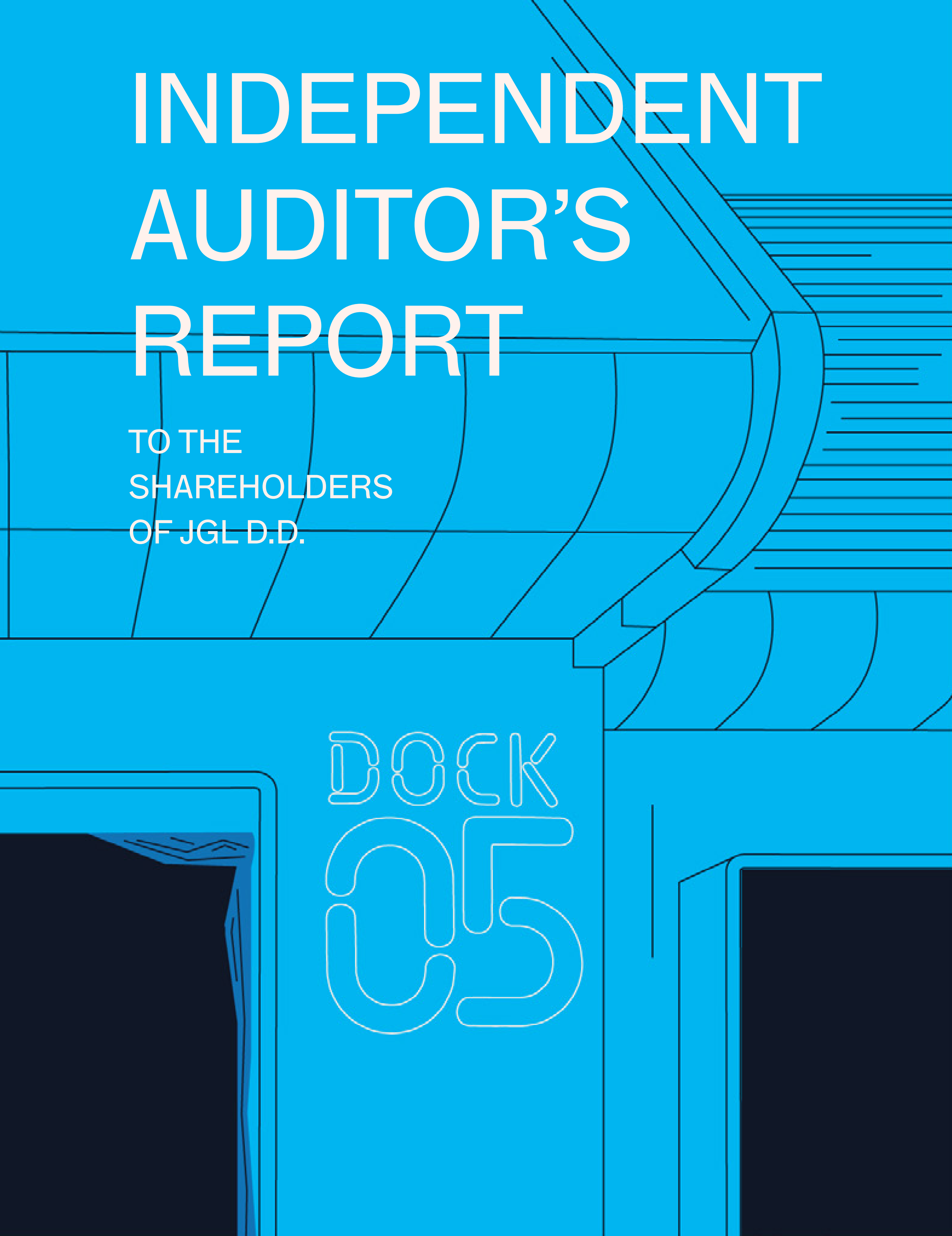
The Executive Director is responsible for submitting annual financial statements to the Company’s Management Board for their acceptance. These statements represent consolidated statements of the Group and unconsolidated statements of the Company. The consolidated and the unconsolidated financial statements were approved by the Executive Director on 25 April 2022 for submittal to the Company’s Management Board for their acceptance, as confirmed by his signature.

Mislav Vučić
Executive Director



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL D.D.



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JGL d.d.

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual consolidated and non-consolidated financial statements of JGL d.d. (The Company) and its subsidiaries (together - the Group), which include the consolidated and unconsolidated balance sheets as at 31 December 2021, the consolidated and unconsolidated statement of comprehensive income, the consolidated and unconsolidated statement of cash flows, the consolidated and unconsolidated statement of changes in equity for the year then ended, and consolidated and unconsolidated notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Commission and published in the Official Journal of the European Union.

Basis for opinion

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

A section to highlight issues of significant uncertainty regarding indefinite business

We draw attention to Note 52 in the financial statements, which states that the war in the most important markets of the Group and the Company carries significant risk and uncertainty. This circumstance, in addition to the other issues set out in Note 52, indicates the existence of significant uncertainties that cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion has not been modified on this issue.

INDEPENDENT AUDITOR’S REPORT

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

Highlighting issues

We draw attention to notes 4 and 19 in the financial statements stating that during 2021 the subsidiary JGL PPH d.o.o. was established. with share capital in the amount of HRK 20,000. Subsidiary JGL PPH d.o.o. was recapitalized by entering the rights of part of the receivables based on the assignment of long-term contracts with the strategic partner of the company Zaklady Farmaceutyczne "POLPHARMA" S.A. Warszawa with a net value of HRK 64,968,239, which is the intangible assets of JGL PPH d.o.o. The value of these assets was determined on the basis of an appraisal by an independent court expert in bookkeeping, finance and accounting.

We draw attention to Note 51 in the financial statements which describes significant events after the balance sheet date that do not require adjustment, related to the recent escalation of the Russia-Ukraine conflict, and the Management Board's consideration of potential effects on the Group's and the Company's operations, financial position, results and future liquidity.

Our opinion has not been modified on these issues.

Key audit matters

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

GrantThornton

INDEPENDENT AUDITOR'S REPORT

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

Key audit matters (continued)

Key audit matters	How key matters were addressed in the audit
Recognition of revenue – notes 2.6, 3 and 4	
Revenue is one of the key matters for establishing the Group's and Company's performance. There is a risk that revenue is reported in a higher amount than the actually generated revenue and that it is not recognised in the correct period. Revenue consists of the fair value of received compensation or receivables for products, goods or services sold in the Group's and Company's ordinary course of business. Revenue is shown in amounts reduced by value added tax, returns, rebates and discounts. In accordance with contractual provisions, customers are approved subsequent rebates and are entitled to a subsequent return of goods. Considering the potential significant consequences of incorrectly calculated revenue, we have concluded that revenue is one of the key audit matters	During the audit, we analysed contracts with the Group's and Company's most significant customers and the significant transactions of product sales to determine on a selected sample whether revenue is recognised in accordance with the contracted parity (at the time of transfer of significant risks and benefits to the customer), whether it can be measured reliably, is it probable that economic benefits connected with a transaction will flow into the entity, and whether revenue is reduced by transaction-related costs, which can be measured reliably. During the audit, we have gained an understanding of the internal control implemented in the Group's and Company's sales process. A cut-off was tested to achieve reasonable assurance that revenue has been reported in the correct period.
Valuation of trade receivables – notes 2.19, 24.1. and 24.2.	
On 31 December 2021, the Company had a balance of trade receivables in the amount of HRK 301,452 thousand, while the Group had a balance of trade receivables in the amount of HRK 337,763 thousand. A significant amount of receivables was denominated in the Russian rouble, and considering the economic situation in Russia and surrounding countries, and the unpredictable movement of the exchange rate of the Russian rouble, in which the receivables were denominated, trade receivables are one of the key matters that we considered during our audit. Receivables are initially measured at fair value. At each balance sheet date, receivables expected to be collected in a period longer than one year are carried at amortised cost using the effective interest rate method less impairment loss for incurred and expected credit losses. Current receivables are carried at initially recognised nominal amount less the appropriate impairment allowance for incurred and expected credit losses.	We have gained an understanding of the design and implementation of internal controls in the debt collection process and the credit control process. During the audit, we confirmed the existence of the receivables reported through external confirmations of customers on a selected sample. The age structure of receivables was analysed. We have carried out the understanding of the process of estimating future cash flows from receivables which can be reliably determined by the Executive Director and a reality assessment (undervaluation / overvaluation) of the impairment allowance for trade receivables reported at the balance sheet date.

INDEPENDENT AUDITOR'S REPORT

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

Other information in the annual statement

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

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

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

Responsibilities of the Executive Director and those charged with governance for the consolidated and nonconsolidated financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Report on other regulatory requirements

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

1. The Annual General Meeting, as of 14 June 2021, based on the proposal of the Management Board of JGL d.d., adopted the decision to select Grant Thornton revizija d.o.o. as the Group's and Company's auditor for 2021.

2. On the date of this report, we have been continuously engaged in the performance of the Group's and Company's legal audits from the audit of the Group's and Company's annual financial statements for 2016 until the audit of the Group's and Company's annual financial statements for 2021, i.e. a total of six years.

INDEPENDENT AUDITOR'S REPORT

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

Report on Other Legal Requirements (continued)

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

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

4. Through our legal audit of the Company's annual consolidated and nonconsolidated financial statements for 2021, we are capable of discovering irregularities, including fraud, and during the performance of an audit we have to consider, whether the Group and Company complied with the laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in its annual consolidated and nonconsolidated financial statements, as well as with the other laws and regulations that do not have a direct effect on the determination of material amounts and disclosures in its annual consolidated and nonconsolidated financial statements, but compliance with which may be fundamental to the operating aspects of the Group's business, to its ability to continue its business, or to avoid material penalties.

   Except in the case when we encounter, or are made aware of, non-compliance with one of the above mentioned laws or regulations that is clearly inconsequential, judged by its nature and their impact, financial or otherwise, on the Group and Company, its stakeholders, and the general public, we have an obligation to report it to the Company and ask from it to investigate the case in question and undertake the appropriate measures for solving irregularities and preventing the recurrence of such irregularities in the future. If the Group and Company, at the audited balance sheet date, does not resolve the irregularities which were the basis for misstatements in the audited annual financial statements that are cumulatively equal to or greater than the materiality amount for financial statements as a whole, we are required to modify our opinion in the independent auditor's report.

   In the audit of the annual consolidated and nonconsolidated financial statements for 2021, we have determined the materiality for the financial statements as a whole in the amount of HRK 6. million for the Company and 8.0 million for the Group, which represents approximately 5% of the Group's EBITDA. We have considered the following qualitative factors: the component which is in the focus of the users of the financial statements, a stable internal control system, and the Group's and Company's industrial and economic environment.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Other Legal Requirements (continued)

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

6. During the period between the start date of the audited annual financial statements of the Group and Company for 2021 and the date of this report, we have not provided the Group nor the Company with prohibited non-audit services, nor have we, in the business year before the stated period, provided it with the services of the design and implementation of internal control or risk management procedures in connection with the preparation and/or control of financial information, or the design and implementation of financial information technology systems, and during our audit we have preserved our independence from the Group and Company.

Report pursuant to the requirements of the Accounting Act

1. In our opinion, based on the tasks we have performed during the audit, the information in the accompanying Management Report of the Group and Company for 2021 is consistent with the accompanying annual consolidated and nonconsolidated financial statements for 2021.

2. In our opinion, based on the tasks we have performed during the audit, the accompanying Management Report of the Group and Company for 2021 was prepared in accordance with the Accounting Act.

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

4. In our opinion, based on the tasks we have performed during the audit, the Statement on the Application of the Code of Corporate Governance, included in the Group's and Company's annual statement for 2021, is in accordance with the requirements stated in Article 22(1), points (3) and (4) of the Accounting Act.

5. The Statement on the Application of the Code of Corporate Governance, included in the Group's and Company's annual statement for 2021, includes information from Article 22(1), points (2), (5), (6) and (7) of the Accounting Act.

Report based on the requirements of the ESEF Regulation

Auditor's Certificate on the Compliance of the Annual Consolidated and Non-Consolidated Financial Statements (hereinafter: the Financial Statements), prepared pursuant to Article 462, paragraph 5 of the Capital Market Act (Official Gazette 65/18, 17/20 and 83 / 21) by applying the requirements of Delegated Regulation (EU) 2018/815 determining a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We have engaged in a reasonable assurance that the financial statements prepared for public disclosure pursuant to Article 462 (5) of the Capital Market Act, contained in the attached XBRL electronic file, have been prepared in all material respects in accordance with the requirements of the Regulation. on ESEF.

INDEPENDENT AUDITOR'S REPORT

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

Report based on the requirements of the ESEF Regulation (continued)

Responsibilities of the Management Board and those in charge of management

The Company's Management Board is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation. In addition, the Company's Management Board is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management Board of the Company is also responsible for:

- public disclosure of the financial statements contained in the annual report in a valid XBRL format, and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of management are responsible for overseeing the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

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

Procedures 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 testing will reveal any significant (material) non-compliance with the ESEF Regulation.

As part of the selected procedures, we performed the following activities:

- we have 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 that, devise and design procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

INDEPENDENT AUDITOR'S REPORT

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

Report based on the requirements of the ESEF Regulation (continued)

Procedures performed (continued)

The aim of our procedures was to assess whether:

- financial statements, which are included in the consolidated annual report, are prepared in the valid XHTML format,
- required data is contained in the consolidated financial statements
- according to the ESEF Regulation, tagged and all tags meet the following requirements:
    - XBRL markup language was used,
    - The basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance were used, unless an additional taxonomy element was created in accordance with Annex IV. ESEF Regulations,
    - The tags comply with the common tagging rules under the ESEF Regulation.

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

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format and pursuant to Article 462, paragraph 5 of the Capital Market Act prepared for public disclosure are in all material respects in accordance with the requirements of the ESEF Regulation for the year ended December 31, 2021. Our conclusion is not an opinion on the truthfulness and fair presentation of the financial statements presented in electronic form. In addition, we do not express our belief in other information published with documents in ESEF format.

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

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

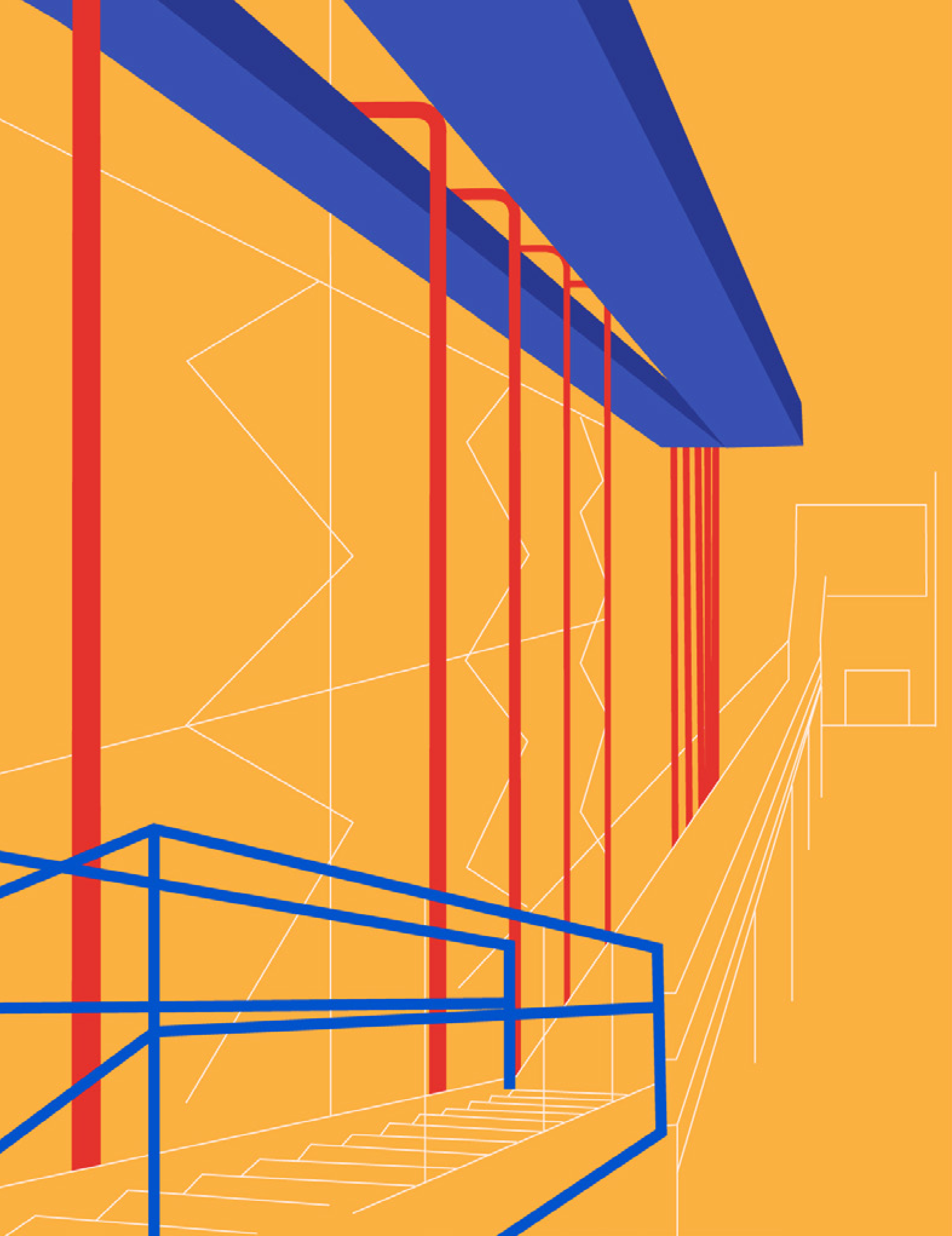
Zagreb, 27 April 2021

Director
mr.sc. Dalibor Briški

Grant Thornton

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

Authorized Auditor
Ivica Bašić



STATEMENT OF COMPREHENSIVE INCOME
FOR 2021

		GROUP		COMPANY	
	note	2021	2020	2021	2020
OPERATING REVENUE		**1,079,467,364**	**1,011,441,839**	**703,014,552**	**585,536,769**
Sales revenue	3	1,050,302,256	983,634,615	628,861,185	574,862,914
Other operating revenue	4	29,165,108	27,807,224	74,153,367	10,673,855
OPERATING EXPENSES		**(971,878,771)**	**(898,409,632)**	**(563,672,536)**	**(498,610,958)**
Change in inventories	5	4,827,425	32,088,629	4,882,678	30,972,414
Material costs	6	(443,776,578)	(448,073,766)	(249,471,464)	(240,119,811)
Services costs	7	(206,005,608)	(181,021,841)	(92,534,275)	(82,766,785)
Employee costs	8	(204,633,065)	(188,618,189)	(129,327,568)	(115,186,517)
Depreciation	9	(52,648,838)	(49,077,048)	(42,871,511)	(39,506,796)
Value adjustment	10	(9,578,362)	(914,569)	(9,124,670)	(226,541)
Other operating expenses	11	(60,063,745)	(62,792,848)	(45,225,726)	(51,776,922)
Finance revenue	12	18,480,237	8,654,019	18,175,012	24,201,605
Finance expenses	12	(25,505,296)	(51,282,153)	(24,387,881)	(50,076,060)
Net finance expenses	12	**(7,025,059)**	**(42,628,134)**	**(6,212,869)**	**(25,874,455)**
Share in result of associates	13	(8,673)	40,242	-	-
PROFIT BEFORE TAX		**100,554,861**	**70,444,315**	**133,129,147**	**61,051,356**
Income tax	14	(14,366,183)	(4,782,506)	(6,670,979)	5,054,689
PROFIT		**86,188,678**	**65,661,809**	**126,458,168**	**66,106,045**
Foreign exchange gains/ losses from conversion of operations abroad	15	365,215	18,031	-	-
OTHER COMPREHENSIVE RESULT	15	**365,215**	**18,031**	-	-
TOTAL COMPREHENSIVE RESULT		**86,553,893**	**65,679,840**	**126,458,168**	**66,106,045**
Earnings per share (basic and diluted)		76	58	112	59

BALANCE SHEET
ON 31 DECEMBER 2021

		GROUP		COMPANY	
	note	**2021**	**2020**	**2021**	**2020**
ASSETS					
Non-current assets		**891,369,362**	**697,893,535**	**929,439,390**	**675,386,055**
Intangible assets	16	144,474,257	123,755,933	97,791,329	77,493,972
Property, plant and equipment	17	711,064,512	534,057,140	662,476,130	488,547,816
Investment property	18	17,706,514	17,552,537	17,706,514	17,552,537
Investments in subsidiaries	19	-	-	139,329,267	73,651,819
Other financial assets	20	1,908,410	1,789,360	1,231,575	1,231,575
Deferred tax assets	21	16,215,669	20,738,565	10,904,575	16,908,336
Current assets		**714,290,407**	**629,087,537**	**590,830,077**	**533,451,852**
Inventories	22	222,698,704	216,053,529	173,939,746	170,709,733
Non-current assets held for sale	23	151,100	-	-	-
Receivables	24	381,735,346	355,049,665	329,658,637	325,884,486
Financial assets	25	44,515	97,686	5,262,022	2,261,070
Financial assets at fair value through the income statement	26	51,382,560	19,708,986	51,382,560	19,708,986
Cash at bank and in hand	27	52,482,342	32,591,258	27,274,323	11,877,531
Other receivables	28	5,795,840	5,586,413	3,312,789	3,010,046
TOTAL ASSETS		**1,605,659,769**	**1,326,981,072**	**1,520,269,467**	**1,208,837,907**

 NOTES ACCOMPANYING THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE BALANCE SHEET.

BALANCE SHEET
ON 31 DECEMBER 2021 (continued)

		GROUP		COMPANY	
	note	**2021**	**2020**	**2021**	**2020**
CAPITAL AND LIABILITIES					
Capital and reserves		**763,664,161**	**681,885,086**	**812,870,450**	**690,828,759**
Share capital	29	122,042,500	120,560,000	122,042,500	120,560,000
Reserves	30	92,346,579	81,529,131	91,281,389	80,829,155
Own shares	31	(7,709,900)	(7,695,700)	(7,709,900)	(7,695,700)
Profit or loss brought forward	32	470,796,304	421,829,846	480,798,293	431,029,259
Financial year profit	33	86,188,678	65,661,809	126,458,168	66,106,045
Non-current liabilities		**432,579,302**	**348,910,003**	**408,835,297**	**328,622,809**
Provisions	34	3,676,861	3,428,857	2,934,653	2,815,556
Liabilities towards banks and financial institutions	35	259,574,480	175,898,272	259,574,480	175,898,272
Lease liabilities	36	36,937,781	37,666,403	17,608,792	21,624,412
Liabilities arising from securities	37	128,717,372	128,284,569	128,717,372	128,284,569
Deferred tax liability	38	3,672,808	3,631,902	-	-
Current liabilities		**409,416,306**	**296,185,983**	**298,563,720**	**189,386,339**
Liabilities towards banks and financial institutions	39	92,050,774	36,501,911	82,006,075	26,501,911
Lease liabilities	40	18,702,015	23,197,917	11,703,152	16,450,142
Trade payables	41	210,855,714	173,925,384	146,679,011	104,335,697
Liabilities arising from other securities	42	-	4,000,000	-	4,000,000
Other liabilities	43	87,807,803	58,560,771	58,175,482	38,098,589
TOTAL PRINCIPAL AND LIABILITIES		**1,605,659,769**	**1,326,981,072**	**1,520,269,467**	**1,208,837,907**

STATEMENT OF CHANGES IN EQUITY FOR 2021

						GROUP
Previous period	**Share capital**	**Reserves**	**Own shares**	**Profit or loss brought forward**	**Financial year profit**	**Capital and reserves**
As at 31 December 2019	**119,255,000**	**69,286,070**	**(7,273,700)**	**364,571,465**	**78,442,340**	**624,963,119**
Subscription of a new share issue	1,305,000	5,115,600	-	-	-	6,420,600
Yield from previous year's profit	-	6,023,517	-	72,418,823	-	78,442,340
Financial year profit yield	-	-	-	-	65,661,809	65,661,809
Transactions relating to own shares	-	598,500	(598,500)	998,760	-	998,760
TOTAL INCREASE	**1,305,000**	**11,737,617**	**(598,500)**	**73,417,583**	**65,661,809**	**151,523,509**
Transfer to profit brought forward and legal reserve	-	-	-	-	(78,442,340)	(78,442,340)
Transfer to liability for dividend	-	-	-	(10,094,337)	-	(10,094,337)
Transactions relating to own shares	-	(176,500)	176,500	(3,471,000)	-	(3,471,000)
Consolidation effect	-	-	-	(2,593,865)	-	(2,593,865)
TOTAL DECREASE	**-**	**(176,500)**	**176,500**	**(16,159,202)**	**(78,442,340)**	**(94,601,542)**
Net change	1,305,000	11,561,117	(422,000)	57,258,381	(12,780,531)	56,921,967
As at 31 December 2020	**120,560,000**	**81,529,131**	**(7,695,700)**	**421,829,846**	**65,661,809**	**681,885,086**

 NOTES ACCOMPANYING THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT OF CHANGES IN EQUITY.

STATEMENT OF CHANGES IN EQUITY FOR 2021 (continued)

GROUP

Current period	Share capital	Reserves	Own shares	Profit or loss brought forward	Financial year profit	Capital and reserves
As at 31 December 2020	**120,560,000**	**81,529,131**	**(7,695,700)**	**421,829,846**	**65,661,809**	**681,885,086**
Subscription of a new share issue	1,482,500	6,789,850	-	-	-	8,272,350
Yield from previous year's profit	-	4,013,398	-	61,648,411	-	65,661,809
Financial year profit yield	-	-	-	-	86,188,678	86,188,678
Transactions relating to own shares	-	344,000	(344,000)	1,840,284	-	1,840,284
Consolidation effect	-	-	-	6,874	-	6,874
TOTAL INCREASE	**1,482,500**	**11,147,248**	**(344,000)**	**63,495,569**	**86,188,678**	**161,969,995**
Transfer to profit brought forward and legal reserve	-	-	-	-	(65,661,809)	(65,661,809)
Transfer to liability for dividend	-	-	-	(12,451,351)	-	(12,451,351)
Transactions relating to own shares	-	(329,800)	(329,800)	(2,077,760)	-	(2,077,760)
TOTAL DECREASE	**-**	**(329,800)**	**(329,800)**	**(14,529,111)**	**(65,661,809)**	**(80,190,920)**
Net change	1,482,500	10,817,448	(14,200)	48,966,458	20,526,869	81,779,075
As at 31 December 2021	**122,042,500**	**92,346,579**	**(7,709,900)**	**470,796,304**	**86,188,678**	**763,664,161**

STATEMENT OF CHANGES IN EQUITY FOR 2021 (continued)

						COMPANY
Previous period	**Share capital**	**Reserves**	**Own shares**	**Profit or loss brought forward**	**Financial year profit**	**Capital and reserves**
As at 31 December 2019	**119,255,000**	**69,286,070**	**(7,273,700)**	**371,724,630**	**77,876,691**	**630,868,691**
Subscription of a new share issue	1,305,000	5,115,600	-	-	-	6,420,600
Yield from previous year's profit	-	6,005,485	-	71,871,206	-	77,876,691
Financial year profit yield	-	-	-	-	66,106,045	66,106,045
Transactions relating to own shares	-	598,500	(598,500)	998,760	-	998,760
TOTAL INCREASE	**1,305,000**	**11,719,585**	**(598,500)**	**72,869,966**	**66,106,045**	**151,402,096**
Transfer to profit brought forward and legal reserve	-	-	-	-	(77,876,691)	(77,876,691)
Transfer to liability for dividend	-	-	-	(10,094,337)	-	(10,094,337)
Transactions relating to own shares	-	(176,500)	176,500	(3,471,000)	-	(3,471,000)
TOTAL DECREASE	**-**	**(176,500)**	**176,500**	**(13,565,337)**	**(77,876,691)**	**(91,442,028)**
Net change	1,305,000	11,543,085	(422,000)	59,304,629	(11,770,646)	59,960,068
As at 31 December 2020	**120,560,000**	**80,829,155**	**(7,695,700)**	**431,029,259**	**66,106,045**	**690,828,759**

 NOTES ACCOMPANYING THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT OF CHANGES IN EQUITY.

STATEMENT OF CHANGES IN EQUITY FOR 2021 (continued)

						COMPANY
Current period	**Share capital**	**Reserves**	**Own shares**	**Profit or loss brought forward**	**Financial year profit**	**Capital and reserves**
As at 31 December 2020	**120,560,000**	**80,829,155**	**(7,695,700)**	**431,029,259**	**66,106,045**	**690,828,759**
Subscription of a new share issue	1,482,500	6,789,850	-	-	-	8,272,350
Yield from previous year's profit	-	3,648,184	-	62,457,861	-	66,106,045
Financial year profit yield	-	-	-	-	126,458,168	126,458,168
Transactions relating to own shares	-	344,000	(344,000)	1,840,284	-	1,840,284
TOTAL INCREASE	**1,482,500**	**10,782,034**	**(344,000)**	**64,298,145**	**126,458,168**	**202,676,847**
Transfer to profit brought forward and legal reserve	-	-	-	-	(66,106,045)	(66,106,045)
Transfer to liability for dividend	-	-	-	(12,451,351)	-	(12,451,351)
Transactions relating to own shares	-	(329,800)	329,800	(2,077,760)	-	(2,077,760)
TOTAL DECREASE	**-**	**(329,800)**	**329,800**	**(14,529,111)**	**(66,106,045)**	**(80,635,156)**
Net change	1,482,500	10,452,234	(14,200)	49,769,034	60,352,123	122,041,691
As at 31 December 2021	**122,042,500**	**91,281,389**	**(7,709,900)**	**480,798,293**	**126,458,168**	**812,870,450**

STATEMENT OF CASH FLOW – DIRECT METHOD FOR 2021

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
CASH FLOW FROM OPERATING ACTIVITIES	**160,407,323**	**109,238,010**	**131,562,633**	**85,195,551**
Cash inflow from operating activities	**1,150,123,446**	**1,029,487,760**	**652,130,858**	**580,623,970**
Cash inflows from customers	1,130,578,509	1,011,196,522	636,114,514	564,628,459
Cash inflows from insurance for damage compensation	739,402	466,894	649,825	326,035
Cash inflows from tax refund	16,658,136	14,641,827	13,967,555	14,298,127
Other cash inflows from operating activities	2,147,399	3,182,517	1,398,964	1,371,349
Cash outflows from operating activities	**(989,716,123)**	**(920,249,750)**	**(520,568,225)**	**(495,428,419)**
Cash outflows to suppliers	(706,932,324)	(655,704,374)	(367,550,685)	(353,156,065)
Cash outflows for employees	(131,280,316)	(133,422,322)	(76,691,038)	(77,253,404)
Cash expenditures for damage compensation insurance	(2,542,355)	(1,926,433)	(2,429,280)	(1,832,164)
Cash outflows for interest	(7,905,171)	(11,853,464)	(7,663,495)	(11,582,421)
Other cash outflows from operating activities	(138,935,352)	(116,035,553)	(65,978,832)	(51,311,896)
Cash expenditures for paid income tax	(2,120,605)	(1,307,604)	(254,895)	(292,469)

STATEMENT OF CASH FLOW – DIRECT METHOD FOR 2021 (continued)

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
CASH FLOW FROM INVESTMENT ACTIVITIES	**(245,500,326)**	**(73,168,832)**	**(229,377,556)**	**(50,057,924)**
Cash inflows from investment activities	**58,428,833**	**319,365,222**	**73,838,650**	**50,600,673**
Cash inflows from sales of non-current tangible and intangible assets	1,190,590	3,068,203	1,465,508	2,911,160
Cash inflows from sale of financial instruments	56,920,738	26,382,565	56,920,738	26,382,565
Cash inflows from interest	273,298	6,701	137	664,258
Cash inflows from dividends	40,607	-	15,452,267	-
Cash inflows from payment of loans granted	3,600	105,962	-	20,642,690
Other cash inflows from investment activities	-	289,801,791	-	-
Cash outflows from investment activities	**(303,929,159)**	**(392,534,054)**	**(303,216,206)**	**(100,658,597)**
Cash outflows for acquiring non-current tangible and intangible assets	(213,805,804)	(58,330,268)	(209,434,180)	(53,585,549)
Cash outflow for acquiring equity and debt financial instruments	(90,044,511)	(44,626,422)	(90,044,511)	(44,706,422)
Cash outflows for loans granted	(78,844)	(82,350)	(3,028,306)	(2,366,626)
Other cash outflows from investment activities	-	(289,495,014)	(709,209)	-

STATEMENT OF CASH FLOW – DIRECT METHOD FOR 2021 (continued)

	GROUP		COMPANY	
	2021	2020	2021	2020
CASH FLOW FROM FINANCING ACTIVITIES	**104,624,392**	**(85,886,423)**	**112,852,020**	**(77,921,758)**
Cash inflows from financing activities	**179,768,639**	**40,918,847**	**169,768,640**	**30,918,847**
Cash inflows from increase of (subscribed) share capital	1,482,500	1,305,000	1,482,500	1,305,000
Cash inflows from issued equity and financial debt instruments	6,789,850	5,115,600	6,789,850	5,115,600
Cash inflows from loan principal, borrowings and other lending	171,425,848	34,428,247	161,425,849	24,428,247
Other cash inflows from financing activities	70,441	70,000	70,441	70,000
Cash outflows from financing activities	**(75,144,247)**	**(126,805,270)**	**(56,916,620)**	**(108,840,605)**
Cash outflows for loan payment	(36,607,624)	(36,628,730)	(26,597,037)	(26,628,730)
Cash outflows for dividend payment	(12,284,151)	(10,088,937)	(12,284,151)	(10,088,937)
Cash outflows for leases	(24,174,712)	(29,910,734)	(15,957,672)	(21,946,069)
Cash outflows for own share repurchase	(2,077,760)	(3,471,000)	(2,077,760)	(3,471,000)
Other cash outflows from financing activities	-	(46,705,869)	-	(46,705,869)
Unrealised cash exchange differences	359,695	(2,784,953)	359,695	(2,784,953)
Cash and cash equivalents at the beginning of the period	**32,591,258**	**85,193,456**	**11,877,531**	**57,446,615**
Increase/decrease in cash and cash equivalents	19,531,389	(49,817,245)	15,037,097	(42,784,131)
Cash and cash equivalents at the end of the period	**52,482,342**	**32,591,258**	**27,274,323**	**11,877,531**

1. GENERAL INFORMATION

These financial statements for the year ended on 31 December 2021 comprise the unconsolidated statements of JADRAN – GALENSKI LABORATORIJ d.d. ("JGL" or "Company") and consolidated statements consisting of statements of the Company and its subsidiaries (jointly the "Group").

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

The Group consists of the Company and its subsidiaries:

	2021	2020
Farmis d.o.o. Sarajevo	100%	100%
Jadran - Galenski laboratorij d.o.o. Ljubljana	100%	100%
JGL d.o.o. Beograd - Sopot	100%	100%
Pablo d.o.o. Zagreb	100%	100%
Pablo Rijeka Pharmacy	100%	100%
JGL North America LLC	100%	100%
Adrialab d.o.o.	100%	100%
Jadran LLC Moskva	100%	100%
JGL PPH d.o.o. Rijeka	100%	-

The Company on 15.2.2021 founded JGL PPH d.o.o. as a special project company (SPV Special Purpose Vehicle) for the implementation and monitoring of business with a strategic partner, the pharmaceutical company Zaklady Farmaceutyczne "POLPHARMA" S.A. Warsaw. from Poland.

Entity under significant influence of the Company:

	2021	2020
Galena d.o.o. Rijeka	49%	49%

The Group and the Company have transactions with affiliate persons:

	GROUP		COMPANY	
	2021	2020	2021	2020
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	-	-

1.1. History and establishment

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

1.2. Core business

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

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

1.3. Ownership structure

The share capital of JGL d.d. Rijeka is HRK 122,042,500 (HRK 120,560,000 in 2020) and is divided into 1,225,042 (1,205,600 in 2020) shares with a nominal value of HRK 100 per share, namely 7,500 A series shares, 30,000 B series shares, 18,750 C series shares, 8,500 D series shares, 524,790 E series shares, 589,540 F series shares, 5,640 G series shares, 7,830 H series shares, 13,050 I series shares and 14,825 J series shares.

At the beginning of the period, the Company owned 76,957 of own shares. By the end of the financial year, the Company acquired an additional 3,440 and allocated 3,298 own shares, so the number of own shares in the Company's portfolio on 31 December 2021 amounted to 77,099. In 2021, there were no allocations of own shares to affiliated persons.

In accordance with the provisions of the Companies Act, the Company created reserves for the repurchase of own shares which, as at 31 December 2021, amounted to HRK 27,171,529 (HRK 26,934,053 in 2020).

Legal and other reserves of the Group and the Company are created in accordance with the Companies Act and the Articles of Association of JGL d.d., Rijeka. Legal reserves as at 31 December 2021 amounted to HRK 51,761,318 (HRK 48,113,134 in 2020).

Other reserves of the Group as at 31 December 2021 amounted to HRK 3,205,969 (HRK 2,840,754 in 2020). Other reserves of the Company as at 31 December 2021 amounted to HRK 2,140,779 (HRK 2,140,779 in 2020).

By the resolution of the General Meeting of the Company, a total of HRK 12,451,351 (HRK 10,094,337 in 2020) was allocated for dividend from profit brought forward generated in 2021, to the holders of A, B, C, D, E, F, G, H, I and J series ordinary shares, in the amount of HRK 11.00 per share with dividend rights.

Net profit of the Group in the current year amounts to HRK 86,188,678 (HRK 65,661,809 in 2020), representing the profit realised according to the Income statement. Net profit of the Company in the current year amounts to HRK 126,458,168 (HRK 66,106,045 in 2020), representing the profit realised according to the Income statement.

Other comprehensive income of the Group as at 31 December 2021 amounted to HRK 86,553,893 (HRK 65,679,840 in 2020).

Net profit of the Group per share as at 31 December 2021 amounted to HRK 76 (HRK 58 per share in 2020) while net profit of the Company per share amounted to HRK 112 (HRK 59 in 2020) and was calculated based on the average weighted number of ordinary shares.

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

1.4. Company bodies

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

Members of the Management Board on 31 December 2021 are:

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1. Basis for the preparation of statements

2.1.1. Compliance statement

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

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

Accounting policies were applied consistently, unless stated otherwise. Financial statements are prepared on an accrual basis under the going concern assumption.

The financial statements of the Group and the Company are prepared with the Croatian kuna (HRK) as the measurement or reporting currency of the Company. As at 31 December 2021, the exchange rate for 1 EUR was HRK 7.517174 (HRK 7.536898 in 2020), and the exchange rate for 1 RUB was HRK 0.089838 (HRK 0.084009 in 2020).

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

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

- Amendments to IFRS – 7 "Financial instruments - Disclosurea" – amendments related to the Reform of Reference Interest Rates - Phase 2 (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 16 "Leases" - amendments related to the Reform of Reference Interest Rates - Phase 2 (effective for annual periods beginning on or after1 January 2021);
- IFRS 16 "Leases" - amendments to Lease Concessions related to COVID-19 after 30.06.2021 (effective for annual periods beginning on or after 1 April 2021);

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

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

- IAS 1 "Presentation of Financial Statements" – amendments related to Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- IAS 12 "Income Taxes" - amendments related to "Deferred tax related to assets and liabilities arising from individual transactions" (effective for annual periods beginning on or after 1 January 2023);
- IAS 16 "Property, Plant and Equipment" – amendments related to Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – amendments related to Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022).
- IFRS 1 "First-time Adopter of the IFRS" – amendments related to Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022);
- IFRS 3 "Combinations" – amendments related to References to the Conceptual Framework (Amendments to the IFRS 3) – (effective for annual periods beginning on or after 1 January 2022);

- IFRS 9 "Financial Instruments" – amendments related to Annual Improvements to IFRS Standards 2018–2020 (effective for periods beginning on or after 1 January 2022);
- IFRS 16 "Leases" – amendments related to Annual Improvements to IFRS Standards 2018–2020 (effective for periods beginning on or after 1 January 2022);
- IFRS 17 "Insurance Contracts" – disclosure (effective for annual periods beginning on or after 1 January 2023);
- IFRS 17 "Insurance Contracts" – amendments including Extension of the Temporary Exemption from Applying Standards (effective for annual periods beginning on or after 1 January 2023);

The Group and the Company have chosen not to apply the new standards, amendments to existing standards and interpretations before the effective date.

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

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

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

2.2. Consolidation

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

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

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

2.3. Operating segment reporting

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

2.4. Foreign currencies

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

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

2.5. The use of estimates and judgements

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

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

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

2.6. Revenue

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

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

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

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

2.7.Finance revenue and expenses

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

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

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

2.8. Provisions

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

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

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

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

2.9. Taxation

The Group presents its tax liability in accordance with the tax laws of the country in which the specific company has its registered office. The Company thus presents tax liabilities in accordance with Croatian tax regulations. Income tax for the current year includes current and deferred tax.

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

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

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

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

2.10. Government grants

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

2.11. Intangible assets

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

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

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

Costs incurred by the Group through acquisition of retail pharmacy licences indispensable for its retail pharmaceutical operations are capitalised up to the amount for which future economic benefit is likely. Licences have an indefinite validity and are not depreciated, but are assessed annually for impairment.

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

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

Any income or loss due to conversion to fair value is presented through income or loss.

Gains and losses from the sale of an entity include the carrying amount of goodwill relating to the sold entity.

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Internally developed intangible assets	6.67%	6.67%	6.67%	6.67%
Licences	6.67%-indef.	6.67%-indef.	6.67%-indef.	6.67-10%
Software	10-50%	10-50%	10-50%	10-20%
Rights to registration use	20-33.33%	20-33.33%	20-33.33%	20-33.33%
Other intangible assets	6.67-50%	6.67-50%	6.67-50%	6.67-50%

2.12. Property, plant and equipment

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

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

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

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

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

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

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Buildings	1.67-25%	1.67-10%	1.67-10%	1.67-10%
Right-of-use assets – property	7.95-50%	7.95-80%	10-20%	20%
Plants and equipment	5-15%	5-10%	5-10%	5-10%
Tools, plant inventory and means of transportation	5-50%	5-50%	5-50%	5-50%
Right-of-use assets – vehicles	20-50%	20-50%	20-50%	20-50%
Right-of-use assets – equipment	5-20%	5-20%	5-20%	5-20%

2.13. Leases

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

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

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

Right-of-use assets are depreciated over the period of their useful life or contracted lease term depending on which is shorter.

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

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

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

2.14. Impairment of intangible and tangible assets

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

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

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

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

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

2.15. Investment property

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

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

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

2.16. Investments in subsidiaries

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

2.17. Investments in associates

An associate is an entity over which the Group or the Company have significant influence, but no control. A significant influence is the power to participate in the financial and operating policies of the investee, but it does not represent the control or joint control of these policies. Investments in associates are recorded at cost less any impairment losses, while the equity method is applied in consolidated statements adjusting the investment on account of the Group's stake in capital of the associate.

2.18. Financial assets

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

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

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

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

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

2.18.1. Impairment of financial assets

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

Significant increase in credit risk

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

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

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

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

Credit impairment of financial assets

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

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

2.18.2. Write-off policy

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

2.19. Receivables

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

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

2.20. Cash and cash equivalents

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

2.21. Inventories

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

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

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

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

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

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

2.22. Equity instruments issued by the Company

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

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

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

2.23.Financial liabilities

2.23.1. Financial liabilities at fair value through profit or loss

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

2.23.2. Other financial liabilities

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

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

2.23.3. Derecognition of a financial liability

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

2.24. Contingent assets and liabilities

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

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

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

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

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

2.26. Events after the date of the financial statements

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

3. SALES REVENUE

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Sales revenue	1,050,302,256	983,634,615	628,861,185	574,862,914
Total	**1,050,302,256**	**983,634,615**	**628,861,185**	**574,862,914**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Revenue from sales to subsidiaries	-	-	271,813,710	170,553,427
Revenue from sales to related parties	161,485	139,626	160,956	136,681
Total	**161,485**	**139,626**	**271,974,666**	**170,690,108**

3.1. Operating revenue by segment – programme

	GROUP				COMPANY			
	2021		2020		2021		2020	
Aqua Maris programme	354,357,472	34%	338,939,382	34%	250,358,273	40%	227,999,144	40%
Prescription drug programme	212,941,149	20%	173,590,929	18%	162,906,644	26%	127,635,731	22%
Non-prescription programme	146,578,112	14%	115,807,930	12%	102,083,070	16%	85,712,879	15%
Contract manufacturing and licensing out	99,054,138	9%	107,805,580	11%	94,505,202	15%	107,805,580	19%
Other programmes and services	60,280,229	6%	72,902,530	7%	19,007,996	3%	25,709,580	4%
Retail	177,091,156	17%	174,588,264	18%	-	0%	-	0%
Total	**1,050,302,256**	**100%**	**983,634,615**	**100%**	**628,861,185**	**100%**	**574,862,914**	**100%**

3.2. Operating revenue by segment – programme

	GROUP				COMPANY			
	2021		2020		2021		2020	
CIS	386,374,022	37%	282,092,572	29%	206,007,310	33%	161,664,474	28%
CAMA	44,021,295	4%	46,906,894	5%	44,028,311	7%	46,932,607	8%
South-East Europe	421,163,927	40%	419,351,104	43%	174,272,599	28%	177,888,094	31%
Global markets	108,859,429	10%	118,121,223	12%	114,668,750	18%	118,121,811	21%
Black Sea	89,883,583	9%	117,162,822	12%	89,884,215	14%	70,255,928	12%
Total	**1,050,302,256**	**100%**	**983,634,615**	**100%**	**628,861,185**	**100%**	**574,862,914**	**100%**

4. OTHER REVENUE

	GROUP				COMPANY			
	2021		2020		2021		2020	
Revenues from rebates and cash discounts	16,820,629	58%	16,569,409	60%	721,670	1%	683,869	6%
Revenue from the sale of intangible assets	6,378,840	22%	6,633,491	24%	68,319,855	92%	2,410,428	23%
Other revenue	3,042,432	10%	1,407,164	5%	2,798,199	4%	5,181,747	49%
Revenue from grants and subsidies	2,679,488	9%	2,675,684	10%	2,145,038	3%	1,955,922	18%
Revenue from sales of property, plant and equipment	243,719	1%	521,476	2%	168,605	0%	441,889	4%
Total	**29,165,108**	**100%**	**27,807,224**	**100%**	**74,153,367**	**100%**	**10,673,855**	**100%**

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

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

Relations with subsidiaries

	GROUP		COMPANY	
	2021	2020	2021	2020
Revenue from sales of longterm non-current assets to subsidiaries	-	-	64,969,439	764
Total	**-**	**-**	**64,969,439**	**764**

By the assignment agreement between the Company and JGL PPH d.o.o. strategic partnership agreements concluded between JGL d.d. and Zaklady Farmaceutyczne „POLPHARMA" in the net value of HRK 64,968,239 are assigned to JGL PPH and constitute the intangible assets of JGL PPH. The value of these assets was determined on the basis of an appraisal by an independent court expert in bookkeeping, finance and accounting.

5. CHANGE IN INVENTORIES

	GROUP		COMPANY	
	2021	2020	2021	2020
Change in inventories	4,827,425	32,088,629	4,882,678	30,972,414
Total	**4,827,425**	**32,088,629**	**4,882,678**	**30,972,414**

6. MATERIAL COSTS

	GROUP		COMPANY	
	2021	2020	2021	2020
Cost of raw materials, packaging and advanced materials	191,116,056	197,635,040	178,191,442	191,261,101
Office supplies, small inventory, electrical power and fuel	13,104,868	10,804,746	9,782,509	8,145,998
Costs of goods sold	239,555,654	239,633,980	61,497,513	40,712,712
Total	**443,776,578**	**448,073,766**	**249,471,464**	**240,119,811**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Material costs from subsidiaries	-	-	32,179	152,020
Total	**-**	**-**	**32,179**	**152,020**

7. SERVICES COSTS

	GROUP		COMPANY	
	2021	2020	2021	2020
Intellectual services costs	73,408,795	65,190,663	9,287,160	9,159,431
Costs of promotion services, sponsorships and fairs	67,993,848	54,894,543	33,861,640	27,628,071
Other external service costs	47,528,254	45,255,537	35,059,475	32,568,369
Costs of maintenance and protection services	13,104,481	12,130,701	11,853,323	10,899,203
Costs of other consulting	3,317,633	2,662,802	2,193,557	1,969,644
Costs of audit services	406,327	386,553	145,000	144,000
Costs of tax consulting	246,270	501,042	134,120	398,067
Total	**206,005,608**	**181,021,841**	**92,534,275**	**82,766,785**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Service costs from subsidiaries	-	-	110,102	81,426
Service costs from related parties	882,176	745,616	191,342	138,862
Total	**882,176**	**745,616**	**301,444**	**220,288**

8. EMPLOYEE COSTS

	GROUP		COMPANY	
	2021	2020	2021	2020
Number of employees on 31 December	1,112	1,077	663	636
Average number of employees	1,112	1,044	661	610

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Net salaries	129,585,569	119,135,293	80,245,953	71,196,316
Tax, surtax and contributions from salary	45,427,300	42,496,906	32,055,561	29,078,014
Contributions on salaries	29,620,196	26,985,990	17,026,054	14,912,187
Total	**204,633,065**	**188,618,189**	**129,327,568**	**115,186,517**

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Contribution for mandatory pension insurance	34,234,448	29,406,664	20,863,196	18,293,459
Total	**34,234,448**	**29,406,664**	**20,863,196**	**18,293,459**

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

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

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Net salaries	2,565,268	575,473	2,565,268	575,473
Tax, surtax and contributions from salary	430,932	228,480	430,932	228,480
Contributions on salaries	221,298	105,121	221,298	105,121
Total	**3,217,498**	**909,074**	**3,217,498**	**909,074**

9. DEPRECIATION

	GROUP		COMPANY	
	2021	2020	2021	2020
Depreciation of intangible assets	8,774,274	7,343,058	7,938,678	6,571,497
Depreciation of tangible assets	25,843,891	25,987,250	23,379,304	23,541,679
Depreciation of tangible assets under leases	18,030,673	15,746,740	11,553,529	9,393,620
Total	**52,648,838**	**49,077,048**	**42,871,511**	**39,506,796**

10. VALUE ADJUSTMENT

	GROUP		COMPANY	
	2021	2020	2021	2020
Value adjustment of trade receivables	5,098,034	344,680	5,034,426	226,541
Value adjustment of inventories	3,490,083	569,889	3,100,000	-
Value adjustment of longterm assets	990,245	-	990,244	-
Total	**9,578,362**	**914,569**	**9,124,670**	**226,541**

Significant increase in value adjustment of trade receivables in 2021 is a reflection of war events in territories affected by war or sanctions.

11. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Other employee costs	15,723,253	13,729,620	11,959,355	9,994,944
Remuneration of the Management Board and allocation of shares	10,739,858	5,326,667	10,739,858	5,326,667
Costs of consumption of finished products and raw materials	9,963,792	12,763,394	8,795,188	11,845,835
Other operating costs	7,254,424	12,063,419	4,113,822	12,083,503
Insurance costs	6,606,782	5,794,592	3,785,792	3,073,673
Banking costs	2,569,320	1,705,787	1,471,587	826,978
Costs of own product representation	2,245,246	2,109,671	777,017	724,570
Costs of own product registration	2,024,611	2,164,733	1,434,031	1,932,395
Costs of professional training and literature	1,831,402	1,762,388	1,223,706	974,253
Costs of donations	642,747	715,791	508,000	529,390
Unamortised value of scrapped non-current assets	462,310	4,656,786	417,370	4,464,714
Total	**60,063,745**	**62,792,848**	**45,225,726**	**51,776,922**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Other operating expenses from subsidiaries	-	-	755,616	4,044,893
Other operating expenses from related parties	-	18,900	-	18,900
Total	**-**	**18,900**	**755,616**	**4,063,793**

12. NET FINANCE EXPENSES

	GROUP		COMPANY	
	2021	2020	2021	2020
Revenue from interest	268,600	343,299	4,180	805,761
Revenue from exchange rate differences	18,100,589	7,315,171	18,059,784	7,279,092
Revenue from dividend	40,607	434,639	40,607	15,556,259
Other finance revenue	70,441	560,910	70,441	560,493
Total finance revenue	**18,480,237**	**8,654,019**	**18,175,012**	**24,201,605**
Interest expenses	(9,026,890)	(12,388,346)	(8,163,957)	(12,241,036)
Interest expenses for leases	(1,518,480)	(2,541,742)	(1,320,790)	(1,571,530)
Expenses from foreign exchange differences	(13,722,267)	(36,347,484)	(13,665,475)	(36,263,494)
Other finance expenses	(1,237,659)	(4,581)	(1,237,659)	-
Total finance expenses	**(25,505,296)**	**(51,282,153)**	**(24,387,881)**	**(50,076,060)**
Net finance expenses	**(7,025,059)**	**(42,628,134)**	**(6,212,869)**	**(25,874,455)**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Revenue from interest	-	-	-	805,107
Revenue from interest from related parties	-	210	-	210
Revenue from exchange rate differences	-	-	8,046,615	2,799,223
Revenue from dividend	-	-	-	15,121,620
Total finance revenue	**-**	**210**	**8,046,615**	**18,726,160**
Expenses from interest on loans from related parties	(42,438)	(51,877)	-	-
Expenses from foreign exchange differences	-	-	(527,741)	(27,615,313)
Total finance expenses	**(42,438)**	**(51,877)**	**(527,741)**	**(27,615,313)**
Net finance expenses	**(42,438)**	**(51,667)**	**7,518,874**	**(8,889,153)**

13. SHARE IN RESULT OF ASSOCIATES

	GROUP		COMPANY	
	2021	2020	2021	2020
Share in result of associates	(8,673)	40,242	-	-
Total	**(8,673)**	**40,242**	-	-

14. INCOME TAX

	GROUP		COMPANY	
	2021	2020	2021	2020
Current tax	(9,486,320)	(10,115,556)	(667,217)	(184,750)
Deferred tax	(4,879,863)	5,333,050	(6,003,762)	5,239,439
Total	**(14,366,183)**	**(4,782,506)**	**(6,670,979)**	**5,054,689**

	GROUP		COMPANY	
	2021	2020	2021	2020
Profit before tax	**100,554,861**	**70,444,315**	**133,129,147**	**61,051,356**
Base increase	53,189,752	53,851,501	16,116,703	10,067,265
Base reduction	(4,228,753)	(19,031,491)	(2,073,502)	(16,928,579)
Tax base	**149,515,860**	**105,264,325**	**147,172,348**	**54,190,042**
Tax incentive for investment	(25,823,805)	(9,569,468)	(25,823,805)	(9,569,468)
Tax incentives for research and development projects	(500,242)	(456,541)	(500,242)	(456,541)
Tax payable	(9,486,320)	(10,115,556)	(667,217)	(184,750)
Deferred tax	(4,879,863)	5,333,050	(6,003,762)	5,239,439
Total income tax	**(14,366,183)**	**(4,782,506)**	**(6,670,979)**	**5,054,689**
Profit after tax	**86,188,678**	**65,661,809**	**126,458,168**	**66,106,045**

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

The Company uses tax relief in the form of reduced corporate income tax rate, which amounts to 0%. In 2021, the company fully used the incentive measures for the Svilno 2 project.

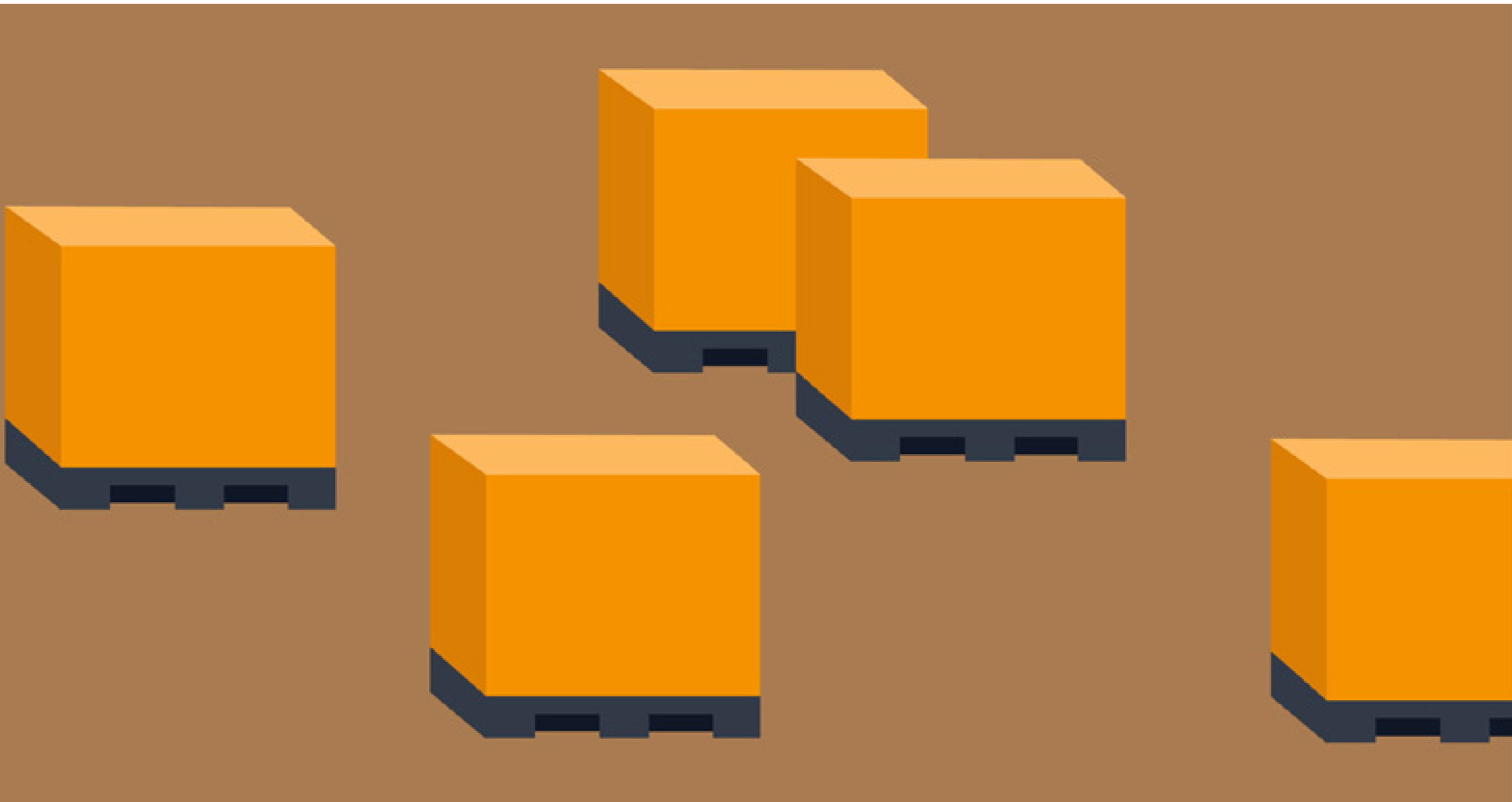
On 10.3.2022, pursuant to the Investment Incentives Act, the Ministry of the Economy and Sustainable Development granted the Company the status of the holder of incentive measures for the project Digitization and Modernization of Development Capacities. The Company enjoys tax benefits in the form of a reduced income tax rate of 0%.

In 2021, the Company reported a tax liability in the amount of HRK 667,217 (HRK 184,750 in 2020) and settled it with advance payments of income tax and profit tax paid abroad based on withholding tax on the sale of licenses, interest and profits of permanent business units in Ukraine. Other companies in the Group do not use tax benefits.

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

15. OTHER COMPREHENSIVE RESULT

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Profit after tax	86,188,678	65,661,809	126,458,168	66,103,045
Foreign exchange gains/losses from conversion of operations abroad	365,215	18,031	-	-
Total comprehensive result	**86,553,893**	**65,679,840**	**126,458,168**	**66,103,045**



16. INTANGIBLE ASSETS

Movement of intangible assets during 2021:

					GROUP
	Internally developed intangible assets	**Patents, licences, trademarks, registration of own products**	**Goodwill**	**Intangible assets in preparation**	**Total intangible assets**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of intangible assets					
As at 31 December 2020	27,117,024	101,606,768	31,607,723	35,581,985	**195,913,500**
Direct increases	-	508,974	-	30,858,780	**31,367,754**
Increase by transfer from assets in preparation	16,397,486	16,647,777	-	(33,045,263)	**-**
Aligned	-	(85,126)	-	(34,525)	**(119,651)**
Reclassified	(5,804,677)	5,804,677	-	(80,722)	**(80,722)**
Expenses and sale	-	(7,161,018)	-	(249,732)	**(7,410,750)**
As at 31 December 2021	**37,709,833**	**117,322,052**	**31,607,723**	**33,030,523**	**219,670,131**
Accumulated depreciation and impairment of intangible assets					
As at 31 December 2020	13,502,190	48,872,314	9,783,063	-	**72,157,567**
Accrued depreciation for 2021	1,639,526	7,215,470	-	(80,722)	**8,774,274**
Reclassified	(380,250)	380,250	-	-	**-**
Value adjustment for intangible assets	598,915	-	-	391,330	**990,245**
Value adjustment for scrapped and sold assets	-	(6,726,212)	-	-	**(6,726,212)**
As at 31 December 2021	**15,360,381**	**49,741,822**	**9,783,063**	**310,608**	**75,195,874**
Current value of intangible assets as at 31 December 2020	**13,614,834**	**52,734,454**	**21,824,660**	**35,581,985**	**123,755,933**
Current value of intangible assets as at 31 December 2021	**22,349,452**	**67,580,230**	**21,824,660**	**32,719,915**	**144,474,257**

Licenses required to perform pharmacy activity with an unlimited lifespan on 31.12.2021 amount to HRK 20,832,598 (in 2020 HRK 20,832,598).

Impairment test of goodwill and unlimited licenses on 31.12.2021. showed that the recoverable amount exceeds the carrying amount and there was no impairment loss

Movement of intangible assets during 2020:

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

Movement of intangible assets during 2021:

				COMPANY
	Internally developed intangible assets	**Patents, licences, trademarks, registration of own products**	**Intangible assets in preparation**	**Total intangible assets**
	in HRK	in HRK	in HRK	in HRK
Purchase value of intangible assets				
As at 31 December 2020	27,117,024	67,749,646	35,307,047	**130,173,717**
Direct increases	-	-	29,556,733	**29,556,733**
Increase by transfer from assets in preparation	16,397,486	15,443,523	(31,841,009)	**-**
Reclassified	(5,804,677)	5,804,677	(80,722)	**(80,722)**
Expenses and sale	-	(6,198,001)	(249,732)	**(6,447,733)**
As at 31 December 2021	**37,709,833**	**82,799,845**	**32,692,317**	**153,201,995**
Accumulated depreciation and impairment of intangible assets				
As at 31 December 2020	13,502,190	39,177,555	-	**52,679,745**
Accrued depreciation for 2021	1,639,526	6,379,874	(80,722)	**7,938,678**
Reclassified	(380,250)	380,250	-	**-**
Value adjustment for intangible assets	598,915	-	391,330	**990,245**
Value adjustment for scrapped and sold assets	-	(6.198.002)	-	**(6,198,002)**
As at 31 December 2021	**15,360,381**	**39,739,677**	**310,608**	**55,410,666**
Current value of intangible assets as at 31 December 2020	**13,614,834**	**28,572,091**	**35,307,047**	**77,493,972**
Current value of intangible assets as at 31 December 2021	**22,349,452**	**43,060,168**	**32,381,709**	**97,791,329**

Movement of intangible assets during 2020:

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

17. PROPERTY, PLANT, EQUIPMENT

Movement of property, plant and equipment during 2021:

					GROUP
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2020	46,051,424	300,722,112	31,962,320	256,160,959	35,427,888
Direct increases	-	34,027	14,311,366	403,244	1,195,472
Increase by transfer from assets in preparation	-	1,272,775	-	6,180,054	1,549,594
Other increases/decreases	(7,269)	(36,233)	182,476	(1,586,302)	847,770
Reclassification	-	-	-	4,106,667	-
Expenses and sale	-	-	(4,578,254)	(572,555)	(2,155,397)
As at 31 December 2021	**46,044,155**	**301,992,681**	**41,877,908**	**264,692,067**	**36,865,327**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2020	-	66,732,029	10,468,904	135,112,917	24,842,253
Accrued depreciation for 2021	-	6,925,741	6,419,053	17,194,177	2,445,072
Reclassification	-	(11,306)	(7,022)	-	81,732
Value adjustment for scrapped and sold assets	-	-	(4,085,615)	(358,968)	(2,143,240)
As at 31 December 2021	**-**	**73,646,464**	**12,795,320**	**151,948,126**	**25,225,817**
Current value of tangible assets 31 December 2020	**46,051,424**	**233,990,083**	**21,493,416**	**121,048,042**	**10,585,635**
Current value of tangible assets 31 December 2021	**46,044,155**	**228,346,217**	**29,082,588**	**112,743,941**	**11,639,510**

Movement of property, plant and equipment during 2021 (continued):

					GROUP
	Right-of-use assets – equipment	Right-of-use assets – vehicles	Other tangible assets	Tangible assets in preparation	Total tangible assets
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2020	95,055,220	18,864,109	1,116,036	22,700,204	808,060,272
Direct increases	-	3,955,358	-	202,692,971	222,592,438
Increase by transfer from assets in preparation	8,660,880	-	15,830	(17,679,133)	-
Other increases/decreases	-	221,377	-	(8,936)	(387,117)
Reclassification	(4,106,667)	-	-	(721,099)	(721,099)
Expenses and sale	-	(2,581,419)	-	(292,938)	(10,180,563)
As at 31 December 2021	**99,609,433**	**20,459,425**	**1,131,866**	**206,691,069**	**1,019,363,931**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2020	29,174,049	7,672,980	-	-	274,003,132
Accrued depreciation for 2021	6,266,000	5,345,620	-	(721,099)	43,874,564
Reclassification	(1,392,238)	(389,340)	-	-	(1,718,174)
Value adjustment for scrapped and sold assets	-	(1,272,280)	-	-	(7,860,103)
As at 31 December 2021	**34,047,811**	**11,356,980**	-	**(721,099)**	**308,299,419**
Current value of tangible assets 31 December 2020	**65,881,171**	**11,191,129**	**1,116,036**	**22,700,204**	**534,057,140**
Current value of tangible assets 31 December 2021	**65,561,622**	**9,102,445**	**1,131,866**	**207,412,168**	**711,064,512**

Lease paid to related parties for property with the right to use - real estate in 2021 amounts to HRK 505,934 (in 2020 HRK 506,081), depreciation expense on these assets amounts to HRK 282,354 (in 2020 HRK 282,354).

Movement of property, plant and equipment during 2020:

					GROUP
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2019	41,712,493	300,380,043	29,993,644	214,648,009	28,177,592
Direct increases	-	446,259	3,975,681	1,853,896	587,288
Increase by transfer from assets in preparation	-	-	-	21,493,083	881,301
Other increases/decreases	7,269	53,008	(397,562)	16,321	(112,629)
Reclassification	4,331,662	(157,198)	-	20,078,799	8,061,142
Expenses and sale	-	-	(1,609,443)	(1,929,149)	(2,166,807)
As at 31 December 2020	**46,051,424**	**300,722,112**	**31,962,320**	**256,160,959**	**35,427,887**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2019	-	60,012,340	5,534,517	114,264,158	23,781,441
Accrued depreciation for 2020	-	6,876,887	5,820,611	16,635,782	2,419,192
Reclassification	-	(157,198)	-	5,550,196	682,294
Value adjustment for scrapped and sold assets	-	-	(886,224)	(1,337,219)	(2,040,674)
As at 31 December 2020	**-**	**66,732,029**	**10,468,904**	**135,112,917**	**24,842,253**
Current value of tangible assets 31 December 2019	**41,712,493**	**240,367,703**	**24,459,127**	**100,383,851**	**4,396,151**
Current value of tangible assets 31 December 2020	**46,051,424**	**233,990,083**	**21,493,416**	**121,048,042**	**10,585,634**

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

					GROUP
	Right-of-use assets – equipment	**Right-of-use assets – vehicles**	**Other tangible assets**	**Tangible assets in preparation**	**Total tangible assets**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2019	112,089,939	14,023,189	832,480	1,559,154	743,416,543
Direct increases	1,661,124	7,625,256	-	53,241,055	69,390,559
Increase by transfer from assets in preparation	9,444,097	-	283,556	(32,102,037)	-
Other increases/decreases	-	(95,438)	-	2,032	(526,999)
Reclassification	(28,139,941)	-	-	-	4,174,464
Expenses and sale	-	(2,688,897)	-	-	(8,394,296)
As at 31 December 2020	**95,055,219**	**18,864,110**	**1,116,036**	**22,700,204**	**808,060,271**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2019	30,433,017	4,620,407	-	-	238,645,880
Accrued depreciation for 2020	4,973,522	5,007,996	-	-	41,733,990
Reclassification	(6,232,491)	-	-	-	(157,199)
Value adjustment for scrapped and sold assets	-	(1,955,423)	-	-	(6,219,540)
As at 31 December 2020	**29,174,048**	**7,672,980**	-	-	**274,003,131**
Current value of tangible assets 31 December 2019	**81,656,922**	**9,402,782**	**832,480**	**1,559,154**	**504,770,663**
Current value of tangible assets 31 December 2020	**65,881,171**	**11,191,130**	**1,116,036**	**22,700,204**	**534,057,140**

Movement of property, plant and equipment during 2021:

					COMPANY
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2020	44,679,854	284,321,871	7,580,911	246,068,285	25,185,767
Direct increases	-	-	5,589,182	-	-
Increase by transfer from assets in preparation	-	826,188	-	6,029,222	1,273,748
Reclassification	-	-	-	-	-
Expenses and sale	-	-	(881,215)	(413,896)	(1,388,601)
As at 31 December 2021	**44,679,854**	**285,148,059**	**12,288,878**	**251,683,611**	**25,070,914**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2020	-	62,224,230	2,486,662	128,846,416	16,987,980
Accrued depreciation for 2021	-	6,483,958	2,015,805	16,268,762	1,347,683
Reclassification	-	-	-	-	-
Value adjustment for scrapped and sold assets	-	-	(671,369)	(413,897)	(1,388,601)
As at 31 December 2021	**-**	**68,708,188**	**3,831,098**	**144,701,281**	**16,947,062**
Current value of tangible assets 31 December 2020	**44,679,854**	**222,097,641**	**5,094,249**	**117,221,869**	**8,197,787**
Current value of tangible assets 31 December 2021	**44,679,854**	**216,439,871**	**8,457,780**	**106,982,330**	**8,123,852**

Movement of property, plant and equipment
during 2021 (continued):

					COMPANY
	Right-of-use assets – equipment	**Right-of-use assets – vehicles**	**Other tangible assets**	**Tangible assets in preparation**	**Total tangible assets**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2020	89,287,428	11,133,382	1,116,036	22,122,068	731,495,602
Direct increases	-	2,606,209	-	202,239,282	210,434,673
Increase by transfer from assets in preparation	8,660,880	-	15,830	(16,805,868)	-
Reclassification	-	-	-	(721,099)	(721,099)
Expenses and sale	-	(647,090)	-	(292,938)	(3,623,740)
As at 31 December 2021	**97,948,308**	**13,092,501**	**1,131,866**	**206,541,445**	**937,585,436**
Accumulated depreciation and impairment of tangible assets					
As at 31 December 2020	27,987,144	4,415,354	-	-	242,947,786
Accrued depreciation for 2021	5,894,554	3,643,170	-	(721,099)	34,932,833
Reclassification	-	-	-	-	-
Value adjustment for scrapped and sold assets	-	(297,446)	-	-	(2,771,313)
As at 31 December 2021	**33,881,698**	**7,761,078**	-	(721,099)	**275,109,306**
Current value of tangible assets 31 December 2020	**61,300,284**	**6,718,028**	**1,116,036**	**22,122,068**	**488,547,816**
Current value of tangible assets 31 December 2021	**64,066,610**	**5,331,423**	**1,131,866**	**207,262,544**	**662,476,130**

Movement of property, plant and equipment during 2020:

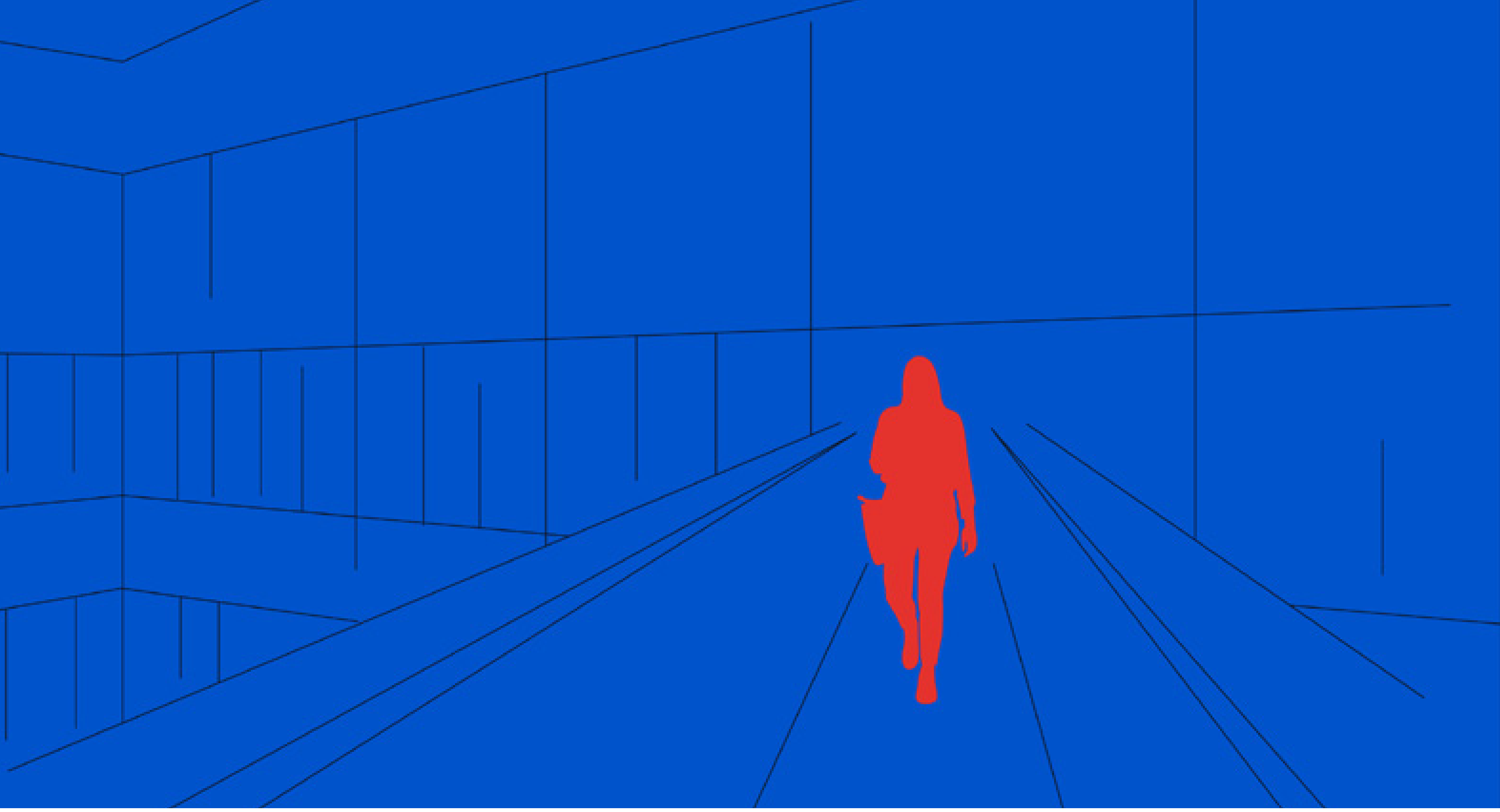
					COMPANY
	Land	**Buildings**	**Right-of-use assets – property**	**Plants and equipment**	**Tools, plant and office inventory, furniture, means of transportation, devices**
	in HRK	in HRK	in HRK	in HRK	in HRK
Purchase value of tangible assets					
As at 31 December 2019	40,348,192	284,479,069	5,745,987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

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

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

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

		GROUP		COMPANY
	2021	**2020**	**2021**	**2020**
Real estate lien	250,975,402	256,111,678	250,975,402	256,111,678



18. 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**
As at 31 December 2019	3,577,709	12,909,547	16,487,256	3,577,709	12,909,547	16,487,256
Increase/decrease in fair value	206,018	612,259	818,277	206,018	612,259	818,277
Reclassification	-	247,004	247,004	-	247,004	247,004
As at 31 December 2020	**3,783,727**	**13,768,810**	**17,552,537**	**3,783,727**	**13,768,810**	**17,552,537**
Increase/decrease in fair value	32,315	121,662	153,977	32,315	121,662	153,977
Reclassification	-	-	-	-	-	-
As at 31 December 2021	**3,816,042**	**13,890,472**	**17,706,514**	**3,816,042**	**13,890,472**	**17,706,514**

19. INVESTMENTS IN SUBSIDIARIES

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

	Ownership share	2021	2020
Farmis d.o.o. Sarajevo	100%	170,228	170,228
Jadran - Galenski laboratorij, d.o.o.Ljubljana	100%	963,101	963,101
JGL d.o.o. Beograd - Sopot	100%	25,448,065	25,448,065
Pablo d.o.o. Zagreb	100%	33,768,528	33,768,528
Adrialab d.o.o.	100%	13,297,472	13,297,472
JADRAN LLC Moscow	100%	693,634	4,425
JGL PPH d.o.o.	100%	64,988,239	-
Total		**139,329,267**	**73,651,819**

During 2021, the Company increased the value of investments in subsidiaries by HRK 65,677,448 (HRK 1,097,472 in 2020). The recapitalization in cash of the company Jadran LLC Moscow in the amount of HRK 689,209 was performed, the company JGL PPH d.o.o. was established with share capital in the amount of HRK 20,000 and recapitalization by entering the rights of part of the receivables based on the assignment of long-term contracts with the strategic partner of the company Zaklady Farmaceutyczne "POLPHARMA" S.A. Warszawa net worth HRK 64,968,239.

Subsidiary Pablo d.o.o. Zagreb has a 100% stake in the Pablo Rijeka Health Institution.

20. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2021	2020	2021	2020
Galena d.o.o. (i)	597,706	606,379	49,000	49,000
Kanal Ri d.o.o. (ii)	845,000	845,000	845,000	845,000
Kvarner Vienna Insurance Group d.d. (ii)	337,575	337,575	337,575	337,575
Deposits given	127,892	-	-	-
Accruals	237	406	-	-
Total	**1,908,410**	**1,789,360**	**1,231,575**	**1,231,575**

(i) The Company recognises it at cost, while the Group recognises it using the equity method.
(ii) There is not enough information for the assessment of the fair value for these entities, so the best assessment of the fair value of these investments is their acquisition cost. The total value of these financial assets is not materially significant.

21. DEFERRED TAX ASSETS

	GROUP		COMPANY	
	2021	2020	2021	2020
Temporary tax differences	7,594,524	4,341,010	2,283,430	510,781
Unused tax relief	8,621,145	16,397,555	8,621,145	16,397,555
Total	**16,215,669**	**20,738,565**	**10,904,575**	**16,908,336**

22. INVENTORIES

	GROUP		COMPANY	
	2021	2020	2021	2020
Raw materials	78,509,507	68,743,033	71,447,905	63,077,273
Work in progress	34,172	83,425	34,172	3,550
Finished goods	74,112,830	73,426,340	70,429,870	69,431,612
Goods	70,042,195	73,800,731	32,027,799	38,197,298
Total	**222,698,704**	**216,053,529**	**173,939,746**	**170,709,733**

	GROUP		COMPANY	
	2021	2020	2021	2020
Cost of products sold	270,154,866	248,162,740	251,217,953	238,641,984

23. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	COMPANY
Description	**Non-current assets held for sale IFRS 5**	**Non-current assets held for sale IFRS 5**
As at 31 December 2019	9,211,025	9,211,025
Increase/decrease in fair value	(9,211,025)	(9,211,025)
As at 31 December 2020	-	-
Reclassification	151,100	-
As at 31 December 2021	**151,100**	**-**

24. RECEIVABLES

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Trade receivables	337,762,973	311,705,245	301,452,214	297,964,126
Employee receivables	45,666	22,978	23,353	6,279
Government receivables	17,513,422	17,877,180	4,735,811	4,715,173
Other current receivables	26,413,285	25,444,262	23,447,259	23,198,908
Total	**381,735,346**	**355,049,665**	**329,658,637**	**32,884,486**

24.1. Trade receivables

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Receivables from subsidiaries	-	-	169,833,979	167,657,110
Receivables from other customers	337,762,973	311,705,245	131,618,235	130,307,016
Total	**337,762,973**	**311,705,245**	**301,452,214**	**297,964,126**

Structure of trade receivables by currency, expressed in kuna:

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
RUB	149,417,196	135,271,092	142,140,899	145,062,599
EUR	115,386,726	90,431,681	118,606,897	107,377,037
HRK	62,345,786	70,441,224	40,119,926	44,049,200
BAM	8,417,633	12,533,674	-	-
RSD	1,611,140	1,552,284	-	-
USD	584,492	1,475,290	584,492	1,475,290
Total	**337,762,973**	**311,705,245**	**301,452,214**	**297,964,126**

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

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
0–90 days	22,317,987	79,206,464	10,183,403	23,459,450
91–180 days	8,315,657	91,203,771	371,452	1,189,131
181–360 days	467,141	147,630	6,716	120,256
over 360 days	394,146	459,656	4,250	45,265
Total	**31,494,931**	**171,017,521**	**10,565,821**	**24,814,102**

24.2. Receivables from subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Relations with subsidiaries and related parties				
Pablo d.o.o.. (group)	-	-	6,291,304	4,253,702
Adrialab d.o.o.	-	-	31,111	-
JGL d.o.o. Beograd-Sopot	-	-	7,705,817	9,595,156
Farmis d.o.o. Sarajevo	-	-	9,412,314	8,735,309
Jadran Galenski laboratorij d.o.o. Ljubljana	-	-	666,909	10,344
JADRAN LLC Moscow	-	-	142,140,900	145,062,599
JGL PPH d.o.o.	-	-	3,585,624	-
Jadran informatika d.o.o.	-	16,767	-	16,767
Poliklinika Pablo	287	-	-	-
Total	**287**	**16,767**	**169,833,979**	**167,673,877**

24.3. Other current receivables

	GROUP		COMPANY	
	2021	2020	2021	2020
Receivables for prepayments	25,098,820	24,485,106	23,406,330	23,198,908
Receivables based on damage compensation	1,635	-	1,446	-
Other receivables	1,312,830	959,156	39,483	-
Total	**26,413,285**	**25,444,262**	**2,447,259**	**23,198,908**

25. CURRENT FINANCIAL ASSETS

	GROUP		COMPANY	
	2021	2020	2021	2020
Loans to subsidiaries	-	-	5,262,022	2,261,070
Loans granted and deposits	44,515	97,686	-	-
Total	**44,515**	**97,686**	**5,262,022**	**2,261,070**

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

	GROUP		COMPANY	
	2021	2020	2021	2020
Investments in investment funds	51,382,560	19,708,986	51,382,560	19,708,986
Total	**51,382,560**	**19,708,986**	**51,382,560**	**19,708,986**

27. CASH AT BANK AND IN HAND

	GROUP		COMPANY	
	2021	2020	2021	2020
Giro account	52,163,967	32,340,266	27,267,879	11,869,110
Cash in hand	318,375	250,992	6,444	8,421
Total	**52,482,342**	**32,591,258**	**27,274,323**	**11,877,531**

	GROUP		COMPANY	
	2021	2020	2021	2020
EUR	23,280,280	5,054,648	17,688,996	1,696,821
HRK	13,595,769	17,134,323	7,648,975	8,878,476
RUB	9,830,523	6,500,392	1,193,415	899,612
BAM	3,670,933	3,420,159	14,486	16,244
RSD	1,342,667	9,598	2,463	2,504
USD	371,542	327,603	335,360	246,773
Other currency	390,628	144,535	390,628	137,101
Total	**52,482,342**	**32,591,258**	**27,274,323**	**11,877,531**

28. OTHER RECEIVABLES

Other receivables pertaining to prepaid expenses:

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Other receivables	5,795,840	5,586,413	3,312,789	3,010,046
Total	**5,795,840**	**5,586,413**	**3,312,789**	**3,010,046**

29. SHARE CAPITAL

As at 31 December 2021, the share capital of the Company amounts to HRK 122,042,500 (HRK 120,560,000 in 2020) and is divided into 1,220,425 shares (1,205,600 in 2020) with a nominal value of HRK 100 per share. The increase is the result of issuing of 14,825 new ordinary shares (13,050 ordinary shares in 2020).

30. RESERVES

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Reserves	92,346,579	81,529,131	91,281,389	80,829,155
Total	**92,346,579**	**81,529,131**	**91,281,389**	**80,829,155**

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

31. OWN SHARES

As at 31 December 2021, the Company has own shares in the amount of HRK 7,709,900 (HRK 7,695,700 in 2020).

32. PROFIT OR LOSS BROUGHT FORWARD

	GROUP		COMPANY	
	2021	2020	2021	2020
Profit brought forward	470,796,304	421,829,846	480,798,293	431,029,259
Total	**470,796,304**	**421,829,846**	**480,798,293**	**431,029,259**

By the Resolution of the General Meeting of 14/06/2021, profit from 2020 in the amount of HRK 66,106,045 was allocated to the legal reserves of the Company to cover development costs that have not been written off, shown under assets in the amount of HRK 3,648,184. The remaining amount of profit in the amount of HRK 62,457,861 was allocated to the Company's profit brought forward. A decision was also made to pay the dividend against the profit brought forward of 2008 and 2009 in the total amount of HRK 12,451,351.

In 2021, HRK 1,840,284 was returned to the profit brought forward due to the decrease in reserves for the repurchase of own shares.

Reserves were created out of the profit brought forward in 2021 for the repurchase of own shares in the amount of HRK 2,077,760.

33. FINANCIAL YEAR PROFIT

	GROUP		COMPANY	
	2021	2020	2021	2020
Profit after tax	86,188,678	65,661,809	126,458,168	66,106,045
Total	**86,188,678**	**65,661,809**	**126,458,168**	**66,106,045**
Earning per share	**76**	**58**	**112**	**59**

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

34. NON-CURRENT PROVISIONS

	GROUP		COMPANY	
	2021	2020	2021	2020
Provisions for anniversary bonuses and severance	2,870,680	2,603,636	2,128,472	1,990,335
Provisions for initiated court disputes	806,181	825,221	806,181	825,221
Total	**3,676,861**	**3,428,857**	**2,934,653**	**2,815,556**

Changes in provisions during 2021 were as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
Provisions as at 1 January	**3,428,857**	**2,987,555**	**2,815,556**	**2,564,595**
Cancellation of provisions	(28,040)	(271,243)	(20,540)	(271,243)
Additional provisions	450,544	936,045	257,137	697,204
Transfer to current provisions	(174,500)	(223,500)	(117,500)	(175,000)
Provision as at 31 December	**3,676,861**	**3,428,857**	**2,934,653**	**2,815,556**

35. NON-CURRENT LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2021	2020	2021	2020
Liabilities towards banks	259,574,480	175,898,272	259,574,480	175,898,272
Total	**259,574,480**	**175,898,272**	**259,574,480**	**175,898,272**

	GROUP		COMPANY	
	2021	2020	2021	2020
Average interest rate on long-term loans	1.39%	2.92%	1.74%	2.92%

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Liabilities towards banks				
As at 01.01.	175,898,272	178,051,836	175,898,272	178,051,836
New debt and exchange rate differences	109,251,334	24,328,247	109,251,334	24,328,247
Transfer to short-term position	(25,575,126)	(26,481,811)	(25,575,126)	(26,481,811)
As at 31.12.	**259,574,480**	**175,898,272**	**259,574,480**	**175,898,272**

Maturity of non-current liabilities toward banks and financial institutions:

			GROUP
	Current maturity 2022	**2023 – 2026**	**2027 – forward**
Liabilities towards banks	92,050,774	128,053,194	131,521,286
Total	**92,050,774**	**128,053,194**	**131,521,286**

			COMPANY
	Current maturity 2022	**2023 – 2026**	**2027 – forward**
Liabilities towards banks	82,006,075	128,053,194	131,521,286
Total	**82,006,075**	**128,053,194**	**131,521,286**

Total short-term and long-term debt to HBOR as at 31 December 2021 amounts to HRK 341,580,555 (in 2020 HRK 202,400,183).

Liability toward a long-term loan from HBOR, which in 2013 financed the investment of the Svilno 2 production plant, on 31 December 2021 amounts to HRK 152,884,878 (in 2020 HRK 179,473,552). The loan was approved at HRK 279,830,373, and the repayment of the principal began in 2019.

During 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 HRK 279,830,373 with an interest rate of 1.50%. The estimated duration of the investment and use of the loan is until June 30, 2022. Up to 31 December 2021 HRK 134,853,496 of loan was consumed (HRK 24,428,247 in 2020).

36. NON-CURRENT LEASE LIABILITIES

	GROUP		COMPANY	
	2021	2020	2021	2020
Lease liabilities	36,937,781	37,666.403	17,608,792	21,624,412
Total	**36,937,781**	**37,666,403**	**17,608,792**	**21,624,412**

Relations with related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Non-current lease liabilities	753,514	1,035,868	-	-
Total	**753,514**	**1,035,868**	**-**	**-**

	GROUP		COMPANY	
	2021	2020	2021	2020
Liabilities towards lease				
As at 01.01.	37,666,403	40,507,089	21,624,412	21,885,573
New debt and exchange rate differences	18,897,693	28,194,790	8,704,856	21,587,667
Transfer to short-term position	(19,626,315)	(31,035,476)	(12,720,476)	(21,848,828)
As at 31.12.	**36,937,781**	**37,666,403**	**17,608,792**	**21,624,412**

Maturity of non-current lease liabilities:

			GROUP
	Current maturity 2022	2023 – 2026	2027 – forward
Lease liabilities	18,702,015	34,213,181	2,724,600
Total	**18,702,015**	**34,213,181**	**2,724,600**

			COMPANY
	Current maturity 2022	2023 – 2026	2027 – forward
Lease liabilities	11,703,152	16,967,226	641,566
Total	**11,703,152**	**16,967,226**	**641,566**

37. NON-CURRENT SECURITY LIABILITIES

Non-current security liabilities of the Company as at 31 December 2021 amount to HRK 128,717,372, and relate to liabilities for issued long-term bonds (HRK 128,284,569 in 2020).

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

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

38. DEFERRED TAX LIABILITY

	GROUP		COMPANY	
	2021	2020	2021	2020
Deferred tax liability	3,672,808	3,631,902	-	-
Total	**3,672,808**	**3,631,902**	**-**	**-**

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

39. CURRENT LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2021	2020	2021	2020
Liabilities towards banks	92,050,774	36,501,911	82,006,075	26,501,911
Total	**92,050,774**	**36,501,911**	**82,006,075**	**26,501,911**

	GROUP		COMPANY	
	2021	2020	2021	2020
Liabilities towards banks				
As at 01.01.	36,501,911	37,270,831	26,501,911	27,270,831
Yield, new debt and exchange rate differences	110,623,533	44,907,118	100,578,030	34,907,118
Repayment	(55,074,670)	(45,676,038)	(45,073,866)	(35,676,038)
As at 31.12.	**92,050,774**	**36,501,911**	**82,006,075**	**26,501,911**

40. CURRENT LEASE LIABILITIES

	GROUP		COMPANY	
	2021	2020	2021	2020
Lease liabilities	18,702,015	23,197,917	11,703,152	16,450,142
Total	**18,702,015**	**23,197,917**	**11,703,152**	**16,450,142**

Relations with related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Current lease liabilities	330,153	325,049	-	-
Total	**330,153**	**325,049**	**-**	**-**

	GROUP		COMPANY	
	2021	2020	2021	2020
Lease liabilities				
As at 01.01.	23,197,917	24,091,558	16,450,142	18,841,822
Yield, new debt and exchange rate differences	21,739,496	33,867,244	14,235,967	24,751,997
Repayment	(26,235,398)	(34,760,885)	(18,982,957)	(27,143,677)
As at 31.12.	**18,702,015**	**23,197,917**	**11,703,152**	**16,450,142**

41. TRADE PAYABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
Trade payables	210.855.714	173,925,384	146,679,011	104,335,697
Total	**210,855,714**	**173,925,384**	**146,679,011**	**104,335,697**

Structure of liabilities towards suppliers by currency:

	GROUP		COMPANY	
	2021	2020	2021	2020
HRK	96,042,709	82,486,094	62,506,794	45,794,169
EUR	88,296,080	66,706,734	79,419,736	58,423,427
RUB	20,700,742	22,468,062	399,448	-
USD	371,863	100,065	368,076	96,566
CHF	3,927,765	1,761,505	3,927,765	-
Other currencies	1,516,555	402,924	57,192	21,535
Total	**210,855,714**	**173,925,384**	**146,679,011**	**104,335,697**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Adrialab d.o.o.	-	-	2,058,526	791,169
Jadran Galenski laboratorij d.o.o. Ljubljana	-	-	7,104	9,157
Jadran LLC	-	-	189,626	-
Kanal Ri d.o.o. Rijeka	-	8,333	-	8,333
Jadran informatika d.o.o. Rijeka	637,059	99,946	455,991	8,126
Total	**637,059**	**108,279**	**2,711,247**	**816,785**

42. CURRENT LIABILITIES ARISING FROM OTHER SECURITIES

Current liabilities arising from other securities pertain to bills of exchange issued to suppliers:

	GROUP		COMPANY	
	2021	2020	2021	2020
Current liabilities arising from other securities	-	4,000,000	-	4,000,000
Total	**-**	**4,000,000**	**-**	**4,000,000**

43. OTHER LIABILITIES

	GROUP		COMPANY	
	2021	2020	2021	2020
Liabilities towards employees	21,258,295	17,212,386	16,920,069	13,922,259
Liabilities for taxes, contributions and other fees	20,581,492	16,311,269	14,848,174	12,093,808
Liabilities for accrued charges	33,022,364	21,194,983	13,663,177	8,413,145
Liabilities for received advances	8,546,787	2,492,863	8,485,891	2,374,792
Other current liabilities and current provisions	4,398,865	1,349,270	4,258,171	1,294,585
Total	**87,807,803**	**58,560,771**	**58,175,482**	**38,098,589**

Relations with subsidiaries and related parties

	GROUP		COMPANY	
	2021	2020	2021	2020
Other liabilities towards related parties	3,907,775	2,244,357	3,907,775	2,244,357
Total	**3,907,775**	**2,244,357**	**3,907,775**	**2,244,357**

44. RISK MANAGEMENT

44.1. Financial risk factors

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

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

44.2. Foreign currency risk

The Group and the Company are exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. Foreign currency risk is present due to possible foreign exchange rate fluctuations. The dominant role of export in Group and Company sales results in the exposure to foreign currency risk, since foreign currency assets exceed the amount of foreign currency liabilities. The existing policies of the Group and the Company include active risk protection.

The exposure to foreign currency risk is constantly monitored and hedge accounting is used as necessary. The parent company, and the subsidiary Jadran LLC, which bears 50% of the costs of exchange rate differences, are most exposed to currency risk. The decision on hedging depends on the currency in which the receivables are denominated, type of hedging instrument and its price. As at 31 December 2021, the Company did not have any active forward contracts.

The following table shows the carrying amounts of assets and liabilities of the Group in foreign currencies as at 31 December 2021.

Thousand HRK

	LIABILITIES		ASSETS	
	2021	**2020**	**2021**	**2020**
EUR	118,912	107,801	173,886	113,031
RUB	102,514	42,209	159,372	145,536
USD	328	99	567	1,631
Other currencies	9,755	7,503	15,560	20,220

The following table shows the carrying amounts of assets and liabilities of the Company in foreign currencies as at 31 December 2021.

Thousand HRK

	LIABILITIES		ASSETS	
	2021	2020	2021	2020
EUR	94,431	85,111	179,985	126,415
RUB	52,352	61	139,428	150,647
USD	328	99	567	1,631
Other currencies	4,106	693	-	2,460

The Group and the Company are primarily exposed to the foreign currency risk from the fluctuation of the kuna (HRK) in relation to EUR, USD and RUB. The Group and the Company have significant receivables denominated in the Russian rouble. The exchange rate of the rouble is strongly influenced by the political situation between the USA and Russia and by the price of oil on global markets.

During 2021, the Russian ruble had a strengthening trend, the appreciation against the euro was mostly driven by rising oil and gas prices. At the end of the year, due to political tensions on the territory of Russia and Ukraine, there is a change in the trend and depreciation of the Russian ruble against the euro. The difference between the maximum and minimum EUR / RUB exchange rates is 15%, which is another proof of the exceptional volatility of this currency. During this period, the Russian ruble gained in value, and with it the value of the Group's and the Company's receivables.

Should the exchange rate of EUR increase by 1% against the exchange rate of HRK on 31 December 2021, provided that all the other indicators remain the same, the net profit of the Group for the reporting period would be HRK 549,537 higher (HRK 57,074 higher in 2020). The sensitivity analysis includes foreign currency assets and liabilities. In case of an inversely proportional change in the value of the euro against the Croatian kuna, the effect on profit would be equal and opposite.

Should the exchange rate of RUB increase by 1% against the exchange rate of HRK on 31 December 2021, provided that all the other indicators remain the same, the net profit of the Group for the reporting period would be HRK 504,492 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 966,201 in 2020). The sensitivity analysis includes foreign currency assets and liabilities. In case of an inversely proportional change in the value of the Russian rouble against the Croatian kuna, the effect on profit would be equal and opposite.

Should the exchange rate of EUR increase by 1% against the exchange rate of HRK on 31 December 2021, provided that all the other indicators remain the same, the net profit of the Company for the reporting period would be HRK 854,889 higher (HRK 419,365 higher in 2020). The sensitivity analysis includes foreign currency assets and liabilities. In case of an inversely proportional change in the value of the euro against the Croatian kuna, the effect on profit would be equal and opposite.

Should the exchange rate of RUB increase by 1% against the exchange rate of HRK on 31 December 2021, provided that all the other indicators remain the same, the net profit of the Company for the reporting period would be HRK 868,807 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 1,446,148 in 2020). The sensitivity analysis includes foreign currency assets and liabilities. In case of an inversely proportional change in the value of the Russian rouble against the Croatian kuna, the effect on profit would be equal and opposite.

44.3. Interest rate risk

The Group's and the Company's business activities give rise to a minimal exposure of their cash flows to interest rate risk since the majority of interest rate debt is contracted at a fixed interest rate, which exposes the Group and the Company to the fair value interest rate risk.In 2021, the average interest rate on bank loans to the Group was 1.74% (2.88% in 2020). In 2021, the average interest rate on bank loans to the Company was 1.75% (2.92% in 2020).

The Group and the Company do not use derivative instruments for active protection against interest rate risk exposure (cash flow interest rate risk and fair value interest rate risk), but they actively monitor interest rate movements on the market. For the purposes of short-term financing, the Group and the Company use funds from the lines of credit arranged with their commercial banks at favourable interest rates.

44.4. Credit risk and liquidity risk

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

Credit risk in connection with trade receivables is limited since these receivables are spread across various geographical areas and customers. Within the Group, the parent company is exposed to this risk the most. More specifically, about 75% of trade receivables are foreign trade receivables. The company aims to protect itself by obtaining payment insurance instruments and by selecting customers based on the evaluation of their creditworthiness. In order to further protect the collection of foreign receivables, 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 and performing other business operations through commercial banks, which are among the leading banks and possess satisfactory levels of capital adequacy.

The Group and the Company are a part of the healthcare system and as such they are indirectly subject to the payment maturity risk. The security risk connected to receivables in the pharmacy system is reduced through the market position of the affiliate entity LJEKARNA PABLO, whose purchase from wholesale pharmacies is based on the share of a wholesale pharmacy in JGL sales. JGL ensures nearly 90% of its pharmaceutical wholesale in Croatia by directing the purchase policy of its affiliate, so the payment security risk is virtually non-existent. In Croatia, during 2021, the average days of collection of receivables were 120 days. In the Russian market, the most important export market, the average collection days from wholesalers were 120 days, while in the home countries of other companies within the Group, the average collection days from customers were 60-90 days.

The liquidity risk is manifested as the risk that the Group and the Company will not be able to fulfil their obligations towards creditors or that they will not be able to raise cash fast enough and sell their less liquid assets (receivables and inventories). The Group and the Company manage their liquidity risk by maintaining sufficient amounts of liquid assets and working capital, and by negotiating favourable credit lines with various commercial banks, allowing for a fast withdrawal of short-term funds under more favourable conditions. During 2021, the parent company within the Group has credit lines in EUR approved and contracted with commercial banks in the total amount of EUR 10 million. These lines are used as a liquidity reserve and there was no need for their use in the last year. Pablo HI is the co-debtor in the credit line approved to the parent company and may use assets up to the amount of EUR 5.6 million. Jadran LLC, subsidiary in Russia, has contracted credit lines for short-term loan and overdraft that can be used for liquidity purposes in amount of RUB 400 million.

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

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Group as at 31 December 2021					
Non-interest-bearing liabilities:					
Trade payables	210,856	210,856	210,856	-	-
Other liabilities	54,785	54,785	54,785	-	-
Interest liabilities:					
Loan liabilities	484,990	484,990	42,815	175,302	266,873
Bond liabilities	136,825	136,825	2,275	134,550	-
Lease liabilities	57,818	57,818	19,526	36,209	2,083
	945,274	**945,274**	**330,257**	**346,061**	**268,956**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	381,735	381,735	381,735	-	-
Cash and cash equivalents	103,864	-	-	-	-
Interest-bearing assets:					
Loans granted	45	45	45	-	-
	485,644	**381,780**	**381,780**	**-**	**-**
Net liquidity position	**(459,630)**	**(563,494)**	**51,523**	**(346,061)**	**(268,956)**

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Group as at 31 December 2020					
Non-interest-bearing liabilities:					
Trade payables	173,925	173,925	173,925	-	-
Other liabilities	63,332	63,332	63,332	-	-
Interest liabilities:					
Loan liabilities	229,575	229,575	40,259	117,210	72,106
Bond liabilities	139,100	139,100	2,275	136,825	-
Leasing liabilities	62,203	62,203	23,882	35,964	2,357
	668,135	**668,135**	**303,673**	**289,999**	**74,463**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	355,050	355,050	355,050	-	-
Cash and cash equivalents	52,300	-	-	-	-
Interest-bearing assets:					
Loans granted	98	98	98	-	-
	407,448	**355,148**	**355,148**	**-**	**-**
Net liquidity position	**(260,687)**	**(312,987)**	**51,475**	**(289,999)**	**(74,463)**

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Company as at 31 December 2021					
Non-interest-bearing liabilities:					
Trade payables	146,679	146,679	146,679	-	-
Other liabilities	44,512	44,512	44,512	-	-
Interest liabilities:					
Loan liabilities	474,990	474,990	32,815	175,302	266,873
Bond liabilities	136,825	136,825	2,275	134,550	-
Lease liabilities	31,491	31,491	12,528	18,963	-
	834,497	**834,497**	**238,809**	**328,815**	**266,873**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	329,659	329,659	329,659	-	-
Cash and cash equivalents	78,657	-	-	-	-
Interest-bearing assets:					
Loans granted	5,262	5,262	5,262	-	-
	413,578	**334,921**	**334,921**	**-**	**-**
Net liquidity position	**(420,919)**	**(499,576)**	**96,112**	**(328,815)**	**(266,873)**

Thousand HRK

	Net carrying value	Contracted cash flows	Up to 1 year	1–5 years	Over 5 years
Company as at 31 December 2020					
Non-interest-bearing liabilities:					
Trade payables	104,336	104,336	104,336	-	-
Other liabilities	42,099	42,099	42,099	-	-
Interest liabilities:					
Loan liabilities	219,575	219,575	30,259	117,210	72,106
Bond liabilities	139,100	139,100	2,275	136,825	-
Lease liabilities	39,413	39,413	17,134	22,279	-
	544,523	**544,523**	**196,103**	**276,314**	**72,106**
Non-interest-bearing assets:					
Trade receivables (including promissory notes) and other receivables	325,884	325,884	325,884	-	-
Cash and cash equivalents	31,587	-	-	-	-
Interest-bearing assets:					
Loans granted	2,261	2,261	2,261	-	-
	359,732	**328,145**	**328,145**	**-**	**-**
Net liquidity position	**(184,791)**	**(216,378)**	**132,042**	**(276,314)**	**(72,106)**

44.5. Market risk

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

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

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

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

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

The Group and the Company manage their market risks through a diversified product portfolio, sophisticated technology and manufacturing processes, and through investments in highly skilled staff and research and development.

44.6. Capital management

The Group and the Company manage their credit debt by regulating the proportion of self-financing versus financing from external sources. Financing from other sources is based on long-term assets with extremely favourable interest rates, which does not represent a burden on the Group's and the Company's liquidity.

With regard to debt type, the Group has long-term liabilities for received loans, leasing and issued bonds, as well as short-term liabilities for received loans.

JGL as the parent company bears the greatest part of the debt burden. The liability for the long-term HBOR loan used to finance an investment in a new production facility Svilno 2 amounts to HRK 152,884,878. 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. The amount of the short-term HBOR loan due in 2022 is HRK 26,588,675.

During 2020, the parent company began the INTEGRA 2020 investment, which includes expanding production capacity, equipping development laboratories, building a pilot plant and logistics center, and arranging office space. The investment was financed partly from own funds and partly from a long-term loan from HBOR in the amount of HRK 279,830,373 with a favorable fixed interest rate. The estimated duration of the investment and use of the loan is until June 30, 2022. By the end of 2021, 48% of the loan was consumed and the principal on December 31, 2021 amounted to HRK 134,853,496.

The Company has liabilities towards the holders of bonds with the code HRJDGLO24XA2, in the amount of HRK 130,000,000 and maturity on 18 December 2024.

Within the Group parent company and the associated company Pablo HI have liabilities under short-term loans. The parent company has a short-term loan in the amount of RUB 600,000,000 maturing in January 2022, realized for the purpose of reducing the company's exposure to the Russian ruble by reducing the difference between foreign currency assets and liabilities, thus minimizing currency risk associated with this volatile currency. The subsidiary Pablo HI has a short-term loan for financing working capital in the amount of HRK 10,000,000, which matures in July 2022.

The decrease of debt and shorter period of collection of receivables resulted in financial stability, liquidity of the Group and the Company, creditworthiness, and a good net-debt-to-capital ratio.

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

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

		GROUP		**COMPANY**
	2021	**2020**	**2021**	**2020**
Debt				
Short-term and long-term debt	535,982,422	401,549,072	499,609,871	368,759,306
Cash and cash equivalents and loans granted	(103,909,417)	(52,397,930)	(83,918,905)	(33,847,587)
Net debt	**432,073,005**	**349,151,142**	**415,690,966**	**334,911,719**
Total capital and reserves	763,664,161	681,885,086	812,870,450	690,828,759
Net debt / capital and reserves	0.57	0.51	0.51	0.48
Financial leverage ratio	36.13%	33.86%	33.84%	32.65%

44.7 Categories of financial instruments

	GROUP		COMPANY	
	2021	2020	2021	2020
Financial assets at fair value				
Investments in securities	52,565,134	20,891,561	52,565,134	20,891,561
Total	**52,565,134**	**20,891,561**	**52,565,134**	**20,891,561**
Financial assets at amortised cost				
Trade receivables	337,762,973	311,705,245	301,452,214	297,964,127
Cash and cash equivalents	52,482,342	32,591,258	27,274,323	11,877,531
Other financial assets	44,515	97,686	5,262,022	2,261,070
Total	**390,289,830**	**344,394,189**	**333,988,559**	**312,102,728**
Financial liabilities at amortised cost				
Loan liabilities	351,625,254	212,400,183	341,580,555	202,400,183
Liabilities arising from bonds and securities	128,717,372	132,284,569	128,717,372	132,284,569
Trade payables	210,855,714	173,925,384	146,679,011	104,335,696
Lease liabilities	55,639,796	60,864,320	29,311,944	38,074,554
Total	**746,838,136**	**579,474,456**	**646,288,882**	**477,095,002**

45. FAIR VALUE

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

46. CONTINGENT LIABILITIES

There are several ongoing judicial disputes against the Group and the Company for which the Executive Director believes that the potential final liability for disputes and appeals will not have any significant impact on the financial position or future business performance of the Group or the Company.

47. KEY MANAGEMENT REMUNERATION

	GROUP		COMPANY	
	2021	2020	2021	2020
Net salaries	11,203,516	6,961,597	6,778,819	2,940,079
Taxes and contributions from salary	5,457,659	3,478,991	3,981,916	2,066,258
Contributions on salary	2,592,948	1,391,985	1,879,892	826,046
Remuneration of the Management Board and allocation of shares	10,958,464	5,402,019	10,739,858	5,326,667
Total	**30,212,587**	**17,234,592**	**23,380,485**	**11,159,050**

	GROUP		COMPANY	
	2021	2020	2021	2020
Annual awards and bonuses to the key management	5,876,659	8,163,426	4,404,823	3,498,375
Number of shares assigned to the key management	3,298	-	3,298	-

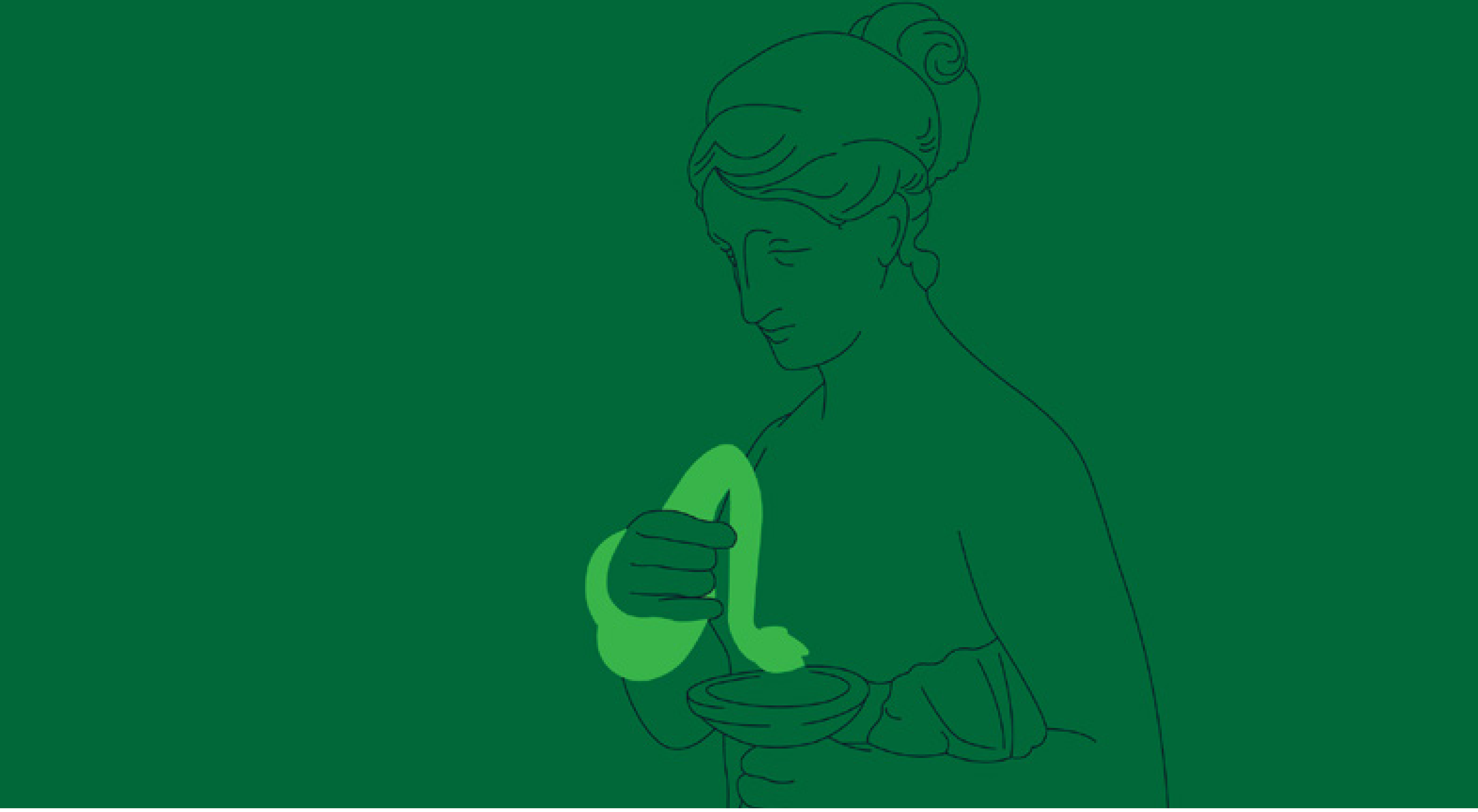
48. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS FOR 2020

In 2021, the Group and the Company reclassified certain items in the statement of comprehensive income for 2020 to make them comparable to the information for 2021 through changes in the presentation of certain items.

48.1. Expenses

In the original statement of comprehensive income for 2020 Costs of discounted interest on bonds were in part Other operating expenses. This amount is reclassified and now included in Financial expenses.

	GROUP			COMPANY		
	2020 after reclassification	2020 before reclassification	Reclassification effect	2020 after reclassification	2020 before reclassification	Reclassification effect
Other operating expenses	(62,792,848)	(63,055,187)	262,339	(51,776,922)	(52,039,261)	262,339
Financial expenses	(51,282,153)	(51,019,814)	(262,339)	(50,076,060)	(49,813,721)	(262,339)
Total	**(114,075,001)**	**(114,075,001)**	**-**	**(101,852,982)**	**(101,852,982)**	**-**



49. IMPACT OF COVID-19 ON OPERATION OF THE GROUP AND THE COMPANY

In 2021, the Group and the Company fully adapted to the pandemic and did not feel the negative effect of it.

50. FINANCIAL LIABILITIES NOT INCLUDED IN THE BALANCE SHEET

Financial obligations not included in the balance sheet are monitored through off-balance sheet records within the Company and comprise:

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
Credit lines with bank	80,171,740	59,265,666	80,171,740	59,265,666
Issued guarantees	43,781,968	2,019,058	43,781,968	2,019,058
Received guarantees	25,115,640	4,298,526	25,115,640	4,298,526
Contracted repro material	2,769,408	1,086,411	2,769,408	1,086,411
Total	**151,838,756**	**66,669,661**	**151,838,756**	**66,669,661**

51. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

In February 2022, the conflict between Russia and Ukraine escalated. In the war-torn territory of Ukraine, the Company has a permanent business unit and 63 full-time employees, and in 2021 it generated 13% of revenue. The company in Kiev has a consignment warehouse for rent, which is shown in the balance sheet as leased assets worth HRK 561,483, which contains products and goods worth HRK 3,971,586. The warehouse building and products are undamaged. The company also has 30 cars that are shown in the balance sheet as leased assets worth HRK 2,040,517. All cars as well as employees are now in areas without war operations.

In the territories affected by sanctions, Russia and Belarus, the Company has representative offices with a smaller number of employees, consignment warehouses and a subsidiary in Russia with 212 employees. The imposed sanctions did not cover pharmaceutical products, and operations are normally conducted with certain difficulties in cash flows, which the Group is successfully resolving.

52. INDEFINITE BUSINESS

The events of the war in the most important markets of the Company and the Group certainly carry risks and challenges. Sales in part of Ukraine will be slowed down or stopped. The situation affects the financial market, where there are constant changes in the value of the Russian ruble and other domicile currencies and difficult, but not stopped, payment transactions. Although the Russian and Ukrainian markets account for 41% of the Group's revenue, it has been working for years to diversify and reduce its dependence on individual markets, and the Group currently operates in about 60 markets worldwide.

Management continues to manage this crisis in the best interest of employees and the company with continued sales and investments in accordance with the situation and revised business plans.

If war operations are significantly expanded or sanctions are tightened, which would cause large-scale negative economic effects, then the question of indefinite business may be raised.

53. APPROVAL OF FINANCIAL STATEMENTS

Financial statements shown on the previous pages were prepared and approved for issuing by the Company's Executive Director on 25 April 2022.

For JGL d.d.

Mislav Vučić,
Executive Director