# 2022

INTEGRATED ANNUAL REPORT JGL GROUP

# 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.


# COOPERATION OF THE YEAR

*In 2022, JGL and the Croatian Football Association formed a professional partnership which connected two globally recognised Croatian brands – the Croatian national football team and Aqua Maris.*

Photo: Drago Sopta/HNS


HEP
PBZ

*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 2021 to 31 December 2021, while the "current period" relates to the period from 1 January 2022 to 31 December 2022.

Rijeka, April 2023

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MANAGEMENT REPORT

# INTRODUCTION

Dear Stakeholders,

Behind us is a year in which we were faced with extraordinary geopolitical uncertainty, which triggered a series of unpleasant surprises and extreme market volatility. Although the year started out well, with a slight recovery after the coronavirus pandemic, the war in Ukraine caused strong market upheavals, which additionally worsened the crisis in the areas of international cooperation, supply chain security, a lack of raw materials and further increased global inflation pressures and the price of energy, which, as a consequence, led to the drop in the purchasing power of people across the world. The global market slowed again suddenly and the economies of Europe, the United States and China were hit. All this influenced and will continue to influence business, employment and investments in the following year as well.

However, market demand adaptability and readiness to face unpredictable circumstances has been shown to be key for successfully managing risks and ensuring business stability. The local pharmaceutical sector has proven itself as the strongest industry branch and a leading exporter, where investment efforts are predominantly connected with sustainable innovations, in other words, with creating added value for patients and consumers.

It is the balance of innovation, or rather, the research and development segment, with established business ideas and a focus on the needs of patients and consumers which we at JGL consider to be essential for competitiveness in a global market. This is why it is no surprise that, over the past two years, we have doubled investments into research and development, specifically, the intellectual capital of the company, with a parallel investment of HRK 400 million into our INTEGRA capital project through which we are integrating company research and development, production, and warehousing capacities.

Thanks to the founding of the international Science Advisory Board and the fantastic enthusiasm of our employees and renowned European scientists in the strategic areas of ophthalmology, otorhinolaryngology and dermatology, we have recently achieved a historic step in the science-innovation ecosystem. We have started the third phase of clinical testing whose end goal is developing an innovative nasal spray for colds and launching it on the European market.

I am proud that the professional competencies, knowledge and creativity of our employees are helping the company find the right path, that the stronger positioning of Aqua Maris, Meralys, Vizol S, Aknekutan,... in a global environment and an age of strong digital transformations is supported by teamwork, focus and dedicated work, and that we are increasingly more connected, which encourages, first and foremost, collaboration and solidarity, with the aim of doing good, both in our company and the community in which we do business.

JGL is a desirable partner of not only leading global companies in the pharmaceutical industry, but also numerous institutions and teams outside of the sector. Cooperation with universities, among which I wish to particularly emphasise our cooperation with the University of Rijeka which has led to the pharmacy study programme in our city; cooperation with the Museum of the City of Rijeka which significantly contributes to the realisation of the mission of the JGL Pharmacy Museum; cooperation with institutes such as Ivo Pilar, which has helped us tell the unknown story of Nikola Tesla's childhood as a part of our Pablo pharmacy in Gospić; cooperation with the Croatian national football team which is among the best in the world, similar to our existing and upcoming brands... This sustainable networking with local, national and wider communities gives us an indescribable sense of joy, makes us grow as professionals and as people most of all.

We are aware of the huge privilege, but also responsibility which we fulfil with JGL's mission of improving the quality of life by taking care of people's health. They say that fortune favours the bold and I would just like to add that fortune needs to be accompanied by a clear and attainable strategy with a focus on the ESG approach, technology investment and the most important part, people who can, with their knowledge, effort and dedication, shape the future. We have proven that, even in extremely unfavourable circumstances, we can expand exports, create new jobs, reduce the negative impact on the environment, improve business processes and, finally, do business positively. Sustainability has become unavoidable for business models and JGL is no exception.

We are striving for new growth opportunities with persistence and motivation and taking a clear position in our responsible relations with employees, the environment, and the community in which we operate. As an international company, we foster, respect and encourage our diversity and cherish our values as they enrich us and make us better people. Only through mutual respect, efforts and continued learning can we do more, in a better way and with added value. We can retain market competitiveness while doing business and living sustainably.

**Ivo Usmiani,**
President of JGL's Board of Directors

# BOARD OF DIRECTORS

**Ivo Usmiani**
President of the Board of Directors

**Dino Ćoza Saršon**
Vice President of the Board of Directors

Ivo Usmiani was born on the island of 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 was the company's director since the founding of JGL in 1991 and president of the Board since 2015.

Dino Ćoza Saršon was born on 9 October 1988. He graduated from the Faculty of Pharmacy and Biochemistry of the University of Zagreb. He was of a member of the Management Board of Adrialab and at JGL has successfully managed the intragroup transfer of technology with technological and infrastructural investments into production capacities of affiliated companies. He was appointed a Member of the Board of Directors on 1 July 2021.

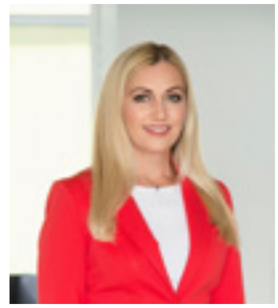
**Mislav Vučić**
Member of the Board of Directors
Chief Executive Officer

Mislav Vučić was born in Zagreb on 10 April 1974. He completed his MBA at the Institute of De Empresa Business School, one of the best business schools in Europe and graduated from the Faculty of Economy & Business in Zagreb. In his 20-year career at Pliva, Teva, and Sandoz, he was active in many fields of the 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 the integration of Actavis.

**Eva Usmiani Capobianco**
Member of the Board of Directors

Eva Usmiani Capobianco was born in Rijeka on 24 March 1982. She graduated from the University of Rijeka, Faculty of Economics and Business with a management major and obtained her masters degree in Madrid in 2007 in enterprise management and leadership. She started her career at JGL in the Marketing and Sales Department and then became brand manager for the non-prescription programme, followed by leading the spin-off project of Adrialab as Assistant Director of JGL. 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 Pharmacy Museum.

**Grozdana Božić**
Member of the Board of Directors



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

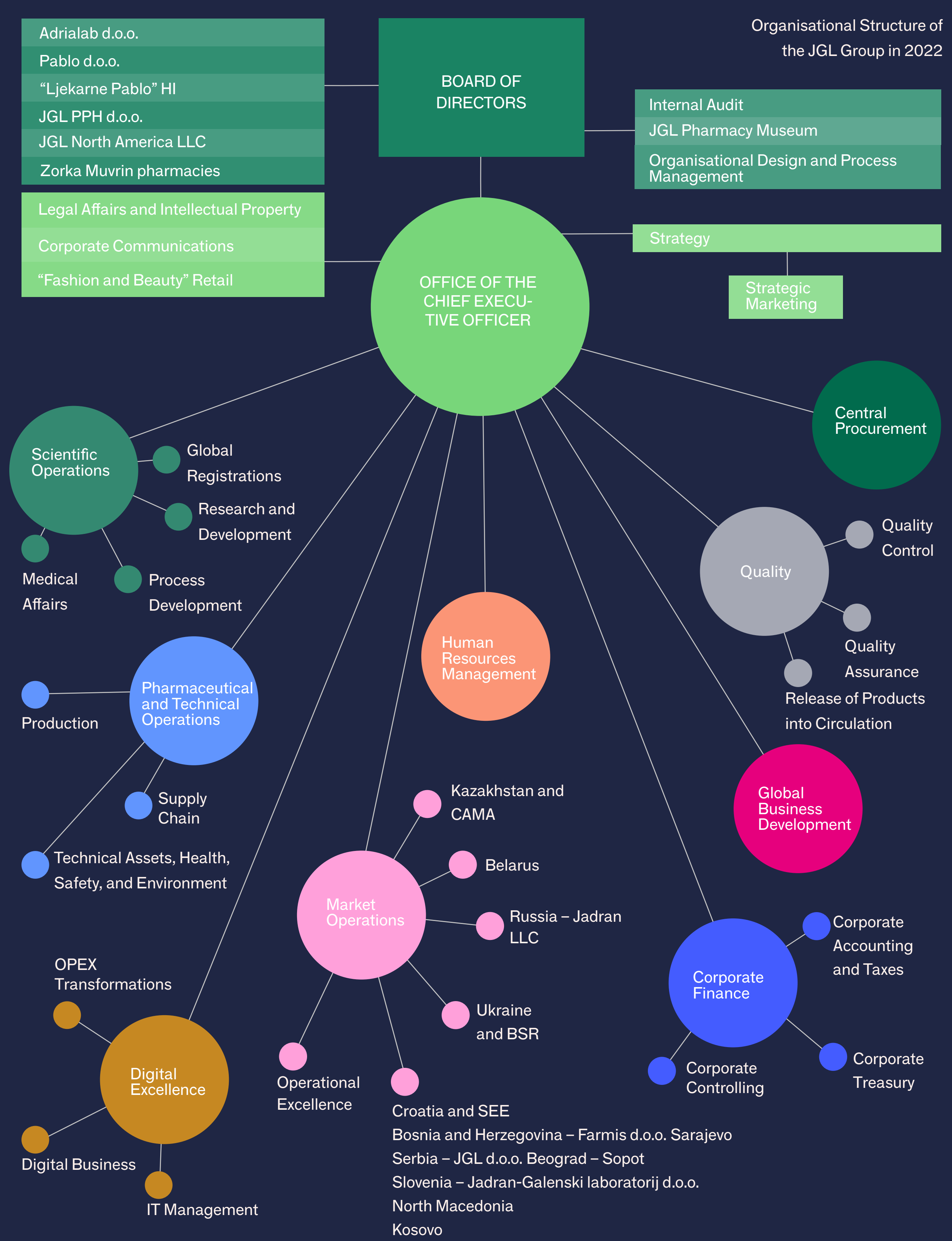
Grozdana Božić was born in Zagreb on 22 January 1952. She graduated from the University of Zagreb, Faculty of Law in 1975. She had a successful business career as a lawyer, and assumed the position of a member of the Supervisory Board on 27 October 2011. She assumed the responsibility of a member of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

** At the regular annual assembly of JGL d.d., held on 13 June 2022, Sanja Katalinić was elected member of the Board of Directors, with her term lasting from 1 July 2022 to 30 December 2024. On 30 June 2022, Marina Pulišić's term as member of the JGL Board of Directors ended.*

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.


**Zdravko Saršon -**
one of the founders of JGL and a long-standing member of the Board of Directors

JGL held a memorial service on 15 December 2022, honouring Zdravko Saršon, MPharm, one of its founders and long-standing members of the Board of Directors, who passed away on 8 December 2022. Zdravko Saršon was born in Rijeka in 1936. He graduated from the Faculty of Pharmacy and Biochemistry at the University of Zagreb, where he gained a master's degree in pharmacy. He dedicated his entire working life to pharmaceutical sciences and pharmacy. From 1985 to 1988, he was Mayor of the City of Rijeka. Ines Krajačević, Director of the Ljekarna Jadran Health Institution, and Ivo Usmiani, President of JGL's Board of Directors, offered their deepest condolences to Saršon's family and colleagues gathered at the memorial service.



Organisational Structure of the JGL Group in 2022
Adrialab d.o.o.
Pablo d.o.o.
“Ljekarne Pablo” HI
JGL PPH d.o.o.
JGL North America LLC
Zorka Muvrin pharmacies
BOARD OF DIRECTORS
Internal Audit
JGL Pharmacy Museum
Organisational Design and Process Management
Legal Affairs and Intellectual Property
Corporate Communications
“Fashion and Beauty” Retail
OFFICE OF THE CHIEF EXECU-TIVE OFFICER
Strategy
Strategic Marketing
Central Procurement
Scientific Operations
Global Registrations
Research and Development
Medical Affairs
Process Development
Quality
Quality Control
Quality Assurance
Release of Products into Circulation
Human Resources Management
Pharmaceutical and Technical Operations
Production
Supply Chain
Technical Assets, Health, Safety, and Environment
Global Business Development
Market Operations
Kazakhstan and CAMA
Belarus
Russia – Jadran LLC
Ukraine and BSR
Operational Excellence
Croatia and SEE
Bosnia and Herzegovina – Farmis d.o.o. Sarajevo
Serbia – JGL d.o.o. Beograd – Sopot
Slovenia – Jadran-Galenski laboratorij d.o.o.
North Macedonia
Kosovo
Corporate Finance
Corporate Accounting and Taxes
Corporate Controlling
Corporate Treasury
Digital Excellence
OPEX Transformations
Digital Business
IT Management

# COMPANY PROFILE

## NAME

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

## LOCATION OF HEADQUARTERS

Svilno 20, 51000 Rijeka,
Republic of Croatia

## LOCATION OF OPERATIONS

The company has its headquarters in Rijeka, where production facilities are also located, while the new storage facilities are located in Kukuljanovo. 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, Pablo HI, Pablo d.o.o. and Zorka Muvrin Pharmacies.

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 |
| Zorka Muvrin pharmacies | 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 – Russia, Croatia, Ukraine, Kazakhstan, Belarus, Bosnia and Herzegovina, Serbia, Slovenia, Macedonia and Kosovo.

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

Affiliates are present in Croatia (Pablo d.o.o, "Ljekarne Pablo" HI, Zorka Muvrin pharmacies, Adrialab d.o.o., JGL PPH d.o.o.), Russia (Jadran LLC), Serbia (JGL d.o.o. Beograd-Sopot), BIH (Farmis d.o.o. Sarajevo) and Slovenia (Jadran – Galenski laboratorij d.o.o.)

Since nearly 85 per cent of revenue at JGL Pharma 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 in total (Hungary, Switzerland, Italy, Greece, Romania, Poland...).

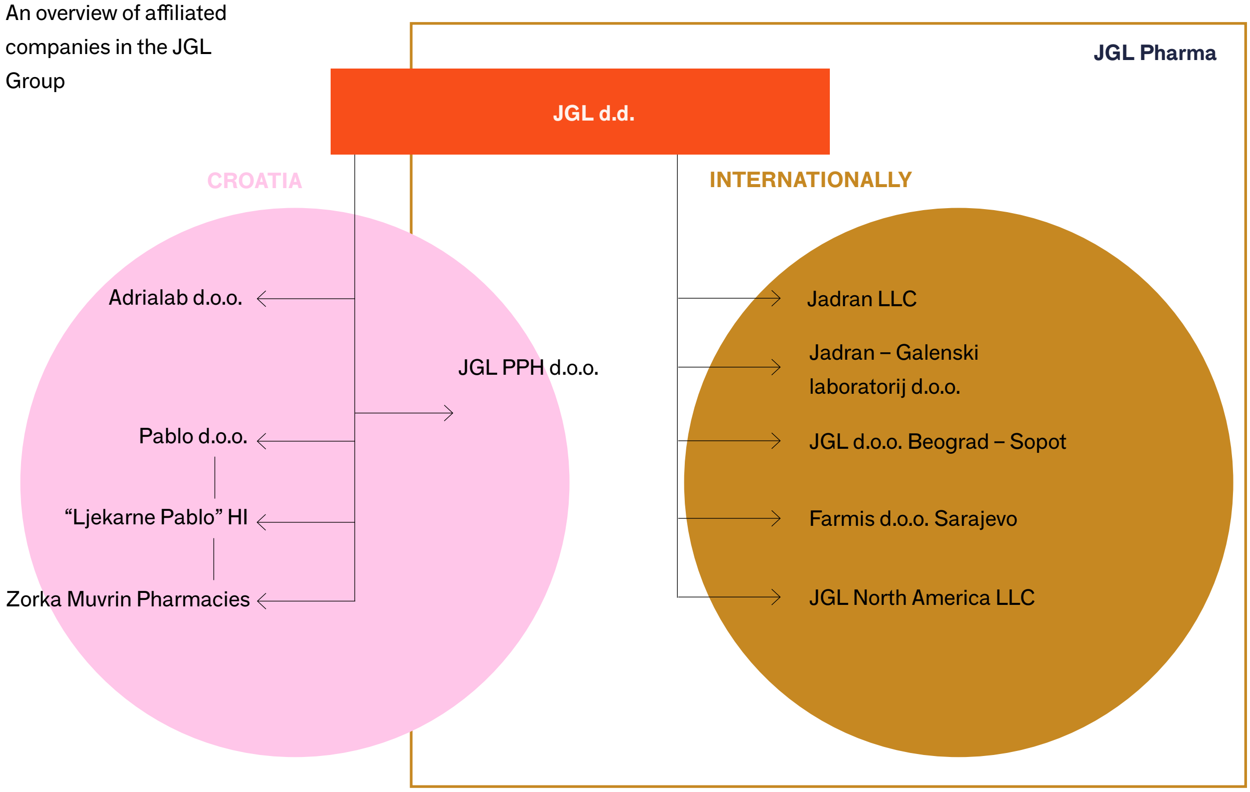
JGL cooperates with international partners through several cooperation models:

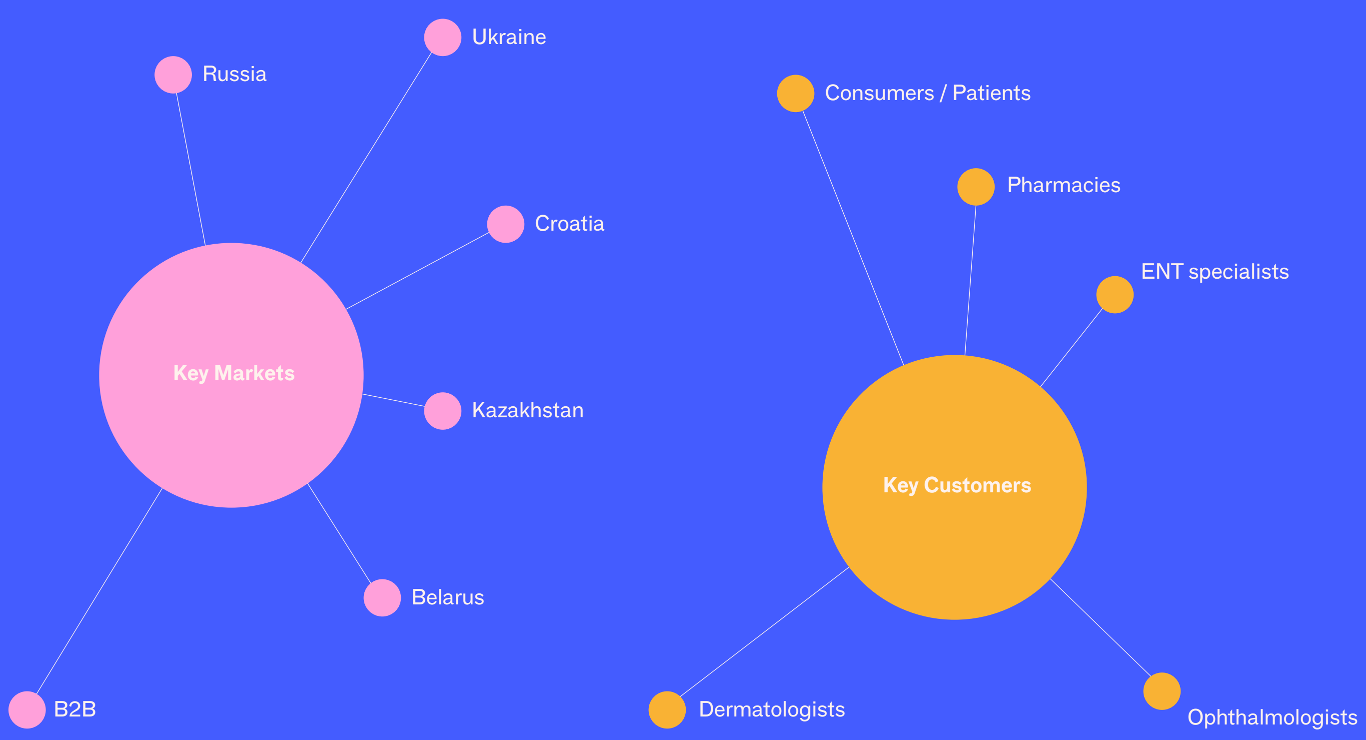
- through the distribution of JGL brands and cooperation through licensing, JGL products are widely present in Europe and the ASEAN and MENA regions,
- JGL cooperates with large pharmaceutical manufacturers through contract manufacturing.

In 2022, 69 products were successfully launched of a total value of HRK 20,035,112. Of this number, 36 products were launched in fifteen JGL markets through own operations, with a total value of HRK 4,587,097, while 33 products were launched in the B2B business model, with a total value of HRK 15,448,015.

# BUSINESS FOCUS

An overview of affiliated companies in the JGL Group



# KEY INDICATORS

1,426.7

Total revenue
JGL Group
(in HRK million)

244.4

EBITDA
JGL Group
(in HRK million)

1,141

Number of employees
JGL Group

142.6

Profit before tax
JGL Group
(in HRK million)

1,136.0

Operating revenue
JGL Pharma
(in HRK million)

20.3%

EBITDA margin
JGL Pharma

2.1

Net debt/EBITDA
JGL Pharma

0.3

Net debt / capital
JGL Pharma

JGL also reported an increases in revenue and operating income in 2022 in its core, pharmaceutical business. Operating revenue grew by almost 30 per cent compared to the previous year and amounts to HRK 1.1 billion with EBITDA operating income of HRK 231.1 million with an EBITDA margin of 20.3 per cent.

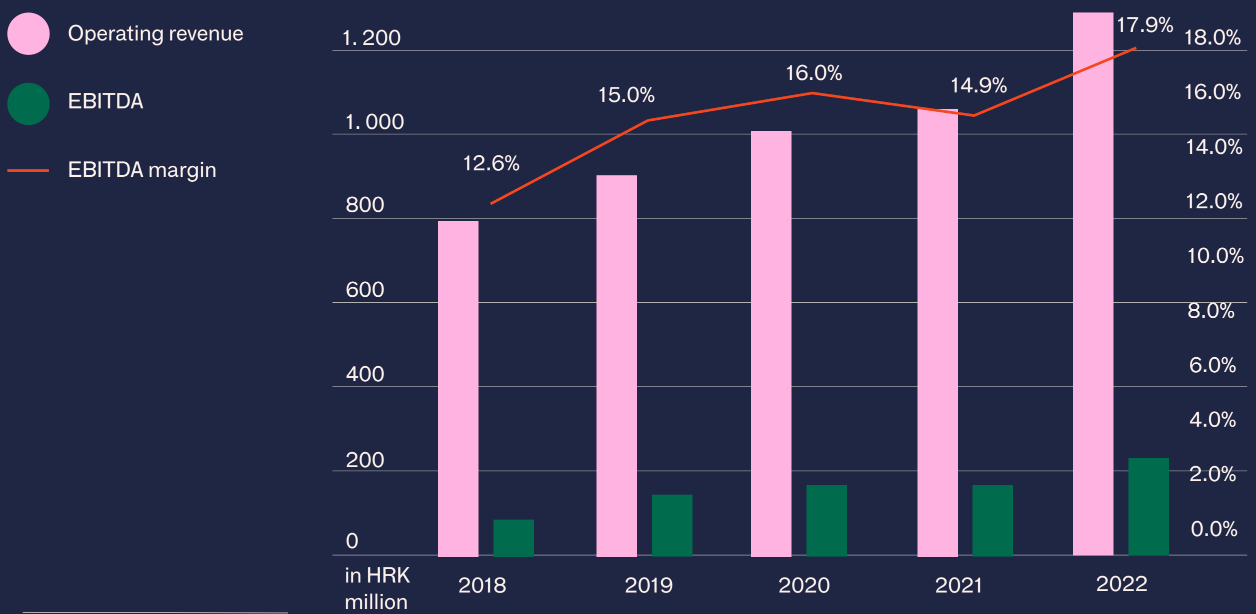
in HRK million

| | JGL GROUP | | JGL PHARMA[1] | | JGL d.d. | |
|---|---|---|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 |
| **Total revenue** | **1,426.7** | **1,097.9** | **1,196.7** | **894.0** | **867.0** | **721.2** |
| Operating revenue | 1,366.0 | 1,079.5 | 1,136.0 | 875.5 | 806.8 | 703.0 |
| **EBITDA*** | **244.4** | **161.2** | **231.1** | **148.0** | **195.0** | **183.2** |
| **Profit before tax** | **142.6** | **100.6** | **135.5** | **93.1** | **109.0** | **133.1** |
| EBITDA margin** | 17.9% | 15.0% | 20.3% | 16.9% | 24.2% | 26.1% |
| Net debt | 486.5 | 432.1 | 476.2 | 412.4 | 483.9 | 411.7 |
| Net debt / EBITDA | 2.0 | 2.7 | 2.1 | 2.8 | 2.5 | 2.3 |
| Net debt / capital | 0.5 | 0.6 | 0.3 | 0.3 | 0.5 | 0.5 |
| Debt ratio | 50.0% | 50.3% | 49.0% | 49.0% | 46.1% | 45.5% |
| **Quick liquidity ratio** | **1.5** | **1.3** | **1.6** | **1.3** | **1.7** | **1.5** |
| **Number of employees** | **1,141** | **1,092** | **950** | **917** | **679** | **647** |

**EBITDA is calculated as Operating revenue – Operating expenses + Depreciation + Value adjustment of assets*

***EBITDA margin ratios operating revenue and EBITDA*

Profitability of the JGL Group from 2018 to 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 – INVESTMENT IN THE FUTURE OF JGL

Project INTEGRA, which ensures expanding the capacity of sterile production, equipping new laboratories for research and development, quality and pilot plants, and the building of a robotic logistics and distribution centre, has entered into its final phase of execution.

INTEGRA is an investment in the future of JGL, a project which will help the company in its further steps into the global healthcare market, to launch scientific and clinically established products with an element of innovation and which meet the needs of patients, consumers and buyers. Furthermore, with new research and development, production, and warehouse capacities, INTEGRA will allow for stronger networking with the scientific and educational sector and strengthen the basis for the further growth of Croatia in the field of pharmaceutical and biological development.

After the complete finalisation of the production and storage segment by mid 2022, the reporting period which followed was marked by the construction and equipping of the building which integrates research and development, quality, and a pilot plant which represents the latest and most complex segment of the project.

This will provide JGL with an additional 2,250 m² of laboratory space, 750 m² of pilot plant space, including an automated sterile dosing line, and around 1,800 m² of space for offices, meeting rooms, restaurants, a bar and other social facilities.

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*The INTEGRA investment, worth HRK 400 million, started in late 2019 and was financed partly through self-financing and partly through a Croatian Bank for Reconstruction and Development long-term loan. By the end of the reporting period, around 80% of the loan was spent. The end of all activities, including landscaping, is expected in the second quarter of 2023.*

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**1.**

New building, which integrates research and development, quality and a pilot plant

- R&D laboratory
- QC laboratory
- Lab development
- Pilot plant
- Office space
- Auditorium
- Pharmacy Museum
- Staff restaurant

2.

Expanding production capacities

- Sterile spray and drops line
- Sterile BoV aerosol line
- Packaging line for sterile BoV aerosols
- Integration with the existing central palletising system

3.

Robotic
logistics and distribution centre

- High-bay automated warehouse on a 20,000 m² plot
- Automated warehouse with a capacity of 15,000 pallets
- Cold room holding 300 pallets
- Expansion of warehousing space in accordance with GxP rules for 15,000 pallets allows for the optimisation of business in accordance with LEAN principles
- Automated loading/unloading of trucks travelling on the Svilno – Kukuljanovo route
- Faster delivery of goods to customers

# HISTORIC SUCCESS – THIRD PHASE OF CLINICAL TESTING

*“JGL is a leading company on the global market for nasal sprays on the basis of seawater for a number of indications and is characterised by its readiness for innovation and application of visionary approaches. This unique combination of xylometazoline and hyaluronic acid is a global innovation which is being clinically researched in the very frequent acute disease of rhinosinusitis, in other words, a cold”*

*Prof. Ralph Mösges*

In November 2022, JGL started the third phase of clinical testing whose end goal is developing an innovative nasal spray for colds and launching it on the European market. Testing under the name “RhinnovateHA” aims to prove the innovative combination of two active substances in a nasal spray – hyaluronic acid and xylometazoline – has better efficacy, safety and tolerance when compared to other sprays with one active substance or a placebo. Furthermore, for the first time in formulations for application through the nose, hyaluronic acid of an exact dosage and size of molecules is a proven active pharmaceutical substance.

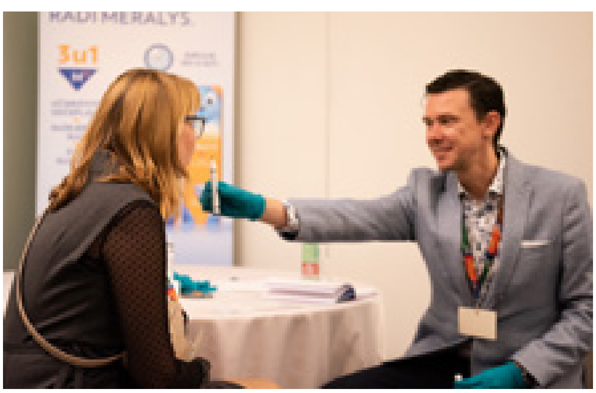
For this reason, a meeting was held in Opatija of all major researchers – otorhinolaryngology specialists and key medical personnel from 30 clinical centres which will participate in the study and will be conducted on over 500 patients in Germany, Croatia, Poland and Bulgaria. A study of this scope and importance is for the first time being managed and financed from Croatia, which represents a historic success for JGL and a step forward for the scientific-innovation ecosystem of the company, as well as the Croatian pharmaceutical industry in general.

Multicentre, randomised, double-blind, parallel clinical research with patients of adolescent and adult ages suffering from acute viral rhinosinusitis is being conducted in cooperation with the German clinical research organisation ClinCompetence Cologne under the leadership of Ralph Mösges, PhD, a world-renowned expert in allergology, pulmonology and clinical immunology and member of the JGL Science Advisory Board.

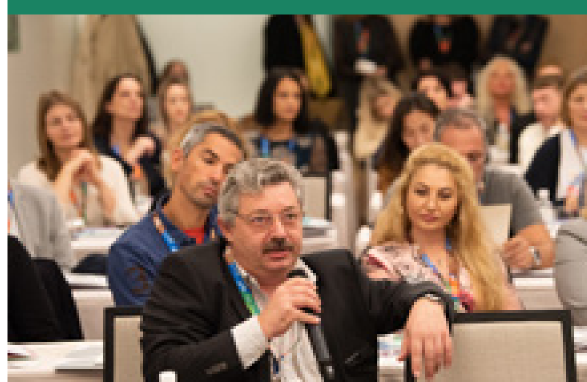
The results of the study are expected by the beginning of summer 2023. This would allow for an innovative spray to appear on the market already by winter 2024 or 2025. The study may provide JGL the possibility of multi-year patent and regulatory protection.


Dr Silke Allekotte (ClinCompetence Cologne), Prof. Ralph Mösges (ClinCompetence Cologne), Dr Christoph Bergmann (Study Coordinating Investigator), Rossen Koytchev, MD, PhD (CCDRD) and Wolfram Richter, MD (CCDRD)

PNIF (Peak Nasal Inspiratory Flow) demonstration, Dr Esther Raskopf



“Sniffing Sticks” demonstration held by Dr Stanislausa Wüsta on our Karina Vukelić



Dr Yury Yarin during discussion, with Prof. Marko Velepič, researcher from Croatia and researchers from Bulgaria

# BUSINESS DEVELOPMENT IN GLOBAL MARKETS

*In line with the strategy of strengthening the position of key brands in global markets, the Business to Business (B2B) model in this reporting period has noted a significant increase in sales of 44% when compared to the previous year.*

Ophthalmologists from Saudi Arabia at JGL in May 2022

In the area of developing our portfolio in new markets with the help of partners and the realisation of contract manufacturing projects and transfer of technology to JGL, a revenue of HRK 157 million was achieved. A total of 33 new agreements were signed for Licensing In, Licensing Out and contract manufacturing (CMO) agreements, which ensure growth in the years to come. Development is focused on the following:

- nasal spray and drops production portfolio (Meralys and Aqua Maris),
- ophthalmology line for dry eyes (Vizol S),
- first generic clindamycin 1% + benzoyl peroxide 5% (Clinda BPO gel),

in strategic markets, such as the European Union and the UK, the MENA region and the Asia-Pacific region.

Of special note are the successful launch of the Clinda BPO gel in the United Kingdom and the territories of Spain, Italy, Portugal, Germany and Austria, with five agreements signed for the remaining markets of the EU, South African Republic and Australia.

Furthermore, the start of the reporting period was marked by the launch of the Vizol S line in the United Kingdom and a big stride forward was the launch of the same product in Saudi Arabia after a visit from key ophthalmologists from the country in May 2022.

In another market in the same region, in the United Arab Emirates, an agreement for the Clinda BPO gel licence was signed, with Aqua Maris gaining the status of being included in the list of approved medications and entry to hospital tenders. In the Asia-Pacific region, recovery following the COVID-19 crisis is notable, with sales growth being noted by the brand Aqua Maris in key markets. It is important to highlight the significant project of opening up the market of the People's Republic of China, as part of which, during 2022, the registration of Aqua Maris was successfully finalised, with commercial operations to follow in 2023.

In the key project of CMO business, which relates to the transfer of technology, 16 validation series were conducted and four transfers of analytical methods. The project will have the first product launches by the end of 2023, with production at JGL Rijeka.

Through the Licensing-In business of the JGL development portfolio, 12 agreements were signed which relate to new products in accordance with patent expiry. It is worth mentioning a number of activities regarding projects for business development in complex markets, such as the US market, and the work on numerous interdisciplinary internal projects.


Aqua Maris portfolio for the Chinese market

# AQUA MARIS PROVEN TO NOT CONTAIN MICROPLASTICS

The company's key brand, Aqua Maris, raises awareness about the serious problem of microplastics through scientifically based communication. As part of its overarching corporate direction, built on three global trends, one of which is related to climate change, JGL strives to continuously improve its production and business processes, portfolio, as well as its impact on the community and stakeholder communication.

In the reporting period, great effort was made to introduce a microplastics management system, which enables us to market safer products and increase customer awareness of their composition.

Thanks to a strictly controlled production process, the competent notifying body in the EU has certified and awarded the microplastics-free label to Aqua Maris sprays. This made JGL's key brand the first medicinal product in the world proven to be free of microplastics!

Back in 1999, when Aqua Maris was first launched, it was already a pioneering product on the Croatian market that created the category of seawater products. It is now once again taking on that role, raising awareness of the dangers of microplastics with science-based communication, as befits a market leader. Plastic pollution is a serious environmental and public health challenge, and although we witness it every day, we are often unaware that microplastics are all around us.

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*The overarching corporate direction of JGL is based on three global trends of which one is connected to climate change.*

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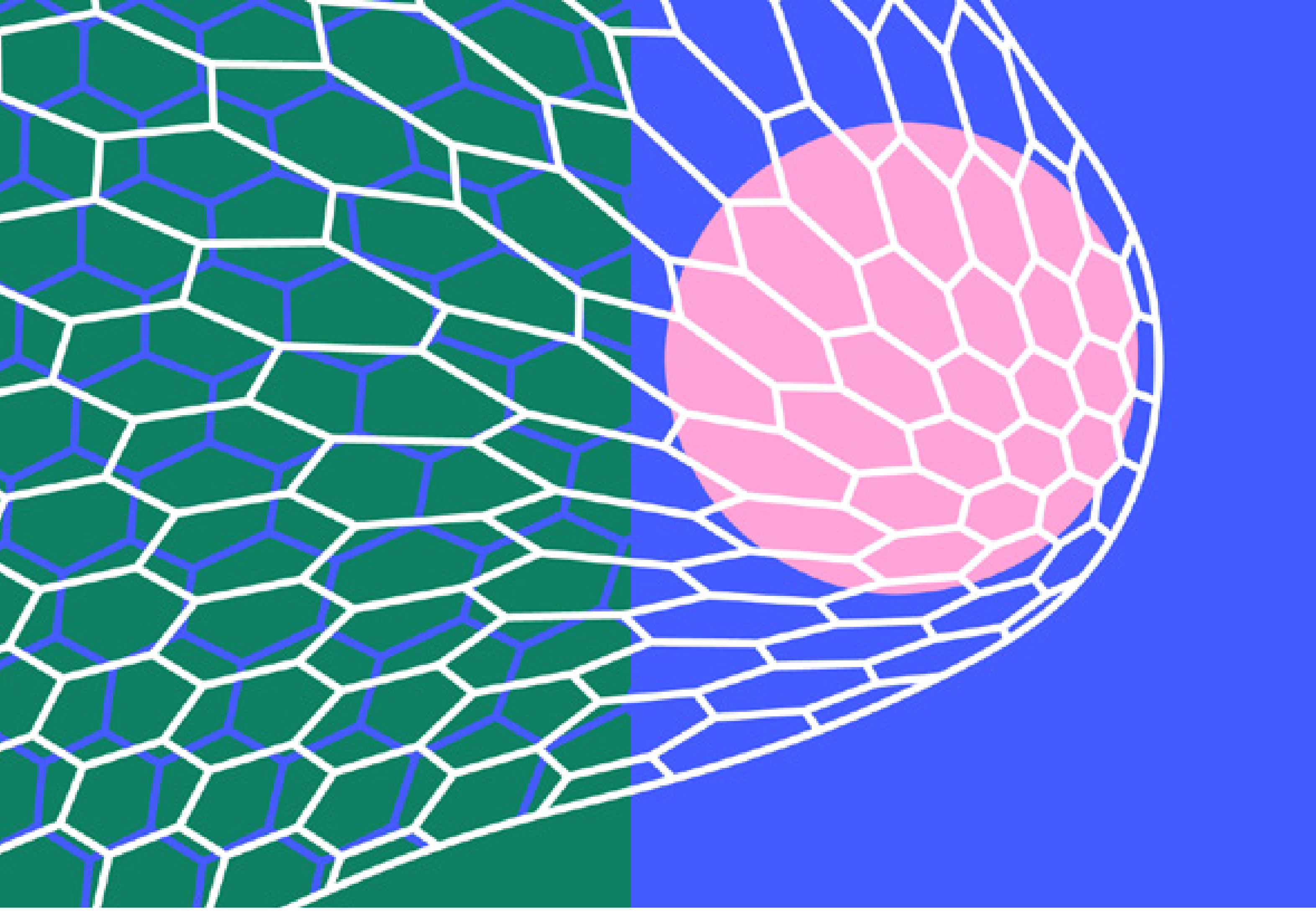
The company's key brand, Aqua Maris, raises awareness about the serious problem of microplastics through scientifically based communication



# SALES RESULTS

In 2022, JGL Pharma generated product sales revenue of HRK 1,030 million. When compared to the previous year, revenue increased by HRK 188 million, or by 22%.

Total net sales JGL Pharma (in mil. HRK) in 2021 and 2022

# SALES ACCORDING TO THE B2C AND B2B BUSINESS MODEL

JGL Pharma sales are monitored through two business areas, B2C (Business to Customer) and B2B (Business to Business). The B2C business model generates 85% of JGL Pharma's net sales, and comprises 20 markets, the largest of which are Russia, Croatia, Ukraine, Kazakhstan, Bosnia and Herzegovina, Belarus and others.

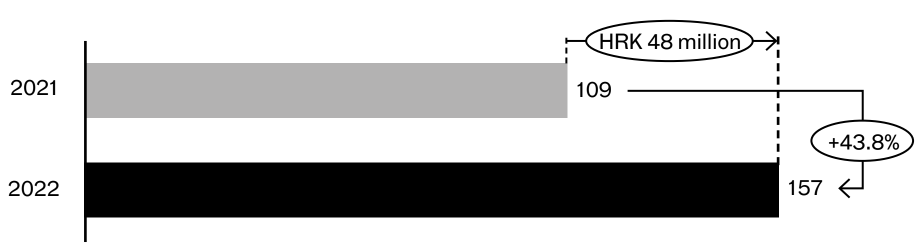
In 2022, the greatest growth in net sales was noted in the Kazakhstani market with a 54% growth, or HRK 20.8 million greater sales when compared to the previous year. With such growth, the Kazakhstani market this year took over Bosnia and Herzegovina in terms of sales and was the fourth B2C market in size, behind Russia, Croatia and Ukraine.

Net sale growth for B2C model (in mil. HRK) in 2022


The B2B business model achieved 15% of total net sales for JGL Pharma and its share in sales keeps growing year on year. In 2022, the B2B segment noted a significant increase in sales when compared to the previous year.

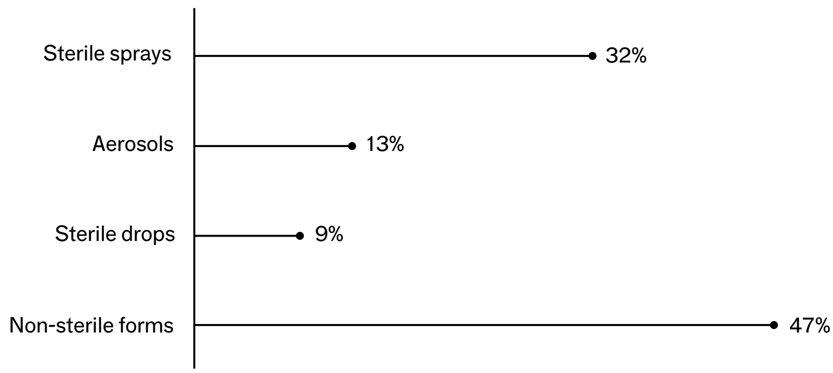
In the reporting period, the B2B market generated a growth of 44%, in other words, sales grew by HRK 47.8 million. The market with the greatest growth in terms of sales was Romania with HRK 12 million greater sales, followed by Germany with a growth of HRK 8 million, Switzerland with a growth of HRK 7.7 million and the Czech Republic with a growth of HRK 6.7 million when compared to the previous year.

Net sale growth for B2B model (in mil. HRK) in 2022



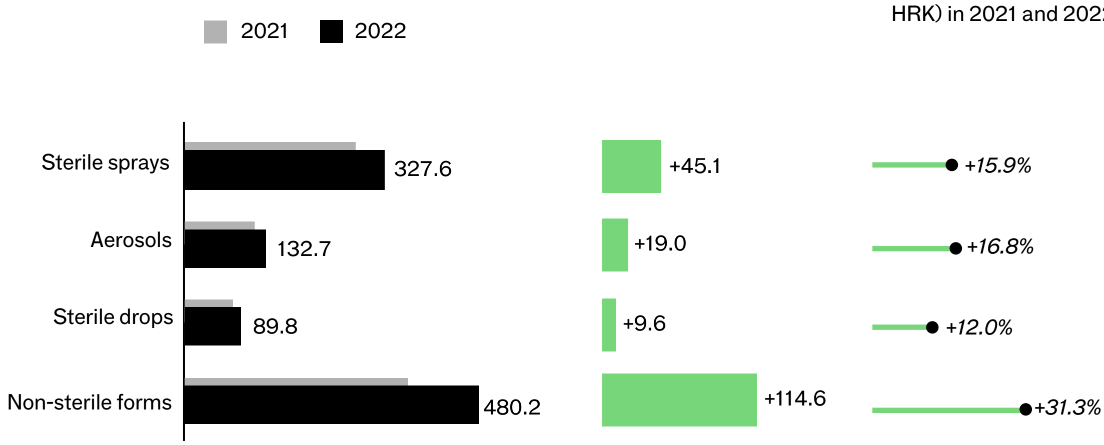
# SALES BASED ON PRODUCTION FORMS

According to production forms, the greatest share in sales is taken up by sterile sprays, with a 32% share in net sales in 2022. This is followed by aerosols with 13%, sterile drops with 9% and other forms with a 47% share. The greatest increase in sales when compared to the previous year is noted with sterile sprays with HRK 45 million greater sales.



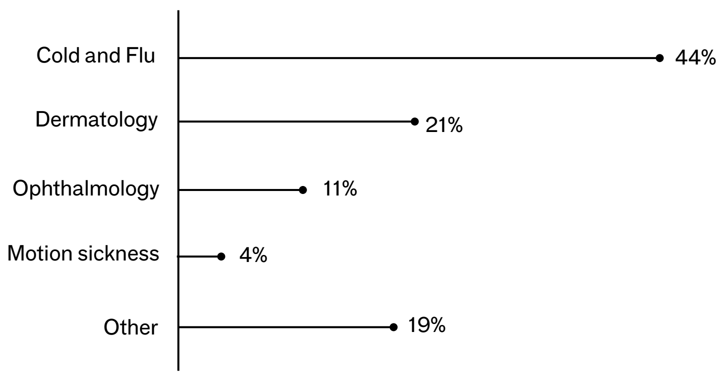

The share of production forms in the total net sales of JGL Pharma in 2022

JGL Pharma net sales by production form (in mil. HRK) in 2021 and 2022



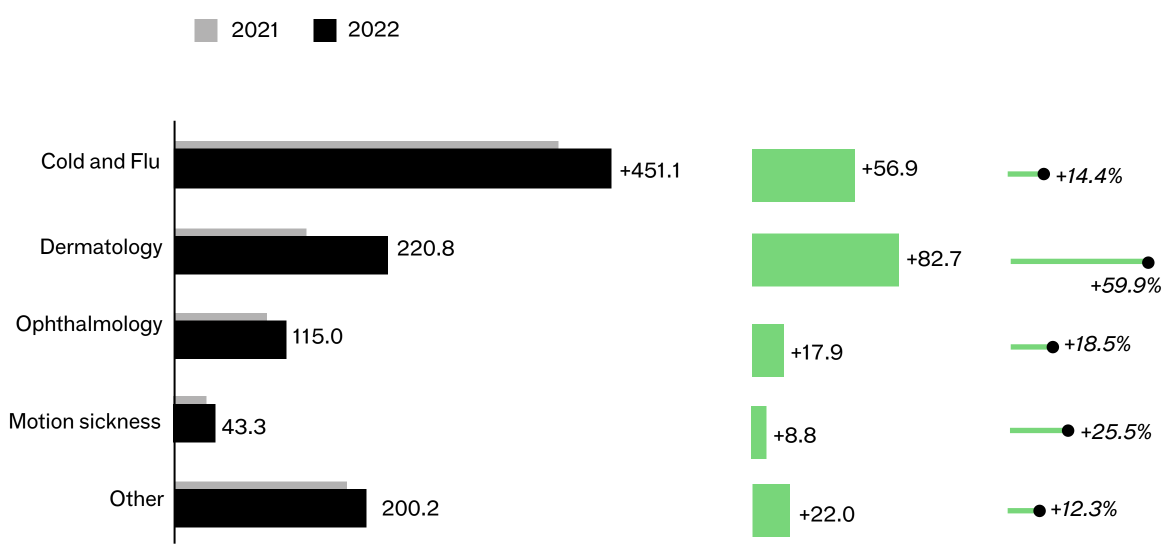
# SALES BY THERAPEUTIC AREA

According to the structure of strategic therapeutic areas of JGL Pharma, the greatest share of net sales in 2022 is held by the cold and flu therapeutic area (44%). This is followed by dermatology with a 21% share, ophthalmology with 11%, motion sickness with 4% and the remaining portfolio with 19%. The greatest increase in sales is marked by the dermatological portfolio of products, which increased by 60% in 2022, specifically, by HRK 82.7 million. The cold and flu area also experienced a substantial increase of HRK 56.9 million, or 14% when compared to the previous year of 2021.




The share of strategic therapeutic areas in the total sales of JGL Pharma in 2022

JGL Pharma net sales by therapeutic area (in mil. HRK) in 2021 and 2022



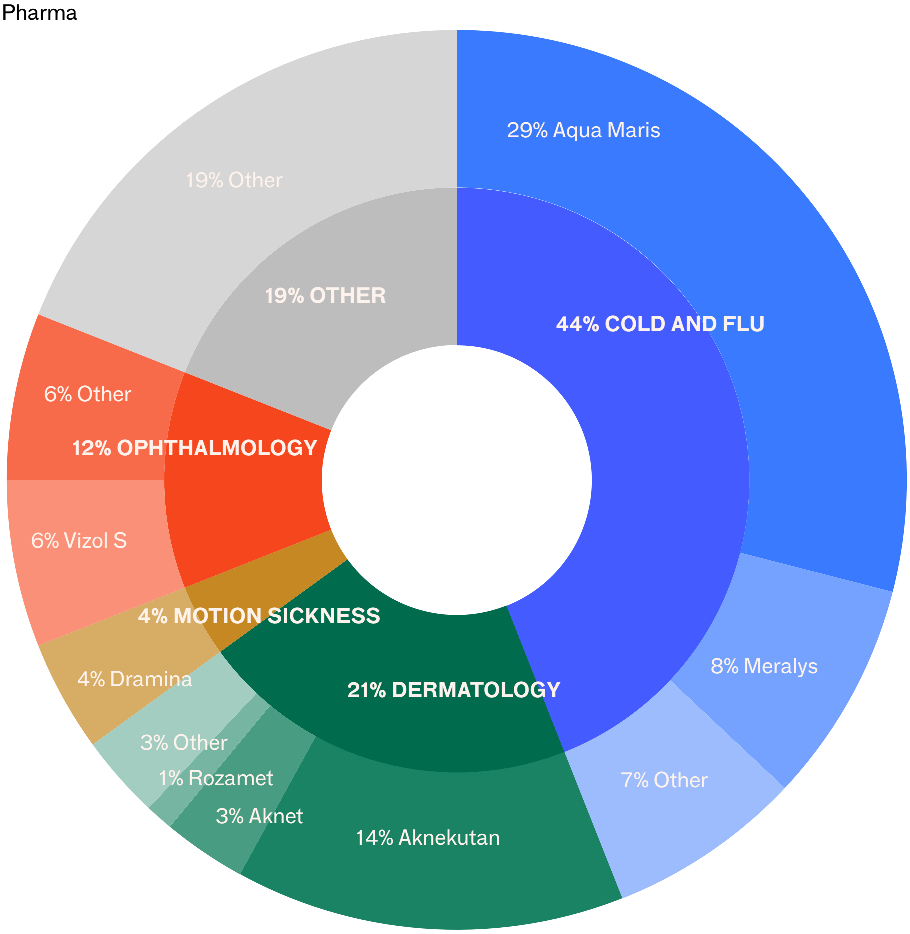
# SALES BY KEY BRAND

The greatest share of JGL Pharma sales is traditionally held by the Aqua Maris brand, with a 29% share of net sales. The order has not changed when compared to the previous year, which means that Aknekutan is second with 14%, followed by Meralys with 8%, Vizol S with 5%, Dramina with 4%, followed by other brands which total 40% of JGL Pharma business.

When compared to the previous year, we have noted a reduced share of Aqua Maris sales, from 34% to 29%, in favour of the Aknekutan brand from the dermatology portfolio. The same brand in 2022 marked an increase in sales of HRK 60 million greater than in 2021 and a growth of 74%.

From the other brands, it is important to mention Meralys which, compared to the previous year, grew by 36%, specifically, HRK 23 million. Aqua Maris, despite a reduced share of sales, marked a growth of 6%, or HRK 16 million. Vizol S grew by 17% and contributes HRK 7 million greater sales, while Dramina grew by 25% and increased the total sales of JGL Pharma by HRK 9 million.

The share of brands and key therapeutic areas in the total sales of JGL Pharma in 2022



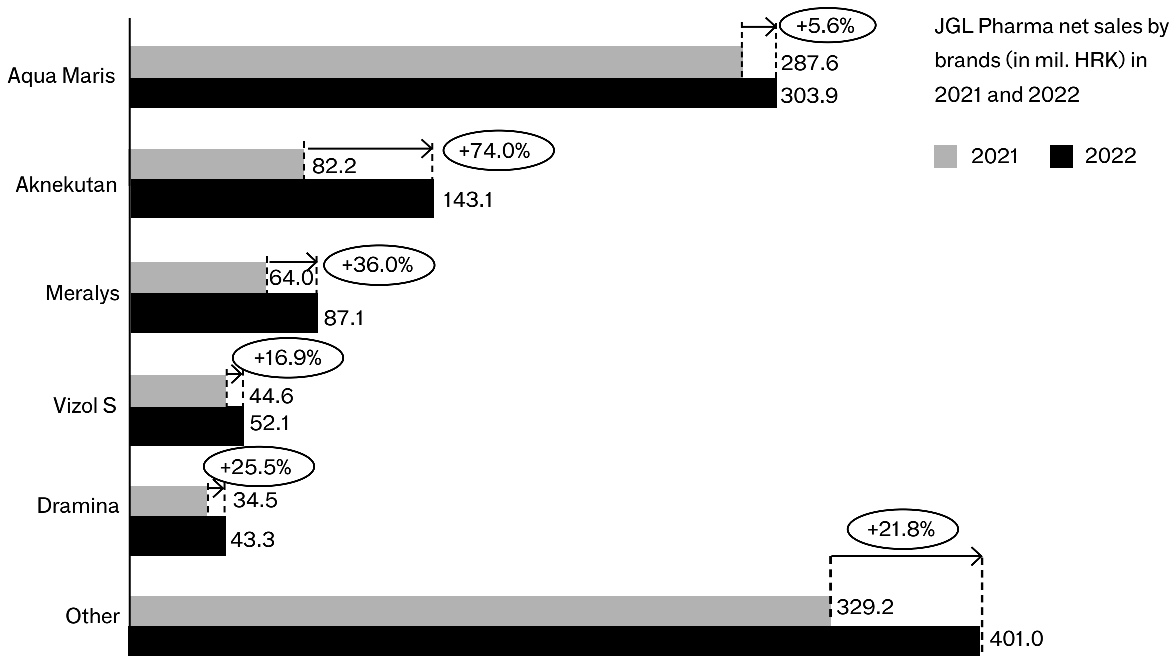




Photo: Drago Sopta/HNS

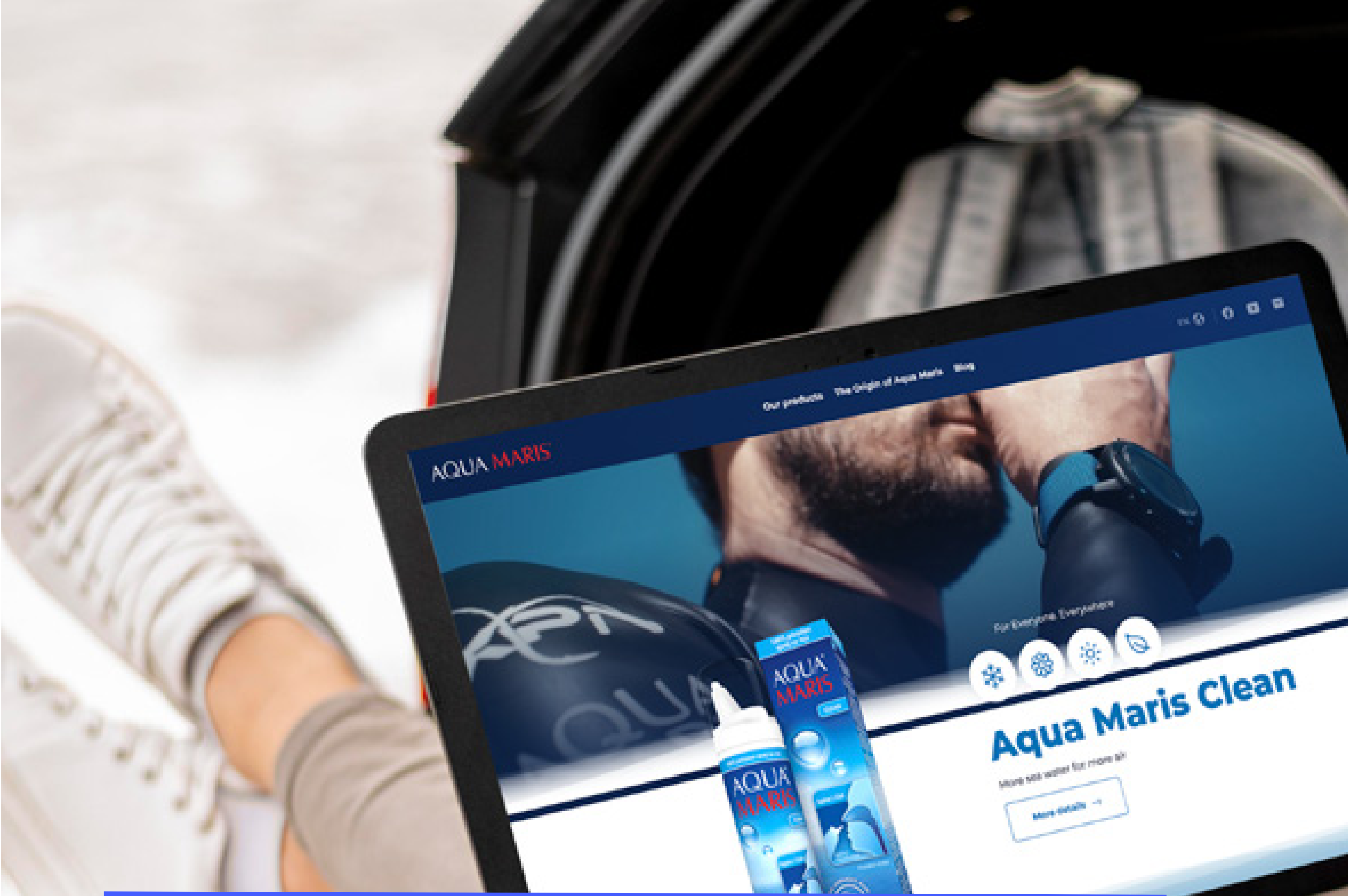
# AQUA MARIS®

*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.*

Aqua Maris is an all-natural line of products based on Adriatic seawater for hygiene, prevention and treatment of upper respiratory tract ailments. It is the market leader in most JGL markets. During 2022, the brand achieved net sales of HRK 303.9 million, which is an increase of 5.6% compared to the previous year. The market with the greatest share of sales is still the Russian market, followed by Kazakhstan with a 9% share, Ukraine with 7% and Croatia and Belarus with a 3% share each. The greatest growth drivers in 2022 were the Russian market with 10% and the Kazakhstani market with 43% growth, with a notable contribution of the B2B market which achieved a growth of 146% when compared to the previous year and comprised 3% of total brand sales.


Aqua Maris has been present on the market since 1999 and has sold more than 220,000,000 units of products to date. Within the brand, strategic focus was placed on the growth of the BoV segment (Bag-On-Valve, aerosol forms), which grew faster than the segment in all key markets during the reporting period, in some markets by more than 30% when compared to the previous year. Despite the challenging situation in Ukraine, in 2022, Aqua Maris took the leading position in the market. Also, the gap behind the market leader in Russia shrank. Leading positions were retained in Kazakhstan, Belarus and Croatia.

In addition to being the leading brand in several JGL markets, Aqua Maris has been actively and continually worked on with the aim of improving the user experience. During 2022, experiments and certification were conducted on the entire portfolio, so that users of the entire category could be assured that all Aqua Maris products were proven to contain no microplastics. With the aim of making this significant innovation in safety clear to customers, a seal was created which will be applied to all Aqua Maris packaging in the first quarter of 2023.




## Scientific articles and publications in 2022

Years of researching the healing powers of the Adriatic Sea and compiling relevant scientific literature by JGL employees resulted in the publication of a paper entitled “The Role of Seawater and Saline Solutions in the Treatment of Upper Respiratory Conditions”, written by Danijela Štanfel, Livije Kalogjera, Sergej V. Ryazantsev, Kristina Hlača, Elena Y. Radtsig, Rashidov Teimuraz and Pero Hrabač, which discusses the role of seawater in treating various upper respiratory tract disorders. In addition to proving that the ionic composition of Adriatic seawater in Aqua Maris products makes the products safe and effective in the prevention and treatment of diseases of the upper respiratory tract, scientific studies have demonstrated that it is superior to normal saline.

Furthermore, the paper entitled “Multicenter, randomized, open-label, comparative study of the effectiveness of nasal spray Aqua Maris Extra Strong as a symptomatic therapy in the technology of delayed antibiotic prescription in the treatment of acute rhinosinusitis in children aged 6–11 years” was published in the reputable academic journal “Elsevier: American Journal of Otolaryngology“ and confirms the efficacy and reliability of Aqua Maris Strong in a group of users with specific needs – school-age children.

The paper shows that using Aqua Maris Strong for treating rhinosinusitis symptoms in school-age children reduces the severity and duration of symptoms, as well as the risk of the otherwise frequent recurrences of secondary bacterial infections.

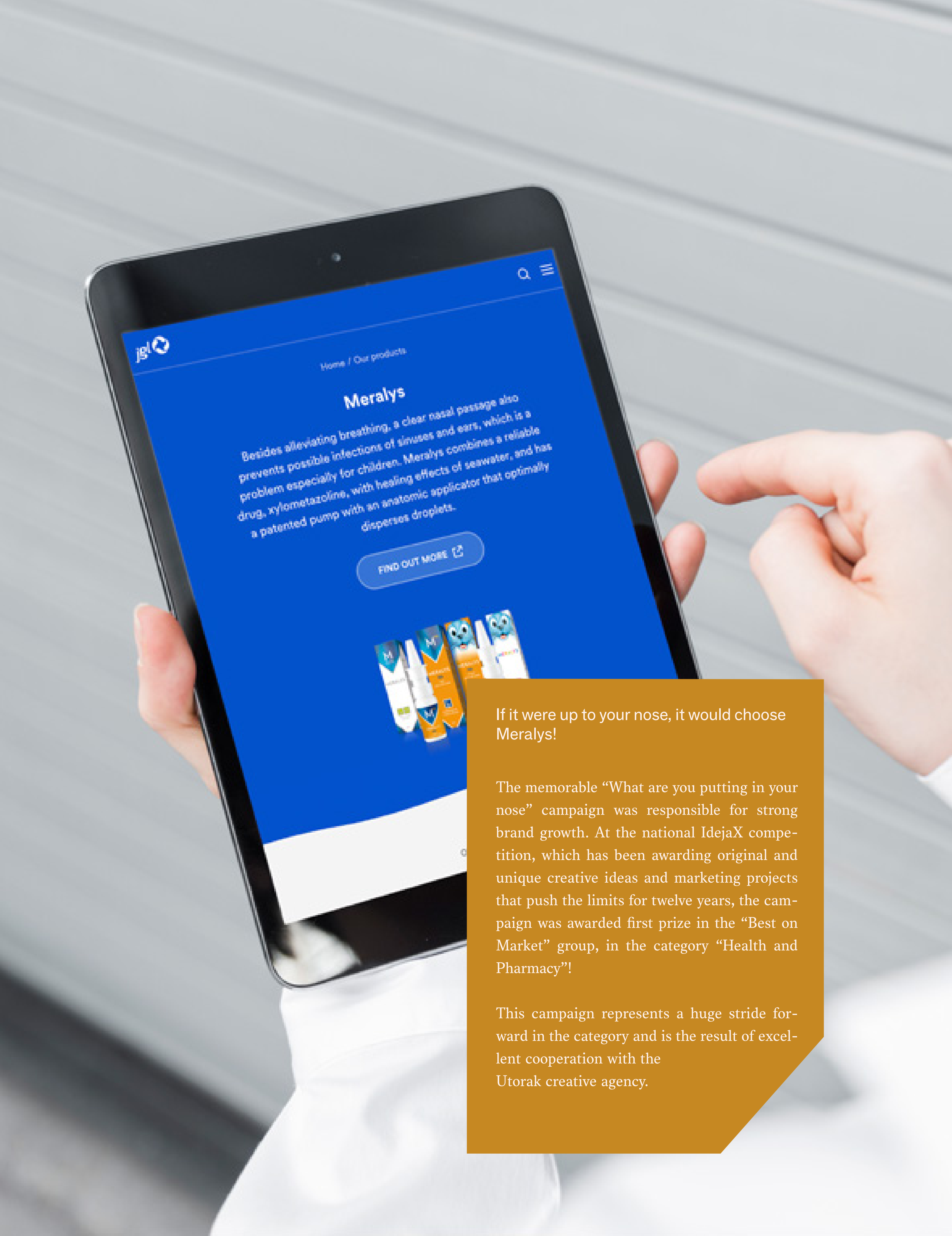
# MERALYS

No. 1 NASAL SPRAY

*The brand in 2022 achieved double digit growth in sales of 36%.*


Meralys nasal sprays contain a unique blend of the reliable and proven medicine xylometazoline and Adriatic seawater, with no preservatives. Due to their enriched composition, they represent a new generation of nasal decongestants.

Total net sales amounted to HRK 87 million, which is HRK 23 million more than in 2021. The biggest increase in sales when compared to the previous year was noted in key JGL markets. After Russia, the largest share of total sales was still held by the Croatian market with a 17% share, followed by Ukraine with 8% and Belarus with 5%.
With an impressive 31% of market share, Meralys HA nasal sprays have once again secured the title of the most sold nasal sprays in Croatia according to IMS data in 2022.




If it were up to your nose, it would choose Meralys!

The memorable "What are you putting in your nose" campaign was responsible for strong brand growth. At the national IdejaX competition, which has been awarding original and unique creative ideas and marketing projects that push the limits for twelve years, the campaign was awarded first prize in the "Best on Market" group, in the category "Health and Pharmacy"!

This campaign represents a huge stride forward in the category and is the result of excellent cooperation with the
Utorak creative agency.

# vizolS

*With over 25 years of experience in the development and production of the ophthalmic portfolio, JGL now operates in more than 50 markets globally. It is the biggest manufacturer of ophthalmic preparations in the region, providing state-of-the-art solutions for the most common eye diseases – from dry eye, a common issue linked to the modern lifestyle, to glaucoma, the "silent thief of sight" associated with ageing.*


Vizol S, preservative-free eye drops have been successfully alleviating various dry eye problems for over a decade and have gained more and more satisfied consumers in around 20 global markets. Strong continued growth of the entire eye drop category was spurred primarily by modern lifestyles and demographics. The use of digital screens in everyday activities, an ageing population and air pollution, along with environmental and climate risks, increased the frequency of dry eye.

Growing significantly more than the growth of the total category and in spite of the difficult geopolitical situation which impacted JGL markets in 2022, sales of the Vizol S brand in B2C business grew by 9.4% in the reporting period when compared to the previous year and reached HRK 43 million. In total, in all markets, Vizol S achieved sales of HRK 52.1 million and grew 17%. In five of the biggest JGL markets which accounted for more than 86% of Vizol S sales, the brand in the dry eye category has two leading positions (Croatia and Belarus) and two second place positions (Ukraine and Kazakhstan).

The total volume of Vizol S sales in all markets grew in 2022 by more than 45% when compared to the previous year and reached 2.4 million units. Further sales growth is planned by expanding the portfolio and availability of Vizol S products in a greater number of markets.

### Public health campaign "Pay Attention to Your Eyes"

In 2021 and 2022, in cooperation with ophthalmologists, JGL conducted a public health campaign of free eye pressure and dry eye measurements in pharmacies across the country and abroad.  In more than a thousand tests performed, it was discovered that almost every fourth person, around 26%, has an elevated eye pressure and that almost every second person has dry eye!


### X-Lab platform in European award finals

In 2021, JGL launched the international platform X-Lab which, in cooperation with more than 35 doctors and scientists in six countries, brings the latest research for efficient and holistic eye care and general healthcare.

In only a year, X-Lab in Croatia, Slovenia, Serbia, Kazakhstan, Ukraine and Bosnia and Herzegovina has amassed more than 1.3 million readers, and due to its innovative approach, it has received the main award in the SoMo Native category at the tenth regional digital achievement competition @SoMo Borac, competing against more than 200 projects. In addition, the platform was one of the finalists at the prestigious Digiday European awards and has the potential to expand to many other markets where JGL conducts business.

### 25 years of JGL ophthalmology

To celebrate 25 years of its ophthalmic business, and with the aim of integrating prescription and OTC ophthalmic products into a single whole, at the end of 2022, JGL launched its "JGL, the Ophthalmology Specialist" campaign. Given that the sense of sight has a significant impact on the quality of life, JGL is committed to respecting the highest quality standards, which is also reflected in the campaign slogan "The Quality You Can See".

The first JGL drug in this therapeutic class – Timalen – was launched in 1997. An important milestone in this segment of the JGL portfolio was reached in 2010, when the company produced, registered and launched the first generic version of latanoprost in Europe – Latanox eye drops. Latanoprost is still one of the most commonly prescribed anti-glaucoma agents and the "gold standard" of its category. Latanox drops are one of JGL's more successful products, as evidenced by the 30 million vials produced since its launch.

Over time, the company specialised in the production of sterile drops and introduced a diverse portfolio of ophthalmic products, with Vizol S at the forefront today as one of JGL's key brands.

# 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 JGL markets.*


JGL’s 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 is JGL’s most successful dermatological brand, which increases its market share every year. In 2022, it reached market leader position in numerous markets.

In 2022, sales of HRK 143 million were achieved, that is, HRK 61 million more than in the previous year, which represents growth of 74%. Aknekutan sales have achieved growth in all markets where the brand is present, other than the Ukrainian market, where, in spite of the complex geopolitical situation, sales remained at the level of the previous year. The greatest share of net sales is held by the Russian market with a 76% share, followed by Ukraine with a 12% share, Kazakhstan with 9% and Belarus with 3%.

# DRAMINA

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


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

The Dramina brand notes continued growth of 26% when compared to 2021. Generated net sales amounted to HRK 43 million, which is HRK 9 million more than in the previous period. Growth was achieved in all key JGL markets, while the share of net sales in Russia was reduced when compared to the previous year’s 68%, in Croatia it was increased from 7% to 8%, Kazakhstan has a 5% share, while Georgia, Ukraine and Slovenia have a 3% share.


Photo: Drago Sopta/HNS

# AREAS & ACTIVITIES

# SCIENTIFIC OPERATIONS

*The year 2022 was marked by the most significant strides forward in the area of Scientific Operations at JGL.*

1. Five new own dossiers were finalised and submitted for first registration, which represents a record result for JGL when compared to the annual average of one to two dossiers to date.

2. For an innovative project, a new fixed combination of two active nasal spray substances – hyaluronic acid and xylometazoline, historic success was achieved through the following phases:

a) A preclinical and clinical scientific consultation with the German regulatory agency (BfArM) was held in March 2022,
b) IMPD (Investigational Medicinal Product Dossier), i.e., the total documentation on a new product which is going to clinical trials in EU countries, was created and approved in four countries (Germany, Poland, Bulgaria and Croatia) in Q3 and Q4 of 2022,
c) Clinical specimens were created and equipped (ensuring “blinding”, i.e., visual equivalence of series of different products – four series in phase III of the clinical study), released (QP and regulatory) and distributed to clinical centres in Germany in November 2022,
d) An Investigators Meeting (IM) was held with over 100 participants from four countries, with 35 clinical centres, representatives of cooperating organisations (CROs). Phase III was shown in detail, named Rhinnovate HA™, and everyone involved was trained and mobilised in November 2022.
e) The first patients were included in the study on 23 November 2022 and by the end of the reporting period, the number of included patients reached 70.

3. The number of received registrations in the B2C and B2B markets was carried out according to plan and the

JGL Science Council

number of submissions for registration reached 48.

4. The development of processes, such as a new department and its key infrastructure (pilot plant) in large part followed the completion of the building, which was completed within the project INTEGRA 2020, ensuring key equipment, systems and people for the start of work in 2023.

5. The second meeting of the Scientific Advisory Board (SAB) was held in 2022 and generated a number of new ideas and contributed to projects and the development of employee competencies at JGL. The SAB was strengthened by a new member, the globally recognised ENT specialist, Prof. Ralph Mösges.

6. Two new works were published in international scientific magazines and five posters and/or lectures at professional conferences.

a) M. C. Brdovcak, J. Materljan, M. Šustic, S. Ravlic, T. Ružic, B. Lisnic, K. Miklic, I. Brizic, M. P. Matešic, V. J.Lisnic, B. Halassy, D. Roncevic, Z. Kneževic, L. Štefan, F. Bertoglio, M. Schubert, L. Cicin-Šain, A. Markotic, S. Jonjic, A. Krmpotic, ChAdOx1-S adenoviral vector vaccine applied intranasally elicits superior mucosal immunity compared to the intramuscular route of vaccination, Eur. J. Immunol. (2022) 52: 936–945.
b) Nižić Nodilo, Laura; Perkušić, Mirna; Ugrina, Ivo; Špoljarić, Drago; Jakobušić Brala, Cvijeta; Amidžić Klarić, Daniela; Lovrić, Jasmina; Saršon, Vesna; Safundžić Kučuk, Maša; Zadravec, Dijana et al. In situ gelling nanosuspension as an advanced platform for fluticasone propionate nasal delivery. // European journal of pharmaceutics and biopharmaceutics, 175 (2022).

# QUALITY

In accordance with the company's business requirements, during 2022, the scope of the quality system was expanded to the manufacturing series for clinical trials (Investigational Medicinal Products) and manufacturing of veterinary products. For this purpose, inspections were carried out by competent authorities and new manufacturing licences were obtained, along with GMP certificates.

*Through regular supervision of the Agency for Medicinal Products and Medical Devices of Croatia (HALMED), Ministry of Health and notifying bodies for medical products, approval was received for the work of two new production lines and the new warehousing location at Kukuljanovo which was approved for the wholesale of medicines and medicinal products.*

Furthermore, the permit for wholesale was expanded and now includes medicine from the Drugs and Narcotics Precursor group. Several audits were conducted by contractual partners which had a positive outcome, with praise given to the infrastructure, plant and laboratory equipment, as well as knowledge and competencies of employees.

The digitalisation process for laboratory work was continued by implementing LIMS and actively participating in the INTEGRA 2020 project. Investments include a new quality control laboratory which will expand capacity in the years to come.

All of the aforementioned gave a boost to operational activities of production and distribution of goods, in-house development and B2B projects, and opened up additional growth and development opportunities at JGL.

# PRODUCTION

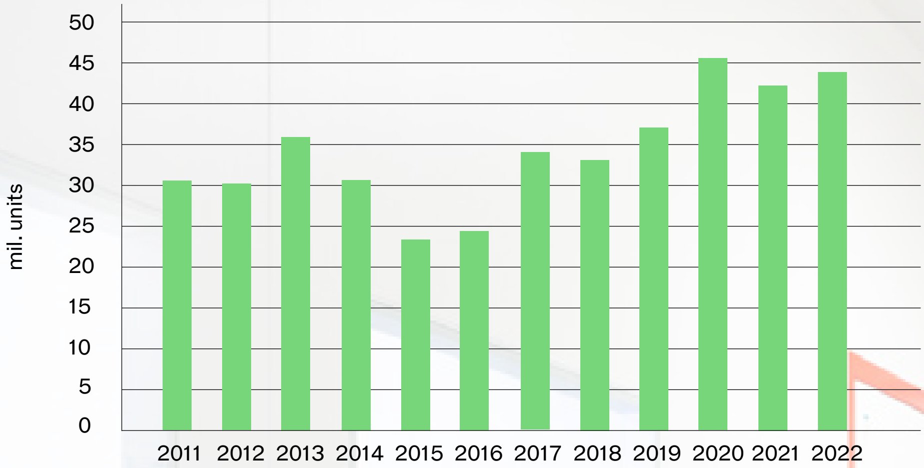
*In the area of production, a key development in the reporting period was the installation of new D and E production lines at the Svilno location, as a part of the INTEGRA 2020 project.*

Line D is used for dosing sterile drops and sprays, with a capacity of 180 units/min and made by renowned manufacturer Groninger. Line E is a completely new production line for dosing Bag-On-Valve products, manufactured by Pamasol, integrated with a new line for packaging, with a capacity of 80 units/min.

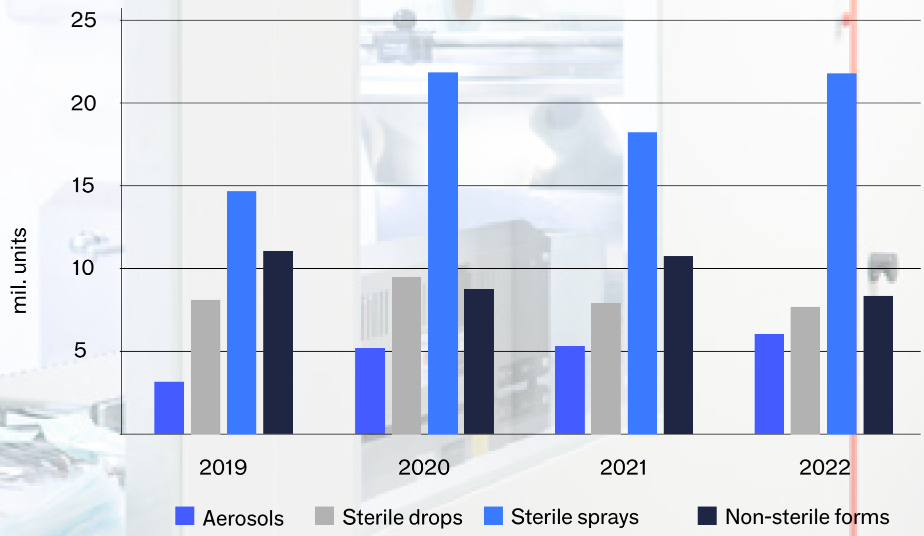
Furthermore, considering that modern pharmaceutical manufacturing processes such as the one JGL employs, continually seek new ways of increasing efficiency and productivity – a collaborative robot was introduced on the production line for equipping dry oral forms. This type of robot works alongside humans on production lines, helping them complete various tasks. Introducing it allows for greater production line efficiency and reduces employee stress in this production step.

Alongside the existing system of central palletisation at the Svilno 2 location, which uses two standard robotic arms, the new robot represents a step forward towards greater automation at JGL.

Production line for sterile BoV forms as part of sterile production at the JGL Pharma Valley complex




Overview of the number of manufactured products from 2011 to 2022




Overview of production by form in the last four years

# DIGITALISATION

As one of its strategic initiatives, IT system security at the JGL Group has sparked significant investments through the implementation of next generation firewall systems in multiple markets, as well as advanced EDR antimalware protection for IT systems and user computers within the Group. Alongside the aforementioned technical improvements, the main focus in 2022 were the security awareness training courses for all employees in which mandatory education from various IT security segments were introduced.

Brand protection materials and guidelines, content use, safe exchange of creative ideas with partners – all of this was transferred from email and sporadic services to the Content HUB, modelled after the largest international companies. The first to be used in this way was the Aqua Maris Digital Handbook, aimed at partner channels and supported by webinars which provide far-off markets with professionally prepared content, examples and support in implementing best practices.

The reporting year was also marked by the introduction of the Euro as the official currency. This complex project lasted nine months and was used for hardware, software and technological safety improvements, with an upgrade to SAP S/4HANA and connected SAP systems to the latest version, which ensured a good basis for future process upgrades.

After its successful pilot programme in 2021, the Agile programme was expanded with seven new teams during the reporting period, which implemented agile practices into the R&D, production, laboratory, data management and digital campaign areas.

By the end of 2022, the JGL Intranet was launched simultaneously in three languages. This is a part of a structured and planned construction of blocks for the corporate information and data infrastructure of JGL, which allows for simultaneous sharing of market information, successes, training and corporate guidelines in all areas of this international company.

# SUPPLY CHAIN

*In its supply chain, JGL does business with a large number of suppliers. 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.

Other than formal audits and questionnaires which are regularly sent to suppliers, at JGL, they are also evaluated through everyday work and contacts. Relationships with partners are built on trust, mutual understanding and mutual respecting 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 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 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.

# INVESTMENTS

In 2022, a total of HRK 198,083,228 was invested in Group long-term assets.

Investments in intangible assets amount to HRK 55,149,706, of which HRK 6,489,814 relates to investments in computer programs, HRK 738,726 for the acquisition of licences, HRK 4,655,466 for registration of own products, HRK 39,803,136 for investments in development projects, HRK 1,676,626 for investment in trademark protection and HRK 1,785,937 for investments in non-owned assets.

Investments in tangible assets amounted to HRK 142,933,523. HRK 54,932,327 was invested in the improvement of functions of buildings owned by the company, with a further HRK 88,001,196 invested in the purchase of production, IT and transport equipment, and furniture. In the reporting period, HRK 183,256,910 was invested in long-term assets of JGL d.d. Investments in intangible assets amount to HRK 53,068,262, of which HRK 6,194,307 relates to investments in computer programs, HRK 738,726 for the acquisition of licences, HRK 4,655,466 for registration of own products, HRK 39,803,137 for investments in development projects, and HRK 1,676,626 for investments in trademark protection.

Investments in tangible assets amounted to HRK 130,188,648. HRK 50,425,553 was invested in the improvement of functions of buildings owned by the company, with a further HRK 79,763,095 invested in the purchase of production, IT and transport equipment, and furniture.

# CHANGES AND FOUNDING

*At the regular annual assembly of JGL d.d., held on 13 June 2022, Sanja Katalinić was elected member of the Board of Directors, with her term lasting from 1 July 2022 to 30 December 2024. On 30 June 2022, Marina Pulišić's term as member of the JGL Board of Directors ended.*

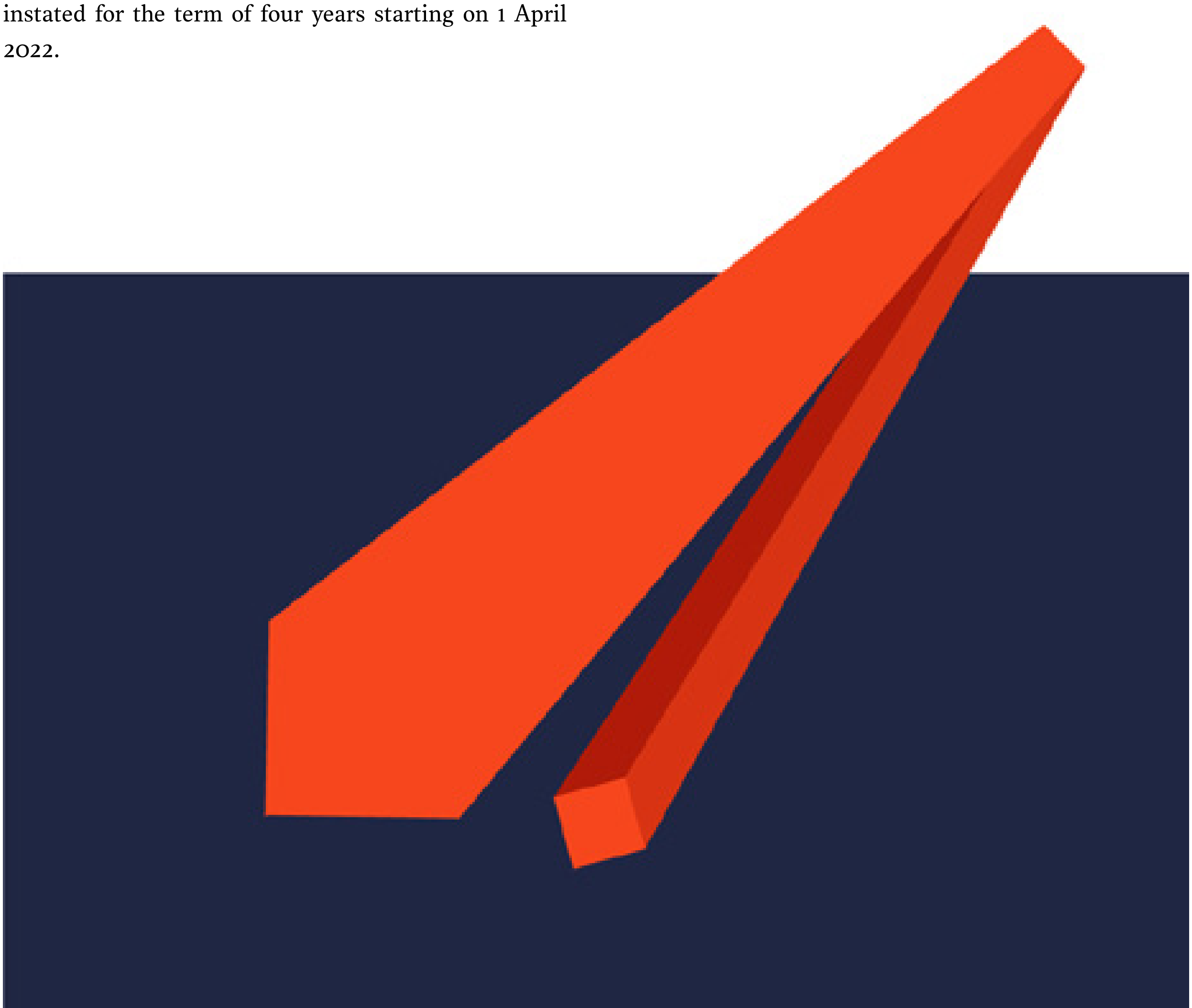
By the Resolution of 8 March 2022, at the end of the term, the members of the Supervisory Board of the company Adrialab were reinstated for the term of four years starting on 10 March 2022. The Supervisory Board consists of President Ivo Usmiani, Vice President Mislav Vučić, and members Eva Usmiani Capobianco, Sanja Vujić Šmaguc and Dino Ćoza Saršon.

By the Resolution of 31 March 2022, at the end of the term, the Supervisory Board of Pablo d.o.o. was reinstated for the term of four years starting on 1 April 2022.

The President of the Board of Directors is Ivo Usmiani, with Grozdana Božić as the Vice President. By Resolution of 31 March 2022, the subsidiary in Rijeka was closed and by Resolution of 27 June 2022, Board of Directors member Marina Pulišić was repealed starting on 30 June 2022 and Eva Usmiani Capobianco was appointed member of the Board of Directors, with authority to represent the company independently and individually from 1 July 2022. The address of the company was changed to Ivana Lučića 2a. Pablo d.o.o. from June 2022 has a specialised store for medical products (Trogir).

On 19 May 2022, an agreement on the assignment and acquisition of 100% of the founding rights for Pablo HI in the Zorka Muvrin Pharmacies from Rijeka, Turkovo 40/2 registered in the court register maintained by the Commercial Court in Rijeka with the company registration number (MBS) 040435982, OIB (PIN) 60360435620.

The company JGL PPH d.o.o. changed its headquarters location and is now at Svilno 20, 51000 Rijeka, Croatia.



# OWNERSHIP STRUCTURE

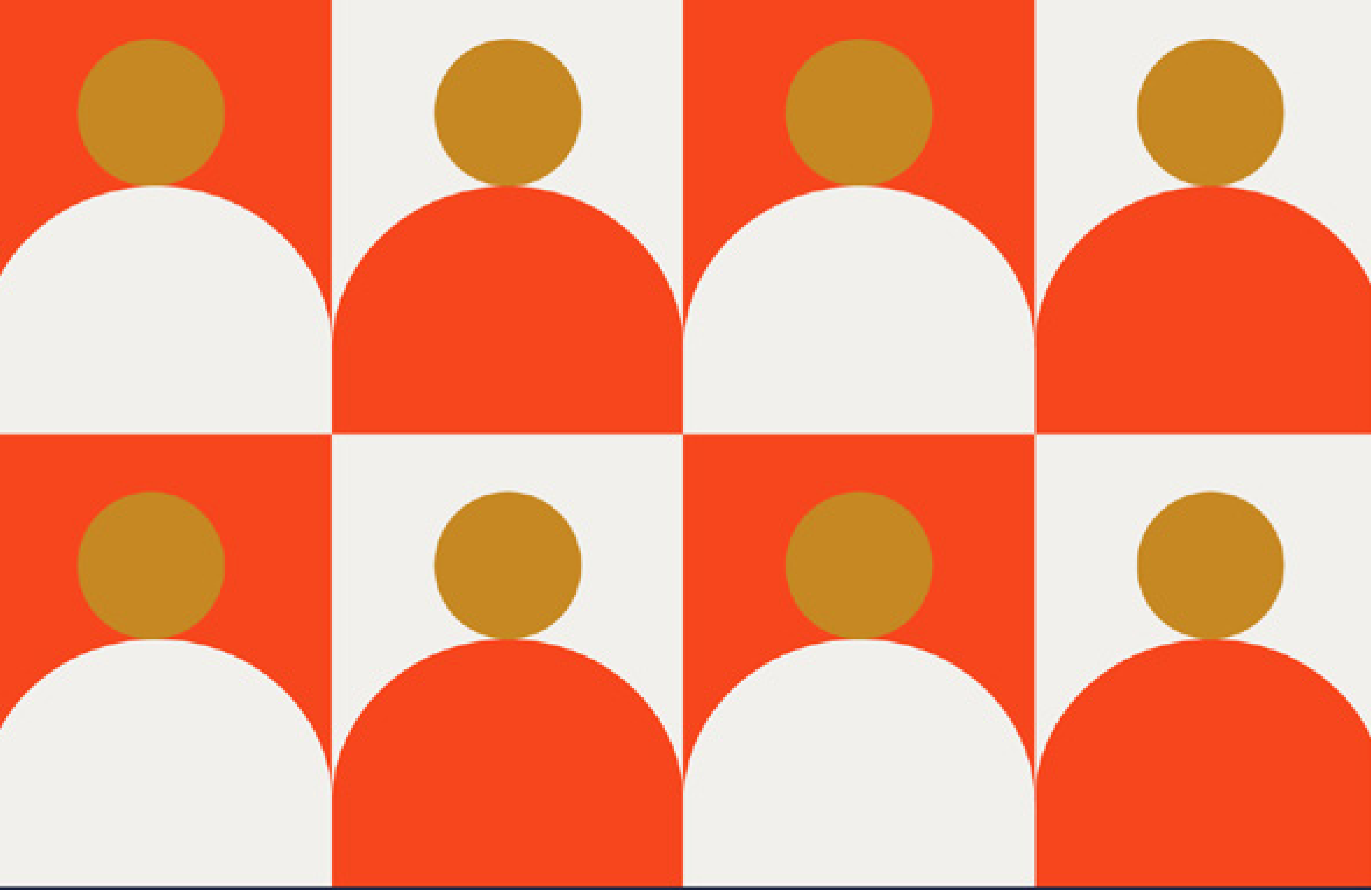
*The share capital of the Company is divided into 1,233,755 shares, 1,168,583 of which are shares with voting rights, while those remaining are own shares.*

At the beginning of 2022, JGL d.o.o. owned 77,099 own shares. By 31 December 2022, 5,680 of own shares were purchased, 4,295 and 13,312 shares were allocated for the payment of dividends and on 31 December 2022, the number of own shares in the portfolio was 65,172.

| 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%** |

Ownership structure of JGL d.d. as at 31 December 2022

Source: JGL



# AFFILIATED COMPANIES

# PHARMACEUTICAL BUSINESS

## JADRAN LLC

Despite the difficult and uncertain market conditions which are, first and foremost, linked with the military conflict between Russia and Ukraine, the company managed to achieve its financial goals and increase market shares in main therapy areas. Circumstances required numerous changes and agile reactions on all levels of management, and results confirm that the strategy based on launching new products, strengthening its position and a balance between investments into employees, marketing activity and pharmacy chains was a success.

It should be pointed out that the company grew at a higher rate than the reference market in most therapeutic groups according to data from DSM, an independent agency. Business revenue reached HRK 535 million. With regards to trends relative to the relevant market, in 2022, Jadran LLC Moskva achieved a growth rate of 37%, which positioned the company in the group of fast-growing pharmaceutical companies in the selected therapy groups. The company EBIT totalled HRK 13,929,552, which is a result of its successful sales and marketing strategies and the careful management of exchange rate differences and investments.

Sales trends of key products in the Aqua Maris line follow reference market movements which has grown 6%. It is also important to note that the leading position was maintained in the relevant seawater segment by number of products sold. Significant results were achieved by the brands Rinomaris (Meralys), Aknekutan, Optinol (Vizol S), while Dramina maintained its leading position.

The greatest credit for the achieved results in extremely difficult circumstances certainly belongs to the employees who managed to adequately adapt to market changes, as well as the excellent cooperation of teams at the level of the entire company.

## JADRAN – GALENSKI LABORATORIJ D.O.O. LJUBLJANA

JGL d.o.o. Ljubljana was founded in 1992 in Ljubljana, and in 2022 it celebrated 30 years of presence in the Slovenian market. During all 12 months of the reporting period, intensive work was done on promotion, training, relationship building and communication with partners and clients, with the aim of integrating them into the many activities under the company's organisation.

The year was marked by the successful launch of three products – Lactogyn vaginal suppository, Maresyl COMB nasal spray, and Aqua Maris Hypertonic nasal spray, and record annual sales. The key brands of Aqua Maris and Vizol S noted double-digit growth, while sales of known brands Carbo Medicinalis and Dramina returned to pre-COVID levels.

In the period from 1 January to 31 December 2022, revenue from sales reached HRK 15.9 million, while profit before tax amounted to HRK 1,241,540.

## FARMIS D.O.O. SARAJEVO

Farmis d.o.o. was founded in 2000 in Sarajevo. During 2022, the company had an average of 27 employees. High standards of business, focus and responsibility towards customers, but also towards employees and owners, have helped build a recognisable image of Farmis as part of JGL in the market of Bosnia and Herzegovina.
The business is in line with the EN ISO 9001:2015 quality management system and the requirements of GDP standards, which guarantees the safety, quality and stability of cooperation to customers and partners. In addition to the portfolio of JGL, Adrialab and JGL Beograd Sopot, Farmis also offers products from suppliers and partners from Germany, Slovenia, Croatia, the UK, Serbia, Turkey and domestic partners.

The year 2022 was a successful one, and thanks to the intense involvement of sales employees, when compared to 2021, there was a growth of 12% (around HRK 70 million). It is especially important to highlight JGL and Adrialab portfolio sales, which were greater by 32% when compared to 2021 (around HRK 30 million). Key brands with which this growth was achieved were Prolife, Aqua Maris, Meralys, Vizol S and other products from the ophthalmic range, followed by Reflustat and Lactogyn.

In 2022, Farmis achieved business revenue totalling HRK 62.2 million and profit before tax totalling HRK 385,118.

## JGL D.O.O. BEOGRAD – SOPOT

The business year of 2022 was marked by further increases in revenue of 14% compared to the previous year. Operating revenue amounted to HRK 26 million and profit before tax totalled HRK 190,119.

Revenue includes product sales of the parent company in Serbia (HRK 10.3 million), sales of company produced products on the domestic market (HRK 3 million) and product sales abroad (around HRK 11.9 million).

In 2021, in the field of marketing and sales, the company had already narrowed its focus on working in the segments of pharmacies, consumers, gynaecologists, and ophthalmologists. It also introduced KAM (Key Account Management) covering 30 of the largest chains on the market. Investment continued into marketing activities aimed at consumers, which included year-round digital and radio campaigns for the products Vizol S, Reflustat and Prolife.

In the field of production in the reporting period, the company was oriented to production of drugs and dietary products for sale in Serbia and for export.

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

Slovenian Pharmaceutical Society symposium


JGL Beograd – Sopot team touring sterile manufacturing

# PHARMACY AND COSMETICS

## ADRIALAB

The business year of 2022 was marked by continued revenue growth in all three Adrialab sales channels, an increase in the number of manufactured products with a faster delivery time and investment into sales and marketing activities for own products.

According to financial results for 2022, HRK 22.3 million of revenue was generated, which is 12% more than in 2021. The pharmacy segment achieved an annual growth of 26%. It is worth noting the continued positive growth trend in the retail network segment of 8%, while revenue of the parent company JGL d.d. grew at a rate of 7%.

Adrialab continued its momentum of strong positioning on the Croatian market by focusing activities on key brands, such as JGL Baby Ointment, Holyplant syrups and cosmetics, Galenia topical pharmaceuticals, Dermospray, and Vitalia dietary supplements. New marketing campaigns were created for all key brands and, for the first time, the product Vitalia D-manoza had a TV campaign.


Adrialab team promoting new products

*The segment that is most worth noting is the Holyplant syrup which has noted strong recovery and grew at a rate of 75% with a significant increase in market share. Most of the other brands also achieved growth, of note are Galenia with 27%, Dermospray with 25% and Vitalia D-manoza with 17% growth.*

We would also like to note the continued maintenance of existing certificates for the Adrialab quality system. An annual inspection by the notified body ISS was successfully conducted in March 2022. Maintenance of the quality system continued according to ISO 9001:2015 and 22716:2008 standards in September 2022. Compliance with these standards allows exporting to key JGL markets in the categories of medicinal products, cosmetics and dietary supplements and offers an additional opportunity to the JGL Group in meeting increasingly stringent, but due to the number of markets, differentiated regulatory requirements.

Additionally, within the JGL Group, registration of products was successfully performed in Kazakhstan as well as the first such export from Adrialab.

The reporting period was also marked by continued monitoring of non-current inventories, with a value adjustment made in the amount of HRK 200,000. It is important to note the negative impact of increased raw material costs which increased by a total of HRK 600,000 (corrected for increase in sales). All of the aforementioned shows that 2022 was a successful year for Adrialab, which was concluded with an operating income (EBITDA) of HRK 2.6 million and profit before tax in the amount of HRK 1,353,750.



## LJEKARNE PABLO HI

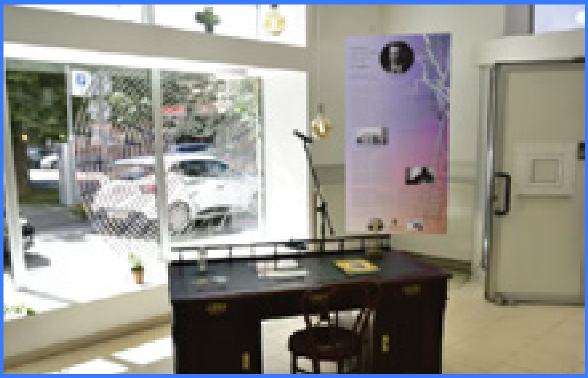
In 2022, Pablo Health Institution had 30 pharmacies and 152 employees, with an increase in sales revenue of 7%, of which there was an increase in the Rx (prescription drugs) segment of 3% and in cash revenue of 11%.

The total operating revenue for 2022 was HRK 208 million, which is 7% more when compared to the previous year, while operating costs totalled HRK 201 million, which was also 7% more than the previous year. Operating income (EBIT) amounted to HRK 6.5 million, which is 14% more than in 2021. EBITDA with a rate of 5.7% was HRK 11.9 million and profit before tax was 3.3% and totalled HRK 6,521,925.

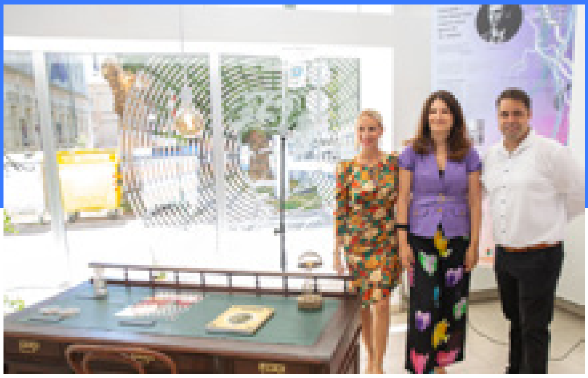
## ZORKA MUVRIN PHARMACIES

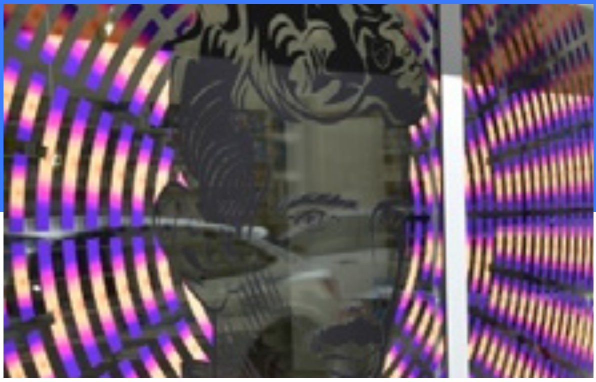
On 19 May 2022, Pablo Health Institution acquired founder rights in the Zorka Muvrin Pharmacies which began with operations on 1 April 2022. Since starting operations and until the end of 2022, Zorka Muvrin Pharmacies consisted of two pharmacies and 16 employees. Sales revenue from 1 April to 31 December 2022 for Zorka Muvrin Pharmacies totalled HRK 9.6 million, of which Rx sales totalled 57%, while the remainder was cash revenue.

Total operating revenue for this period totalled HRK 10.2 million, with operating expenses remaining on the same level. In 2022, a loss of HRK 414,377 occurred.



Eva Usmiani Capobianco, Sanja Mihanović and Marin Pintur at the opening ceremony of Tesla's Corner





PABLO D.O.O

On 8 June 2022, a specialised shop with six employees was opened.

In the period from 8 June to 31 December 2022, Pablo d.o.o achieved HRK 1.4 million in sales revenue. Total operating revenue for the period was HRK 1.5 million, while operating expenses were HRK 2 million. In 2022, a loss of HRK 587,476 occurred.

*In mid July 2022, the Pablo pharmacy in Gospić opened Tesla's Corner for visitors. The building which now houses the Pablo pharmacy was the family home of Nikola Tesla for a significant part of his childhood. It was where he decided to attend the Faculty of Engineering, which is why the pharmacy paid tribute to him and unveiled a memorial plaque. The project was completed in cooperation with the JGL Pharmacy Museum and Ivo Pilar Institute of Social Sciences.*

# EMPLOYEES

*The total number of employees in the JGL Group on 31 December 2022 was 1,174; in JGL Pharma 968, and 695 in the parent company.*

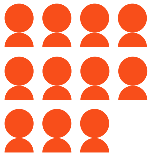
The largest market by number of employees was Croatia, where 765 employees worked in the parent company JGL d.d. and affiliated companies Adrialab, Pablo d.o.o, Pablo Health Institution and Zorka Muvrin Pharmacies. The Russian market is the second largest in terms of the number of employees (Jadran LLC Moskva) with 213 employees.

Out of the total number of employees in the JGL Group during the 2022 business year, 76% are women, and 24% are men. The percentage of employees with university degrees is 63%, and their average age is 40.

Structure of employees in 2022 by market and key area of work


1,174

Number of employees JGL Group



76%

Percentage of women at JGL Group

66%

Percentage of employees with university degree

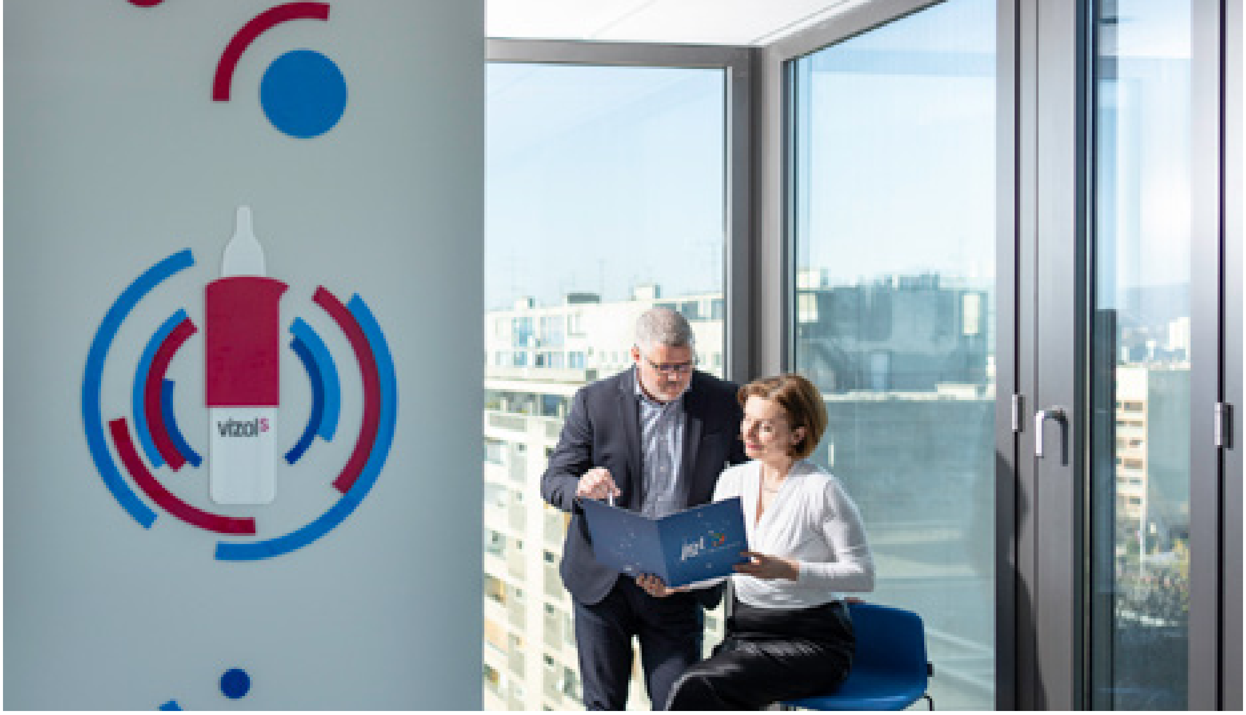
40

years old

Average age of employees

Number of employees on 31 December 2021 and 2022 in the JGL Group

| | 2021 | 2022 |
|---|---|---|
| **JGL d.d.** | **663** | **695** |
| Croatia | 523 | 559 |
| North Macedonia | 5 | 5 |
| Russia | 4 | 2 |
| Belarus | 20 | 20 |
| Ukraine | 63 | 61 |
| Kazakhstan | 47 | 47 |
| Kosovo | 1 | 1 |
| **Affiliated companies** | **449** | **479** |
| JGL d.o.o. Beograd – Sopot | 29 | 28 |
| Farmis d.o.o. Sarajevo | 25 | 28 |
| JGL d.o.o. Ljubljana | 4 | 6 |
| Adrialab d.o.o. Rijeka | 31 | 32 |
| Ljekarne Pablo HI | 147 | 152 |
| Pablo d.o.o. | 0 | 6 |
| Zorka Muvrin Pharmacies | 0 | 16 |
| Jadran LLC Moskva | 213 | 211 |
| **Total for JGL Group** | **1112** | **1174** |




An overview of the number of employees in the JGL Group in 2021 and 2022 by age and gender

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Women | Men | Women | Men |
| **<29** | 118 | 51 | 133 | 44 |
| **30–49** | 579 | 192 | 615 | 207 |
| **>50** | 142 | 30 | 142 | 33 |
| **Total** | **839** | **273** | **890** | **284** |

An overview of the number of employees in the JGL Group in 2021 and 2022 according to age and professional qualification

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Women | Men | Women | Men |
| **<Secondary education** | 9 | 6 | 9 | 5 |
| **Secondary education** | 241 | 119 | 296 | 126 |
| **Post-secondary education** | 23 | 14 | 30 | 18 |
| **University education** | 544 | 128 | 534 | 129 |
| **Postgraduate education** | 22 | 6 | 21 | 6 |
| **Total** | **839** | **273** | **890** | **284** |

An overview of the number of employees in the JGL Group according to employment contract type in 2021 and 2022

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Fixed-term contract | Permanent contract | Fixed-term contract | Permanent contract |
| **JGL d.d.** | **63** | **600** | **106** | **589** |
| Croatia | 41 | 482 | 70 | 489 |
| North Macedonia | 0 | 5 | 0 | 5 |
| Russia | 0 | 4 | 0 | 2 |
| Belarus | 19 | 1 | 19 | 1 |
| Ukraine | 0 | 63 | 1 | 60 |
| Kazakhstan | 3 | 44 | 16 | 31 |
| Kosovo | 0 | 1 | 0 | 1 |
| **Affiliated companies** | **69** | **380** | **59** | **420** |
| JGL d.o.o. Beograd – Sopot | 9 | 20 | 3 | 25 |
| Farmis d.o.o. Sarajevo | 2 | 23 | 5 | 23 |
| JGL d.o.o. Ljubljana | 0 | 4 | 2 | 4 |
| Adrialab d.o.o. Rijeka | 8 | 23 | 10 | 22 |
| Ljekarne Pablo HI | 32 | 115 | 14 | 138 |
| Pablo d.o.o. | 0 | 0 | 1 | 5 |
| Zorka Muvrin Pharmacies | 0 | 0 | 3 | 13 |
| Jadran LLC Moskva | 18 | 195 | 21 | 190 |
| **Total** | **132** | **980** | **165** | **1,009** |

An overview of the number of employees in the JGL Group according to the type of employment in 2021 and 2022

| | 2021 | | 2022 | |
|---|---|---|---|---|
| | Part time | Full time | Part time | Full time |
| **JGL d.d.** | **16** | **647** | **16** | **679** |
| Croatia | 10 | 513 | 11 | 548 |
| North Macedonia | 0 | 5 | 0 | 5 |
| Russia | 0 | 4 | 1 | 1 |
| Belarus | 4 | 16 | 4 | 16 |
| Ukraine | 2 | 61 | 0 | 61 |
| Kazakhstan | 0 | 47 | 0 | 47 |
| Kosovo | 0 | 1 | 0 | 1 |
| **Affiliated companies** | **4** | **445** | **17** | **462** |
| JGL d.o.o. Beograd – Sopot | 0 | 29 | 0 | 28 |
| Farmis d.o.o. Sarajevo | 0 | 25 | 0 | 28 |
| JGL d.o.o. Ljubljana | 0 | 4 | 0 | 6 |
| Adrialab d.o.o. Rijeka | 0 | 31 | 0 | 32 |
| Ljekarne Pablo HI | 3 | 144 | 9 | 143 |
| Pablo d.o.o. | 0 | 0 | 1 | 5 |
| Ljekarne Muvrin HI | 0 | 0 | 5 | 11 |
| Jadran LLC Moskva | 1 | 212 | 2 | 209 |
| **Total** | **20** | **1,092** | **33** | **1,141** |

# FINANCIAL PERFORMANCE

*In accordance with the consolidated, audited financial results for 2021, the JGL Group generated a total revenue of HRK 1.4 billion, and generated profit before tax totalling HRK 142.5 million thereby continuing the positive trend of growth of revenue and profitability.*

JGL Pharma also reported increases of revenue and operating income in 2022 in its core, pharmaceutical business. Operating revenue grew by almost 30% compared to the previous year and amounts to HRK 1.1 billion, with EBITDA operating income of HRK 231.1 million and an EBITDA margin of 20.3 per cent.

When looking at the parent company JGL d.d., operating revenue totalled HRK 806.7 million and grew by almost 15% when compared to the previous year. Successful business in 2022 is also evident when looking at the EBITDA of HRK 195.0 million and EBITDA margin of 24.2%. A record profit before tax was achieved in the amount of HRK 108,990,499.

It is important to look at events that influenced the financial performance in 2022, which was the military conflict in Ukraine. The JGL Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. The effect of the war was most evident when it comes to finance revenue and expenses of the Group and the parent company. Considering that JGL invoices its products in Russian roubles, strong fluctuations of the currency's exchange rate in 2022 resulted in significant revenue and expenses from the exchange rate changes.

*The result is especially significant as it concerns one of the most difficult years in business, marked by geopolitical uncertainty, market volatility, a lack of raw materials and an increase in the price of raw materials and energy, which resulted in high inflation.*

Growth is the result of above-average growth rates of key brands in key markets where JGL conducts business and an increase in market share in new and existing markets. Thanks to 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 2021 as its non-current assets, specifically tangible assets, were increased as a result of the Integra investment project. In the field of money and financial assets, there is an increase of money in hand and a reduction of current financial assets resulting from a change in strategy of investing in current financial assets.

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 liabilities, specifically liabilities towards financial institutions which increased due to the new Integra investment which was financed using a loan. Other than the Integra loan, a long-term loan was partially realised for working capital.

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 31/12/2022 and 31/12/2021

| | JGL GROUP | | | JGL PHARMA | | |
|---|---|---|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | Index | 31/12/2022 | 31/12/2021 | Index |
| **Operating revenue** | **1,366.0** | **1,079.5** | **127** | **1,136.0** | **875.5** | **130** |
| Sales revenue | 1,326.7 | 1,050.3 | 126 | 1,114.8 | 861.8 | 129 |
| Other revenue | 39.3 | 29.2 | 135 | 21.2 | 13.7 | 155 |
| **Operating expenses** | **1,184.3** | **971.9** | **122** | **961.9** | **776.0** | **124** |
| Change in inventory value | -23.9 | -4.8 | 495 | -23.5 | -4.8 | 484 |
| Material costs | 814.4 | 649.8 | 125 | 635.1 | 490.6 | 129 |
| Personnel costs | 247.3 | 204.6 | 121 | 217.5 | 179.0 | 121 |
| Other costs | 146.5 | 122.2 | 120 | 132.8 | 111.2 | 119 |
| **Finance revenue** | **60.7** | **18.4** | **328** | **60.7** | **18.5** | **328** |
| **Finance expenses** | **99.8** | **25.5** | **392** | **99.3** | **24.8** | **399** |
| **Total revenue** | **1,426.7** | **1,097.9** | **130** | **1,196.7** | **894.0** | **134** |
| **Total expenses** | **1,284.2** | **997.4** | **129** | **1,061.1** | **800.8** | **133** |
| **Profit before tax** | **142.6** | **100.6** | **142** | **135.5** | **93.1** | **146** |
| **Income tax and deferred tax assets** | **-2.0** | **14.4** | **-14** | **-3.6** | **13.0** | **-28** |
| **Profit after tax** | **144.6** | **86.2** | **168** | **139.1** | **80.2** | **174** |

*[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 31/12/2022 and 31/12/2021

| | | | JGL D.D. |
|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | Index |
| **Operating revenue** | **806.8** | **703.0** | **115** |
| Sales revenue | 790.1 | 628.8 | 126 |
| Other revenue | 16.7 | 74.2 | 22 |
| **Operating expenses** | **663.3** | **563.7** | **118** |
| Change in inventory value | -22.3 | -4.9 | 456 |
| Material costs | 424.3 | 342.0 | 124 |
| Personnel costs | 147.2 | 129.3 | 114 |
| Other costs | 114.1 | 97.3 | 117 |
| **Finance revenue** | **60.2** | **18.2** | **332** |
| **Finance expenses** | **94.7** | **24.4** | **388** |
| **Total revenue** | **867.0** | **721.2** | **120** |
| **Total expenses** | **758.0** | **588.1** | **129** |
| **Profit before tax** | **109.0** | **133.1** | **82** |
| **Income tax and deferred tax assets** | **-9.0** | **6.7** | **-** |
| **Profit after tax** | **118.0** | **126.5** | **93** |

[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 31/12/2022 and 31/12/2021

| | JGL GROUP | | | JGL PHARMA | | |
|---|---|---|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | Index | 31/12/2022 | 31/12/2021 | Index |
| **Assets** | **1.875,6** | **1,605.7** | **117** | **1,777.5** | **1,511.4** | **118** |
| **Non-current assets** | **1.046,9** | **891.4** | **117** | **1,011.1** | **861.4** | **117** |
| **Current assets** | **822.9** | **708.5** | **116** | **761.8** | **645.3** | **118** |
| Inventories | 279.8 | 222.9 | 126 | 250.2 | 197.5 | 127 |
| Receivables | 413.3 | 381.7 | 108 | 388.1 | 349.6 | 111 |
| Current financial assets | 21.2 | 51.4 | 41 | 21.2 | 51.4 | 41 |
| Cash at bank and in hand | 108.6 | 52.5 | 207 | 102.3 | 46.8 | 219 |
| **Prepaid expenses and accrued revenue** | **5.8** | **5.8** | **100** | **4.6** | **4.7** | **98** |
| **Liabilities** | **1,875.6** | **1,605.7** | **117** | **1,777.5** | **1,511.4** | **118** |
| **Capital and reserves** | **907.2** | **763.7** | **118** | **876.8** | **738.5** | **119** |
| **Non-current provisions** | **3.9** | **3.7** | **107** | **3.2** | **3** | **108** |
| **Non-current liabilities** | **573.9** | **428.9** | **134** | **557.6** | **413.8** | **135** |
| Liabilities for leasing and banks | 439.1 | 296.5 | 148 | 426.9 | 285 | 150 |
| Bond liabilities | 129.1 | 128.7 | 100 | 129.2 | 128.7 | 100 |
| Deferred tax liability | 5.7 | 3.7 | 140 | 1.5 | 0.1 | 2,293 |
| **Current liabilities** | **361.0** | **376.4** | **96** | **311.5** | **324.2** | **96** |
| Suppliers | 250.8 | 210.9 | 119 | 210.5 | 176.6 | 119 |
| Financial liabilities | 48.1 | 110.8 | 43 | 43.6 | 96.9 | 45 |
| Other current liabilities | 62.2 | 54.7 | 113 | 57.4 | 50.7 | 113 |
| **Accrued expenses, deferred revenue and provisions** | **29.6** | **33.0** | **90** | **28.4** | **31.9** | **89** |

[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 31/12/2022 and 31/12/2021

| JGL D.D. | | | |
|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | Index |
| **Assets** | **1,754.6** | **1,520.3** | **115** |
| **Non-current assets** | **1,074.8** | **929.5** | **116** |
| **Current assets** | **675.8** | **587.5** | **115** |
| Inventories | 242.2 | 173.9 | 139 |
| Receivables | 330.6 | 329.7 | 100 |
| Current financial assets | 24.1 | 56.6 | 43 |
| Cash at bank and in hand | 78.9 | 27.3 | 289 |
| **Prepaid expenses and accrued revenue** | **4** | **3.3** | **120** |
| **Liabilities** | **1,754.6** | **1,520.3** | **115** |
| **Capital and reserves** | **929.6** | **812.9** | **114** |
| **Non-current provisions** | **3.2** | **2.9** | **108** |
| **Non-current liabilities** | **547.9** | **405.9** | **135** |
| Liabilities for leasing and banks | 418.8 | 277.2 | 151 |
| Bond liabilities | 129.1 | 128.7 | 100 |
| Deferred tax liability | 0 | 0.0 | |
| **Current liabilities** | **259.4** | **284.9** | **91** |
| Suppliers | 164.8 | 144.4 | 114 |
| Financial liabilities | 39 | 93.7 | 42 |
| Other current liabilities | 55.6 | 46.8 | 119 |
| **Accrued expenses, deferred revenue and provisions** | **14.5** | **13.7** | **106** |

[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

The JGL Group respects the highest international standards and the best industry practices in corporate governance in order to achieve the highest long-term value for partners, shareholders, employees and society as a whole. One of the tools of efficient corporate governance for achieving long-term value is risk management. We strive to identify, understand and evaluate new risks in a timely manner every day and to create corporate responses which ensure stable and sustainable operations.

## BUSINESS ENVIRONMENT RISK

Business environment risk includes political, macroeconomic and social risks in all markets in which the JGL Group operates. This type of risk cannot be directly influenced. Conversely, they directly influence business operations.

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*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 a few markets as well as by protecting its foreign receivables though export insurance.*

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### Political risk related to the war in Ukraine

In 2022, political risk related to the war in Ukraine occurred. The Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. It is clear that the situation is influencing the financial market, as well as the energy market. Risks to which the Group is exposed to due to operations in areas impacted by war are currency risk, risk of non-collection of receivables, risk of the inability to deliver goods, the risk of a decline in sales revenue and the risk of the loss of control over business in said markets. These risks were managed and are still managed in the following ways:

- controlling inventories,
- insuring exports,
- finding alternate routes for product distribution,
- diversification of portfolio and focusing on other markets and
- reducing costs to reduce the impact of reduced sales.

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

## COMPETITIVE RISK

The JGL Group has strong competition in all business segments, both in the production and sale of medicines and in the pharmaceutical segment. From a competitive aspect, generic and OTC medicines particularly stand out. Generic drug prices are often reduced, sometimes dramatically, especially as generic pharmaceutical companies (including those low-cost ones based in China and/or India) which enter the market for a particular product, thereby further intensifying competition. 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 enter into new 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 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, JGL strives to reduce competitive risks.

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

## OPERATIONAL RISK

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

The Group protects itself from this type of risk by respecting and continually reviewing internal procedures, ensuring high-quality technology and processes, and constantly working on improvements, 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 ones such as the possibility of 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 lead to new costs for the economy and adversely impact the capacity of countries to produce food.

However, scientists deem human actions can change the course of events. An 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 doing the following:

- improving energy efficiency,
- taking care of its environmental footprint and minimising harmful gas emissions,
- investing in infrastructure,
- improving work and climate conditions at all sites,
- educating employees about the health consequences of climate change.

In accordance with this, in 2021, the Group defined "Impact of Climate Change" as a key lever for strategic thinking, and in 2022, it formed a broader project team which is specifically concerned with questions regarding the organisation's impact on these types of changes. Furthermore, adapting to reporting in accordance with new standards has begun so that the business can be aligned with the goals of sustainable development, according to EU recommendations, as part of the initiative of sustainable economic development. Three basic groups of goals were determined which need to be achieved – environmental, social and governmental goals (ESG).

The JGL Group is exposed to various financial risks which are connected to foreign currency, interest rate, credit, market, and liquidity risks. These risks are monitored and their potential effects on the companies' financial exposure are mitigated.

## FINANCIAL RISKS

The Group is exposed to risks of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. Furthermore, it 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 2022, the parent company did not have any active forward contracts.

In 2022, the Group was 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 and its affiliate Jadran LLC at a ratio of 50:50.

In March 2022, as a response to the initial shock and severe sanctions implemented by the EU and US, the Russian rouble depreciated sharply and stabilised in April and May and returned to 2019 levels, thanks to the growth of oil prices and RCB measures, such as increasing interest rates, limiting the sale of foreign currency, managing inflation, etc.

At the beginning of 2022, the parent company JGL d.d. concluded a forward contract (TARF model) which reduced the shock caused by the strong depreciation of the Russian rouble. After finalising this contract, it was not possible to conclude new forward contracts and currently there are no official instruments for insuring the rouble currency risks. This is not expected to change before the end of the war. During March 2022, by cancelling official rouble quotations in western markets, significant problems have occurred in the transfer of money between Russia and Croatia, and in the conversion of roubles to euro and kuna. In a short time frame, the payment and conversion of roubles into euros was established.

The EUR/RUB exchange rate in 2022 moved between 53.09–144.79 to stabilise in the third quarter of 2022 and was at 78.43 at the end of the year. During the reporting period, the rouble exchange rate risk was managed by reducing the difference between foreign currency assets and liabilities and by establishing a policy of managing the rouble in accounts.

### Exposure to the currency risk of change in RUB exchange rate

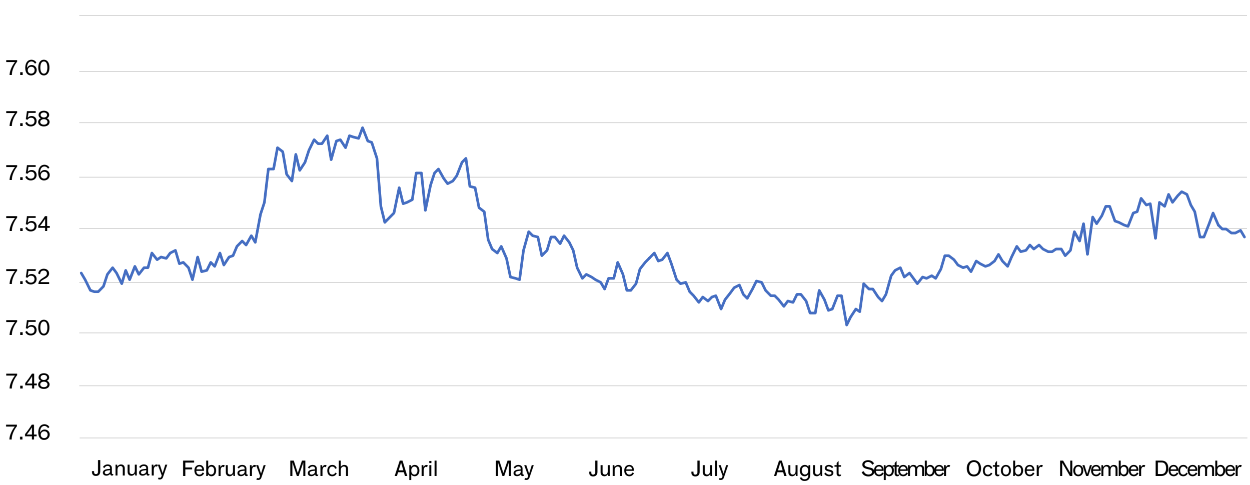
JGL d.d. invoices products for the Russian market in the Russian rouble. During 2022, the political and economic crisis, the war between Russia and Ukraine and the subsequent sanctions implemented by the EU and US influenced the rouble exchange rate, along with other factors such as the price of oil on the global markets, as well as the monetary policy implemented by the Russian Central Bank (RCB).


Exposure to the currency risk of change in RUB exchange rate in 2022

Source: ECB

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

JGL d.d. is naturally protected from the effects of changes in the euro exchange rate, namely foreign currency assets and liabilities are equal. In previous years, the EUR exchange rate when compared to HRK was less volatile and the absolute change during the year was below 1%. In 2022, due to the war in Ukraine and significant changes in the global political and macroeconomic environment, the absolute change of the EUR exchange rate when compared to HRK during the year was over 2%.



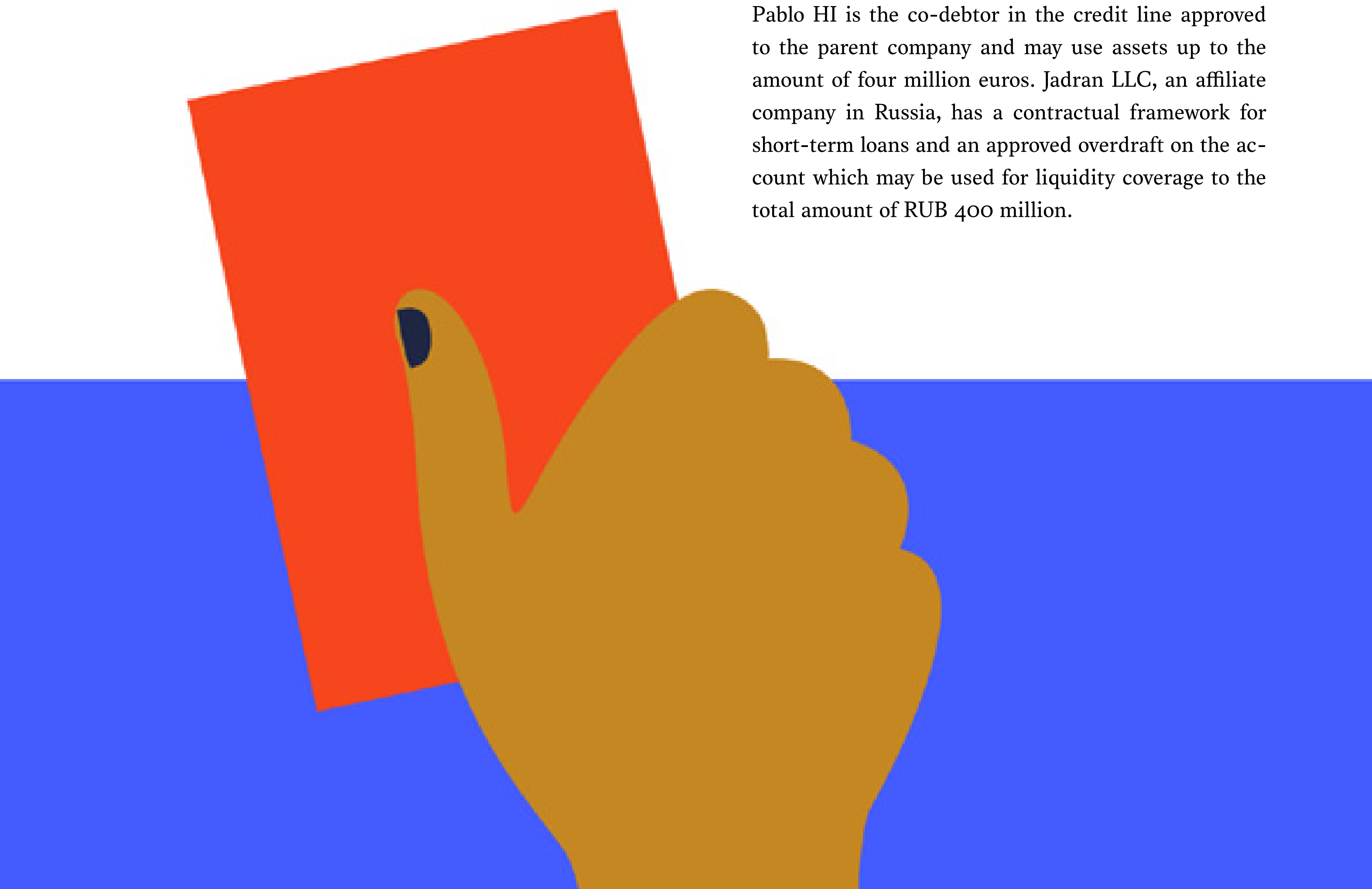

Exposure to the currency risk of change in EUR exchange rate in 2022

Source: ECB

## INTEREST RATE RISK

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 interest rate risk arises from long-term loans, leasing and bonds.

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. The Company does not use derivative instruments to actively hedge its exposure to interest rate risk (cash flow interest rate risk and fair value interest rate risk), but actively monitors market interest rate movements and takes the necessary measures to reduce interest rates if they are too high through refinancing mechanisms with another lender or a reduction in the interest rate with an existing lender.



For the purposes of short-term financing, JGL uses funds from the lines of short-term credit arranged with 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 the 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 under favourable conditions. In 2022, the parent company within the Group had credit lines in EUR approved and contracted with commercial banks in the total amount of eight million euros. These lines are used as a liquidity reserve and there was no need for their use in 2022.

Pablo HI is the co-debtor in the credit line approved to the parent company and may use assets up to the amount of four million euros. Jadran LLC, an affiliate company in Russia, has a contractual framework for short-term loans and an approved overdraft on the account which may be used for liquidity coverage to the total amount of RUB 400 million.

## CREDIT RISK

## RISKS OF COLLECTION OF RECEIVABLES

Credit risk is the risk of non-payment or default of customers within contracted deadlines, 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. 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 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 2022 was EUR 18 million. The insurance covered accounts receivable due from foreign customers who were contractually granted delayed payment. Together with insurers, the company monitors 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.

The receivables of the associated company Jadran LLC are insured in Russia through the insurance company Euler Hermes and Sberbank. The total insured credit limit for customers in Russia in 2022 was EUR 42 million.

Due to the current situation in Ukraine, Russia and Belarus, special attention was given to managing receivables in these markets through increased monitoring and constant communication with insurers. From the beginning of the crisis, deliveries to the aforementioned markets were made according to an emergency model and have a special status with the insurer.

Furthermore, 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 2022 were between 120 to 180 days, with constant efforts made by the Ministry of Health and the Croatian government to reduce said deadlines below 120 days. The situation is similar in other markets and countries where member companies operate (Russia, Belarus, Kazakhstan, Slovenia, Bosnia and Herzegovina). The average customer collection period ranges from 30 to 90 days, whereas the average collection period from wholesalers has been extended and typically ranges from 90 to 120 days.

## MARKET RISK

### Research and Development

*The pharmaceutical industry is characterised by significant investments in research and development, which are at JGL a significant generator of future growth and development.*

The success of research and development of new products is inherently uncertain. Research and development (R&D) in the pharmaceutical industry, especially in the segment of medicinal products, is a multi-annual process, and there is a possibility that market conditions change during the course of a 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 is in place.

### Regulation

Another important aspect of the pharmaceutical industry is regulations. 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.

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*Due to significant business being done in 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.*

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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 competencies 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 JGL Group business. Operations are exposed to price risk associated with changes in the prices of key raw materials, transport, other production costs, as well as strong pressures from competitors and customers. The pharmaceutical industry is characterised by frequent changes in prices of medicinal products, which can be caused by healthcare reforms, changes in the policy of including medicines on the approved medicines list, tax reforms, market instability, etc.

Prices of OTC products are not regulated. In case of market price decreases, the JGL Group can keep the same level of profitability by decreasing operating costs (other external service costs – promotions, entertainment, consulting services, etc. and negotiating lower costs of purchase of raw materials).

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*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.*

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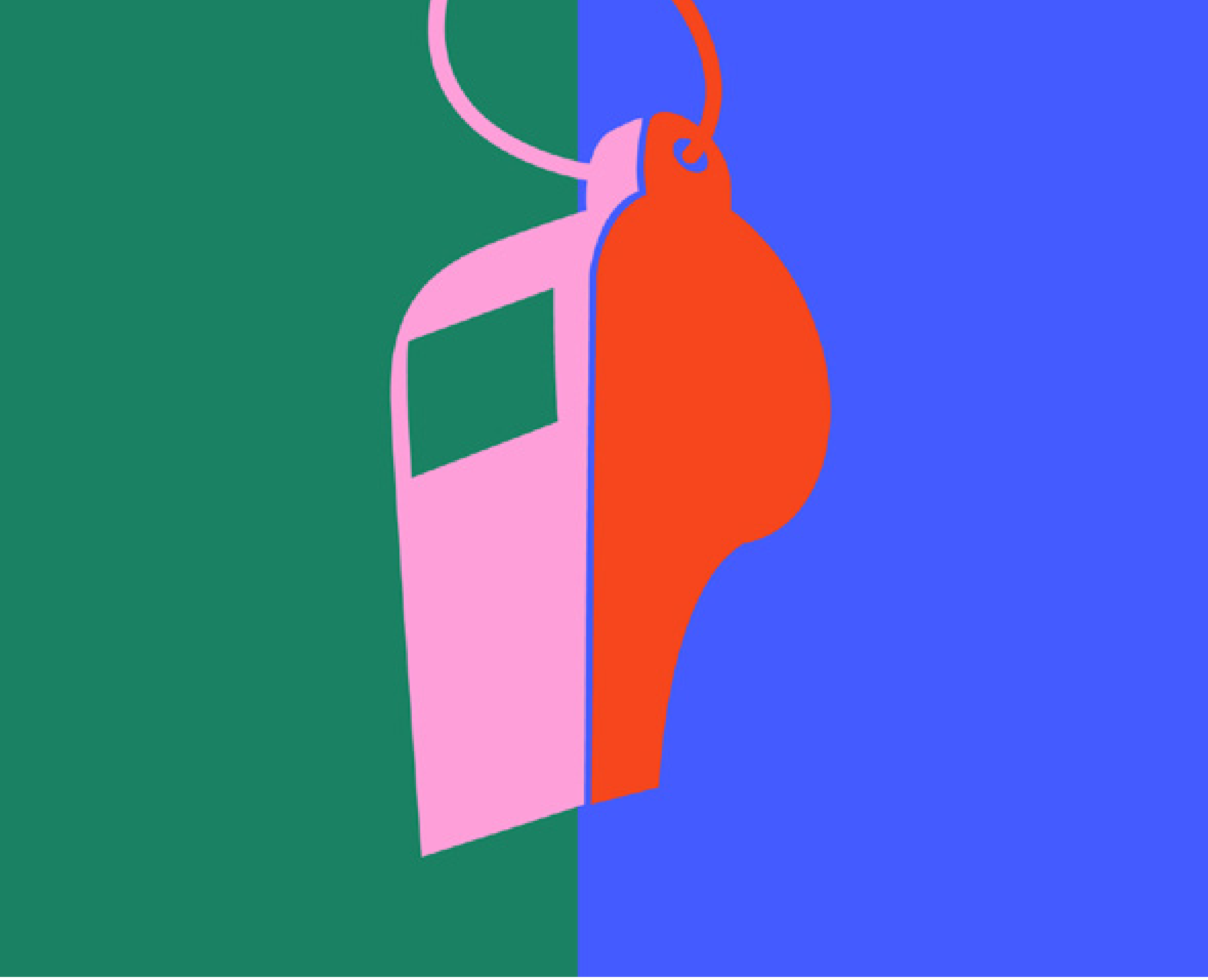
## CAPITAL MANAGEMENT

The JGL Group manages its capital by regulating the proportion of self-financing versus financing from external sources. The latter is based on non-current assets with favourable interest rates, and does not represent a burden on the Company's liquidity. With regard to debt type, the parent company has long-term liabilities for received loans, leasing and issued bonds. Long-term loan liabilities consist of two long-term loans obtained from the Croatian Bank for Reconstruction and Development. The liability for the long-term HBOR loan used to finance the investment in the



Svilno 2 production plant amounts to HRK 126 million. The initial amount of this loan was HRK 239 million, with a repayment term of nine years; the loan will be paid off in full by 2027.

In 2020, the parent company made the INTEGRA 2020 investment which includes expanding production capacity, equipping a research and development laboratory, creating a new pilot plant, furnishing office space, and building a logistics centre. The investment is partially self-financed, and partially financed by a long-term loan from the Croatian Bank for Reconstruction and Development in the amount of HRK 279.8, with a low fixed interest rate.

By 31 December 2022, HRK 237 million was used, while the parent company has liabilities under the issue of bonds under the code HRJDGL024XA2 in the amount of HRK 130 million with a maturity date of 18 December 2024. The interest on these bonds is fixed. Long-term lease liabilities are divided into those for operating and financial leases with four- or five-year contracts with fixed interest rates.

## CODE OF CORPORATE GOVERNANCE

JGL d.d. accepted the application of the Code of Corporate Governance of Zagrebačka burza. JGL d.d. operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal control, strengthening personal responsibility and corporate social responsibility.

With the aim of implementing and promoting these principles, and in line with the best international practices of corporate governance, on 25 April 2022, the Board of Directors of JGL adopted its own Code of Conduct – rules on the conduct of business which strengthen and protect the ethical pillars of business at the JGL Group level. They are made known to all actors and they protect the values which are the foundation of mutual relations.

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 executive directors (appointed by the Board of Directors) represent and manage the company. In its business activities, JGL d.d. applies internal policies with clearly defined procedures for the work of the Board of Directors and Executive Directors, and clear principles guaranteeing the protection of interests of all stakeholders (e.g. annual, semi-annual and quarterly 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 established an audit committee (Committee), of which two members were independent members while one member of the Committee is a qualified authorised internal auditor. 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.

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*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.*

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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.

## MEMBERSHIPS

*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.*

The company or JGL employees are members of these organisations:

- 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


Mislav Vučić receiving a Golden Key on 4 July 2022

## AWARDS

At the 17th Croatian exporters' convention on the topic of "Export Excellence", JGL received an award in the category Most Innovative Exporter.

Mislav Vučić, Chief Executive Officer, pointed out that the award was especially pleasing as it came in uncertain times for business and gave incentive to persevere and continue to quickly adapt to the emerging circumstances.

During the reporting period, JGL was also awarded the prestigious certificate "Above and Beyond" for innovations in the area of managing human resources. It is awarded to highlight HR practices which incentivise positive changes in organisations, while only the most successful holders of the "Employer Partner" certificate go through the evaluation. The company in 2022 became a teaching institution for the Faculty of Medicine of the University of Rijeka, specifically, the new pharmaceutical medicine study programme. In March, a cooperation agreement was signed in the field of science and research, education and professional work, as well as professional training. This way we strive to actively contribute to the development of the practice of strengthening democratic inclusivity and smart specialisation, promoting innovation and combining knowledge from the academic and real sectors.

# FUTURE DEVELOPMENT

The year 2023, no matter how challenging or uncertain it might seem, is one which offers JGL a plethora of reasons to be enthusiastic. Our clear strategic direction allows us to adapt our processes and activities quickly or to continue with them in accordance with the defined business plan, in spite of constant, uncertain and tense political, economic, healthcare and other changes on the global market.

JGL is an agile company with high ambitions and, in line with new developments in economic and social relationships, is ready for constant transformation, for continuous learning, to strive to always have an innovative point of view and to wish for better and healthier lives for our patients and consumers. We are full of aspirations, not just to reach even better results, but to also create new capabilities, values, possibilities and experiences.

I am sure that all our current and future employees are aware of the positive potential ahead of us on the global stage and that we will continue to realise our goals in the future, as a team, boldly and decisively, while being ready to adapt, step up efforts, and take on new challenges, knowledge and opportunities, with the goal of ensuring a stable and prosperous future.

We do business in one of the strongest industrial sectors, which is also the most important factor in ensuring a stable healthcare system. Our company follows sector trends even in terms of a significant share of export in total revenue, which, alongside constant investments in innovation, allows us to reach a high level of sustainable competitiveness.

In accordance with global trends and undiminished intensity, it is our goal to position JGL as an innovator in developing advanced, differentiated products within our three strategic therapeutic fields – cold and flu, ophthalmology and dermatology. Considering that new ways of thinking about manufacturing processes are key to our new values, we target our networking and knowledge, practice and experience sharing activities with the best in the aforementioned therapeutic fields – partners, employees, universities and institutions in Croatia and abroad.

Considering the knowledge, skills and motivation of JGL employees in ten markets worldwide and our joint focus on a mutual goal, I am a firm believer in our ability to do much, much more.

**Mislav Vučić**
Chief Executive Officer

# SUSTAINABLE DEVELOPMENT REPORT

Photo: Drago Sopta/HNS

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# 17 SUSTAINABLE DEVELOPMENT GOALS

## THE GLOBALLY ACCEPTED UN 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

Pursuant to the reporting in accordance with the Global Reporting Initiative Standards, the JGL Corporate Sustainability Agenda is divided into three key groups of indicators based on the company's mission and vision, long-term strategy and considerable feedback from key stakeholders, including shareholders, employees, medical doctors, pharmacists, end consumers and the financial public:

Economic:
- sustainable financial growth
- ensuring the availability of medicinal products
- continuously improving products and providing added value for costumers
- continuously improving the professional competences of employees
- investing in internal research and development capacities
- internationalisation of business and partnerships with suppliers
- operational efficiency
- technological focus

Social:
- continuously developing relationships with customers and partners
- constant investments in development activities and innovations, employee training, the salary and reward system
- improving culture and two-way communication
- involving employees in the community and sharing knowledge
- membership 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 working conditions and improvements in processes and technology while focusing on environmental protection and energy savings
- continuous education of employees towards environmental protection, with special emphasis on the sea as a significant component of JGL products
- monitoring of social responsibility in the partners' and suppliers' business
- encouraging employees to volunteer at sea clean-ups, planting forests, removing ambrosia, humanitarian work, etc.

JGL wants to focus on a variety of areas in order to meet the needs of the present, without jeopardising the future generation's capabilities to meet their needs. JGL wishes to conduct business in accordance with the sustainable development goals in order to help overcome the global climate and social challenges and to ensure a better future for generations to come. During 2021, the campaign set a long-term business strategy supported by three pillars, one of which is directly related to the impact on climate change. During 2023, a corporate project related to specific ESG goals and a system of monitoring their implementation will be established.

In this regard, particular attention will be paid to the integration of six global goals in the overall business and operational process:
- Goal 3 Ensure healthy lives and promote well-being for all at all ages
- Goal 5 Achieve gender equality and empower all women and girls
- Goal 8 Promote sustained, inclusive and sustainable economic growth, full employment and decent work for all
- Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- Goal 12 Ensure sustainable consumption and production patterns
- Goal 14 Conserve and sustainably use the oceans, seas and marine resources for sustainable development

This Report shows the efforts in the implementation and promotion of these goals in accordance with the GRI Standards for the period from January 1, 2022 to December 31, 2022.

The organization applies Universal Standards GRI 1: Foundation 2021, GRI 2: General Disclosures 2021 and GRI 3: Material Topics 2021, and Topic Standards for reporting on material topics significant for JGL.

The process of creating the Report on Sustainable Development of JGL is in accordance with all the principles for achieving the quality of sustainability reports (accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability).

# UNIVERSAL STANDARDS

## 2-1 ORGANIZATIONAL DETAILS

Management Report, pp. 17, 48

## 2-2 ENTITIES INCLUDED IN THE ORGANIZATION'S SUSTAINABILITY REPORTING

Management Report, p. 17

## 2-3 REPORTING PERIOD, FREQUENCY AND CONTACT POINT

This is the fifteenth edition of JGL's Sustainable Development Report, which covers a one-year reporting cycle from 1 January to 31 December 2022. The previous, fourteenth Integrated Report, which includes JGL's Sustainable Development Report, was published on 30 April 2022. All of JGL's published Sustainable Development Reports are available at [jgl.hr.](jgl.hr)

JGL published the first two reports (2006/2007 and 2008/2009) in a two-year reporting cycle, after which it switched to a one-year cycle. For any questions related to this Report, in-depth analyses and/or a wider range of data, please contact the Corporate Communications department at korporativne.komunikacije@jglpharma.com.

## 2-4 RESTATEMENTS OF INFORMATION

The organisation has made no modifications in this regard, so no restatement of information from the previous reporting period is needed.

## 2-5 EXTERNAL ASSURANCE

With the continued and comprehensive support from the Croatian Business Council for Sustainable Development (HR BCSD), for each published report JGL has sought the opinion of the HR BCSD's Expert Committee on Sustainability Reporting, which is included in the Report. This issue is no exception – HR BCSD is the most called upon institution in the Republic of Croatia when it comes to promoting corporate social responsibility, and we appreciate their opinions and verification of the Report. During the reporting period, on 1 June 2022, the HR BCSD held a Board meeting and carried out a study visit to JGL.

## 2-6 ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS

Management Report, pp. 17, 46

## 2-7 EMPLOYEES

Management Report, pp. 56

## 2-8 WORKERS WHO ARE NOT EMPLOYEES

JGL hired one employee through a recruitment agency on 31 December 2022.

## 2-9 GOVERNANCE

Management Report, pp. 12

## 2-10 NOMINATION AND SELECTION OF THE HIGHEST GOVERNANCE BODY

Pursuant to JGL's bylaws, members of the Board of Directors is elected by a majority of votes cast in a meeting of the company's General Assembly, except one member of the Board who is appointed by employees in accordance with the procedure prescribed by the Labour Act.

The Board of Directors consists of up to seven members who serve as non-executive directors, except where a Board member has been appointed executive director or where an executive director has been appointed Board member. Board members serve five-year terms, with the possibility of re-election, and their terms commence on the day when the decision on appointment was rendered, or when the declaration of appointment is made, whether it was entered in the court register or not. Shareholders who hold at least a tenth of the share capital, individually or collectively, also have the right to nominate Board members if they do so in compliance with the law.

JGL has one CEO, although the bylaws allow the appointment of up to five CEOs. JGL's CEO has been appointed for a period of five years. The bylaws specify the CEO's purview and responsibilities, as well as the prerequisites they must meet in order to be elected. JGL duly applies the Code of Corporate Governance of the Zagreb Stock Exchange in relation to the issues of diversity, independence and competencies relevant to the organization's influence.

## 2-11 / 2-12 CHAIR OF THE HIGHEST GOVERNANCE BODY / ROLE OF THE HIGHEST GOVERNANCE BODY IN OVERSEEING THE MANAGEMENT OF IMPACTS

With the adoption of Amendments to the Croatian Companies Act, which entered into force on 1 October 2008, joint-stock companies in Croatia were given the option of choosing between the previously mandatory two-tier model and the new one-tier model of corporate governance. The one-tier model is characterised by integrated business management and oversight and a functional separation from operations management. JGL switched to the one-tier model of corporate governance in 2015, whereby the Board of Directors, with chairman Ivo Usmiani, MPharm, became responsible for management and oversight. The company is represented and operationally managed by CEO Mislav Vučić, who is also a member of the Board of Directors. The one-tier model is founded on the idea of functional separation of management and oversight from business operations. The main motive behind the transition to the one-tier model was to enable the Board of Directors and shareholders to have a direct influence in the business decision-making process, especially when it comes to ensuring integrity and compliance, direction, approval and implementation of the strategy, key financial decisions, as well as company values and culture. The Chair and members of the Board of Directors are focused on strategic direction, business management and oversight, and all of the key decisions are jointly made and coordinated by the Board and the CEO.

## 2-13 DELEGATION OF RESPONSIBILITY FOR MANAGING IMPACTS

A Leadership team, made up of upper-level executives in various areas of responsibility (Human Resources, Technology, Health, Safety and Environment, Corporate Finance, etc.), is responsible for business operations. It is headed by the company's CEO and proposes strategic directions for sustainable business to the Board of Directors.

## 2-14 ROLE OF THE HIGHEST GOVERNANCE BODY IN SUSTAINABILITY REPORTING

JGL's Board of Directors is responsible for reviewing and approving any disclosed information, including the organisation's material topics, as part of the Sustainable Development Report.

## 2-15 CONFLICTS OF INTEREST

The processes ensuring the prevention and mitigation of conflicts of interest of the Board of Directors are described in the company's Code of Ethics. The document is publicly available to all stakeholders on our website (Chapter 5). According to JGL's bylaws, a member of the Board cannot be an individual who, independently or together with others, is engaged in an activity that competes with JGL's business activities; an individual who is a member of a competing company or its governing body, or who is a procurator or an employee at such a company, or an individual employed by such a company in some other capacity; or an individual who is prohibited from being a member of the Board for legal reasons.

Employment contracts for upper-level executives regulate the legal and contractual prohibition of competition, while only the legal prohibition of competition applies to other employees. JGL follows the Corporate Governance Code of the Zagreb Stock Exchange regarding membership in other committees, co-ownership with suppliers and other stakeholders, the existence of controlling stakeholders, related parties, their relationships, transactions, and outstanding balances. JGL's bylaws and other internal acts regulate confidentiality matters, i.e. the legal and contractual prohibition of competition, which indirectly addresses the issue of conflict of interest.

## 2-16 COMMUNICATION OF CRITICAL CONCERNS

JGL's CEO is also a member of the highest governing body and communicates any issues (including critical concerns) to the Board of Directors during weekly meetings. Moreover, members of the Workers' Council elected a representative of the workers who, as a member of the Board, represents the workers on behalf of the Workers' Council before other members of the highest governance body, thus bridging the communication gap between the Board and the workers.

## 2-17 COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY

JGL continuously takes numerous measures to improve the collective knowledge, skills and experience of its Board of Directors. Some of the measures taken during the reporting period include:

- Training in the segment of pharmaceutical technology and business
- Business management courses at business schools in the segment of business management
- Expanding fundamental and specific knowledge with key programmes aimed at fulfilling the governance role and supporting the company's strategic direction.

## 2-18 EVALUATION OF THE PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

During the reporting period, a review was performed of JGL's umbrella long-term strategy, established in 2021. The success of the implementation and performance of the goals are evaluated every year to monitor and respond in a timely manner to any deviations from the implementation plan.

## 2-19 / 2-20 / 2-21 REMUNERATION POLICIES AND PROCESS TO DETERMINE REMUNERATION

Pursuant to JGL's bylaws, Board members are entitled to remuneration for their work in the Board, consisting of a fixed monthly compensation, the amount of which is determined annually by means of a decision of the General Assembly. The stipulated fixed amount of the monthly compensation does not have to be the same for all Board members. The fixed amount of the monthly compensation may vary depending on the engagement of the individual Board member. At its regular meetings, JGL's General Assembly may render a decision on special remunerations for individual members of the Board for outstanding performance in the company's operations and development.

Board members may also be granted the right to participate in the profit generated by the company and the right to receive stock options in consideration for their work. The decision on participation in the profit and award of the stock options is rendered by the General Assembly. The right to compensation is terminated immediately upon expiry of the Board member's term. JGL renders specific decisions on matters of severance payment when employees retire.

## 2-22 STATEMENT ON SUSTAINABLE DEVELOPMENT STRATEGY

Management Report, pp. 10, 79

## 2-23 POLICY COMMITMENTS

Management Report, p. 76

## 2-24 EMBEDDING POLICY COMMITMENTS

JGL operates on the principles of lawfulness, disclosure and transparency, prevention of conflicts of interests, efficient internal oversight, fostering personal responsibility, and corporate social responsibility.

With the aim of implementing and promoting these principles, and in accordance with the best international practices of corporate governance, on 25 April 2022, the Board of Directors adopted its own Code of Ethics – rules governing business conduct (available to all employees) that JGL uses to strengthen and preserve the ethical foundations of business at the Group level, raising awareness of their importance among all its stakeholders, and protects its values on which it bases and builds mutual relations.

JGL's organisational structure follows the one-tier model, where the governance and oversight functions are carried out by the Board of Directors, elected by the General Assembly, while the CEOs (appointed by the Board) represent the company and manage its operations.

In its business activities, JGL applies internal policies with clearly defined procedures for the responsibilities of the Board of Directors and CEOs, as well as principles ensuring the protection of interests of all shareholders (e.g. annual, semi-annual and quarterly reports are available to shareholders; individuals who use or handle confidential information are familiar with the nature and significance of such information and the relevant restrictions; control of the flow of confidential information and its possible abuse has been established).

The Board of Directors has established an Audit Committee, with two independent members and one member who is a certified internal auditor. 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 risks related to compliance with regulations).

## 2-25 PROCESSES TO REMEDIATE NEGATIVE IMPACTS

On 27 June 2021, the Board, following consultations with the Workers' Council, adopted the Rules of Procedure for internal reporting of irregularities and the appointment of a trusted person, which establishes the procedure for internal reporting of irregularities and the appointment of a trusted person and their deputy. JGL has also adopted a decision on the appointment of a trusted person and their deputy.

## 2-26 MECHANISMS FOR SEEKING ADVICE AND RAISING CONCERNS

Sustainable Development Report, p. 167

## 2-27 COMPLIANCE WITH LAWS AND REGULATIONS

During the reporting period, there were no cases of non-compliance with laws and regulations for which a fine or non-monetary sanction was imposed.

## 2-28 MEMBERSHIP ASSOCIATIONS

Management Report, p. 77

## 2-29 APPROACH TO STAKEHOLDER ENGAGEMENT

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

In the 2021 reporting period, in the process of selecting and involving key stakeholders in the assessment of relevant topics in the broader context of sustainability, a large-scale and targeted survey was conducted among all aforementioned 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, analyse and consider important expectations and interests of stakeholders in the process of shaping the content of the report, the company emailed a survey to stakeholder representatives on the topic of assessing the importance of sustainability topics, as well as the influence that JGL has on material topics.

One of the prerequisites for the comprehensive implementation of activities concerning corporate social responsibility is identifying the stakeholders. JGL has segmented all of the individuals, groups, communities and organisations that influence the company's operations or who are influenced by its business activities.

Communication with stakeholders is maintained all year round, on an ongoing basis and as needed, and stakeholders are also involved in defining material topics for JGL. 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 that they found the topic extremely important, and one indicating that the topic is of no importance to them.

### Communication Platforms

The jgl.hr corporate website contains the most important information on products and other business activities, as well as on cooperation with the community. The website is available in five languages (Croatian, Slovenian, English, Ukrainian and Russian) and it contains publicly available information for investors, as well as management reports and sustainable development reports.

### Stakeholder Communication

It is maintained through regular shareholder meetings, organised tours of the company (students), and external media. In 2022, over 1,100 announcements related to the JGL Group were published in independent media, 76% of which were
positive, while 24% were neutral.

### A Breakthrough in Two-Way Communication with Employees

After more than 13 years of existence, 150 issues and thousands of pages of content, at the end of 2022, JGL replaced its internal newsletter with a multi-portal Intranet. The more advanced, secure and interactive communication platform enables two-way communication with employees in a secure online and digital environment.

The JGL Intranet is available to all JGL Group employees in three languages (Croatian, English and Russian). In addition to being a central portal that offers current corporate and departmental news, it is also a hub for corporate documents, rules and forms, and a tool for networking and increasing synergy among employees.

## 2-30 COLLECTIVE BARGAINING AGREEMENTS

There is no Collective Agreement at JGL, but workers are able to participate in decision-making processes through the Workers' Council, which actively participates in making decisions that are important for the position of workers.

## 3-1 / 3-3 PROCESS TO DETERMINE MATERIAL TOPICS AND MANAGEMENT OF MATERIAL TOPICS

Material topics are divided into three areas in accordance with the topic-specific standards of the GRI. The process to determine and manage material topics is detailed below:

- Economic topics: Sustainable Development Report, p. 95
- Environmental topics: Sustainable Development Report, pp. 117-118
- Social topics: Sustainable Development Report, pp. 145-147

## 3-2 LIST OF MATERIAL TOPICS

GRI 200 ECONOMIC TOPICS
- GRI 201 Economic Performance
- GRI 202 Market Presence
- GRI 203 Indirect Economic Impacts

GRI 300 ENVIRONMENTAL TOPICS
- GRI 302 Energy
- GRI 303 Water
- GRI 305 Emissions
- GRI 306 Effluents and Waste

GRI 400 SOCIAL TOPICS
- GRI 401 Employment
- GRI 402 Labour/Management Relations
- GRI 403 Occupational Health and Safety
- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity
- GRI 406 Non-discrimination
- GRI 407 Freedom of Association and Collective Bargaining
- GRI 413 Local Communities
- GRI 416 Customer Health and Safety

# TOPIC STANDARDS: ECONOMIC

## PROCESS TO DETERMINE MATERIAL TOPICS

The topic is material due to its considerable economic impacts on stakeholders and local, regional, national and international economic systems. Given that JGL is one of the most prominent representatives of the Croatian pharmaceutical industry, a strategically positioned industry of the Republic of Croatia, the company is a significant cornerstone of the development of the Croatian economy thanks to its results, increases in the number of employees, continuous investment in research and development and product exports. JGL is also continuously working to improve its product portfolio, introduce new technologies and build modern production facilities.

The company won recognition from international partners and is promoting a welcoming environment for investment and high-tech development in Croatia though its activities. In cooperation with the competent ministries, the pharmaceutical industry generally contributes to the stability of the economy through its impact and is one of the few branches in Croatia with a number of positive economic impacts such as the know-how for further growth, exports, investment, employment and its general contribution to the revenue side of the budget.

Considerable economic impacts are achieved within the entire JGL Group as well as outside the Group, in local communities and countries in which it operates and with business partners.

The negative economic impacts are connected to economic costs and they include the use of limited economic resources (such as natural resources in products), which JGL tries to minimise with a strategic ESG approach in its business strategy, i.e. by continuously reviewing the way the company affects the community and society as a whole.

## MANAGEMENT OF MATERIAL TOPICS

JGL manages its economic impact through a diverse portfolio of products, the dispersion of sales in existing markets, sophisticated technology and production processes, investments in highly educated personnel, research and development and through opening new markets.

The JGL Group's long-term strategy is based on increasing the share of sales of global regions and markets, which would create longer-term resilience to market changes. Also, by identifying opportunities through innovations and new ways of reducing its impact on the environment and the society, the company is strengthening its relations with consumers/customers through the incorporation of ESG approaches in all business processes, as well as in finished products.

The process of improving the management system was continued in 2022, allowing for timely, high-quality monitoring and analysis of the achieved business results as well as the creation of high-quality forecasts and business plans throughout the business year, especially in the area of reporting on the achieved operational business results, which formed the basis for a more efficient and rational management of the entire business process, improving and accelerating the reporting process at all levels. The comprehensive process of indirect economic impacts presented in the Management Report is particularly noteworthy.

# CONSOLIDATED DISCLOSURES IN ACCORDANCE WITH ARTICLE 8 OF THE TAXONOMY REGULATION

**Article 8 of the Taxonomy Regulation**

In accordance with Article 8 of the EU Taxonomy Regulation (EU) 2020/852 and supplementary delegated acts, the JGL Group publishes the share of turnover (Turnover), capital expenditure (CapEx) and operating expenditure (OpEx) in the reporting period, which is EU taxonomy-eligible and taxonomy-aligned in terms of environmental objectives of climate change mitigation and adaptation.

The Taxonomy Regulation is a key component of the European Commission action plan for redirecting capital flows towards a sustainable economy. It represents an important step in achieving carbon neutrality by 2050 in accordance with the EU climate goals, considering that the Taxonomy is a classification system for environmentally sustainable economic activities.

## Definitions

According to Article 1, no. 5 of the delegated act of 6 July 2021, amending Article 8 of Regulation (EU) 2020/852, economic activities may be qualified as taxonomy-eligible only if they are defined in Appendix I and II of the delegated act of 4 June 2021. Activities not described in these two Appendices are considered taxonomy-non-eligible activities. This means that, although these sustainability objectives may be considered an additional contribution to sustainability, they do not fall under the EU taxonomy.

Taxonomy-eligible economic activities had to be reviewed in terms of their economic sustainability (taxonomic alignment) for the first time in 2022. According to Article 3 of Regulation (EU) 2020/852, economic activities are qualified as taxonomy-aligned if they substantially contribute to one or more of the environmental objectives: climate change mitigation, adaptation to climate change, sustainable use and protection of land and sea resources, transition to a circular economy, prevention and control of pollution and protection and restoration of biodiversity and ecosystems. Furthermore, economic activities must not significantly harm any of the environmental objectives (DNSH = do no significant harm) and must be carried out in compliance with the minimum safeguards, in terms of human and consumer rights, combating corruption and bribery, taxation and fair competition.

The alignment of the taxonomy is verified by using technical verification criteria for each economic activity. These criteria are defined in Appendices I and II of the delegated act of 4 June 2021 for economic activities that may significantly contribute to the environmental objectives of climate change mitigation and adaptation, while there are still no criteria and delegated acts for the remaining four environmental objectives. A taxonomy-non-eligible economic activity is any economic activity not described in the delegated acts supplementing the Taxonomy Regulation.

## The potential of the JGL Group for meeting the requirements for taxonomy

Pharmaceutical economic activities are currently not covered by the Climate Delegated Act, considering that only technical verification criteria are reported for activities that significantly contribute to the two environmental objectives, i.e. climate change adaptation and mitigation. Following a thorough review involving all relevant departments and functions, it was concluded that the core economic activities of the JGL Group are not covered by the Climate Delegated Act and are therefore taxonomy-non-eligible and taxonomy-non-aligned. In that context, as a pharmaceutical group, JGL generates its income from its products through only one activity (the production and sale of pharmaceutical products).

The last report of the Commission on technical criteria shows that there is a possibility of including the production of medicinal products into the Delegated Acts for a significant contribution to other environmental objectives. Potentially, pharmaceutical economic activities could significantly contribute to the "pollution prevention and control" or "sustainable use and protection of water and sea resources".

## Taxonomy-eligible and aligned economic activities

JGL belongs to a group of companies operating in a sector that is not covered by the taxonomy. All economic activities that meet the requirements of the taxonomy specified in the Climate Delegated Act were examined based on the activities and investments of pharmaceutical group.

Expenditures (CapEx and OpEx) of the JGL Group for the procurement of outputs from other activities may be aligned with the criteria of the EU taxonomy.

Economic activities within outputs that do not generate income, but result in assets or processes that are key for income-generating activities, are reported as taxonomy-eligible economic activities (see Table 1). This especially includes the acquisition and ownership of buildings (7.7) and other investment-oriented activities such as expenditures for the vehicle fleet (6.5 and 6.6) and capacity of the data centre (8.1).

In order to avoid double counting and considering the current practice of reporting on the compliance of economic activities of output procurement, the eligible activities were aligned with the criteria of having a significant contribution to the environmental objective of climate change mitigation and the related criteria of doing no significant harm (DNSH).

## Compliance

The investments were analysed in accordance with the specific criteria in Delegated Acts I and II. In the reporting period, a part of the capital expenditures was identified as aligned with the considerable contribution to mitigating climate change for economic activity 7.7. Acquisition and ownership of buildings. Capital expenditure on real estate that was completed before 31 December 2020 meets the criterion of a significant contribution to mitigating climate change in accordance with the obtained energy certificates A+ and A. For the Svilno project in preparation, the project documentation was analysed, and in accordance with the applicable criteria for a significant contribution to the objective, it was assessed that they meet the applicable criteria for properties constructed after 31 December 2020.

Out of the criteria that prove that no significant harm was done to other environmental objective, for economic activity 7.7. *Acquisition and ownership of buildings* is only the criterion for not doing any harm for the objective of climate change adaptation. Considering that even before 2020, an assessment of the durability of real estate against natural disasters (i.e. floods and earthquakes, in accordance with the legal obligation) was included in the construction of large investments, it was assessed that this proportion of capital expenditures is consistent with the criterion of doing no significant harm to climate change adaptation.

The proportion of taxonomy-aligned capital expenditures under activity 7.7 *Acquisition and ownership of buildings* is 27.25%, which amounts to approximately HRK 54 m. The operating expenditures related to the maintenance of the aligned CapEx was also assessed as taxonomy-aligned in accordance with meeting the specific criteria of activity 7.7 *Acquisition and ownership of buildings* from Delegated Act I. The proportion taxonomy-aligned share of operating expenditures under activity 7.7 *Acquisition and ownership of buildings* is 4.15%, which amounts to approximately HRK 1.9 m. The taxonomy-aligned operating expenditure under eligible activity 7.7. *The acquisition and ownership of buildings* was assessed in accordance with the current process of managing expenditures according to the cost centre. The stated costs can be supported by invoices and in order to avoid double counting from the total eligible operating expenditure according to the cost centre, the total operating expenditure was subtracted.

Taxonomy-eligible economic activities for CapEx/OpEx

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

| Economic activity | Description | NACE- Code |
|---|---|---|
| 6.5 Transport by motorbikes, passenger cars and light commercial vehicles | Vehicle fleet (leasing) including maintenance and repair. | H49.32, H49.39, N77.11 |
| 6.6 Freight transport services by road | Purchase, financing, leasing, rental and management of vehicles designated as category N1, N2(249) or N3(250) falling under the scope of EURO VI(251), step E or its successor, for freight transport services by road | H49.4.1, H53.10, H53.20, N77.12 |
| 7.7 Acquisition and ownership of buildings* | Acquisition and ownership of buildings (i.e. acceptability of all buildings, taking into account the legal or economic ownership, including the right to use from the building's lease) | L68 |
| 8.2 Data processing, server services and related activities | Lease of data centre resources from external service providers (non-capitalised rental costs) | J61, J62, J63.11 |

## Minimum Safeguards

Compliance with EU taxonomy, along with specific criteria for each economic activity, is also proven by compliance with Minimum Safeguards in accordance with Art. 18 of the EU Taxonomy Regulation.

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

- OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines);
- UN Guiding Principles on Business and Human Rights (UNGPs), including principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work; and
- the International Bill of Human Rights.

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

The JGL Group takes its responsibility as an actor in the global chain of pharmaceutical sectors seriously and follows the principles of ethical business conduct in its daily business activities, which is reflected in our Code of Ethics: Rules of business conduct covering, among others, all four topics of Minimum Safeguards. We are committed to the highest ethical values and joint and individual compliance with the rules and laws regulating our activities. At JGL, we also support laws and regulations promoting transparency by meeting the transparency requirements set out in the Code of Conduct of the European Generic Medicines Association (EGA), and in 2023, we adopted the Code of Conduct for Suppliers.

With regard to our supply chains and business relationships, we expect the same ethical business conduct as we do for our business entities. Therefore, the Minimum

Safeguards are an integral part of our business contracts and our General Terms and Conditions of Procurement. The General Terms and Conditions of Procurement is a document that aims to promote and implement practices that, among other things, relate to human rights, ethics, environmental protection and safety. We expect each of our suppliers to adhere to the Group's ethical principles and to ensure that their employees and subcontractors comply with the General Terms and Conditions of Procurement. Moreover, our supplier selection and evaluation processes include inquiring suppliers about their environmental practices and respect for human rights, anti-corruption and anti-bribery. As part of the General Terms and Conditions of Procurement, we reserve the right to terminate the contract if it is proven that the supplier is in breach of some of the provisions of the General Terms and Conditions of Procurement. Likewise, all of our suppliers are required to comply with the Supplier Code of Conduct.

In the business year 2022, JGL Group was not convicted in court by a final court judgement for violating Labour Act or human rights, for violating the Competition Act or for any violation of tax laws. No relevant court cases related to corruption and bribery have been identified. In addition, JGL Group was not involved in the case dealt with by the OECD national contact point and was not questioned by the Business & Human Rights Resource Centre.

## Our KPIs and accounting policies

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*Key Performance Indicators ("KPI") include Turnover KPI, capital expenditures (Capex) KPI and operating expenditures (Opex) KPI.*

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We use the templates set out in Appendix II of the Disclosures Delegated Act to present the taxonomy KPIs. Since for the first time, the KPIs need to include an assessment of taxonomy alignment for the 2022 reporting period, no comparative figures of alignment are presented. Since we do not perform any activities related to natural gas or nuclear energy (activities 4.26–4.31), we do not use any dedicated templates introduced by the Complementary Delegated Act for activities in certain energy sectors.

Given that our main economic activities are taxonomy-non-eligible, we do not report any turnover related to the production and sale of pharmaceutical products. Furthermore, there are no capital plans to upgrade an economic activity that meets the requirements of the taxonomy in order to be taxonomy-alignment or to expand a taxonomy-eligible economic activity ("Category B" according to Section 1.1.2.2 of Appendix I of the Disclosures Delegated Act.

Only "Category C" capital and operating expenditures can therefore be qualified as acceptable for the taxonomy, i.e. capital/operating expenditures related to the procurement of output from taxonomy-eligible economic activities and individual measures that enable the target activities (our non-eligible activities) to become low-carbon activities and lead to a reduction in greenhouse gases (Section 1.1.2.2.(c) of Appendix I of the Disclosures Delegated Act.

### Turnover KPI

#### Definition

The proportion of taxonomy-aligned economic activities in our total turnover is calculated as the proportion of the net turnover arising from products and services connected to taxonomy-aligned economic activities (numerator) divided by the net turnover (denominator), in the financial year from 1 January 2022 until 31 December 2022 in any case.

The denominator of the KPI turnover is based on our consolidated net income in accordance with paragraph 82(a) of IAS 1.

Regarding the numerator, no taxonomy-eligible or taxonomy-aligned activity was identified, as explained above.

Turnover template for the financial year 2022

| Economic activities (1) | Label/labels (2) | Absolute capital expenditures (3) | Proportion of capital expenditures (4) | Criteria of significant contribution: Climate change mitigation (5) | Climate change adaptation (6) | Water and sea resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | "Do no significant harm criterion ("do no significant harm")": Climate change mitigation (11) | Climate change adaptation (12) | Water and sea resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *mHRK* | % | % | % | % | % | % | % | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-aligned)** | | | | | | | | | | | | | | | |
| - | | 0.00 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from environmentally sustainable activities (taxonomy-aligned) (A.1) | | 0.00 | 0.0% | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)** | | | | | | | | | | | | | | | |
| - | | 0.00 | | | | | | | | | | | | | |
| Income from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2) | | 0.00 | 0.0% | | | | | | | | | | | | |
| Total (A.1 + A.2) (A) | | 0.00 | 0.0% | | | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | |
| Income from taxonomy-non-eligible activities (B) | | 1,427 | 100.0% | | | | | | | | | | | | |
| Total (A+B) | | 1,427 | 100.0% | | | | | | | | | | | | |

| Economic activities (1) | Minimum Safeguards (17) | Proportion of taxonomy-aligned capital expenditures, year N (18) | Proportion of taxonomy-aligned capital expenditures, year N-1 (19) | "Category (enabling activity) (20)" | Category (transitional activity) (21) |
|---|---|---|---|---|---|
| | *Yes/ No* | *Percentage* | *Percentage* | *E* | *P* |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-aligned)** | | | | | |
| - | - | - | - | - | - |
| Income from environmentally sustainable activities (taxonomy-aligned) (A.1) | | 0% | - | - | - |
| **A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)** | | | | | |
| - | | | | | |
| Income from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2) | | | | | |
| Total (A.1 + A.2) (A) | | 0 | - | - | - |

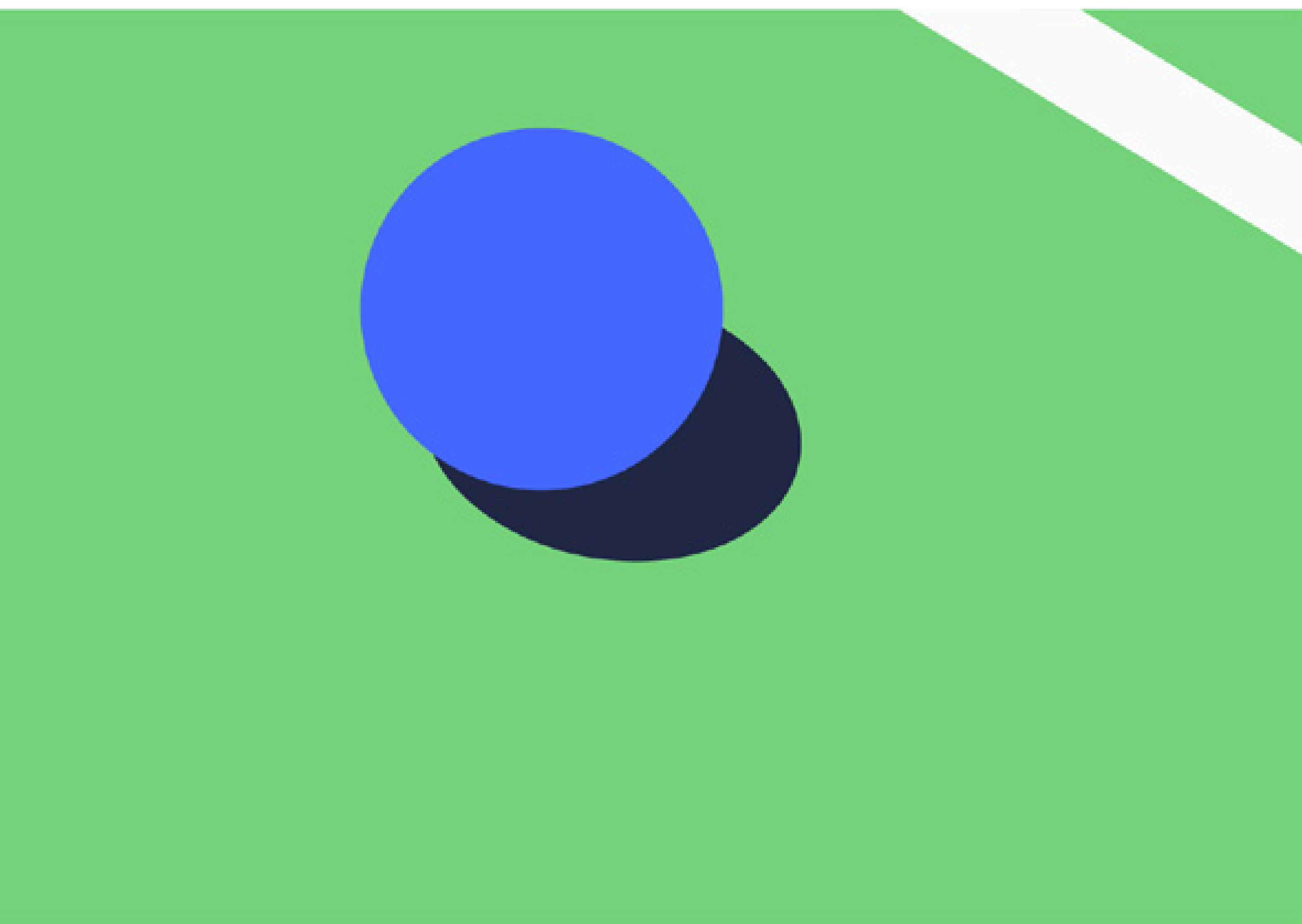
### CapEx KPI

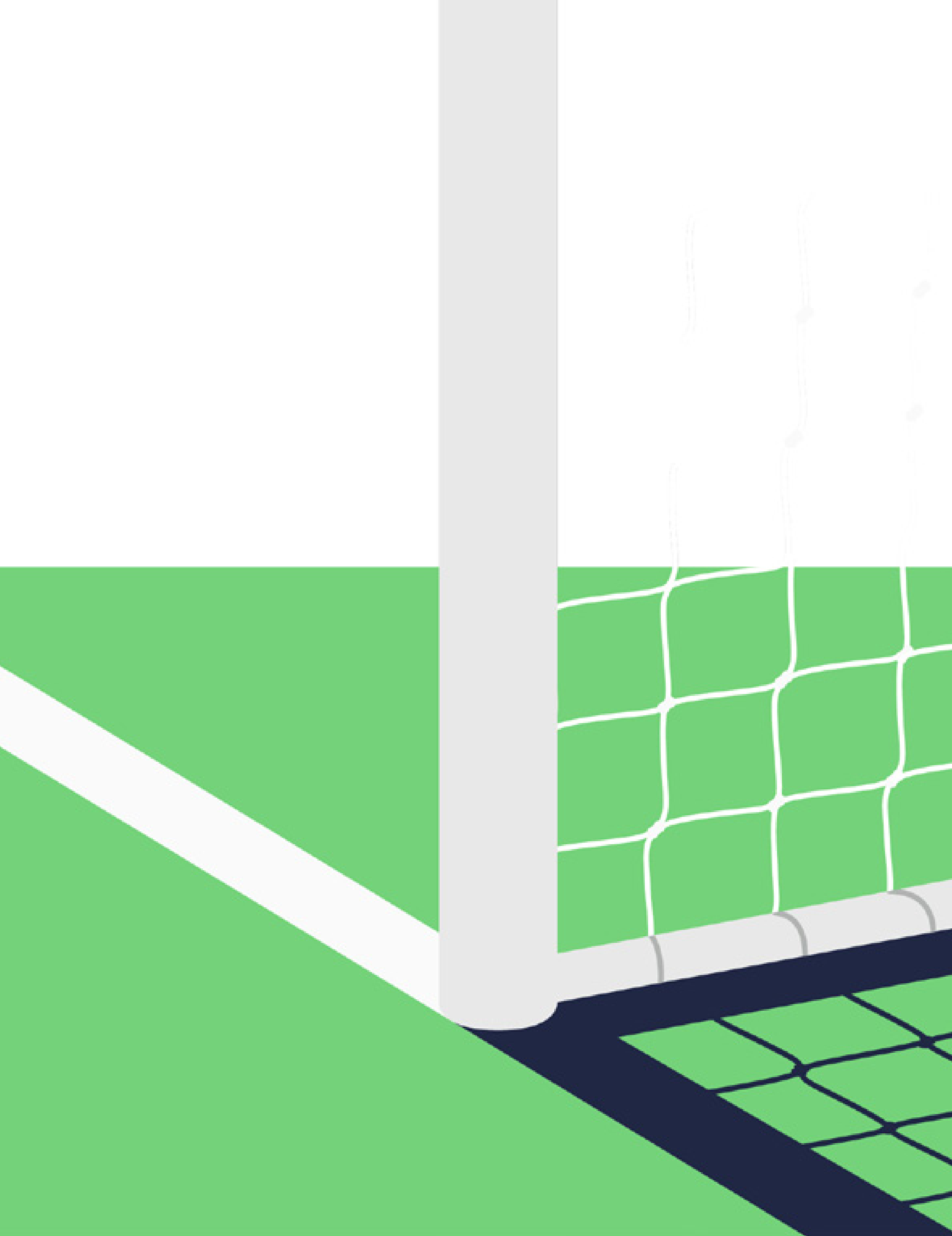
Definition

CapEx KPI is defined as taxonomy-aligned capital expenditures (numerator) divided by our total capital expenditures (denominator).

The total capital expenditures consist of increases in tangible and intangible fixed assets during the financial year, before depreciation and any remeasurements, including those resulting from revaluations and impairments, and excluding changes in fair value. It includes the acquisition of tangible fixed assets, intangible fixed assets, assets with the right to use and investments in real estate. Additions resulting from business combinations are also included.

We analysed all capital expenditures that occurred in 2022 while complying with the Taxonomy Regulation and we could identify expenditures related to defined taxonomy-eligible economic activities on an individual basis. Following this approach, we can ensure that each capital amount is calculated only once.





CapEx template for the financial year 2022

| Economic activities (1) | Label/labels (2) | Absolute capital expenditures (3) | Proportion of capital expenditures (4) | Criteria of significant contribution: Climate change mitigation (5) | Climate change adaptation (6) | Water and sea resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | "Do no significant harm criterion ("do no significant harm")": Climate change mitigation (11) | Climate change adaptation (12) | Water and sea resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *mHRK* | % | % | % | % | % | % | % | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-aligned)** | | | | | | | | | | | | | | | |
| 7.7 Acquisition and ownership of buildings | L68 | 54 | 27.25% | 100% | 0% | 0% | 0% | 0% | 0% | Yes | - | - | - | - | - |
| Capital expenditures of environmentally sustainable activities (taxonomy-aligned) (A.1) | | 54 | 27.25% | 100% | 0% | 0% | 0% | 0% | 0% | Yes | - | - | - | - | - |
| **A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)** | | | | | | | | | | | | | | | |
| 6.5 Transport by motorbikes, passenger cars and commercial vehicles | H49.32, H49.39, N77.11 | 11.06 | 5.58% | | | | | | | | | | | | |
| 6.6 Freight transport services by road | H49.4.1, H53.10, H53.20, N77.12 | 2.54 | 1.28% | | | | | | | | | | | | |
| 7.7 Acquisition and ownership of buildings | L68 | 9 | 4.40% | | | | | | | | | | | | |
| 8.2 Computer programming, consulting and related activities | J61, J62, J63.11 | 0.5 | 0.24% | | | | | | | | | | | | |
| Capital expenditures from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2) | | 23 | 11.50% | | | | | | | | | | | | |
| Total (A.1 + A.2) (A) | | 77 | 38.76% | | | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | |
| Capital expenditures from taxonomy-non-eligible activities (B) | | 121 | 61.24% | | | | | | | | | | | | |
| Total (A+B) | | 198 | 100.00% | | | | | | | | | | | | |

| Economic activities (1) | Minimum Safeguards (17) | Proportion of taxonomy-aligned capital expenditures, year N (18) | Proportion of taxonomy-aligned capital expenditures, year N-1 (19) | “Category (enabling activity) (20)” | Category (transitional activity) (21) |
|---|---|---|---|---|---|
| | *Yes/ No* | *Percentage* | *Percentage* | *E* | *P* |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-aligned)** | | | | | |
| 7.7 Acquisition and ownership of buildings | Yes | 27.25% | - | - | - |
| Capital expenditures of environmentally sustainable activities (taxonomy-aligned) (A.1) | Yes | 27.25% | - | - | - |
| **A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)** | | | | | |
| 6.5 Transport by motorbikes, passenger cars and commercial vehicles | | | | | |
| 6.6 Freight transport services by road | [redacted] | | | | |
| 7.7 Acquisition and ownership of buildings | [redacted] | | | | |
| 8.2 Computer programming, consulting and related activities | [redacted] | | | | |
| Capital expenditures from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2) | [redacted] | | | | |
| Total (A.1 + A.2) (A) | [redacted] | 27.25% | - | - | - |

### OpEx KPI

#### Definition

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

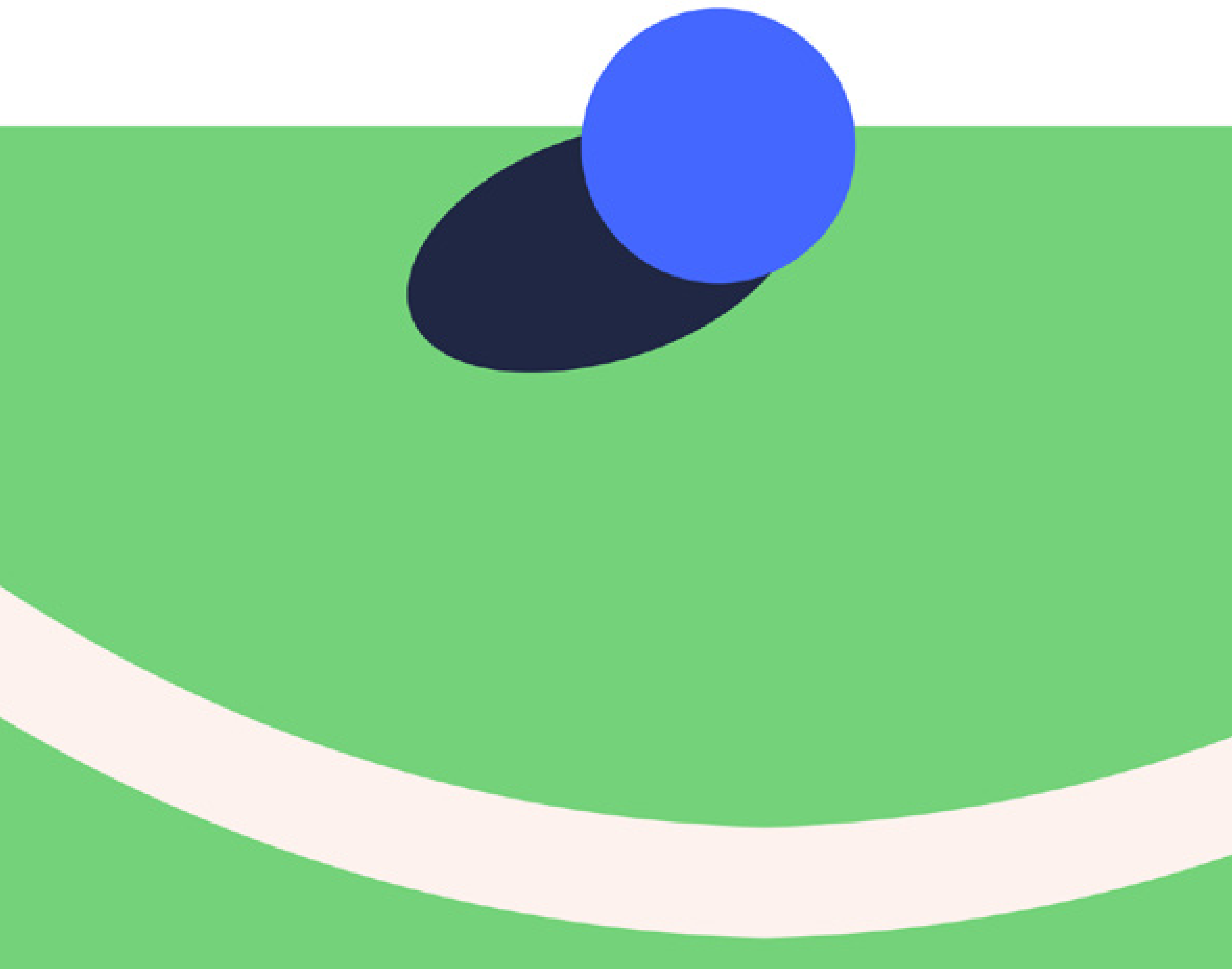
The total operating expenditures consist of direct non-capitalised costs related to research and development, building renovation measures, short-term leases as well as all forms of maintenance and repair. This includes:

- Expenditures for research and development identified as an expense during the reporting period in our profit and loss account. In accordance with our consolidated financial statements, this includes all non-capitalised costs directly attributable to research and/or development activities.
- The scope of non-capitalised leases is determined in accordance with IFRS 16 and includes the costs of short-term leases and low-value leases.
- Maintenance and repair costs of real estate, facilities and equipment are determined based on the maintenance and repair costs allocated to our internal cost centres. Related cost items can be found in various items in our profit and loss account, including production costs (business maintenance), sales and distribution costs (maintenance logistics) and administrative costs (such as IT system maintenance). This also includes building renovation measures.

In general, this includes personnel costs, service costs and material costs for day-to-day servicing, as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to our Real Estate, Facilities and Equipment.

This does not include expenses related to the day-to-day operation of Real Estate, Facilities and Equipment, such as raw materials, costs of employees operating the machines, electricity or fluids required for the operation of Real Estate, Facilities and Equipment. Depreciation is not included in the OpEx KPI.

By analysing our internal cost centres, we managed to identify operational costs related to the defined activities meeting the requirements of the taxonomy. Following this approach, we can ensure that each OpEx is calculated only once.



OpEx template for the financial year 2022

| Economic activities (1) | Label/labels (2) | Absolute capital expenditures (3) | Proportion of capital expenditures (4) | Criteria of significant contribution | | | | | | “Do no significant harm criterion (“do no significant harm”)” | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Climate change mitigation (5) | Climate change adaptation (6) | Water and sea resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Climate change adaptation (12) | Water and sea resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) |
| | | *mHRK* | *%* | *%* | *%* | *%* | *%* | *%* | *%* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* | *Yes/ No* |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-aligned)** | | | | | | | | | | | | | | | |
| 7.7 Acquisition and ownership of buildings | L68 | 1.90 | 4.15% | 100% | 0% | 0% | 0% | 0% | 0% | Yes | - | - | - | - | - |
| Operating expenditures of environmentally sustainable activities (taxonomy-aligned) (A.1) | | 1.90 | 4.15% | 100% | 0% | 0% | 0% | 0% | 0% | Yes | - | - | - | - | - |
| **A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)** | | | | | | | | | | | | | | | |
| 6.5 Transport by motorbikes, passenger cars and commercial vehicles | H49.32, H49.39, N77.11 | 5.32 | 11.60% | | | | | | | | | | | | |
| 6.6 Freight transport services by road | H49.4.1, H53.10, H53.20, N77.12 | 0.60 | 1.31% | | | | | | | | | | | | |
| 7.7 Acquisition and ownership of buildings | L68 | 24.01 | 52.40% | | | | | | | | | | | | |
| Operating expenditures from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2) | | 29.93 | 65.31% | | | | | | | | | | | | |
| Total (A.1 + A.2) (A) | | 31.83 | 69.46% | | | | | | | | | | | | |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | |
| Operating expenditures from taxonomy-non-eligible activities (B) | | 13.99 | 30.54% | | | | | | | | | | | | |
| Total (A+B) | | 45.82 | 100.00% | | | | | | | | | | | | |

| Economic activities (1) | Minimum Safeguards (17) | Proportion of taxonomy-aligned capital expenditures, year N (18) | Proportion of taxonomy-aligned capital expenditures, year N-1 (19) | “Category (enabling activity) (20)” | Category (transitional activity) (21) |
|---|---|---|---|---|---|
| | *Yes/ No* | *Percentage* | *Percentage* | *E* | *P* |
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | |
| **A.1 Environmentally sustainable activities (taxonomy-aligned)** | | | | | |
| 7.7 Acquisition and ownership of buildings | Yes | 4.15% | - | - | - |
| Capital expenditures of environmentally sustainable activities (taxonomy-aligned) (A.1) | Yes | 4.15% | - | - | - |
| **A.2 Taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned)** | | | | | |
| 6.5 Transport by motorbikes, passenger cars and commercial vehicles | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 6.6 Freight transport services by road | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 7.7 Acquisition and ownership of buildings | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| Operating expenditures from taxonomy-eligible, but environmentally unsustainable activities (taxonomy-non-aligned) (A.2) | [redacted] | | | | |
| Total (A.1 + A.2) (A) | [redacted] | 4.15% | - | - | - |

# GRI 201 ECONOMIC PERFORMANCE

## 201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

in HRK 000

| | 2021 | 2022 |
|---|---|---|
| **Direct economic value created** | **1,079,737** | **1,366,049** |
| Net sales income | 1,072,585 | 1,354,806 |
| Income from the rental and sale of property | 6,883 | 10,891 |
| Interest income | 269 | 352 |
| **Distributed economic value** | **880,663** | **1,089,961** |
| Operating expenses | 649,782 | 814,545 |
| Salaries and employee benefits | 204,183 | 247,289 |
| Payments to capital providers | 18,255 | 18,747 |
| Payments to the state | 7,800 | 8,346 |
| Investments in the community | 643 | 1,034 |
| **Retained economic value** | **199,074** | **276,088** |

## 201-2 CLIMATE CHANGE RISK

Management Report, p. 68

## 201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

In 2022, the parent company was entitled to state incentives in the amount of HRK 32,652,569.

*Incentives were achieved through tax incentives based on education, investments, preferential interest on loans and incentives in the form of grants allocated to the Rino Sprej project.*

# GRI 202 – MARKET PRESENCE

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

The topic is material due to significant impacts on the economic conditions of employees, economic systems at the local, regional, national and international levels and on the assessments and decisions of the stakehold-

| | | JGL Croatia | | Croatia |
|---|---|---|---|---|
| **year** | **starting salary BT 1** | **minimum salary BT 1** | **minimum salary BT 1** | **average salary in the private sector** |
| 2019 | HRK 5,000.00 | HRK 11,848.85 | HRK 3,750.00 | data not available |
| 2020 | HRK 5,000.00 | HRK 12,415.98 | HRK 4,062.51 | data not available |
| 2021 | HRK 5,000.00 | HRK 12,426.47 | HRK 4,250.00 | data not available |
| **2022** | **HRK 5,000.00** | **HRK 14,106.79** | **HRK 4,687.50** | **data not available** |

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

*At the JGL Group, there is no difference between the starting salary for men and women and the company's business performance is reflected in employee compensation.*

Markets with the biggest number of employees (Croatia and Russia), where more than 95% of JGL Group's total production takes place (Croatia) and those with the most significant shares in total revenues (Russia and Croatia) are perceived as significant business locations. One hundred percent of senior management (Board of Directors, Executive Director, first-line directors, managers and leaders) are employed from the local community in significant business locations, whereby the state of the business location is regarded as the definition of the local community. The same applies to middle- and lower-level management.

# GRI 203 – INDIRECT ECONOMIC IMPACTS

## 203-2 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

The JGL Group has a considerable positive impact on the business environment. The intensity and types of indirect economic impacts of the JGL Group are different, depending on the environment of each member. The parent company, which has the biggest positive impact, employs the largest number of people and generates indirect economic impacts through:

- the improvement of skills and knowledge within the professional community,
- the increase of production capacities and creating new jobs,
- encouraging local producers and increasing the number of jobs in the supply chain,
- participating in numerous humanitarian campaigns,
- enabling direct foreign investment.

One of the strategic determinants of JGL's socially responsible activities is continuous cooperation with the expert and academic community. The objective of long-term cooperation with educational and scientific institutions is JGL's desire to provide young people who are just about to enter the labour market with knowledge and skills related to their chosen profession, to show first-hand what high-tech production and everyday life in business look like in the real economy, but also to establish two-way contact and communication with schools and universities from which future employees originate.

During 2022, a number of activities were realised in this area, which also have an indirect economic impact.

### Expanding the portfolio

In 2022, 69 products were successfully launched, with a total sales value of HRK 20,035,112. Out of that total, 36 products were launched in fifteen JGL markets with their internal operations, with a total sales value of HRK 4,587,097, while 33 products were launched in the B2B business model, with a total sales value of HRK 15,448,015.

### The Pharmacy Laboratory starts operating with the support of JGL

As part of the 2022 celebration of the Day of the Faculty of Medicine in Rijeka, the Pharmacy Laboratory was officially opened in the building of the University Departments on the Campus. It is a practicum in which chemistry subjects will be taught at the newly started Pharmacy degree course in Rijeka,and which will allow students to acquire new competences for work in the field of pharmacy, hospital and healthcare institutions, and the pharmaceutical industry.

Among others, the process of equipping the Laboratory was supported by JGL, which has been supporting the establishment of the study programme in Pharmacy in Rijeka from the very beginning.

Illustration from the grand opening of the Pharmacy Laboratory

**Young start-up team designed an innovative solution for JGL's production**

As part of the EIT Manufacturing Hub for Croatia in 2022, the objective of which is to connect production companies with innovative student teams and to facilitate open innovations in the production industry through innovation, JGL has successfully reached a solution that is connected to the automation of changing sedimentation plates in monitoring.

As many as nine start-ups competed for JGL's case, although very specific to the pharmaceutical industry, and the SimpleMatic team won.

By the way, the EIT Manufacturing Hub is one of the ten hubs in Europe with the objective to create a network of European innovators in the field of manufacturing and to position Europe as a world leader in industrial innovation. In Croatia, the hub consists of the Centre for Research, Development and Technology Transfer of the University of Zagreb and the Faculty of Mechanical Engineering and Naval Architecture, and this is the second time that JGL is participating.

**JGL is the place where many students gain new knowledge**

In accordance with the strategy of socially responsible business, JGL continued its successful cooperation with the academic and professional community in the past period, turning our production facility into a place where many students could learn something new.

At the end of January, third-grade students of the School of Natural Sciences and Graphics took a guided tour of the production process. Shortly after the visit, they contacted us and expressed their wish to organise another visit to JGL. This time around, the school was the host of the "Winter School of Chemistry" organised by Tomislav Portada, DSc from the Ruđer Bošković Institute, and the visit to JGL's production site and laboratories was organised for the best students from all over Croatia who qualified for the national chemistry competition.

In February, there was also a visit by high school students who are part of the Rijeka Technical Culture Community, and they got to learn about the production and processes at JGL as part of the project "Network of the Young Innovators and Entrepreneurs Club".

Awarding of the EIT Manufacturing Hub award for best team

One of the many groups of students taking a tour of the JGL production site

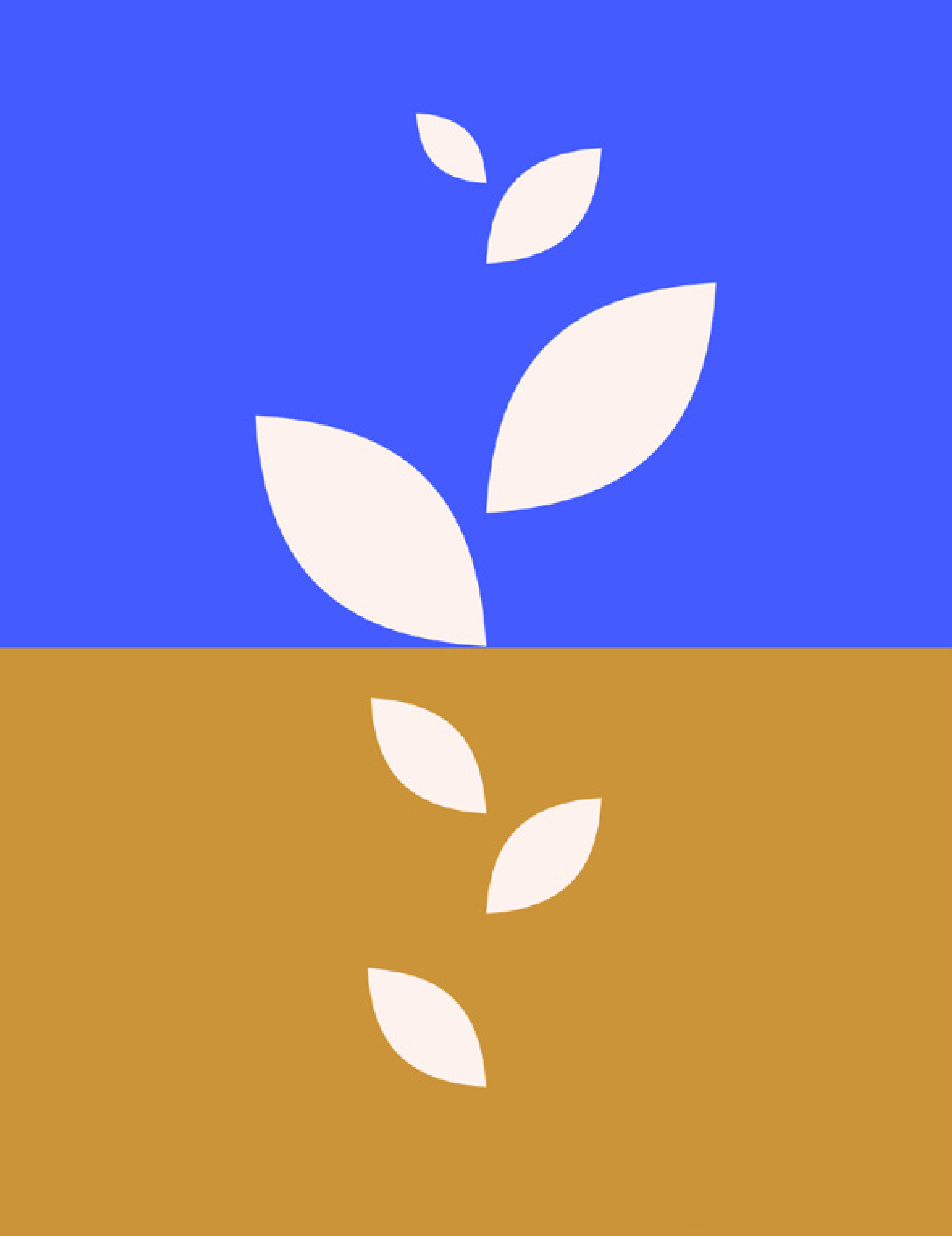
**Support and aid for employees from Ukraine**

Deeply moved by the situation in key markets and concerned about the escalation of war conflicts in Ukraine, in March 2022 JGL launched a series of support and aid activities aimed at employees and other citizens in the war-torn country.

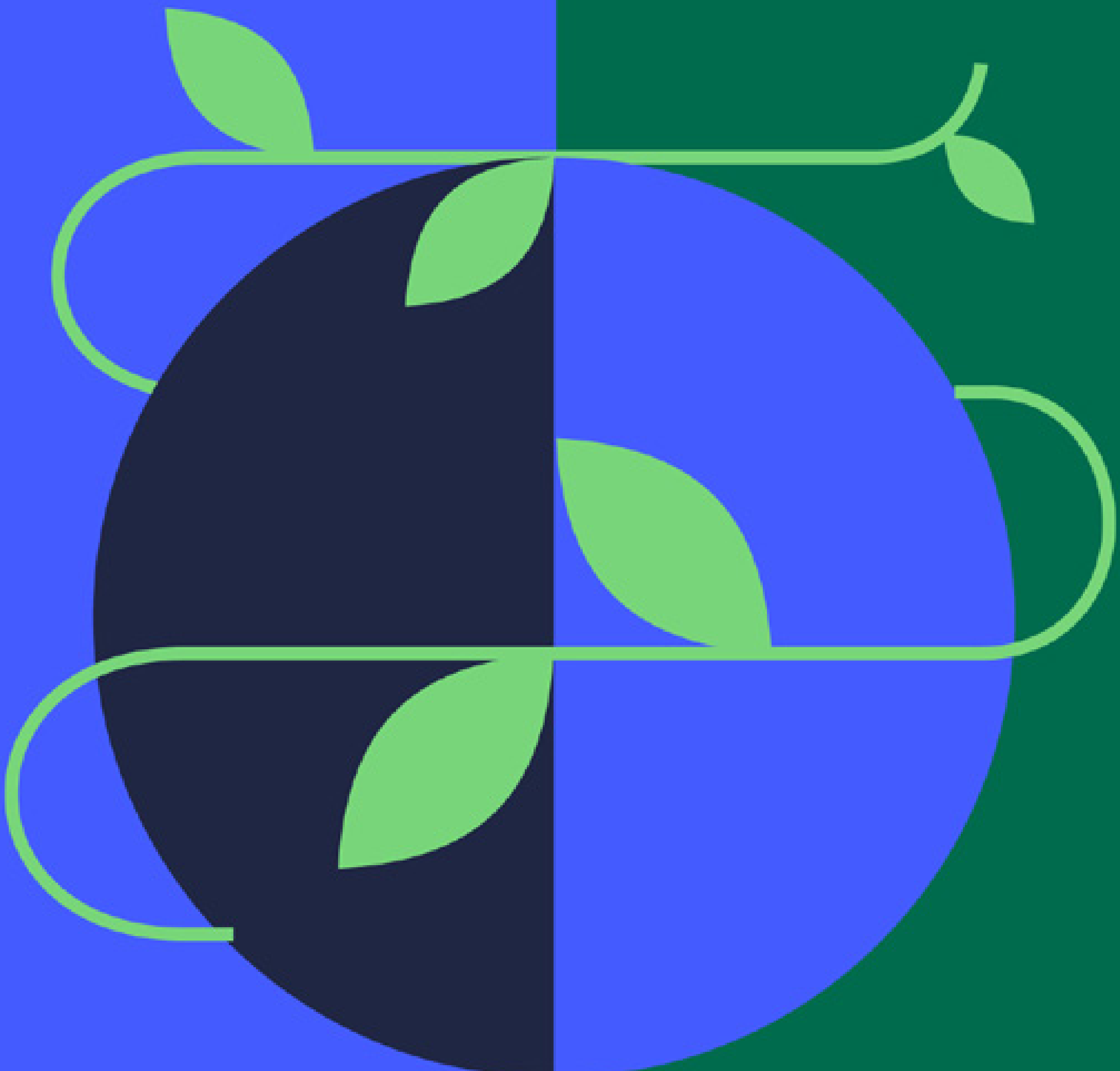
Apart from donating medicinal products and medical devices, JGL also formed the Here4You JGL management team, which was at the disposal of Ukrainian employees for aid, support, enquiries, doubts, suggestions, etc. The company joined campaigns for collecting humanitarian aid, monetary and other donations and focused on the dedicated management of internal communication on this topic.

Comprehensive team management was extremely important – getting feedback from each individual, answering questions coming from the internal and external environment, understanding challenges that the whole team has to face and how to handle them.

Regular market-level joint meetings were introduced. Before each meeting, each employee could ask any question and the management replied to all questions and provided additional information on the market results, key focuses and objectives. These initiatives eased the anxiety of the employees and their families, encouraged open dialogue and joint sharing of good and bad moments witnessed. Most importantly, they helped the company to work productively and efficiently in a period of significant external turbulence. Furthermore, in order to enable employees in Ukraine to continue their business activities, but also to influence their motivation, some colleagues joined the teams in the Croatian and Bosnia and Herzegovina markets and transferred their knowledge and good work practices as part of the JGL Selling Model, in a new business environment. The initiative proved to be very valuable and beneficial for all teams.



# TOPIC STANDARDS: ENVIRONMENTAL



## PROCESS TO DETERMINE MATERIAL TOPICS

Topics are material to the JGL Group due to significant environmental and economic impacts related to energy, water, wastewater, emissions, waste and reasonable expectations and interests of stakeholders for the company to systematically manage the following:

- control energy losses in development, production and distribution by applying predictive and preventive methods of maintaining the entire system,
- purchase energy produced exclusively from renewable sources,
- produce energy internally from renewable resources,
- ensure the availability of information and data and continuously improve the methods for analysing data on internal energy consumption (electricity, water, fuel, technical gases) and identify opportunities and apply activities to improve energy performance,
- continuously raise awareness on the importance of energy efficiency among all users,
- procure energy-efficient machines, devices and vehicles, as well as energy services,
- energy efficiency when designing, upgrading and modernising the system,
- continuously improve the energy management system in accordance with the requirements of the ISO 50001:2018 standard,
- permanent harmonisation and striving to exceed legal and other requirements in the field of energy management, but also in all other areas applicable to business,
- introducing advanced washing and cleaning processes,
- introducing a water consumption monitoring system,
- efficient preparation of purified water for technological needs,
- use of wastewater and collecting rainwater from roofs for watering green areas,
- controlled discharge of water and treatment of water through biological purifiers before discharging it into municipal systems,
- the method of controlling risks related to hazardous and non-hazardous waste.

## MANAGEMENT OF MATERIAL TOPICS

*The energy management system at JGL is applied to the activities of development and distribution of medicinal products, medical devices, cosmetics, nutritional supplements, food for special medical needs and other support activities.*

In order to achieve the aforementioned efforts, the Board of Directors determines the goals of energy system management and provides resources to achieve these goals. That said, participation in the energy management system is the task of all employees of JGL as key agents of the system's activities. At JGL, the Energy Management Policy is a public document available to all employees, partners and other interested parties.

In its desire to be as competitive as possible, JGL keeps investing in, promoting and improving energy efficiency. For many years, the company has been successfully managing the aspect of energy through the ISO 50001:2018 Energy Management System, while last year's recertification of the system according to the new standard confirmed its progress once again. The successful system for monitoring and controlling the consumption of all energy sources used at the Svilno 2 production site was also put into operation at the Svilno 1 production site.

Furthermore, JGL's Department of Technology, Health, Safety and Environment is continuously reviewing the ways in which JGL manages waste – from the moment it was generated up to the moment when it is handed over to the authorised waste collector. Emphasis is placed on the separation of different types of waste (especially the kind that cannot be recycled or otherwise reused) and on labelling the generated waste in terms of microlocation. This way, JGL gets more precise feedback on the volume and type of waste generated in particular work processes, creating a basis for more efficient waste management and better reporting on its generation.

JGL does not take into account the waste produced within its value chain, i.e. waste produced before or after its business processes. The work plan for 2023 includes an audit and a visit to the locations of the contracted waste management providers, which will provide even better insight into waste management procedures after it is handed over to the provider.

Monitoring of the energy management system is carried out and recertified by an external certified body in accordance with the ISO 50001:2018 standard. The company's Board of Directors confirms and controls the setting of objectives and monitors their achievement based on the requirements of the norm, continuous measurement systems, analysis of collected data, realisation and implementation. Monitoring of the efficiency of the JGL waste management system is carried out through internal audits and supervision, audits of JGL's partners, supervision of competent institutions, employee feedback and document management. To monitor the volume and type of produced waste, JGL uses an integrated software solution that, among other functionalities, provides an overview of the amount and type of waste by location for any time interval from the first use of the system.

# GRI 302 – ENERGY

## 302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION

The main energy sources used at JGL are electricity and ELFO (extra light fuel oil). By encouraging sustainable economic growth in the environment, JGL continues, as in the previous years, to exclusively use electricity produced from renewable sources.

ELFO is an energy source used since the opening of the production facility in 2015. Due to the location of the JGL facility, it is not possible for the company to choose a more environmentally friendly energy source, so for now ELFO is being used. In the long term, a facility that uses ELFO as a fuel is also ready to use natural gas as an energy source. The alternative for ELFO is natural gas and a switch to natural gas is planned as soon as possible.

With green thinking and continuous care for the environment, JGL started negotiation a project with a local gas supplier in December 2021, with the task of connecting the production facility Svilno 2 to the local gas pipeline. Connecting JGL to the gas pipeline and introducing natural gas as a replacement energy source for ELFO stands for an additional effort to use an energy source that is more energy efficient and environmentally friendly.

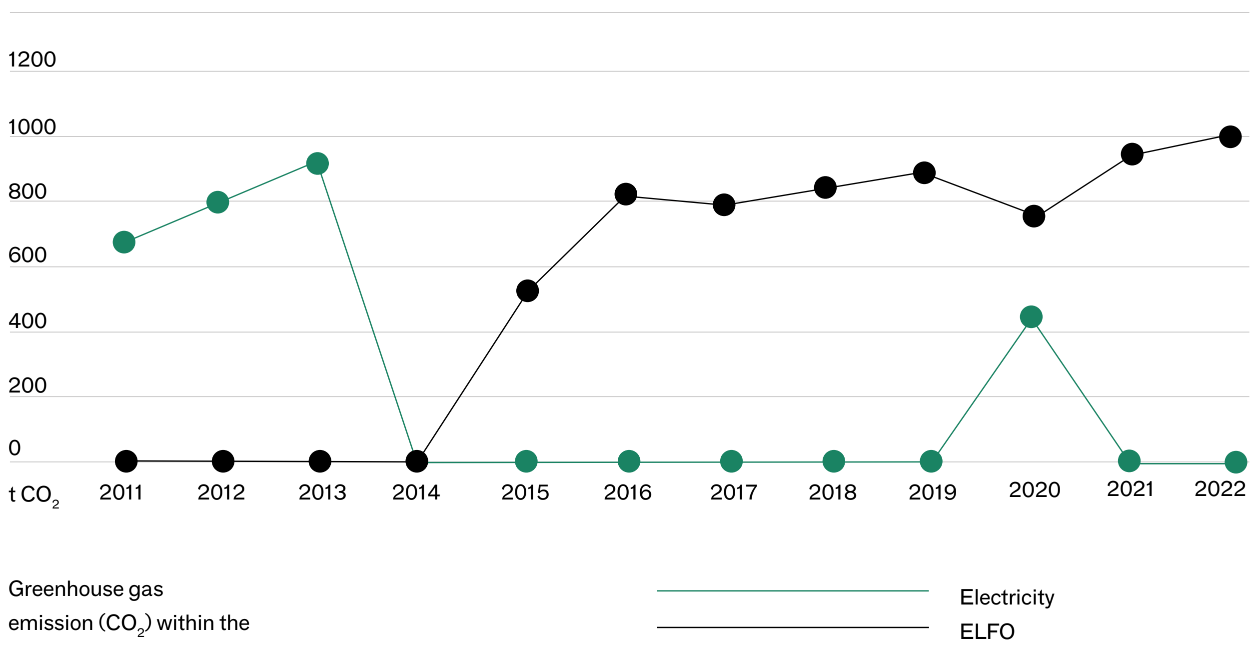
A photovoltaic power plant on the roof of a building in the JGL Pharma Valley complex

| | Electricity | | | ELFO | | | |
|---|---|---|---|---|---|---|---|
| | MWh | GJ | $tCO_2$* | l | MWh | GJ | $tCO_2$* |
| 2011 | 4,383 | 15,779 | 564 | 0 | 0 | 0 | 0 |
| 2012 | 5,080 | 18,288 | 653 | 0 | 0 | 0 | 0 |
| 2013 | 5,821 | 20,956 | 685 | 0 | 0 | 0 | 0 |
| 2014 | 5,749 | 20,696 | 0 | 0 | 0 | 0 | 0 |
| 2015 | 7,287 | 26,333 | 0 | 169,000 | 1,791 | 6,449 | 503 |
| 2016 | 8,193 | 29,495 | 0 | 260,000 | 2,756 | 9,922 | 775 |
| 2017 | 8,769 | 31,568 | 0 | 247,000 | 2,618 | 9,426 | 736 |
| 2018 | 8,428 | 30,341 | 0 | 260,000 | 2,756 | 9,922 | 775 |
| 2019 | 8,327 | 30,139 | 0 | 273,000 | 2,894 | 10,418 | 813 |
| 2020 | 8,218 | 29,585 | 349 | 234,000 | 2,480 | 8,929 | 697 |
| 2021 | 8,372 | 30,139 | 0 | 286,000 | 3,032 | 10,914 | 852 |
| 2022 | 10,397 | 37,429 | 0 | 312,000 | 3,307 | 11,906 | 991 |

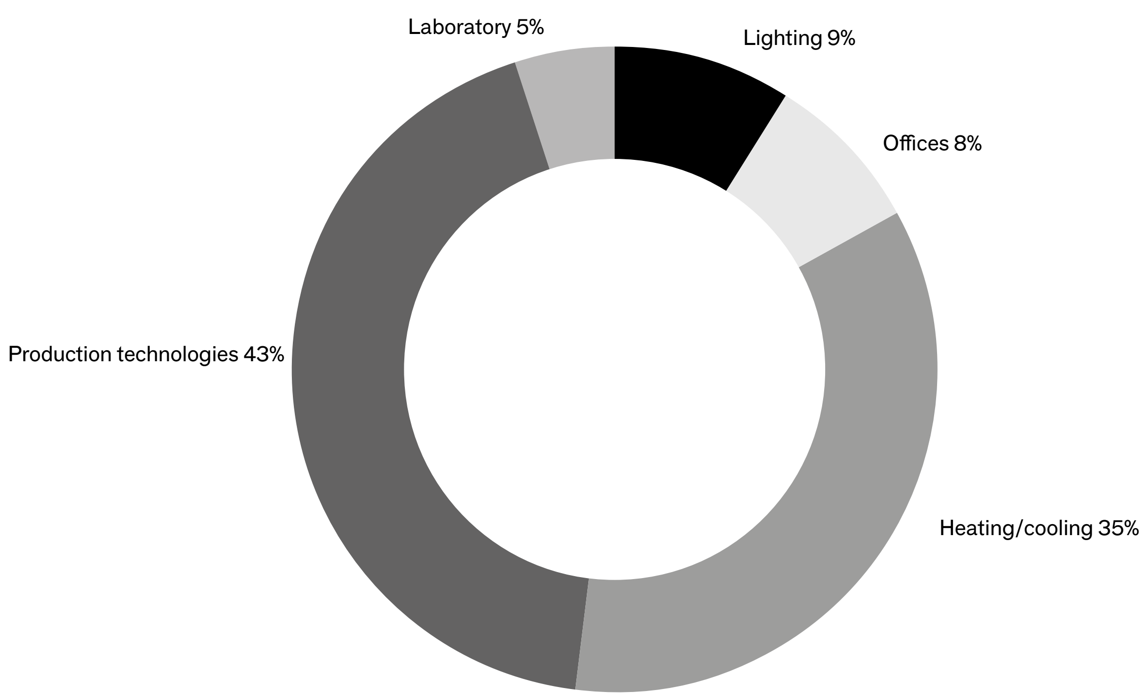
The relation between electricity and ELFO as compared to greenhouse gas emissions ($tCO_2$)

** Specific emission of $CO_2$ per produced kWh of electricity is 276,75 g/kWh, while for ELFO it is 299,70 g/kWh. Source: UNDP Energy Consultant Handbook*

*** On 1 September 2013 a contract was signed with HEP Supply on the purchase of electricity from renewable sources (ZelEn – Green Energy)*




Greenhouse gas emission ($CO_2$) within the organisation




Distribution of invested energy by consumers during 2022

## 302-2 ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION

| | Passenger cars gasoline | | | | Passenger cars diesel | | | |
|---|---|---|---|---|---|---|---|---|
| | l | MWh** | Gj | t $CO_2$* | l | MWh** | GJ | $tCO_2$* |
| 2015 | 13,305 | 126 | 453 | 35 | 112,850 | 1,702 | 3,859 | 301 |
| 2016 | 12,348 | 117 | 421 | 33 | 96,330 | 915 | 3,294 | 257 |
| 2017 | 15,407 | 146 | 525 | 41 | 109,646 | 1,042 | 3,751 | 293 |
| 2018 | 18,200 | 173 | 622 | 48 | 126,339 | 1,200 | 4,320 | 337 |
| 2019 | 19,937 | 189 | 680 | 53 | 121,718 | 1,156 | 4,162 | 325 |
| 2020 | 8,561 | 81 | 291 | 23 | 91,464 | 869 | 3,128 | 244 |
| 2021 | 18,212 | 173 | 623 | 48 | 110,936 | 1,054 | 3,794 | 296 |
| 2022 | 35,202 | 334 | 1,202 | 94 | 123,059 | 1,169 | 4,208 | 328 |

| | Transport vehicles diesel | | | |
|---|---|---|---|---|
| | l | MWh** | GJ | $tCO_2$* |
| 2015 | 85,888 | 816 | 2,938 | 229 |
| 2016 | 28,343 | 269 | 968 | 76 |
| 2017 | 26,523 | 252 | 907 | 71 |
| 2018 | 26,523 | 253 | 911 | 71 |
| 2019 | 25,890 | 246 | 885 | 69 |
| 2020** | 33,482 | 318 | 1,145 | 89 |
| 2021 | 32,251 | 306 | 1,102 | 86 |
| 2022 | 21,919 | 208 | 749 | 58 |

The relation between the consumption of Eurosuper fuel in passenger cars, diesel fuel in passenger cars and diesel fuel in heavy goods vehicles as compared to the emission of greenhouse gases ($CO_2$) from 2015 to 2020.

**Specific $CO_2$ emission per produced kWh of energy from diesel fuel is 296.45 g/kWh. Source: UNDP Energy Consultant Handbook*

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


## Renovation of the vehicle fleet for even lower emissions of harmful gases

In order to minimise its impact on the environment in every aspect of its operations, JGL renewed its vehicle fleet and replaced some of the existing self-charging hybrid electric cards with new generation ones.

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*The new cars drive in full EV mode over 50% of the time, while the advanced hybrid technology gives the vehicles a quiet and reliable propulsion, with fuel savings averaging 30 percent.*

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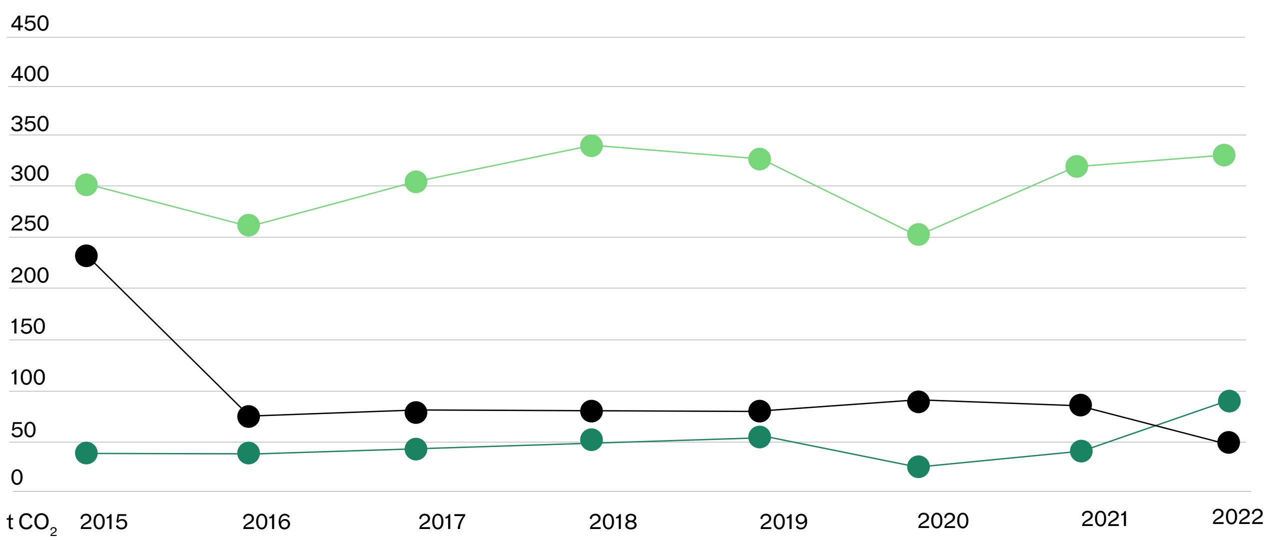
When compared to the previous generation, the new cars also have lower emissions of CO2, nitrogen oxides and other exhaust gases, which will further reduce JGL's environmental impact through the use of vehicles and will also be visible in the data in this GRI Standard in the coming years. All vehicles are also equipped with an advanced system of active and passive safety, creating an even safer driving environment.




The relation between the consumption of Eurosuper fuel in passenger cars, diesel fuel in passenger cars and diesel fuel in heavy goods vehicles as compared to the emission of greenhouse gases (t$CO_2$) over the past period

Passenger cars gasoline
Passenger cars diesel
Transport vehicles diesel

## 302-3 ENERGY INTENSITY

The energy intensity diagram shows the relationship between energy consumption and the number of produced pieces of products . The invested energy includes electricity and ELFO.

The diagram shows that even in 2022, the energy consumption trend slightly increased – the reason being the start of production, which is part of the INTEGRA 2020 investment within the JGL Pharma Valley complex.

By optimising the new facility, continuously monitoring the energy sources and increasing production at JGL, the objective is to restore the long-term positive trend of reducing energy consumption.

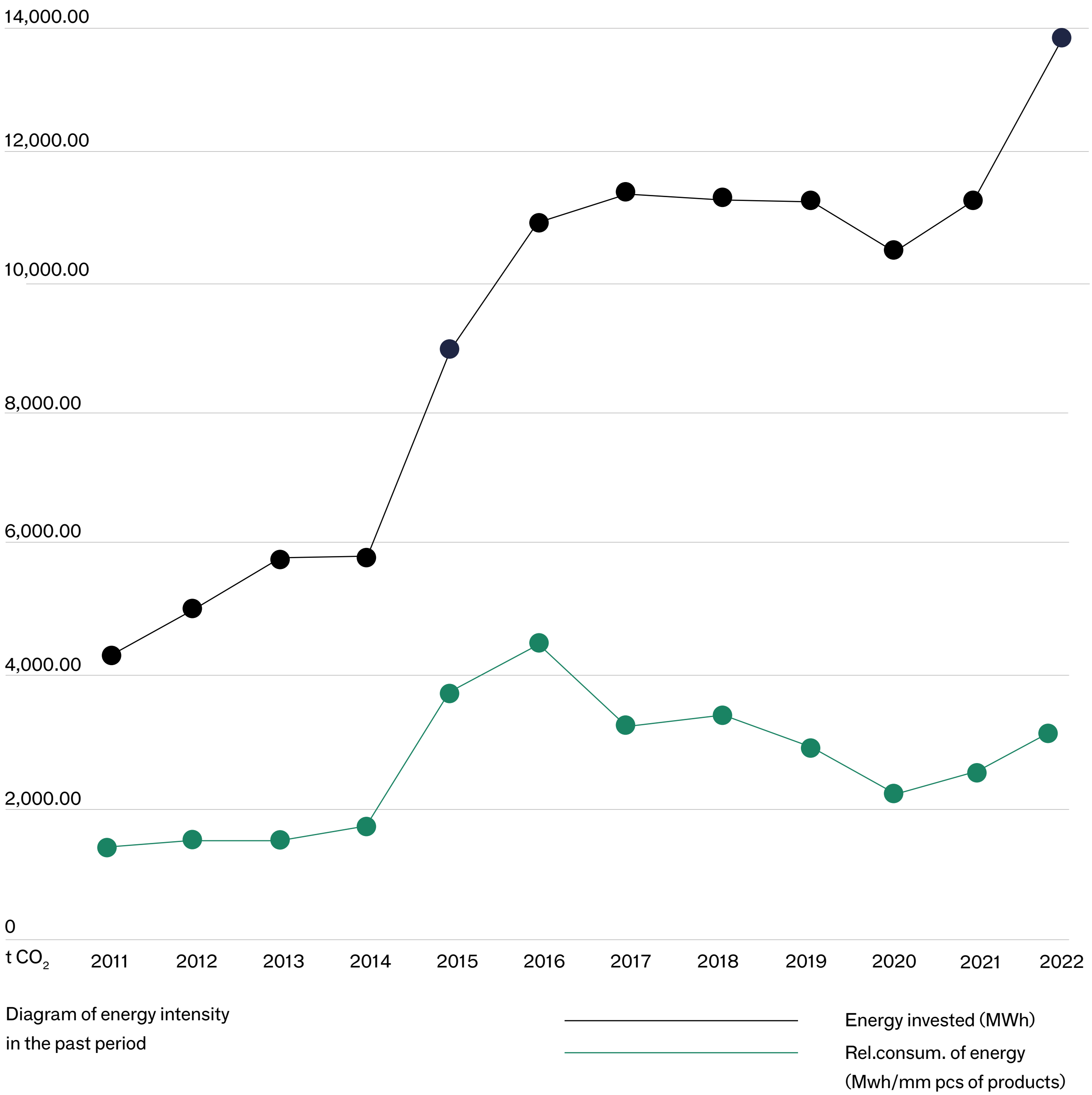



Diagram of energy intensity in the past period

## 302-4 REDUCTION OF ENERGY CONSUMPTION

At JGL, the consumption of energy is reduced by using solar energy to heat water and by producing electricity from a photovoltaic power plant.

With the introduction of the ISO 50001:2018 energy management system, all energy segments are continuously monitored, and in the last five years, there have been noticeable savings in consumption, resulting in lower emissions of harmful substances.

In addition to good management measures and investments in equipment, during the reporting period numerous measures were implemented to reduce the consumption of energy, such as:

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

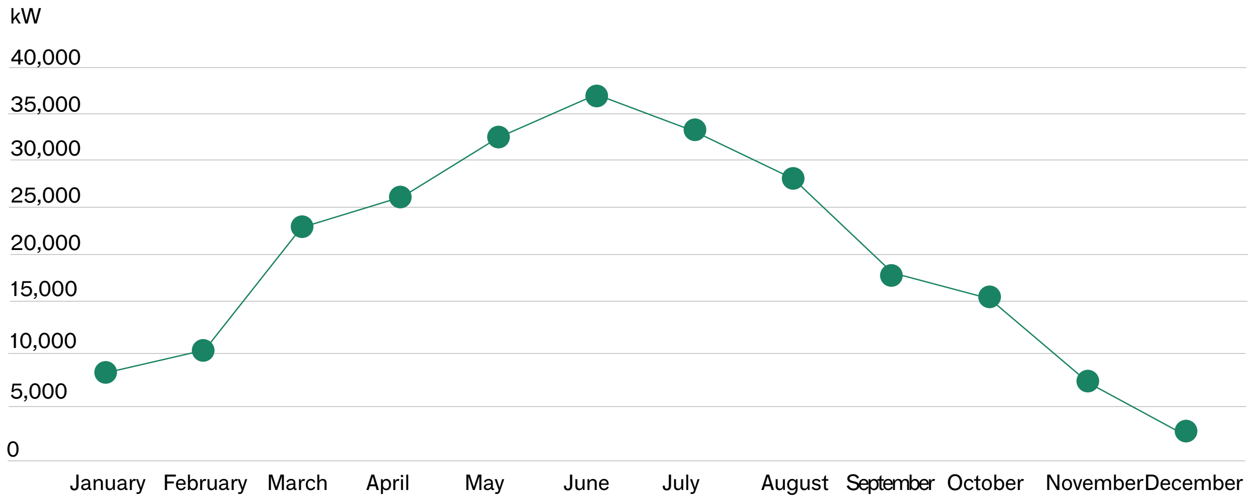
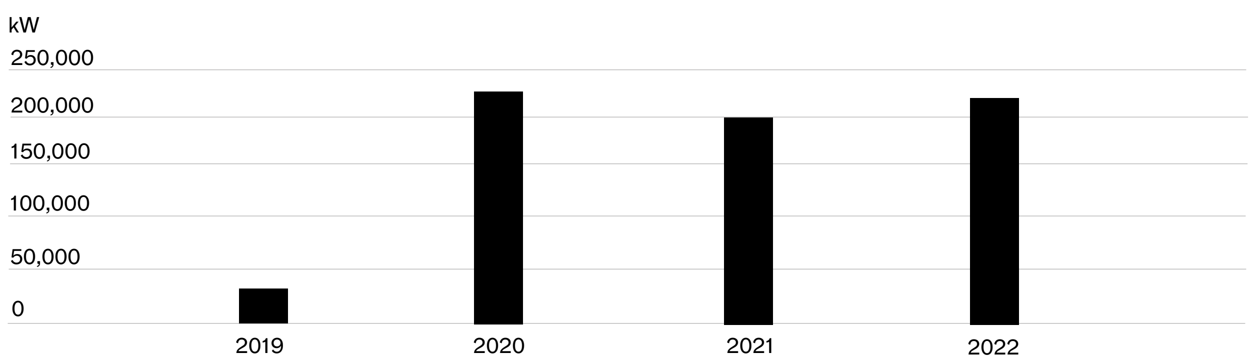



Diagram of the production of electricity from the company's photovoltaic power plant during 2022




Trend of the production of electricity from the company's photovoltaic power plant

# GRI 303 – WATER AND WASTEWATER

## 303-2 MANAGEMENT OF WATER DISCHARGE-RELATED IMPACTS

Mechanisms for monitoring impacts caused by discharging water are based on the efficiency of the approach to management and include inspections by water rights inspections, wastewater quality monitoring through authorised laboratories and an internal daily analysis of discharges. The resulting processes are the following:

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

## 303-3 WATER CONSUMPTION

The obligation to manage wastewater is based on compliance with legal regulations and strict internal measures. As published in the previous reports, water discharge is controlled and water is treated through biological purifiers before it is discharged into municipal systems. There are two biological purifiers and one chemical water purifier at JGL's production locations. There is a total of three biological purifiers that are continuously renewed with new technologies.

Rainwater collection systems from roofs and water from the process of producing purified water at the new production facility greatly contribute to the reduction of water consumption for the irrigation of green areas. The muddy residue, sludge, from purified water is collected and ecologically disposed of by external authorised partners.

## 303-4 WATER DISCHARGE

JGL has three planned discharges of technological wastewater. At Pulac, there is an outlet for wastewater coming from the research and development laboratory. At Svilno 1, there is a wastewater outlet coming from the production facility and from the quality control laboratory, while at Svilno 2 there is an outlet for wastewater coming from the production facility at that location.

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*At al three locations, JGL treats technological waste water in purifiers before discharging it into the public drainage system. At Svilno, there are two biological purifiers, one for each microlocation, while at Pulac, there is a chemical purifier for wastewater treatment.*

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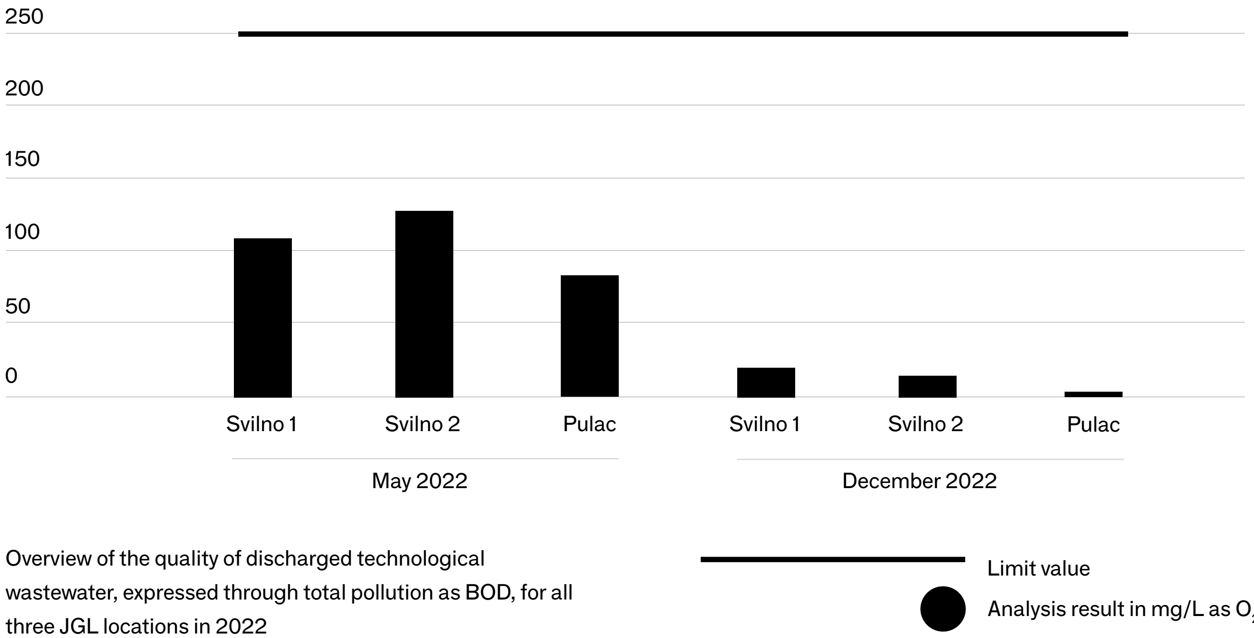
The analysis of wastewater samples collected at the outlets is carried out in authorised laboratories, every six months, in accordance with legal regulations.

Water is analysed for parameters determined by valid water right permits for each location. Analyses of wastewater samples show that all the parameters that JGL is required to test in accordance with the water right permits are below the stipulated limit values.

Overview of the wastewater analysis parameters in accordance with valid water right permits in 2022

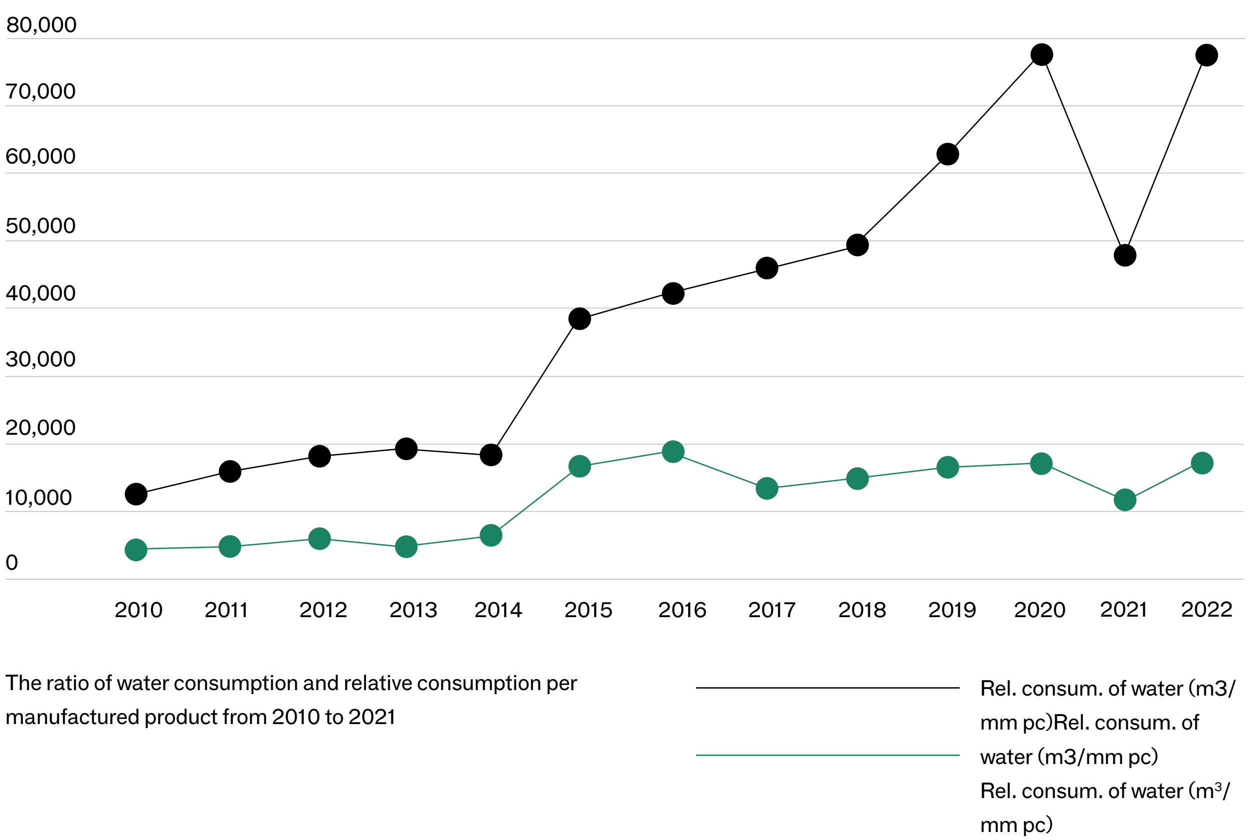
| No. | Parameter | | | Location |
|---|---|---|---|---|
| | | Svilno 1 | Svilno 2 | Pulac |
| 1 | Water temperature | • | • | • |
| 2 | pH | • | • | • |
| 3 | Precipitable substance | • | • | • |
| 4 | COD | • | • | • |
| 5 | BOD | • | • | • |
| 6 | Total oil and fats | • | • | • |
| 7 | Anionic detergents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




Overview of the quality of discharged technological wastewater, expressed through total pollution as BOD, for all three JGL locations in 2022

## 303-5 WATER CONSUMPTION

At JGL, the consumption of water highly depends on production, that is, the water drawn from the local network is used as part of the production process.




The ratio of water consumption and relative consumption per manufactured product from 2010 to 2021

# GRI 305 – EMISSIONS

## 305-6 EMMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS)

At JGL, the emissions into the atmosphere from stationary sources are regularly monitored and reported, in accordance with legal obligations. In air conditioning systems, as well as in most existing systems, a cooling medium is used whose chemical composition damages the ozone layer. According to this type of equipment, JGL is conducting supervision and maintenance in order to prevent malfunctions and irregularities that may lead to undesired consequences of the release of a harmful gas into the environment. Maintenance and repairs are carried out with authorised partners.

In accordance with trends and internal needs, new systems at JGL are designed and implemented with an environmentally friendly cooling medium. In the last year's report, the use of the following cooling media was announced: R32, R134A, R513A, R449A, which was also realised. The media R22 and R404A are planned to be replaced with more environmentally friendly cooling media in the near future. Some gases are also planned in the ongoing INTEGRA 2020 project.

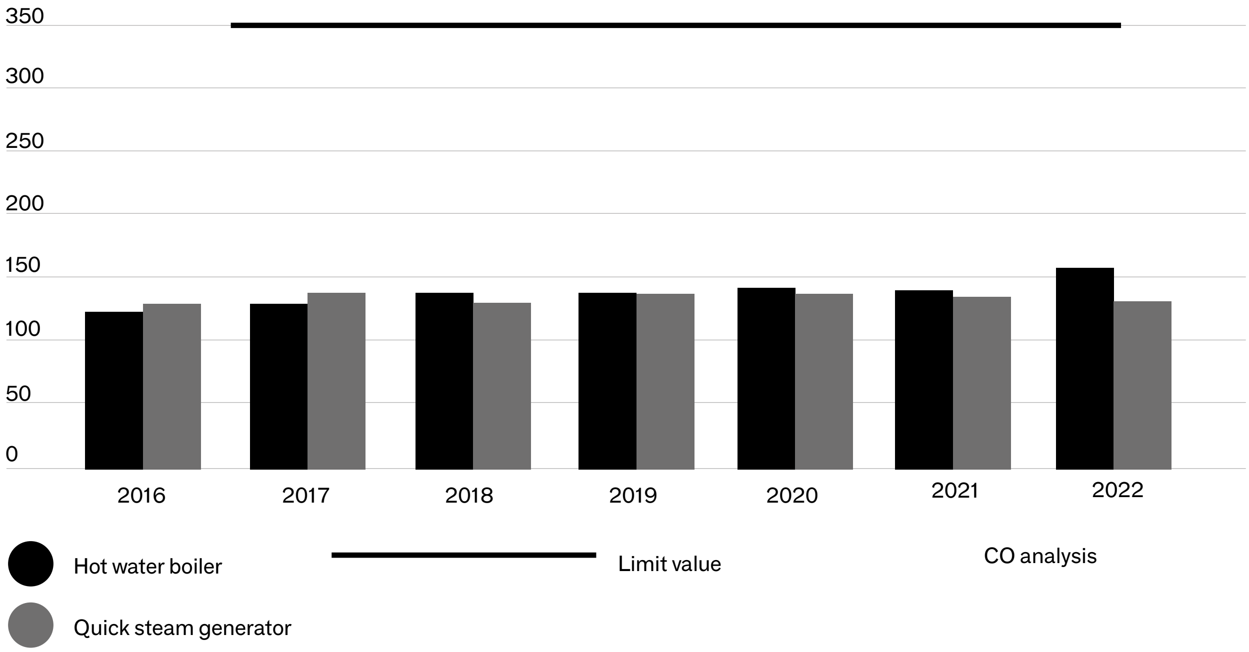
Owing to planned measurements and preventive and predictive maintenance of pollutant emissions into the air from stationary sources, last year's result was far below the limit values stipulated by law. The same level, that is, the continuation of maintaining the minimum stipulated pollution values, is the primary task of JGL in the future as well.

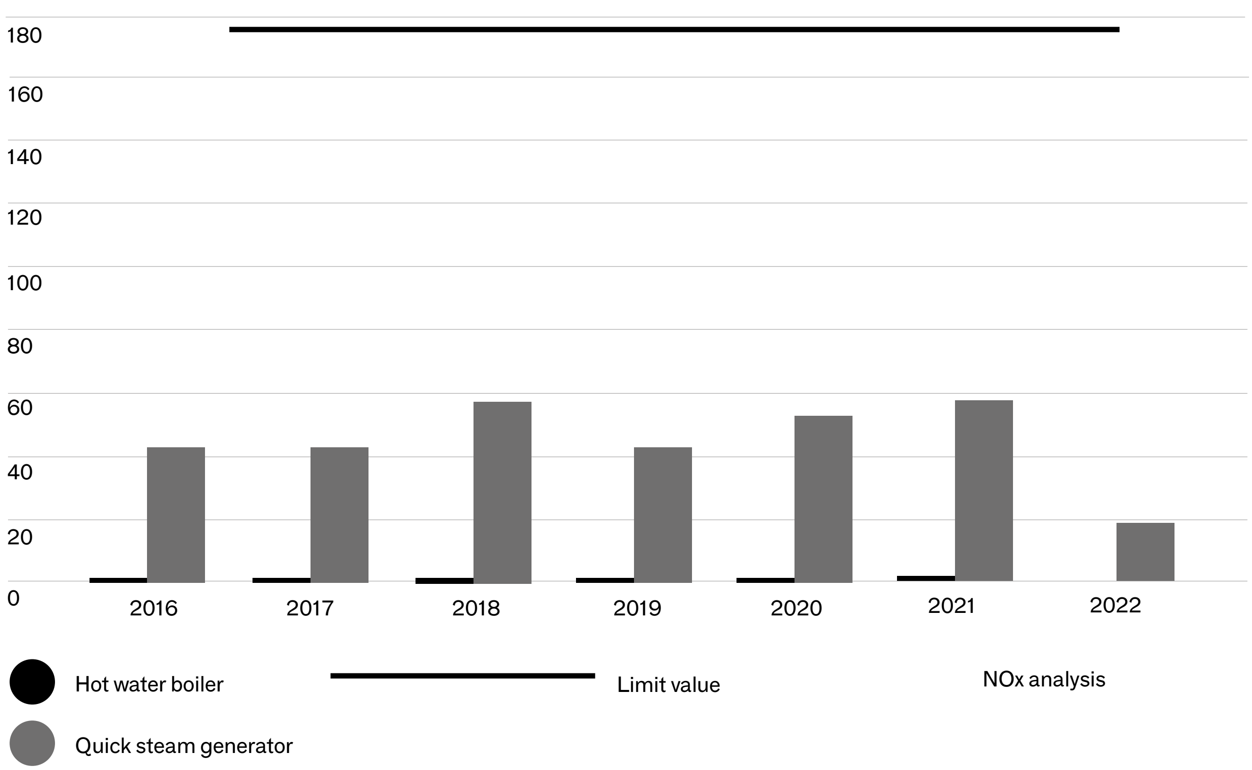
Overview of the volume of cooling media that JGL used and is currently using in the past period

**Volumes in kg**

| | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|---|---|
| R22 | 47 | 41.71 | 21.71 | 20.01 | 13.66 | 13.66 | 13.28 |
| R407C | 165.2 | 163.15 | 178.85 | 133.85 | 137.1 | 137.1 | 127.85 |
| R410A | 382.94 | 394.94 | 407.71 | 430.51 | 430.51 | 430.51 | 591.72 |
| R32 | 0 | 0 | 0 | 1.7 | 1.7 | 1.7 | 1,025 |
| R404A | 97.2 | 97.2 | 97.2 | 97.2 | 10 | 10 | 10 |
| R134A | 532 | 532 | 662 | 662 | 662 | 662 | 882 |
| R513A | 0 | 0 | 0 | 0 | 21 | 21 | 21 |
| R449A | 0 | 0 | 0 | 0 | 45 | 45 | 125 |

Overview of the analysis of pollutants in the air from stationary sources in the past period



# GRI 306 – WASTE

## 306-1 WASTE GENERATION AND SIGNIFICANT WASTE-RELATED IMPACTS

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

*The majority of waste generated by JGL comes from production and analytical (laboratory) processes. Additionally, a significant amount of waste is generated due to regular maintenance and servicing of JGL's systems, where system components/elements are frequently replaced. This way, an outdated element that no longer serves its function becomes waste that needs to be adequately disposed of.*

The waste generated in 2022 will be presented according to the European Waste Catalogue codes, along with the description of specific waste

| EWC code | NAME ACCORDING TO THE WASTE CATALOGUE | JGL WASTE |
| --- | --- | --- |
| **02-03-04** | Materials unsuitable for consumption or processing | Residue from pressing marshmallow for the production of marshmallow syrup |
| **07-05-14** | Solid wastes other than those mentioned in 07 05 13* | 1. Scrap of defective products from production processes<br>2. Waste generated during trial production runs of products not intended for the market (e.g. dosing for the purpose of conducting analyses and dosing for the purpose of machine testing)<br>3. Inadequate/defective material, i.e. semi-finished product |
| **07-06-99** | Wastes not otherwise specified | Glass or plastic packaging filled with non-hazardous substances<br>1. Scrap of defective products from production processes<br>2. Waste generated during trial production runs of products not intended for the market (e.g. dosing for the purpose of conducting analyses and dosing for the purpose of machine testing)<br>3. Inadequate/defective material, i.e. semi-finished product<br>4. Stability samples after completed analyses<br>5. Control samples after the stipulated storage period<br><br>Cosmetics/creams/ointments/gels without hazardous properties<br>1. Scrap of defective products from production processes<br>2. Residue from analyses<br>3. Expiration of shelf life in JGL's stores (Fashion and beauty)<br>4. Inadequate/defective material, i.e. semi-finished product<br>5. Stability samples after completed analyses<br>6. Control samples after the stipulated storage period |
| **15-01-01** | Paper and cardboard packaging | 1. Inadequate semi-finished product<br>2. Cardboard and paper packaging from production – packaging of semi-finished products<br>3. Waste cardboard and paper from other departments |
| **15-01-02** | Plastic packaging | 1. Plastic foil used to package semi-finished products<br>2. Plastic foil used to secure materials on pallets<br>3. Empty plastic packaging |
| **15-02-03** | Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02* | Worn-out filters of HVAC systems (ventilation systems) |

| EWC code | NAME ACCORDING TO THE WASTE CATALOGUE | JGL WASTE |
|---|---|---|
| **17-02-01** | Wood | Waste wood from construction sites of facilities within the Integra 2020 project |
| **17-04-05** | Iron and steel | 1. Waste iron and steel from construction sites of facilities within the Integra 2020 project |
| **18-01-09** | Medicines other than those mentioned in 18 01 08* | 1. Scrap of defective products from production processes<br>2. Waste generated during trial production runs of products not intended for the market (e.g. dosing for the purpose of conducting analyses and dosing for the purpose of machine testing)<br>3. Residues from analyses<br>4. Stability samples after completed analyses<br>5. Control samples after the stipulated storage period |
| **20-01-01** | Paper and cardboard | Waste paper/cardboard (not packaging) |
| **20-01-28** | Paint, inks, adhesives and resins other than those mentioned in 20-01-27* | Construction paint |
| **20-01-40** | Metals | Metals |
| **20-03-07** | Bulky waste | 1. Miscellaneous mixed, non-hazardous, inert waste containing parts that have a certain value as raw materials, but cannot be separated at the point of origin generated in JGL processes<br>2. Waste from construction sites that falls under the category of bulky waste |
| **06-01-01*** | Sulphuric and sulphurous acid | 1. Laboratory chemicals with expired shelf life<br>2. Residues from analyses |
| **06-02-04*** | Na, NaOH | Laboratory Na, NaOH:<br>1. with expired shelf life<br>2. residues from analyses |
| **07-05-03*** | Organic halogenated solvents, washing liquids and mother liquors | 1. Laboratory chemicals with expired shelf life<br>2. Residues from analyses |
| **07-05-04*** | Other organic solvents, washing liquids and mother liquors | 1. Laboratory chemicals with expired shelf life<br>2. Residues from analyses |
| **08-01-11*** | Waste paint and varnish containing organic solvents or other hazardous substances | 1. Residue from paints/lacquers/epoxy resins, etc. used by JGL for maintenance and marking of its premises |
| **08-03-17*** | Waste printing toner containing hazardous substances | Toners from photocopiers |

| EWC code | NAME ACCORDING TO THE WASTE CATALOGUE | JGL WASTE |
|---|---|---|
| **13-05-07**** | Oily water from oil/water separators | Oily water from oil/water separators |
| **13-07-01*** | Fuel oil and diesel fuel | Fuel oil and diesel fuel |
| **15-01-10*** | Packaging containing residues of or contaminated by hazardous substances | 1. Various wiping cloths<br>2. Different filters within the system<br>3. Empty chemicals packaging |
| **15-01-11*** | Metallic packaging containing a hazardous solid porous matrix (for example asbestos), including empty pressure containers | 1. Scrap of defective products from production processes – empty aluminium pressure bottles / aluminium pressure bottles containing non-hazardous liquid (seawater)<br>2. Waste generated during trial production runs of products not intended for the market (e.g. dosing for the purpose of conducting analyses and dosing for the purpose of machine testing) |
| **15-02-02*** | Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances | 1. Worn-out filters of HVAC systems (ventilation systems)<br>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* | Outdated IT equipment and similar |
| **16-05-06*** | Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals | 1. Mixtures of laboratory chemicals – residues from analyses<br>2. Concentrated chemicals with expired shelf life |
| **18-01-03*** | Waste whose collection and disposal is subject to special requirements in order to prevent infection | 1. Residue from analyses in the microbiological laboratory (laboratory equipment + media)<br>2. Nutrient media from monitoring |
| **20-01-21*** | Fluorescent tubes and other mercury-containing waste | Worn-out fluorescent tubes used for lighting |
| **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 placed at various locations |
| **20-01-35*** | Discarded E equipment other than those mentioned in 20-01-21 and 20-01-23 containing hazardous components | Discarded IT equipment |

Only the EWC codes of waste generated in significant quantities are listed. Due to the large number of different production and other processes, it is not possible to list all the waste generated by JGL that falls under a specific EWC code.

## 306-2 MANAGEMENT OF SIGNIFICANT WASTE-RELATED IMPACTS

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

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

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

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

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

## 306-3 WASTE GENERATED

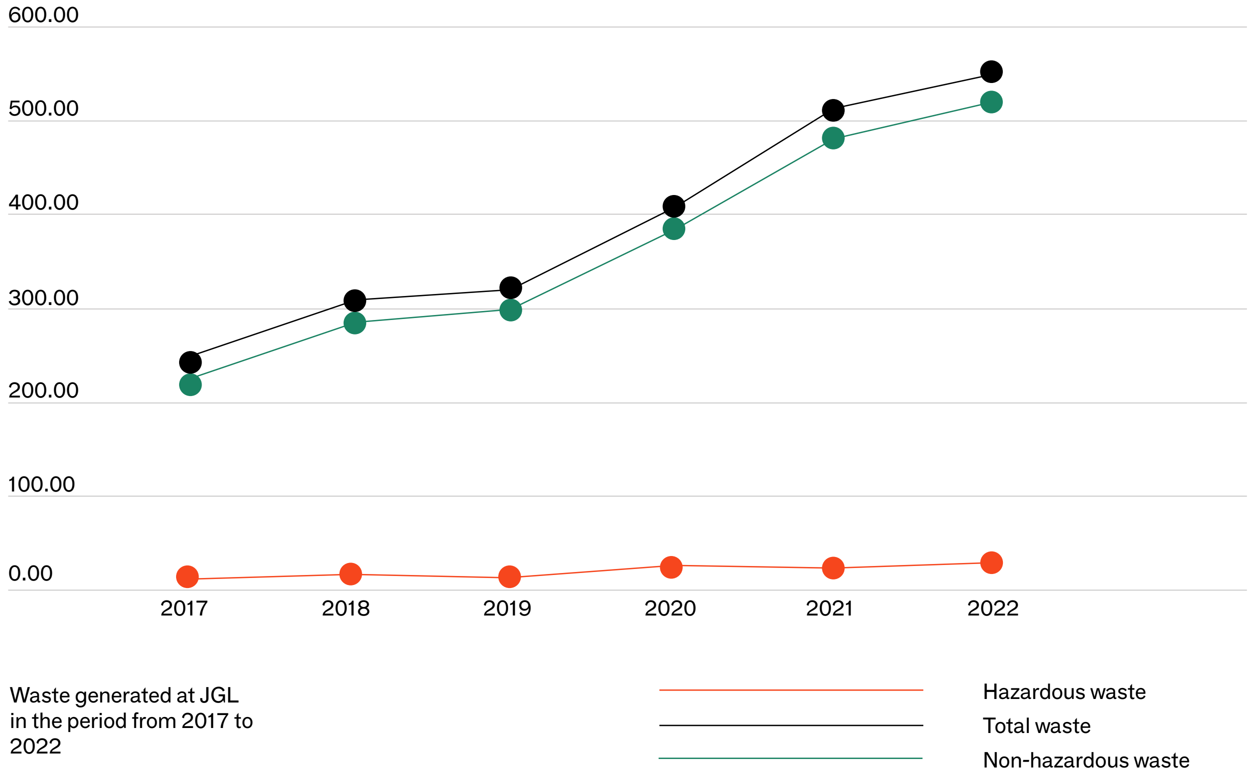
In 2022, JGL generated a total of 548.56 tonnes (548,555.70 kg) of waste through its activities, of which 521.18 t (521,180.00 kg) of non-hazardous waste and 27.38 t (27,375.70 kg) of hazardous waste.

In 2022, a 10% increase in the total amount of waste was recorded compared to 2021. The recorded increase arises from activities related to expanding production at the Svilno 2 site and opening new production lines as part of the INTEGRA 2020 project, as well as completing construction works and putting into operation the new storage-logistics centre in Kukuljanovo. Additionally, due to the still ongoing construction works, more bulky waste was generated.

Mass (t)

| EWC code | NAME | Waste type | Svilno 1 | Svilno 2 | Pulac | Kukuljanovo | Total |
|---|---|---|---|---|---|---|---|
| 02-03-04 | Biodegradable material | Non-hazardous | 1.28 | 0.00 | 0.00 | 0.00 | 1.28 |
| 07-05-14 | Aluminium – packaging, material, aerosol dispensers | Non-hazardous | 0.64 | 43.15 | 0.00 | 0.00 | 43.79 |
| 07-06-99 | Glass, plastic, cosmetics – secondary | Non-hazardous | 2.08 | 25.29 | 1.42 | 0.03 | 28.81 |
| 07-05-99 | Media fill | Non-hazardous | 2.96 | 0.00 | 0.00 | 0.00 | 2.96 |
| 15-01-01 | Paper and cardboard packaging | Non-hazardous | 7.76 | 117.5 | 0.00 | 0.00 | 125.26 |
| 15-01-02 | Plastic packaging | Non-hazardous | 0.35 | 22.24 | 0.00 | 0.00 | 22.59 |
| 15-01-03 | Wooden packaging | Non-hazardous | 0.00 | 0.94 | 0.00 | 0.00 | 0.94 |
| 15-02-03 | Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02* | Non-hazardous | 1.37 | 0.08 | 0.00 | 0.00 | 1.45 |
| 17-02-01 | Wood | Non-hazardous | 0.00 | 21.86 | 0.00 | 0.00 | 21.86 |
| 17-04-05 | Iron and steel | Non-hazardous | 0.00 | 8.58 | 0.00 | 0.00 | 8.58 |
| 18-01-09 | Medicines | Non-hazardous | 38.02 | 61.16 | 2.02 | 8.88 | 110.08 |
| 20-01-01 | Paper and cardboard (not packaging) | Non-hazardous | 0.32 | 1.62 | 0.00 | 0.00 | 1.94 |
| 20-01-28 | Paint, adhesives and resins | Non-hazardous | 0.10 | 0.00 | 0.00 | 0.00 | 0.10 |
| 20-01-40 | Metals | Non-hazardous | 0.00 | 0.30 | 0.00 | 0.00 | 0.30 |
| 20-03-07 | Bulky waste | Non-hazardous | 2.24 | 149.00 | 0.00 | 0.00 | 151.24 |
| 06-01-01* | Sulphuric and sulphurous acid | Hazardous | 0.01 | 0.00 | 0.00 | 0.00 | 0.01 |
| 06-02-04* | Na, NaOH | Hazardous | 0.02 | 0.00 | 0.00 | 0.00 | 0.02 |
| 07-05-03* | Organic solvents | Hazardous | 0.01 | 0.00 | 0.00 | 0.00 | 0.01 |
| 07-05-04* | Other organic solvents | Hazardous | 2.66 | 0.00 | 0.99 | 0.00 | 3.65 |
| 08-01-11* | Waste paint and varnish containing organic solvents or other hazardous substances | Hazardous | 0.00 | 0.21 | 0.00 | 0.00 | 0.21 |
| 08-03-17* | Waste printing toner containing hazardous substances | Hazardous | 0.00 | 0.01 | 0.00 | 0.00 | 0.01 |
| 13-02-06* | Synthetic engine, gear and lubricating oils | Hazardous | 0.02 | 0.00 | 0.00 | 0.00 | 0.02 |
| 13-05-07* | Oily water from oil/water separators | Hazardous | 0.00 | 0.25 | 0.00 | 0.00 | 0.25 |
| 13-07-01* | Fuel oil and diesel fuel | Hazardous | 0.15 | 0.00 | 0.00 | 0.00 | 0.15 |
| 15-01-10* | Packaging containing residues of or contaminated by hazardous substances | Hazardous | 0.00 | 0.02 | 0.00 | 0.00 | 0.02 |
| 15-01-11* | Aerosol dispensers and other pressure containers | Hazardous | 0.96 | 1.40 | 0.00 | 3.59 | 5.94 |
| 15-02-02* | Absorbents, filter materials | Hazardous | 0.00 | 0.01 | 0.00 | 0.00 | 0.01 |
| 16-02-13* | E waste | Hazardous | 0.00 | 0.02 | 0.00 | 0.00 | 0.02 |
| 16-05-06* | Lab chemicals-diluted, concentrated | Hazardous | 2.05 | 2.55 | 0.00 | 0.00 | 4.60 |
| 18-01-03* | Infectious waste | Hazardous | 12.11 | 0.00 | 0.00 | 0.00 | 12.11 |
| 20-01-21* | Fluorescent tubes and other mercury-containing waste | Hazardous | 0.03 | 0.00 | 0.00 | 0.00 | 0.03 |
| 20-01-33* | Batteries | Hazardous | 0.00 | 0.30 | 0.00 | 0.00 | 0.30 |
| 20-01-35* | IT equipment | Hazardous | 0.00 | 0.02 | 0.00 | 0.00 | 0.02 |
| | **Total non-hazardous** | **57.11** | **451.73** | **3.44** | **8.91** | **521.18** | |
| | **Total hazardous** | **18.01** | **4.79** | **0.99** | **3.59** | **27.38** | |
| | **Total waste** | **75.12** | **456.51** | **4.43** | **12.50** | **548.56** | |

**EWC code – European Waste Catalogue code*




Waste generated at JGL in the period from 2017 to 2022

In 2022, JGL generated a total of 51 tonnes more waste than in 2021, i.e., as data show, 41 tonnes more non-hazardous waste as compared to 2021. This mainly refers to bulky waste and waste wood at the Svilno 2 site generated as part of construction works related to the INTEGRA 2020 project and the construction of a new research and development facility and pilot plant.

*Ten tonnes more hazardous waste was disposed of in 2022 than in 2021. This increase in hazardous waste compared to the previous year is a result of increasing production capacities.*

An increase in hazardous waste under the code KB 16-05-06*, which includes laboratory chemicals/standards used for product testing, as well as KB 15-01-11* (packaging of tested products in quality control). The listed quantities of waste were obtained by direct measurement (weighing) of waste at the contracted collector when unloading waste in warehouses.

Tables and explanations with details on generated waste and waste recovery/disposal operations are provided below.

## RECOVERY 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 waste obtained from any of the operations numbered R1 to R10 |
| R12 | Exchange of waste for submission to any of the operations |
| R13 | Storage of waste pending any of the operations (excluding temporary storage, pending collection, on the site where it is produced) |

## DISPOSAL OPERATIONS

| Code | Description |
|---|---|
| D1 | Deposit into or on to land (e.g. landfill, etc.) |
| D2 | Land treatment (e.g. biodegradation of liquid or sludge discards in soils, etc.) |
| D3 | Deep injection (e.g. injection of pumpable discards into wells, salt domes or naturally occurring repositories, etc.) |
| D4 | Surface impoundment (e.g. placement of liquid or sludge discards into pits, ponds or lagoons, etc.) |
| D5 | Specially engineered landfill (e.g. placement into lined discrete cells which are capped and isolated from one another and the environment, etc.) |
| D6 | Release of solid waste into a water body except seas/oceans |
| D7 | Release into seas/oceans including seabed insertion |
| D8 | Biological treatment not specified elsewhere in these operations which results in final compounds or mixtures which are disposed of by means of any of the operations numbered D1 to D12 |
| D9 | Physico-chemical treatment not specified elsewhere in these operations which results in final compounds or mixtures which are disposed of by means of 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 mixture 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 disposal operations D1 to D14 (excluding temporary storage, pending collection, on the site where it is produced) |

The following table shows the EWC codes of waste generated by JGL in the reporting year, which have undergone recovery operations, as well as the location of these recovery operations.

| EWC code | NAME ACCORDING TO THE WASTE CATALOGUE | DISPOSAL OPERATION | SITE |
|---|---|---|---|
| 02-03-04 | Materials unsuitable for consumption or processing | R3 | CROATIA |
| 07-05-14 | Solid wastes other than those mentioned in 07 05 13* | R4 | HR / EU |
| 07-05-99 | Wastes not otherwise specified | R1 | EU |
| 07-06-99 | Wastes not otherwise specified | R12 | EU |
| 15-01-01 | Paper and cardboard packaging | R12 | CROATIA |
| 15-01-02 | Plastic packaging | R12 | CROATIA |
| 15-01-03 | Wooden packaging | R1 | EU |
| 15-02-03 | Absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02* | R1 | EU |
| 17-02-01 | Wood | R1 | HR / EU |
| 17-04-05 | Iron and steel | R4 | HR / EU |
| 18-01-09 | Medicines other than those mentioned in 18 01 08* | R1 | EU |
| 20-01-01 | Paper and cardboard | R12 | CROATIA |
| 20-01-28 | Paint, inks, adhesives and resins other than those mentioned in 20-01-27* | R1 | EU |
| 20-01-40 | Metals | R4 | HR/EU |
| 08-01-11* | Waste paint and varnish containing organic solvents or other hazardous substances | R1 | CROATIA |
| 13-02-06* | Synthetic 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<br>R4 | CROATIA |
| 20-01-21* | Fluorescent tubes and other mercury-containing waste | 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 EWC codes of waste generated by JGL in the reporting year, which have undergone disposal operations, as well as the location of these disposal operations.

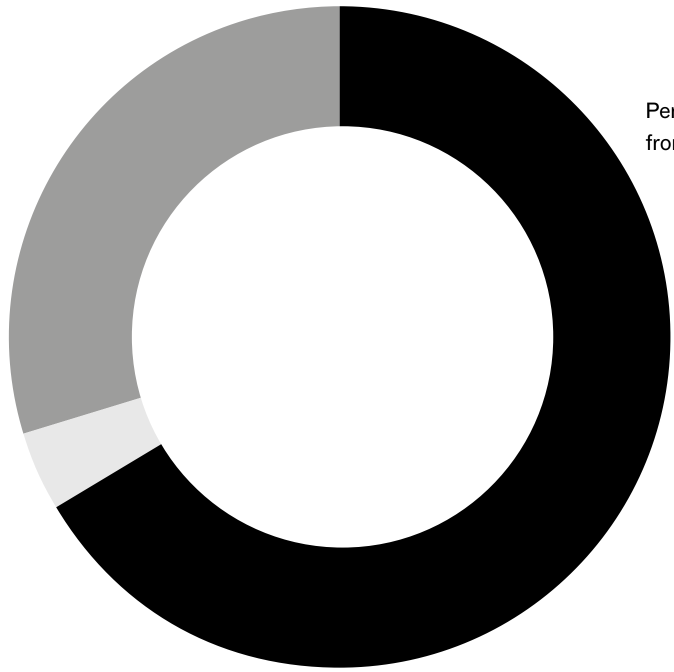
| EWC code | NAME ACCORDING TO THE WASTE CATALOGUE | DISPOSAL OPERATION | SITE |
|---|---|---|---|
| 06-01-01* | Sulphuric and sulphurous acid | D9 | EU |
| 06-02-04* | Na, NaOH | D10 | EU |
| 07-05-03* | Organic halogenated solvents, washing liquids and mother liquors | D10 | EU |
| 07-05-04* | Other organic solvents, washing liquids and mother liquors | D10 | EU |
| 08-03-17* | Waste printing toner containing hazardous substances | D10 | EU |
| 13-05-07* | Oily water from oil/water separators | D9 | EU |
| 13-07-01* | Fuel oil and diesel | D9 | 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* | Waste whose collection and disposal is subject to special requirements in order to prevent infection | D9 | CROATIA |

Waste under the EWC code 20-03-07 (Bulky waste) represents a type of waste for which data on specific treatment operations by quantity cannot be provided since it is a mixture of waste that is separated into components after sorting, which are then treated by different recovery/disposal operations. The recovery/disposal operations for JGL's bulky waste can be R1, R12, and D1.

Waste under the EWC codes 07-06-99 (Waste 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 subjected to multiple different treatment operations depending on the specific waste handed over under these EWC codes, but all of them are considered recovery operations and will be presented statistically as such.

*All information regarding treatment operations applied to the listed waste types generated by JGL is obtained from contractual partners that collect the specified waste. All the listed waste treatment operations take place outside of JGL's locations.*

Share of waste by treatment operation in the total amount of waste in 2021



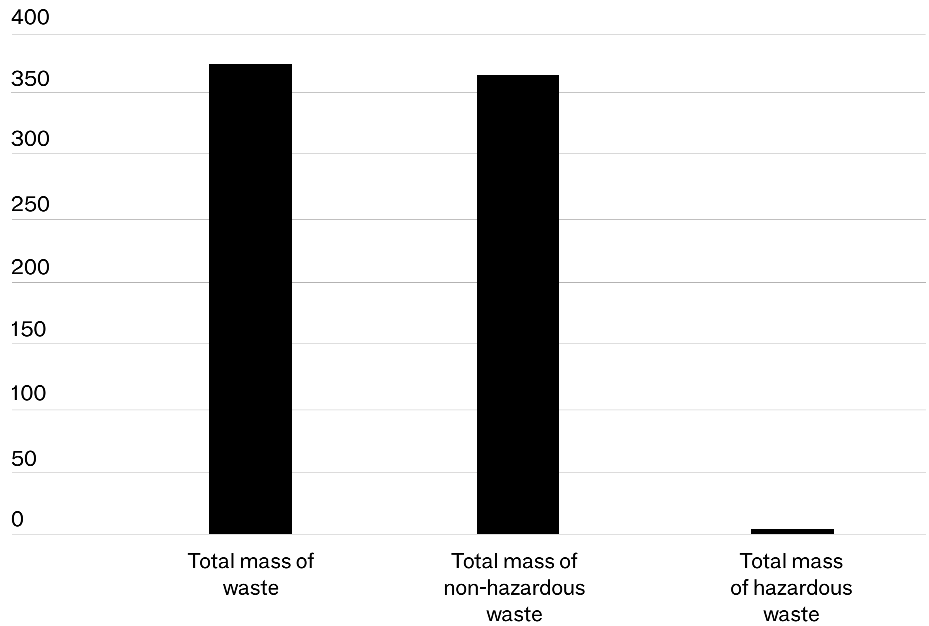

In accordance with the presented data, JGL safely redirected 68.28% of the total generated waste from disposal, and 3.80% of the total generated waste was safely directed to disposal, while for 27.60% of the generated waste (20-03-07 – bulky waste), the exact quantities of waste by treatment operation cannot be determined since this type of waste contains components that are treated by R and D operations. Accordingly, the data in GRI standards 306-4 and 306-5 will be presented without the share of waste for which quantities with regard to treatment operations cannot be determined.

## 306-4 WASTE DIVERTED FROM DISPOSAL

In 2022, out of the total 548.56 tonnes of generated waste, 374.53 tonnes of JGL's waste was treated by recovery operations. Out of the total amount of waste treated by recovery operations, 368 tonnes refers to non-hazardous waste, and 6.53 tonnes to hazardous waste.

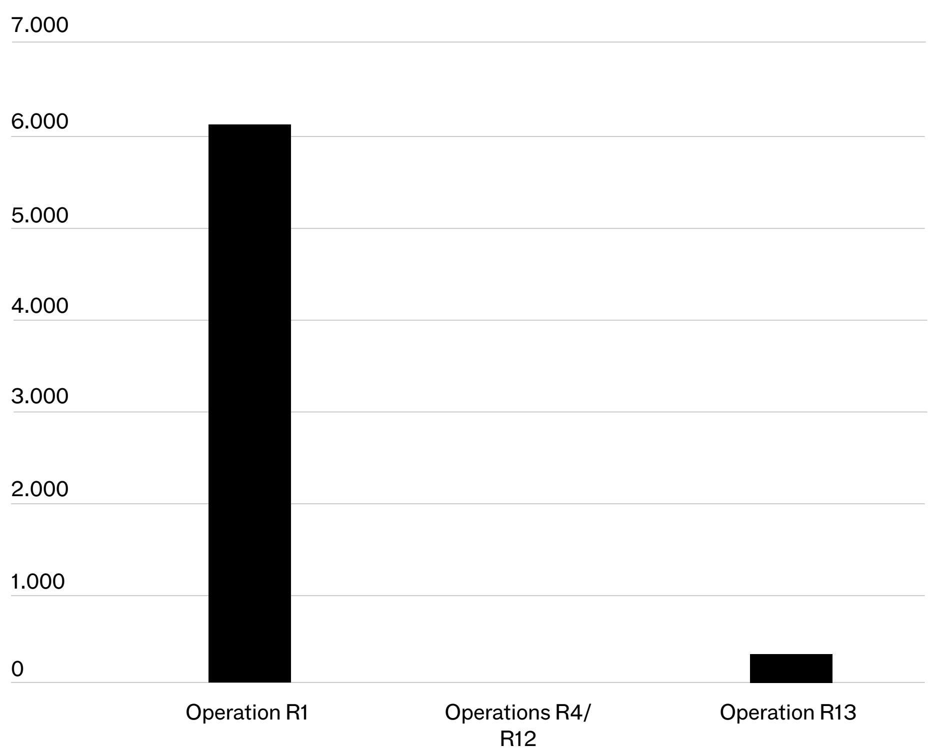
It should be noted that, out of 151.24 tonnes of bulky waste that was not included in the data for GRI standards 306-4 and 306-5, a portion of that quantity was certainly treated by R1 and R12 recovery operations.

Total mass (t) of waste diverted from disposal according to the composition of waste in 2022



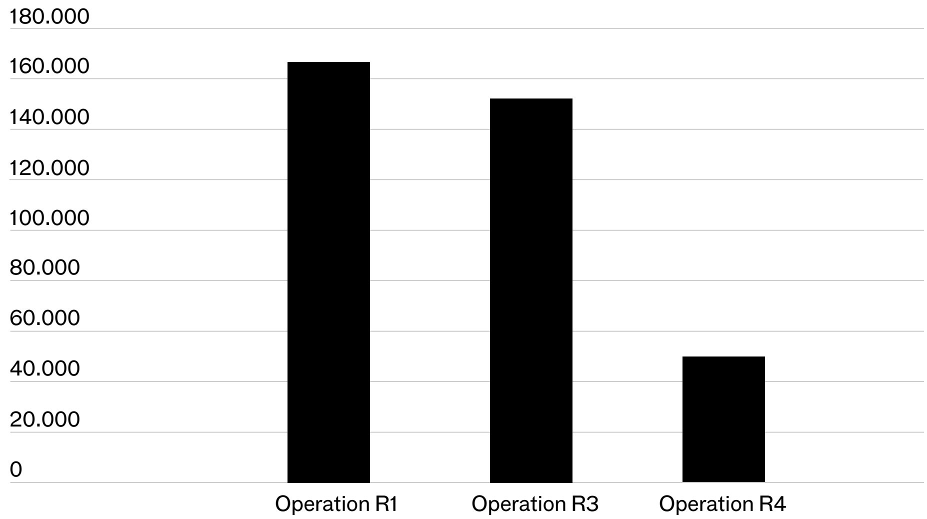

As previously stated, the total mass of hazardous waste diverted from disposal is 6.53 tonnes.

Total mass (t) of hazardous waste diverted from disposal according to recovery operations in 2021



Total mass of non-hazardous waste diverted from disposal is 368 tonnes.

Total mass (t) of non-hazardous waste diverted from disposal according to recovery operations in 2022

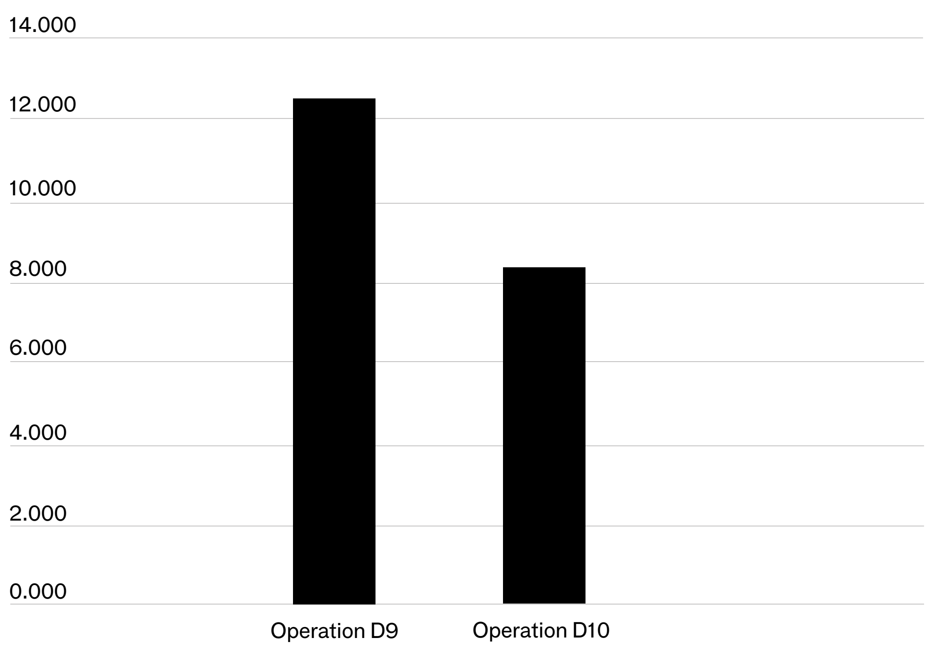



## 306-5 WASTE DIRECTED TO DISPOSAL

In 2022, out of the total 548.56 tonnes of generated waste, 20.83 tonnes of waste was treated by disposal operations. The total specified amount of waste treated by disposal operations refers to hazardous waste.

It should be noted that a portion of the 151.4 tonnes of bulky waste was certainly disposed of using the D1 disposal operation.
Total mass of hazardous waste directed to disposal is 20.83 tonnes.

Total mass (t) of hazardous waste directed to disposal according to disposal operations



## Disposal of used products

In accordance with the circular economy philosophy and product life cycle management, JGL raises awareness among stakeholders on the importance of recycling through its website and other platforms. In the reporting period, guidelines were created on how to properly recycle certain JGL products.

# TOPIC STANDARDS: SOCIAL

## PROCESS TO DETERMINE MATERIAL TOPICS

The topic is material due to significant social impacts associated with the relationship towards employees and stakeholder expectations/interests for the company to systematically take care of its employees, their health and safety, education, impact on the local community, as well as the health and safety of its customers.

JGL maintains and develops a positive, motivating work environment in which employees acquire necessary competences and skills. Furthermore, the company ensures that all processes are carried out in a safe and efficient manner, continuously and in an interoperable manner.

Each employee, as well as each JGL's customer, plays an important role in establishing and implementing the ESG strategy. JGL believes that integrating ESG principles into daily business activities contributes to more sustainable and socially responsible work.

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*Every employee and customer can participate in reducing negative environmental impacts, enhancing community relations, and improving management processes, which are precisely the areas on which the company's strategy is focused.*

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## MANAGEMENT OF MATERIAL TOPICS

Based on the fact that employees are the bearers of the entire business process, JGL takes care of maintaining the optimal number of employees through an active staffing policy, continuous improvement of their material position and rights, improvement of their competences and targeted training, which is demonstrated by the trend of investment in recent years. During 2022, JGL particularly excelled in the strategic areas of talent recruitment and hiring, employee engagement, new platforms for trainers and mentors, and in the area of HR innovation initiatives.

HR practices are integrated and supported throughout the employee life cycle and generally contribute to the company's sustainable business operations focused on the future.

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*As part of the corporate strategy, the company's focus is on the People Strategy, through which we are, through processes and new ways of work, further focusing our efforts on internal users and their experience at JGL.*

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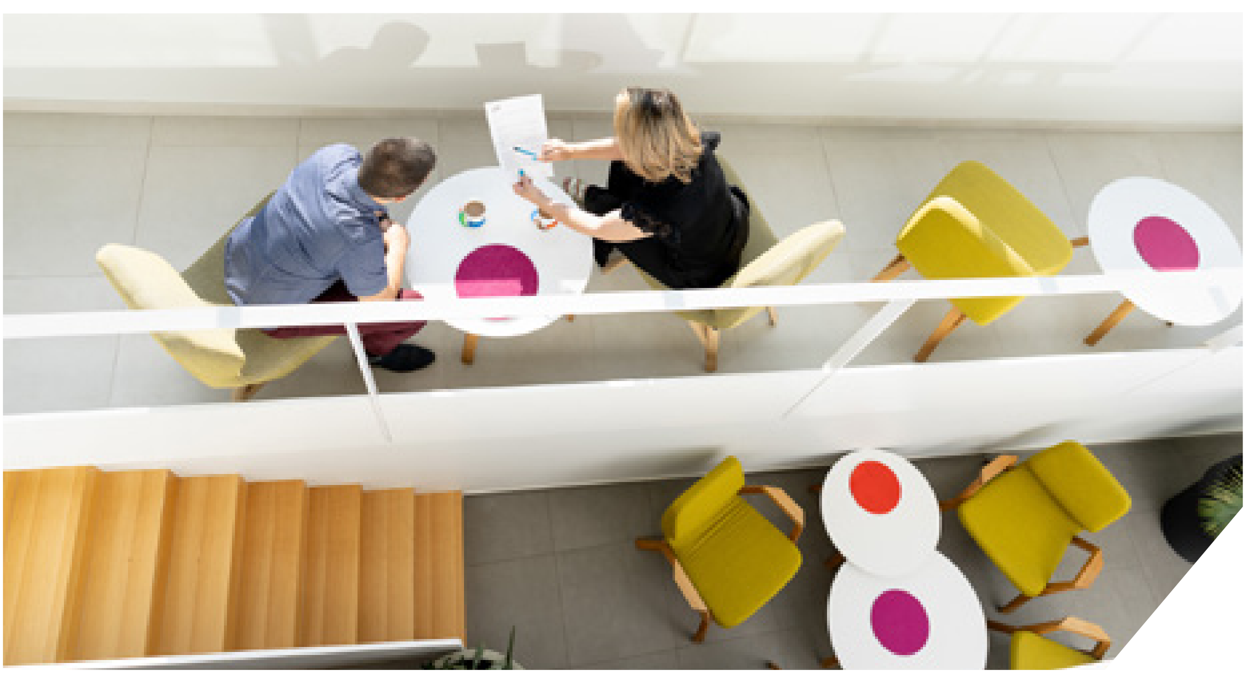


*People strategy: objectives that the company wants to achieve in synergy with the HR function and all managers who take care of people in their daily life and work. How all this manifests in the individual experience of employees is monitored and measured through six key steps of the employee life cycle.*

The period from 2021 was marked by laying quality foundations for achieving the goal: providing employees with more opportunities for growth and development. In spring 2021, the employer brand strategy was launched, defining the kind of company JGL wants to be for current and future employees. More specifically, the strategy's fundamental determinants are career opportunities the company seeks to provide for employees, in addition to a favourable working environment and benefits.

A corporate approach to employee performance management and development was established for all JGL Pharma

employees, and from February 2023, everyone will have equal opportunities for working on their individual development, both in terms of access and in the digital tool. The talent programme was launched, through which the company's long-term needs are indicated and linked to employees' long-term development plans in order to maximise opportunities for developing internal strengths and potentials. The programme additionally promotes internal, cross-functional and cross-geographical mobility, knowledge exchange, and strengthening of internal capabilities and know-how to realise the company's top strategy. In 2022, the leadership team devoted significant time to this topic and its development, and, in 2023 will initiate talent management programme activities, which will become an integral part of the performance cycle and related development discussions and plans.

Since the last quarter of 2022, managers across JGL Pharma, in collaboration with HR, have been intensively working, through a job description review, on a detailed assessment of the organisation and designing job positions that will support greater delegation of autonomy and responsibility to specialists and experts, and opening of opportunities for growth and development. This is the foundation that will be linked to career opportunities for employees and an accompanying reward system that will be launched in the second quarter of 2023.

Improvements in the work environment and opportunities are a result of employee feedback. Since the organisational climate survey is performed annually, the entire system directly influences, directs, and shapes the focuses that are set on at the corporate level.

# GRI 401 – EMPLOYMENT

## 401-1 EMPLOYEE TURNOVER

In 2022, a total of 178 new employees were hired. During the reporting period, a total of 116 employees left JGL, and the turnover rate was 10%. In comparison to 2022, 47 fewer employees were hired in 2021, while 13 fewer employees left JGL during the same period.

## 401-2 BENEFITS PROVIDED TO EMPLOYEES

All employees, regardless of their type of contract, race, gender, or age, have the same additional benefits in accordance with the time spent at work. JGL provides paid additional training programmes for employees, exceptional length-of-service awards for years of service spent at JGL, periodic remunerations during the year, occasional gifts for children under 15 years old, various financial supports and allowances for family needs, accident insurance policies for employees, etc....

JGL has also introduced an annual reward system for special contributions made by individual employees through the impact and implementation of their suggestions in improvements throughout the operating year.

Finally, JGL has designed “Cafeteria”, a flexible employee benefits plan that can be personalised according to the needs of each employee. “Cafeteria” benefits offer employees a choice of four investment options:

- Investing in the 3rd pension pillar (Voluntary pension fund),
- Supplementary health insurance,
- Food allowance,
- Participation in the cost of kindergarten.

## 401-3 PARENTAL LEAVE

In compliance with the applicable regulations of the Republic of Croatia, all female employees are entitled to maternity and parental leave, while all male employees are entitled to parental leave, as per the decision of the Croatian Health Insurance Fund (HZZO). During the reporting period, 91 women used their right to maternity leave, of which 33 returned to work after their maternity leave expired. Also, during the reporting period, three men used their right to parental leave, of which two returned to work after their leave expired.

# GRI 402– LABOUR/ MANAGEMENT RELATIONS

## 402-1 MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

The minimum period in which significant changes are reported is eight days. Employees are generally informed five to seven days after meetings of the Management Board when decisions on changes are made. The area of employee and management relations includes information on the management of internal, two-way communication channels and processes, employee attitude surveys and giving suggestions.

Key topics that all employees should receive are planned at the Management Board level, the CEO, and the top management team, which includes HR representatives.

In order to check the satisfaction with communication from managers to employees and from HR to management, a questionnaire on the quality of clear communication regarding salary increases was designed and distributed to employees in 2022. A high level of understanding of the reasons for the decision to (not) change the salary was achieved, with 4 and 5 being the dominant satisfaction ratings for overall communication (scale 1-not at all satisfied; 5-completely satisfied).

Every year at JGL, the pulse and experience of working in the company are checked through the Climate and Satisfaction Survey. The experience, feedback, and suggestions obtained through the Survey are taken very seriously and used to improve the most important aspects of work, create focused initiatives, and improve satisfaction at both team and corporate levels. It also encourages two-way communication.

During 2022, a unique review of all relevant information on the Survey was launched, with progress updates and action plans, as well as the sharing of common experiences, on the company's shared Teams channel called "Sense the Life," which is available, visible and open for two-way communication.

In 2022, JGL launched the "Celebrating Team Successes" campaign aimed at sharing/spreading positive changes in the company made based on the survey results. As part of the campaign, numerous teams from various areas of operation and markets on which JGL operates were presented. Through their personalised experiences and stories, it is shown what can be achieved in the company when employees come together and design team initiatives that affect the satisfaction, passion, and progress of individuals, the team, the general rise of business activities, the realisation of set goals, and ultimately the development of corporate excellence.

For the year 2022, JGL Pharma's employee climate and satisfaction survey was for the first time carried out using a new digital tool – Stethoscope, which enabled a better user experience, shorter questionnaire completion time, automated reminders, and faster survey results for all teams, while anonymity, as always, was guaranteed. In the 2022 organizational climate survey, a new set of questions was added to measure employee experience, with the aim of putting greater focus on this topic, which JGL wants to make an integral part of employer branding activities.

The average realisation of all team action plans in 2022 is 100% and, accordingly, the realisation of the corporate action plan is 100%.

| Year | 2022 |
|---|---|
| Percentage of employees covered by employee attitude survey | 91% |
| Employee attitude survey response rate | 93% |
| Overall rating in the last employee attitude survey | 3.73 |
| Scale used in employee attitude survey (e.g. 1-5) | 0-5 |
| Overall rating of employee satisfaction with internal communication | 3.79 |
| Scale used in employee survey on internal communication satisfaction (e.g. 1-5) | 0-5 |

### JGL among the most prestigious employers in Croatia

In 2022, JGL was awarded the prestigious "Above and Beyond" certificate for innovation in human resources (HR) management. The certificate is awarded to highlight HR practices that drive positive changes in organisations, and only the most successful holders of the "Employer Partner" certificate pass the evaluation.

The evaluation for obtaining the "Employer Partner" certificate is focused on HR systems and processes, while holders of the "Above and Beyond" certificate use an advanced approach to HR to simultaneously support the growth of the organisation and employee satisfaction, and that balance is extremely important in times of unpredictable and frequent challenges, as stated in the award explanation.

*By receiving the award in the #Innovation category, the company has positioned itself as a leader in innovations that are implemented throughout the HR system and which impact the growth of the organisation and the development of employees. Additional recognition in the #future category has confirmed HR practices that strategically support sustainable future-oriented business.*


From the "Above and Beyond" award ceremony

# GRI 403 – OCCUPATIONAL HEALTH AND SAFETY

## 403-1 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

*JGL employs enough OHS specialists in its Technology, Health, Safety and Environment department in line with the number of employees and the applicable legislation.*

The company uses a significant number of various chemicals, which is why, in addition to OHS specialists, it also employs a person responsible for handling dangerous chemicals who contributes to employee safety and protection.

Given the wide range of activities carried out at JGL, primarily those with special working conditions, the company considers OHS one of its top priorities. Occupational health and safety (OHS) is implemented in line with the legal regulations governing this area, as well as internal acts applied within JGL so as to regulate the organisation and implementation of OHS. The company designates officers authorised to implement OHS, i.e. third persons authorised to implement OHS.

In addition to implementing regulatory provisions pertaining to OHS in working areas, JGL also takes care of its employees' health outside of work by providing benefits such as additional health insurance for all employees, organisation of vaccination against the flu on JGL premises, as well as the possibility of using the MultiSport card for access to various sports and recreation facilities in Croatia.

In accordance with the regulations, and with the aim of preventing workplace accidents, injuries, occupational diseases or any other work-related disease, as well as eliminating potential workplace risks, all of the activities stipulated by the law were carried out timely during the reporting year:

- Safe work training for workers;
- Providing medical check-ups at the occupational medicine centre for workers employed at stations with special working conditions, in accordance with risks identified in the risk assessment;
- Professional training for workers;
- Periodic safety checks of machinery and devices, and initial checks of new machinery and devices;
- Checking and testing pressurised containers, servicing safety valves and pressure measuring devices on relevant equipment;
- Testing work site parameters;
- Testing the safety of new electric installations;
- Testing the fixed fire-fighting systems – Sprinkler, NOVEC, hydrant networks;
- Testing fire alarm systems;
- Testing the IPR switch for disconnecting electricity in an emergency;
- Testing the panic lighting;
- Servicing fire extinguishers;
- Training activities for employees handling dangerous chemicals;
- Holding regular meetings of the OHS board...

There are numerous performance monitoring mechanisms for managing OHS, including among others:

- Analysis of work-related injuries, i.e. causes of work-related injuries;
- Analysis of risks potentially leading to occupational disease and work-related disease;
- Internal supervision of implemented protective measures by OHS specialists;
- Internal audits by the quality assurance department;
- External audits by partners;
- State inspectorate supervision regarding the implementation of measures and regulations pertaining to OHS;
- Feedback from persons involved in OHS – workers, representatives, authorised persons, workers' council;
- Analysis of reported work-related incidents (near-miss incidents);

- Feedback from the workers' representative for OHS;
- Direct or anonymous complaints submitted to the workers' council.

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

JGL also implements OHS measures based on a risk assessment. Risk assessments are conducted for all workplaces as stipulated by experts and the legislation. Protective measures stem from the assessment, i.e. from the activities carried out, such as workplace visits aimed at identifying risks, health monitoring of workers employed at stations with special working conditions, conducting legally mandatory tests which also point to quantitative properties of certain risks (e.g. noise level, vibration level, concentration of chemicals in the ambient air, etc.).

Risk identification activities are carried out by OHS specialists in cooperation with the persons authorised by the employer for OHS activities, workers and external entities, such as bodies authorised for machinery testing and testing of the work site parameters, etc. Once the aforementioned processes identify the presence of a certain risk at the workplace, protective measures are implemented.

In the event of a work-related injury an internal investigation is carried out if necessary, i.e. if the cause of the injury is not obvious. It is conducted by the OHS specialists and the relevant authorised officer of the department where the injury occurred, with the aim of trying to establish the facts, i.e. what caused the injury. The investigation is carried out so as to report the injury to the Croatian Health Insurance Fund (CHIF) with as many details as possible, as well as to ensure that the particular type of injury, if caused by any of the means of work, non-compliance with the set procedures, or a result of another OHS irregularity, can be avoided in the future.

## 403-3 OCCUPATIONAL HEALTH SERVICES

In accordance with the legal provisions and regulations, JGL refers workers, agency workers and students employed at stations with special working conditions to medical check-ups prior to employment, periodically, when switching positions within JGL, as well as if new risks occur or are identified, if the risk in question is subject to a mandatory medical check-up. Medical check-ups are carried out by the occupational medicine centre which JGL has entered into a contract with, with the agreement of the CHIF.

In addition to the mandatory medical check-ups for workers employed at stations with special working conditions, the state has also stipulated that employers are to provide medical check-ups for workers who work on computers for more than 4 hours per day. In light of the COVID-19 pandemic, JGL assessed that the risk that their workers would contract the disease at the occupational medicine centre offices was greater than the risks posed by computer work, so this practice was temporarily abandoned. Given that the global COVID-19 pandemic seems to be dwindling, it is planned to reinstate the medical check-up practice in 2023, as part of the campaign aimed at ensuring health for workers doing computer work.

*Apart from mandatory medical check-ups of workers doing computer work, and as part of the aforementioned campaign, there are plans to carry out training activities for exposed employees regarding risks posed by computer work, i.e. arising from static-dynamic exertion from sitting for a long time, as well as provide them with methods to reduce, i.e. control these risks.*

It should be noted that apart from the check-up provided by the employer as mandated by the law, all JGL workers are given the opportunity to undergo a full physical exam once a year, as part of the additional health insurance, in the healthcare centre of their choice.

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

Several formal management and worker committees are active within JGL, all of them providing a forum to discuss issues related to OHS, among others.

### OHS Committee

It is a mandatory requirement for certain employers in the Republic of Croatia, according to the criteria set out in the Occupational Health and Safety Act. At JGL, this committee consists of the main authorised officer of the employer for the area of OHS, who represents the employer, OHS specialists employed in JGL, a medical doctor from the occupational medicine centre contracted by JGL, with the agreement of the CHIF, as well as the coordinator of the commissioner for occupational safety, who represents all JGL workers. The committee meets once every 6 months, when they discuss current topics from the area of OHS, activities implemented within the last 6 months in order to improve the state of OHS, as well as the long- and short-term plans for improving the state of OHS at JGL.

### Workers' Council

The Workers' Council is tasked with protecting all of the workers' rights, including those in the area of OHS. During their 4-year mandates, members of the Workers' Council are protected from having their employment contracts terminated, and they have all other rights conferred onto them by the legislation. A member of the Workers' Council may have their employment contract terminated only with the agreement of the remaining members of the Workers' Council.

### Board of Directors

One of the members of the JGL Board of Directors is a representative of the workers who, among other duties, participates in the decision-making process regarding decisions which directly impact the protection of the workers' rights, including those pertaining to OHS.

### Other forms of worker participation, consultation, and communication on occupational health and safety

At JGL, there are several ways of informing workers and communicating with them on key OHS aspects. The first time workers are introduced to OHS at JGL is during their training for safe working practices. At this training, the workers are provided with all relevant information related to their rights and occupational safety, including on the risks they will be exposed to at their workplace and as part of the processes they are carrying out, as well as on the measures to protect themselves from such risks. Furthermore, workers receive all relevant information and news pertaining to OHS and workplace risks via reports created by the Workers' Council, the coordinator of the OHS commissioner who participates in the OHS Committee, as well as their direct superior authorised officer of the employer for the area of OHS.

Two-way communication is encouraged between the workers and the persons in the OHS system, i.e. the authorised officer of the employer, precisely because it is most likely that the workers will identify risks that they are exposed to, i.e. risks against which they are inadequately protected. The worker can also evaluate the OHS system during the annual testing of the organizational climate.

*One of the employer's obligations is to include workers, i.e. their representatives, in the risk assessment so as to collect as many relevant information which can enable him to recognise risks that they might not identify on their own, and consequently to protect the workers from such risks.*

Given that JGL is a company which is expanding year after year, employing an ever increasing number of workers in new workplaces, as well as constructing new facilities, and creating new jobs, one of JGL's plans is to conduct a complete revision of the risk assessment.

**Research into the "Impact of the COVID-19 crisis on stress and burnout within the JGL Group"**

So as to collect detailed information and conclusions regarding the impact of the COVID-19 pandemic on certain JGL teams, employees in all markets filled out a questionnaire related to stress and the burnout syndrome in 2022. This questionnaire will help JGL to better grasp how the events in the last few years have impacted employees in various countries which implemented various measures during the COVID-19 crisis. Detailed results of this survey will be presented in 2023.

## 403-5 WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

In order to work at JGL, depending on the workplace (i.e. specific risks related to certain workplaces and processes), there are several training activities aimed at workers employed in these positions which they have to complete successfully.

One of the OHS training activities mandated for all JGL workers is training in safe working practices which is a legal obligation of the employer. The training in safe working practices for workers consists of theoretical and practical elements. As regards the theory, workers get acquainted with basic OHS terms, as well as their rights and obligations pertaining to OHS, and the specific risks involved with certain workplaces and processes. The theoretical part of training in safe working practices also covers fire protection at JGL, as well as the evacuation procedure in case of an undesirable event. These training activities are led by the OHS specialist employed by JGL and skilled to provide adult education in line with legislation.

Workers also need to attend the practical part of the training, provided by the employer's authorised officers with the expert assistance of the OHS specialist. The practical part includes training on the procedures applied in specific processes, protective measures for potential specific workplace risks, etc. The worker is then monitored for a certain period of time, i.e. it is monitored whether they are applying safe work practices as they have learned in training. After a while, if it is concluded that a worker is applying skills learned in training, a report is drawn up, which is then signed by the OHS specialist, the employer's authorised officer and the worker, after which the worker is deemed trained to work in a safe manner. Workers employed at stations with special working conditions are required to successfully complete an OHS exam after the theoretical part of the training in order to start the practical part.

Other internal training activities include training for the employer's authorised officers for OHS and for the workers' commissioner for OHS. External training includes several types of training required for certain JGL workers given the specificities of their workplaces, i.e. given the additional duties conferred onto them.

### Professional training

Professional training for workers is carried out by authorised external institutions at JGL's request. The need for a worker to attend professional training depends on their workplace and specific risks pertaining to such workplace that the worker needs to be able to control. For instance, storage operators are required to pass the training for handling a forklift, persons operating steam and heating boilers are required to pass the training for boiler operators, etc.

Given that JGL is a pharmaceutical company involved in developing and manufacturing pharmaceutical products, one of the training activities required for a large number of JGL workers handling dangerous chemicals is the chemical safety training provided by the toxicology department of the Croatian Health Insurance Fund (CHIF), at JGL's request.

Workers are required to attend the chemical safety training periodically, every five years. These training activities are required by the law.

### Training of persons designated to perform first aid

In accordance with the Occupational Health and Safety Act, the employer is required to secure a certain number of employees trained for providing first aid, depending on the total number of employees. These employees are designated by the authorised officers of the employer for the area of OHS, at the request of the OHS specialist. The designated employees are then required to attend first aid training provided by occupational medicine offices or the Red Cross. The employer's internal act stipulates that 29 persons are to be trained to provide first aid at JGL.

All of the aforementioned training activities are required by the law, they take place during the working hours, and they are free for workers who are required to attend them. Given that JGL currently employs workers from Croatia, Serbia, and Bosnia and Herzegovina, training activities are carried out in the Croatian language, which everyone understands.

In 2022, JGL started a training program for new employees in the manufacturing department. In order for the program to work, recruiting takes place in up to two cycles per month, which enables all new employees to start working at the same time. The first five days after a new employee signs an employment contract are reserved exclusively for training activities. During the program, employees attend sessions on two topics a day, lasting a total of seven hours. This training program educates new employees on occupational health and safety, as well as the standard operating procedures to be complied with by employees in the manufacturing department, and the manufacturing processes and technologies, standards to be met by JGL so as to manufacture and market products in different markets, etc. This enables new employees to have a solid foundation before they start working at JGL, as well as for their further growth and development within the organisation.

JGL offers several benefits contributing to the overall health of its employees, which are not mandatory according to the Occupational Health and Safety Act or the accompanying ordinances.

One of these benefits is the additional health insurance for all JGL employees, which includes an annual full physical exam, as well as specialist examinations and other services. Services provided by this insurance policy covers flu vaccination for workers who want to get vaccinated, and such vaccination is organised by JGL at its premises.

Apart from this additional health insurance, JGL also offers the "Cafeteria" benefit which covers all monthly supplemental health insurance expenses for the employees, and they can also use a MultiSport card which enables them to access numerous sports facilities throughout Croatia for free or at a discounted price.

*Furthermore, JGL supports team events which promote a healthy lifestyle and habits, and there is a mountaineering club active at JGL, as well as a futsal club, cycling clubs, etc.*

**JGL hiking club**

In 2022, the JGL hiking club organised a total of nine mountain climbing trips. The club was established based on the decision issued by the Management Board of the Kamenjak Mountaineering Society, while the JGL Mountaineers team channel brings together all JGL employees who are members of the aforementioned or any other mountaineering society of people sharing the same interest – climbing mountains. The club has over 50 members of the Kamenjak Mountaineering Society, and there are over 30 active and regular JGL members. There is a total of 12 mountain climbing trips planned in 2023.

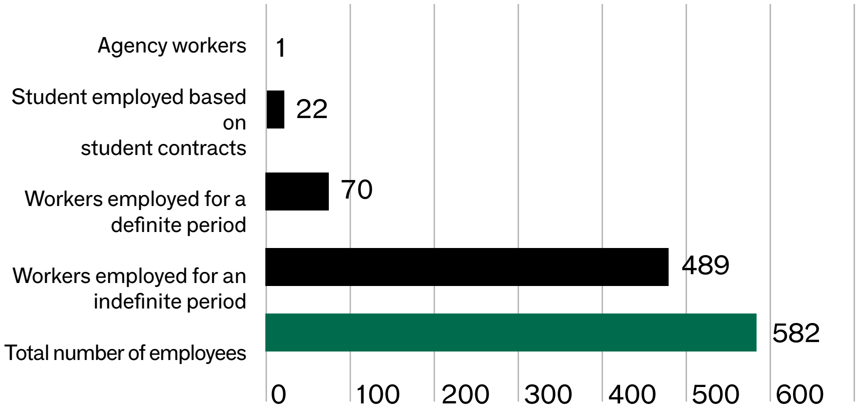
**JGL bike team**

The JGL bike team was established by two JGL employees who decided to share their passion for cycling, nature, fitness and sport with their colleagues and even wider. The guys organise interesting cycling tours within JGL, where they meet with like-minded colleagues and promote a healthy lifestyle. JGL also supports their participation in international mountain bike races throughout the region, where they wear striking jerseys in the company colours.

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

The occupational health and safety management system in JGL is based on Croatian legislation. JGL has not implemented an occupational health and safety management system in the sense of an internationally recognised standard.

JGL elaborates its occupational health and safety management system in its internal act entitled Occupational Health and Safety Rules, as well as various internal decisions adopted by the employer, and it identifies risks applying the prescribed risk assessment process. Occupational health and safety measures are derived from the document attained through this process and bearing the same name. All processes and procedures related to OHS and applicable to all JGL workers are equally applicable to all agency workers, as well as all students employed by JGL based on student contracts.




Overview of the employee structure in JGL Croatia as at 31 December 2022, showing employees subject to all of the processes and procedures related to OHS at JGL

## 403-9 WORK-RELATED INJURIES

There are many different departments and workplaces at JGL that entail risks, which, if they are not monitored and controlled, may lead to injuries at the workplace. The largest identified risks related to injuries at the workplace are present in departments handling logistics, manufacturing, product and raw material quality control, and new product development.

The biggest risks in logistics are related from the basic means of work, i.e. the forklifts used by storage operators, as well as raw material (chemicals and preparations) handled by the storage operators. So as to keep these risks under control, several stipulated activities take place:

- Professional training of all storage operators for using the forklift;
- Safe work training for operators;
- Regular medical check-ups of operators in occupational medicine facilities given that they are employed at a station with special working conditions;
- Regular maintenance of the means of work in accordance with the manufacturer's instructions;
- Testing the safety elements of the means of work in accordance with deadlines prescribed by the law;
- Testing the working environment of spaces where operators conduct their activities;
- Written working procedures;
- Assigning personal protective equipment – steel-toed boots;
- Internal supervision of compliance with OHS procedures and rules.

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

- Referral of workers to be trained for handling dangerous chemicals within stipulated deadlines;
- Safe work training for workers;
- Regular medical check-ups of workers in occupational medicine facilities given that they are employed at a station with special working conditions;
- Regular maintenance of the means of work in accordance with the manufacturer's instructions;
- Regular safety checks of means of work;
- Regular work site checks of laboratories;
- Adequate storage of chemicals in secured and ventilated cabinets, making sure that chemicals incompatible with one another are stored separately;
- Written working procedures;
- Assigning personal protective equipment – gloves, safety goggles, ventilators for certain processes, robes for handling chemicals, etc.
- Internal supervision of compliance with OHS procedures and rules.

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

- Referral of workers to be trained for handling dangerous chemicals within stipulated deadlines;
- Safe work training for workers;
- Regular medical check-ups of workers in occupational medicine facilities given that they are employed at a station with special working conditions;
- Regular internal maintenance of the means of work in accordance with the manufacturer's instructions, and daily checks of safety elements on the machinery by operators themselves;
- Regular servicing of the equipment by the manufacturer once/twice a year;
- Regular safety checks of means of work in accordance with the legislation;
- Regular work site checks in manufacturing premises in accordance with the legislation;
- Written working procedures;
- Assigning personal protective equipment – ventilators, robes for handling chemicals, protective gloves, safety goggles, hearing protection, etc.;
- Internal supervision of compliance with OHS procedures and rules.

All of these risks have been identified in the risk assessment, as stipulated by the legislation.

Data on the total number and type of work-related injuries at JGL in the past five years (2017 – 2021)

| Data type | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Total number of reported work injuries | No data | No data | 7 | 3 | 3 |
| Total number of recognised work-related injuries (CHIF) | 6 | 5 | 6 | 1 | 3 |
| Total number of injuries occurred during a work process | No data | No data | 3 | 2 | 1 |
| Total number of minor work-related injuries | 6 | 5 | 6 | 1 | 3 |
| Total number of severe work-related injuries | 0 | 0 | 0 | 0 | 0 |
| Number of injuries occurring on the worker's way from home to work and vice-versa | 2 | 0 | 0 | 0 | 0 |
| Number of deceased workers | 0 | 0 | 0 | 0 | 0 |

Three minor work-related injuries occurred at JGL in 2022 – only one of them during a work process, and the remaining two as a result of a car accident, also considered a work-related injury.

There was a total of 21 recognised work-related injuries at JGL in the last 5 years.

### Calculation of the rate of work-related injuries

Given that there were no fatal or severe injuries during the reporting period, the only calculations presented are those pertaining to the rate of recordable work-related injuries.

The methodology set out in the GRI standard 403 was applied.

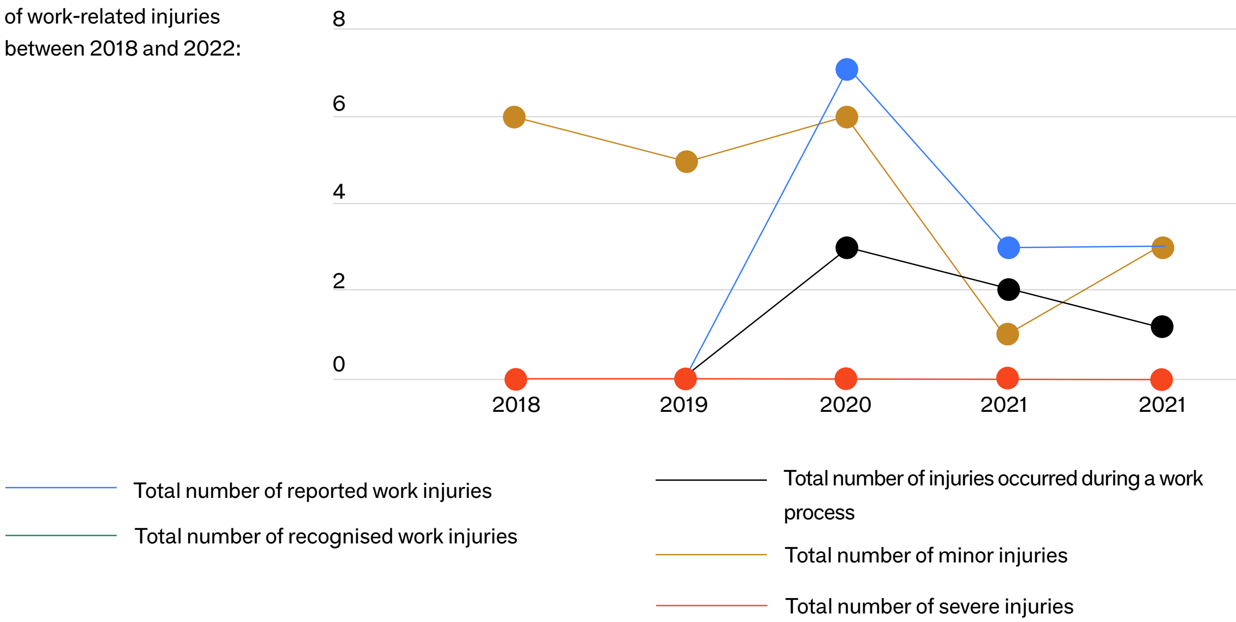
Given that JGL is considered a large organisation, the rate is calculated based on 1,000,000 hours worked, indicating the number of work-related injuries per 500 full-time workers over a one-year timeframe. The assumption is that one full-time worker works 2,080 hours per year (5 days per week * 8 hours * 52 weeks). The reference number of employees is the number of employees as at 31 December 2022 in accordance with the GRI standard 403-8.

$$\text{Rate of recordable work-related injuries} = \frac{\text{Number of recordable work-related injuries}}{\text{Number of hours worked}} \times 1{,}000{,}000$$

$$\text{Rate of recordable work-related injuries} = \frac{3}{1{,}210{,}560} \times 1{,}000{,}000$$

Rate of recordable work-related injuries per 500 workers = 2.47

Overview of the trend of work-related injuries between 2018 and 2022:




## 403-10 WORK-RELATED ILL HEALTH

The largest identified risks related to work-related ill-health and diseases are present in departments handling manufacturing, product and raw material quality control, and new product development.

In the manufacturing department, risk exposure that can cause work-related ill-health or disease arises from the means of work (machinery and chemicals) used for the manufacturing of products and sanitation of the premises. The highest risk of work-related ill health of workers in the manufacturing department comes from the noise-generating machinery. In order to control the risk posed by the noise and eliminate, i.e. minimise this risk, JGL is implementing all measures stipulated by the regulations and professional standards – among others, it measures work site parameters so as to obtain a quantitative value of the exposure of workers to this risk.

Activities carried out with the aim of risk control and protecting the exposed workers are those described in the GRI standard 403-9.

In the departments of product and raw material quality control and new product development, the highest risk of work-related ill health of workers comes from the chemicals used by the technicians when conducting analyses. In order to control, i.e. minimise, this risk, JGL is implementing all measures stipulated by the regulations and professional standards, including measuring work site parameters so as to obtain a quantitative value of the exposure of workers to this risk. Alongside applying safe working practices in the laboratory, e.g. using fume hoods when working with chemicals, activities carried out with the aim of risk control and protecting the exposed workers are those described in the GRI standard 403-9.

All of these risks have been identified in the risk assessment, as stipulated by the legislation. There were no recorded cases of work-related ill health during the reporting period, nor were there any indications that any work-related disease might occur in a worker. Moreover, there were no recorded cases of work-related ill health during the past five years, nor were there any indications that any work-related disease might occur in a worker.

# GRI 404 – TRAINING AND EDUCATION

## 404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

The development of employees through training activities is directed at the 70-20-10 model. Pursuant to this model, 10% of the development programs is comprised of education and training activities with elaborated "before/after" aspects, such as exams. The 20% of the development programs is comprised of mentoring and coaching, including an assessment of the effect and a mentor assessment, as well as a "before/after" assessment arising from the performance agreement. The highest percentage of the development programs, 70%, is learning through work, where the outcomes of the performance agreement are measured, as well as participation in projects.

The training plan at JGL is drafted every year for the next year, and it includes needs from the perspective of development goals of the employees, as well as additional specific requirements in the development of key knowledge and skills for the relevant business area. JGL employees are given the opportunity to participate in organised corporate training programs. Based on the analysis of individual employee development plans, HR employees identify the most popular and most relevant topics for the employees. Throughout the year, each of the countries organise 1-2 training programs regarding the priority topics for development.

The total investment in development and the overall number of hours of training at the JGL Group in 2022

*Note*
** the parent company covers the costs of training*
** the parent company covers the costs of internal training*

| | | | | Total investment in internal training (HRK) | Total investment in external training (HRK) | Total hours of internal training | Total hours of external training |
|---|---|---|---|---|---|---|---|
| JGL Group | JGL Farma | JGL d.d. | JGL Croatia | HRK 326,470.00 | HRK 1,671,932.00 | 6,793.00 | 5,626.00 |
| | | | Northern Macedonia market* | HRK 0.00 | HRK 0.00 | 428.00 | 12.00 |
| | | | Belarus market* | HRK 5,644.00 | HRK 6,900.00 | 736.00 | 212.00 |
| | | | Ukraine market | HRK 2,190.00 | HRK 38,000.00 | 478.00 | 60.00 |
| | | | Kazakhstan market | HRK 0.00 | HRK 4,643.00 | 210.00 | 664.00 |
| | | | Kosovo market | HRK 0.00 | HRK 0.00 | 0.00 | 0.00 |
| | | | JGL d.o.o. Ljubljana* | 20,916.00 | HRK 3,750.00 | 584.00 | 114.00 |
| | | | Farmis d.o.o. Sarajevo | HRK 8,565.00 | HRK 29,642.00 | 556.00 | 896.00 |
| | | | JGL d.o.o. Beograd-Sopot | HRK 4,150.00 | HRK 25,088.00 | 423.00 | 1,558.00 |
| | | | Moscow + Russia RO | HRK 14,575.00 | HRK 374,573.00 | 910.00 | 4,643.00 |
| | | | Adrialab d.o.o. Rijeka | HRK 0.00 | HRK 11,505.00 | 0.00 | 150.00 |
| | | | Pablo pharmacies | HRK 89,000.00 | HRK 146,535.00 | 720.00 | 5,235.00 |
| | | | **Total (HRK)** | **HRK 471,510.00** | **HRK 2,312,568.00** | **11,838.00** | **19,170.00** |
| | | | **Total (EUR)** | **EUR 62,580.13** | **EUR 306,930.52** | | |

When compared to 2021, the costs and overall number of hours of external training increased significantly, while the costs and number of hours of internal training are somewhat lower.

Average cost per employee for training in 2022 at the JGL Group

| JGL Group | Amount in HRK | Amount in EUR |
|---|---|---|
| JGL Croatia | HRK 3,821.04 | EUR 507.14 |
| Northern Macedonia market | HRK 0.00 | EUR 0.00 |
| Belarus market | HRK 627.20 | EUR 83.24 |
| Ukraine market | HRK 660.00 | EUR 87.60 |
| Kazakhstan market | HRK 98.79 | EUR 13.11 |
| Kosovo market | HRK 0.00 | EUR 0.00 |
| JGL d.o.o. Ljubljana | HRK 4,111.00 | EUR 545.62 |
| Farmis d.o.o. Sarajevo | HRK 1,365.00 | EUR 181.17 |
| JGL d.o.o. Beograd-Sopot | HRK 1,044.21 | EUR 138.59 |
| Jadran LLC Moscow + Russia RO | HRK 1,809.99 | EUR 240.23 |
| Adrialab d.o.o. Rijeka | HRK 360.00 | EUR 47.78 |
| Pablo pharmacies | HRK 1,501.00 | EUR 199.22 |
| **Average** | **HRK 1,284.00** | **EUR 170.42** |

## 404-2 PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS

On an annual basis, JGL provides three scholarships for post-graduate, doctoral or specialist studies with a focus on the job requirements and interests of the employees, as well as an MBA program for managers. A total of four employees from the parent company completed, started or attended one of the aforementioned programs aimed at acquiring new skills.

### The DRIVE Academy

In the area of development and education, one of the events which marked 2022 is the implementation of the "DRIVE Academy" for associates at the parent company and all markets, covering all areas of professional development.

*The purpose of the DRIVE Academy is to increase the sales performance in countries in which JGL operates. Its key elements are the numerous development programs enabling the employees to improve their sales skills through training and online courses.*

A total of 116 employees completed sales training in Russia


Regional manager rotational project in Kazakhstan

In 2022, JGL established a team of internal coaches and experts for many areas, who share their know-how and experience in sales and standards so as to prepare employees to efficiently navigate different situations. A DRIVE online platform was also implemented, offering training courses, webinars and other resources to assist employees in choosing a career direction.

### LMS online platform

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

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In 2022, JGL started the migration to a new LMS 365 platform so as to create a more flexible digital training system, available to all JGL Pharma employees, an attractive and useful tool for independent development. The process of transforming/migrating to the new LMS platform will be completed during 2024. This project also provides access to unique training for all employees in all markets, through participating in independent training.

In 2022, the teams increased their use of the Udemy online training base and late in the year JGL's IT team started implementing a series of online cybersecurity training sessions intended for all employees, which will continue in 2023 as well.

### Onboarding of new employees

A systemic introduction of new employees into the corporate community is one of the key areas that JGL worked intensely on during 2022. By the end of the year, an employee onboarding program was implemented based on a new model, and it is currently in its pilot stage. Moreover, the LMS platform contains an onboarding plan with a lot of content adapted for all new employees, which they need to go through within their first six months of employment in JGL.

### External coaching of managers

In 2022, JGL continued developing its team management, which constantly receives training in new and

Learning and exchange of knowledge with external mentors

current topics. Before every HR process cycle, a series of training sessions aimed at managers is launched, in order to calibrate their access to management. An external coaching program has been active for several years, and it is not intended solely for management, but rather for everyone who shows potential and talent for development and growth in certain stages of their career.

### Employee development plan

An internal assessment program is also in place for employees who have achieved very good overall performance results and show a potential for taking over new responsibilities and functions. These employees enter the talent pool and their career plans are elaborated based on defined GAPs and strategic needs. The performance of all development programs is monitored via a competitive GAP analysis, and a principle of performance management is applied alongside a Sales Force Effectiveness (SFE) tool used to monitor the competence level of the sales force.

A large portion of employees received training in 2022 on the agile working principles, which resulted in the formation of agile teams.

### JGL mentor program

JGL has always encouraged the sharing of know-how and experience, which is why a training and development program called "JGL mentor" was started in 2019. The mentorship program enables an intense development of a culture of mutual growth among colleagues and motivation to identify more efficient ways to respond to challenges, as well as a structured exchange of know-how and experience within the JGL community.

As of 2023, there are plans to expand the mentor base through attracting employees from all countries where JGL has a presence. After a year-long training program, the certified mentors become internal ambassadors of culture, values and excellence in certain skills and know-how, and they operate outside of their organisational units. Any employee can enter and participate in the training program by submitting an application to the competition published once a year. Once they have completed this program and received their certification, the employee is entered into the mentor base and their acquired mentorship skills are used in organised mentorship programs as regards skill development and increasing awareness of new ways of thinking through the individual development of other employees.

Average annual number of training sessions according to gender (M and F) and category (management, professional, support) provided to employees in 2022

| | Total | M | F | S | P | M |
|---|---|---|---|---|---|---|
| JGL Croatia | 22.2 | 21.6 | 22.5 | 18.0 | 25.3 | 30.8 |
| Northern Macedonia market | 88 | 52.0 | 97.0 | n/a | 128.0 | 28.0 |
| Belarus market | 47.4 | 227.0 | 27.4 | n/a | 54.0 | 21.0 |
| Ukraine market | 8.9 | 8.5 | 8.9 | n/a | 11.8 | 2.8 |
| Kazakhstan market | 18.6 | 35.0 | 16.6 | n/a | 20.4 | 15.5 |
| JGL d.o.o. Ljubljana | 116.3 | 68.0 | 126.0 | n/a | 126.0 | 68.0 |
| Farmis d.o.o. Sarajevo | 51.9 | 34.5 | 95.3 | 24.9 | 61.1 | 71.7 |
| JGL d.o.o. Beograd-Sopot | 70.8 | 40.8 | 84.9 | 37.0 | 99.4 | 63.8 |
| Jadran LLC Moscow + Russia RO | 25.9 | 39.7 | 22.5 | 270.1 | 2.5 | 16.8 |
| Adrialab d.o.o. Rijeka | 4.7 | 7.0 | 4.0 | 5.0 | 8.0 | 0.0 |
| Pablo pharmacies | 38 | 211.0 | 32.0 | 2.0 | 49.0 | 21.0 |
| **Average** | **44.8** | **67.7** | **48.8** | **59.5** | **53.2** | **30.9** |

Total number of employees involved in any type of training

| JGL Group | Total number of employees | Number of employees participating in training | % of employees who completed any type of professional development | % of employees who completed any type of additional professional development (not required by law) |
|---|---|---|---|---|
| JGL Croatia | 559 | 540 | 97.0% | 95.0% |
| Northern Macedonia market | 5 | 5 | 100% | 100% |
| Belarus market | 20 | 20 | 100% | 100% |
| Ukraine market | 61 | 58 | 95% | 95% |
| Kazakhstan market | 47 | 47 | 100% | 100% |
| Kosovo market | 1 | 0 | 0% | 0% |
| JGL d.o.o. Ljubljana | 6 | 6 | 100% | 100% |
| Farmis d.o.o. Sarajevo | 28 | 28 | 100% | 100% |
| JGL d.o.o. Beograd-Sopot | 28 | 28 | 100% | 100% |
| Jadran LLC Moscow | 215 | 215 | 100% | 99% |
| Adrialab d.o.o. Rijeka | 32 | 32 | 100% | 100% |
| Pablo pharmacies | 157 | 86 | 55% | 55% |

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

When it comes to performance management, JGL strives for continuous improvements. In 2022, the focus was on calibrating the management from the 2021 assessment, which was carried out in the first half of 2022, and which quickly led to positive calibrating trends throughout the organisation.

Goals of the employee assessments are categorised into corporate, business unit, and individual/team goals. Performance answering the question "what?" is measured through several aspects: regular work, goals, special tasks / project engagement. Performance answering the question "how?" is measured through competences (job specific know-how and skills) and behaviour (core competency & values) Within the idea and realisation (through the tool and application) there is a firm link between goals and competences (what and how) in the overall employee assessment, and this evaluation is a pre-condition for achieving a clearer and more objective way of managing performances, rewards (bonus, salary, stimulative payments), and employee development.

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*Just like in any other year, the goal for 2023 is to include 100% of the employees, in the assessment for the previous year, with the obligation of assessing them fully in line with the company standards, and archiving 100% of the assessments.*

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# GRI 405 – DIVERSITY AND EQUAL OPPORTUNITY

## 405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

The highest management level of JGL is comprised of 45% of women, while the percentage is even higher at the top management level (68%). The percentage of women at group level amounts to 76%, which places the company significantly above the Croatian average.

Out of a total of 7 individuals in the JGL Board of Directors, the percentages according to gender and age are as follows:
- Women (4) – 57%
- Men (3) – 43%
- Under 30 (0) – 0%
- 30 to 50 (3) – 43%
- Over 50 (4) – 58%

Out of a total of 10 individuals in the leadership team of JGL the percentages according to gender and age are as follows:
- Women (6) – 60%
- Men (4) – 40%
- Under 30 (0) – 0%
- 30 to 50 (3) – 60%
- Over 50 (4) – 40%

Out of a total of 1,174 JGL Group employees, the percentages according to gender and age are as follows:
- Women (890) – 76%
- Men (284) – 24%
- Under 30 (177) – 15%
- 30 to 50 (822) – 70%
- Over 50 (175) – 15%

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

The basic salaries and remunerations of women and men in each employee category by significant locations of operation at the JGL Group are equal, and there are no differences between genders in any valuation segment, including this one.

# GRI 406 – NON-DISCRIMINATION

## 406-1 INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

*There were no incidences of discrimination on grounds of sex, religion, race, political opinion and/or national extraction during the reporting period.*

In accordance with the employment contract, applicable laws and regulations of the Republic of Croatia, JGL is required to protect the dignity of all workers during the performance of their activities, as well as to ensure working conditions which prevent harassment by their employer, superiors, or any other persons they come into contact with during business hours.

### The Workplace Inclusion Champion project

In 2022, JGL joined the Workplace Inclusion Champion (WIC) pilot-project which was successfully implemented under the leadership of the Croatian Business Council for Sustainable Development (HR PSOR) and its partners, Diversity Charters of Slovenia and Romania, with financial support from the European Commission. Practical and interactive guidelines were presented, crucial for a change in the diversity and inclusion policy in companies.

Through a combined learning experience, participants were able to successfully improve their skills and know-how regarding diversity policies, and implement them through a final task within their companies. Topics covered by the participants were: Diversity as a key to promote sustainability, Mentorship for diversity and inclusion, Communication and diversity, Inclusion of disabled persons, Gender equality, LGBTIQA+, and Age diversity.

# GRI 407 – FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

A Workers' Council is active in JGL, comprised of five members with equal rights, elected by the workers in a regular Workers' Council election procedure, in accordance with the legislation (Labour Act and the accompanying ordinances). In accordance with these acts, the Workers' Council elected one of its members to be a representative of the workers, who as a member of the Board of Directors represents the interests of the workers on behalf of the Workers' Council when discussing key issues, and they are a link between the Board of Directors and the Workers' Council, i.e. the workers.

The Workers' Council is tasked with protecting all of the workers' rights, including those in the area of OHS. The Council relays all queries and interests to the employer's representative (member of the Board of Directors) who answers these with the rest of this body, and carries out certain activities in order to protect and increase the rights of the workers. The Workers' Council holds regular monthly meetings where minutes are kept.

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*In 2022, the Workers' Council held 21 regular meetings (five of them attended by the employer's representative), as well as seven extraordinary meetings.*

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The Workers' Council received 16 queries from workers in 2022, 14 of which have been resolved, and 2 still in the process of resolving. A quarterly reporting procedure for all employees was introduced in 2022. This enables further communication on topics of interest to the workers, presents insight into the work of the Workers' Council, and relays information which cannot be communicated to the workers in any other way and might be useful in certain situations.

With regular consultation or informing sessions with the Workers' Council, the employer issued several new documents in 2022:

- Rules regarding the use of company mobile phones
- Rules regarding the internal procedure for reporting irregularities and on the designation of the confidential person
- Rules regarding video surveillance
- Decision on designating the person responsible for video surveillance
- Decision on designating the confidential person and their deputy in the internal procedure for reporting irregularities
- Decision on designating the deputy of the person responsible for the protection of the workers' dignity
- Several decisions on organizational changes

# GRI 413 – LOCAL COMMUNITIES

### Donation to the Haematology Department of the Clinical Hospital Center Rijeka

Care and dedication to patients have always been in the centre of JGL's operation, and the company wants to remain a reliable partner to its community in all of its activities and in accordance with the principles of corporate social responsibility.

This is why in 2022 JGL donated a mobile ultrasound device with the accompanying ultrasound software, as well as convex and linear probes for examination to the Haematology Department of the Internal Medicine Unit at the Clinical Hospital Centre Rijeka.

Throughout the year, a series of other monetary and material donations were made (SOS Children's Village Croatia, "PUŽ" association, Croatian Mountain Rescue Service, Association for the sustainable development of Croatia, humanitarian association DORA, numerous sports clubs, etc.).

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

At the start of 2021, due to the profound care for the well-being of its community, JGL decided to promptly join the countless individuals and companies in assisting the citizens from the wider area of Sisak, Petrinja and Glina affected by the devastating earthquake. Apart from financial donations to employees and citizens of the area, the company took advantage of its core activity to further assist the community through donating medicinal products and medical devices. A fund-raising campaign was carried out at the JGL Group level, and enough resources were collected through this team effort to help purchase new equipment for the "Dr. Ivo Pedišić" General Hospital in Sisak.

Three voluntary blood drives were organised during the year, and support was provided to two workshops within the "Roditelji na zadatku" program organised by the "Naša djeca" society on the topics of the influence of increased exposure of children and young adults to digital media, and healthy nutrition. The company also joined the "Zen face of Platak" project sponsored by the Aqua Maris brand, as well as the "Office is not OK"

Donation to Clinical Hospital Centre Rijeka

JGL corner in the JGL Pharmacy Museum

campaign, and JGL's team achieved excellent results at the UNICEF Milky Way Race. Furthermore, we continued our collaboration with Vitomir Maričić, holder of the world record in freediving, as well as the "My place under the sun" program, the Kvarner Health Tourism Cluster, children's department of the Stribor library, and the Diving Medicine Summer School with a view to increasing corporate visibility, and the visibility of our brands through socially beneficial projects.

### Two years of JGL's Pharmacy Museum

The JGL Pharmacy Museum celebrated its second birthday on 22 October 2022. The best evidence for the Museum's successful positioning on the culture and tourism map of Rijeka and its recognisability among the locals and visitors is the constant increase in the number of visits to the museum, especially when it comes to tourists who come specifically to see the museum, as well as organised visits of school groups to get to know the local, national and global history of pharmacy with the help of modern technologies. The JGL Pharmacy Museum was opened when Rijeka was the European Capital of Culture, and JGL decided to team up with the City of Rijeka and the Rijeka City Museum and start this specialised history museum. During a challenging time for cultural institutions, the JGL Pharmacy Museum has thus far realised several local and national projects, such as an exhibition on pharmacies in Rijeka at the start of the 20th century, and an exhibition to mark 750 years of pharmacy in Croatia.

*The Museum's mission is the affirmation of pharmacy as part of our health and cultural identity, which were and still are significant factor in the spiritual and economic progress of the City of Rijeka and the Primorje-Gorski Kotar County.*

### Vitomir Maričić – world's best freediver for three consecutive years

The Croatian freediving championship in pool disciplines was held in March 2022, with 30 contestants from six European countries. At this event, ambassador of the Aqua Maris brand Vitomir Maričić received the award for the world's best freediver for 2021, the third consecutive year.

In 2022, Vitomir Maričić participated in the prestigious Vertical Blue competition, where he managed to dive down to a depth of 101 metres, breaking the national record and winning third place.

Affirmation of pharmacy at the JGL Pharmacy Museum

Vitomir Maričić – Aqua Maris ambassador

Education of children in the importance of planting plants

## Ecology classes for children

Aqua Maris had its corner at the Kids Fashion Weekend spring festival at the Zagreb ZOO, where a series of interesting workshops and fun activities for children was held. Children had a chance to participate in an educational workshop entitled "Plant for cleaner air, because air is life!".

Apart from planting seedlings and sowing seeds of plants known as best air purifiers, the children and their parents could also learn some new information on the importance of plants for our health, and they could decorate their pots and take them home as a keepsake, as well as an incentive to keep taking care of them. Moreover, the creative little ones participated in workshops where they created butterflies, picture frames, jewellery, all made from repurposed materials, learning in this process that not all waste is the same, and that some of it can be used for creative purposes, all with the aim of protecting nature and our environment. Similar ecology classes and workshops for children were also held as part of the Kostrena Kids' Outdoor – KaKao event, and the popular Rijeka "Tobogan" festival.

## JGL supports the Diving Medicine Summer School

JGL continued supporting the Diving Medicine Summer School in 2022, aimed at excellent medical students from all over the world. Organised by the Croatian Medical Student International Committee (CroMSCI), the summer school was attended by students from Sweden, Finland, Denmark, France, Austria, Brazil, Canada, Kuwait, Norway, Ireland, United Kingdom and Taiwan.


JGL's team at the UNICEF Milky Way Race

Education of international students on the importance of preserving the sea

The Diving Medicine Summer School teaches students how to dive and help a drowning diver, as well as techniques in underwater and hyperbaric medicine, which keeps gaining ground as a discipline. JGL has been supporting this project as part of its corporate social responsibility practices for five years.

### JGL Group employees participate in the humanitarian Milky Way Race

*Once again in 2022, JGL employees participated in UNICEF's Milky Way Race, which took place on thousands of tracks, both virtually and in person, over 10 days, all to support the mental health of children and young people.*

During the race, 50 employees of JGL and Adrialab recorded the kilometres they ran, and collected green ribbons as a sign of support, while UNICEF managed to collect HRK 1.1 million through participation fees, donations from citizens, and support from companies.

UNICEF plans to invest the collected resources into the PoMoZi Da program carried out by the Croatian Institute of Public Health, i.e. into the training and upskilling of over 400 educators from all over Croatia, which will have direct positive effects for over 20,000 students in primary and secondary education.

# GRI 416 – CUSTOMER HEALTH AND SAFETY

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

At JGL, medicinal products are realised in accordance with GMP and GDP requirements, medical devices in accordance with the ISO 13485 standard, supplements and substances with specific nutritional purposes in accordance with the ISO 22000 standard, and cosmetics in accordance with the ISO 22716 standard. Moreover, the products also meet all other applicable regulatory and professional requirements.

All product categories (100%) were assessed during the reporting period with the aim of improving their impact on health and safety.

### Medicinal Products

- Medicinal Products Act (Official Gazette No. 76/13)
- Act on the Amendment to the Medicinal Products Act (Official Gazette No. 90/14)
- Act on the Amendments to the Medicinal Products Act (Official Gazette No. 100/18)
- Ordinance on Granting Marketing Authorisations for Medicinal Products (Official Gazette No. 83/13)
- Ordinance on Amendments to the Ordinance on Granting Marketing Authorisations for Medicinal Products (Official Gazette No. 28/20)
- Ordinance on Amendments to the Ordinance on Granting Marketing Authorisations for Medicinal Products (Official Gazette No. 32/21)
- Ordinance on Pharmacovigilance (Official Gazette No. 83/13)
- Ordinance on Amendments to the Ordinance on Pharmacovigilance (Official Gazette No. 145/21)
- Guideline on Good Pharmacovigilance Practices (GVP)
- Ordinance on Benchmarks for the Classification of Medicinal Products and on the Prescription and Dispensing of Prescription Medicinal Products (Official Gazette No. 86/13)
- Corrigendum to the Ordinance on Benchmarks for the Classification of Medicinal Products and on the Prescription and Dispensing of Prescription Medicinal Products (Official Gazette No. 90/13)
- Ordinance on Amendments to the Ordinance on Benchmarks for the Classification of Medicinal Products and on the Prescription and Dispensing of Prescription Medicinal Products (Official Gazette Nos. 102/14; 107/15; 72/16)
- Ordinance on the Quality Control of Medicinal Products (Official Gazette No. 60/14)
- Ordinance on the Conditions for Granting Permits to Specialised Retail Sales Outlets of Medicinal Products (Official Gazette No. 122/14)
- Ordinance on Amendments to the Ordinance on the Conditions for Granting Permits to Specialised Retail Sales Outlets of Medicinal Products (Official Gazette No. 32/21)
- Ordinance on Amendments to the Ordinance on the Conditions for Granting Permits to Specialised Retail Sales Outlets of Medicinal Products (Official Gazette No. 145/21)
- Ordinance on the Suspension of the Placement on and Withdrawal of Medicinal Products from the Market (Official Gazette No. 122/14)
- Ordinance on the Suspension of the Placement on and Withdrawal of Medicinal Products from the Market (Official Gazette No. 122/14)
- Ordinance on Clinical Trials on Medicinal Products and on Good Clinical Practice (Official Gazette No. 25/15)
- Ordinance on Amendments to the Ordinance on Clinical Trials on Medicinal Products and on Good Clinical Practice (Official Gazette No. 32/21)
- Ordinance on Good Practice in the Distribution of Medicinal Products, on Issuing Authorisations for Wholesale Distribution of Medicinal Products, Registration for Brokering of Medicinal Products and on Issuing Certificates on Good Practice in Wholesale Distribution of Medicinal Products

(Official Gazette No. 83/13)

- Ordinance on Amendment to the Ordinance on Good Practice in the Distribution of Medicinal Products, on Issuing Authorisations for Wholesale Distribution of Medicinal Products, Registration for Brokering of Medicinal Products and on Issuing Certificates on Good Practice in Wholesale Distribution of Medicinal Products (Official Gazette No. 19/20)
- Ordinance on Amendment to the Ordinance on Good Practice in the Distribution of Medicinal Products, on Issuing Authorisations for Wholesale Distribution of Medicinal Products, Registration for Brokering of Medicinal Products and on Issuing Certificates on Good Practice in Wholesale Distribution of Medicinal Products (Official Gazette No. 32/21)
- Ordinance on the Manner of Advertising Medicinal Products (Official Gazette No. 43/15)
- Ordinance on the Marketing, Labelling and Advertising of Traditional Herbal Medicinal Products (Official Gazette No. 89/10)
- Ordinance on Granting Authorisation for the Parallel Import of Medicinal Products (Official Gazette No. 38/20)
- Ordinance on the Type of Data and Manner of Drafting the Report on Medicinal Product Consumption (Official Gazette No. 122/14)

### Cosmetics

- Regulation (EC) 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products
- Commission Regulation (EU) 655/2013 of 10 July 2013 laying down common criteria for the justification of claims used in relation to cosmetic products

### Food supplements

- Ordinance on Food Supplements (Official Gazette No. 126/13)
- Decision promulgating the Act on Nutrition and Health Claims and Nutrient Fortified Foods (OG 39/13)
- Ordinance on Substances that May be Added to Food and Used in Food Production and Substances Whose Use in Foodstuffs Is Prohibited or Limited (Official Gazette No. 160/13)
- Act on the Provision of Food Information to Consumers (Official Gazette Nos. 56/13, 56/16)
- Ordinance on the Provision of Food Information to Consumers (Official Gazette No. 8/13)
- ISO 22000: 2005

### Medical Devices

- Medical Devices Act (Official Gazette No. 76/13)
- Act on the Implementation of Regulation (EU) 2017/745 on medical devices and of Regulation (EU) 2017/746 on in vitro diagnostic medical devices (Official Gazette No. 100/18)
- Act on the Implementation of Regulation (EU) 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 the Implementation of Commission Delegated Regulation (EU) 2016/161 of 2 October 2015 supplementing Directive 2001/83/EC of the European Parliament and of the Council by laying down detailed rules for the safety features appearing on the packaging of medicinal products for human use (Official Gazette No. 126/2019)
- Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices (Official Gazette No. 84/13)
- Ordinance on Amendments to the Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices (Official Gazette No. 126/2019)

- Ordinance on Amendments to the Ordinance on Essential Requirements, Classification, Registration of Manufacturers in the Register of Medical Device Manufacturers, Registration of Medical Devices in the Register of Medical Devices and Conformity Assessment of Medical Devices (Official Gazette No. 32/21)
- Ordinance on Conditions for Performing Retail Sale and Granting Permits to Specialised Shops for the Retail Sale of Medical Devices (Official Gazette No. 133/13)
- Ordinance on Amendments to the Ordinance on Conditions for Performing Retail Sale and Granting Permits to Specialised Shops for the Retail Sale of Medical Devices (Official Gazette No. 32/21)
- Ordinance on Monitoring Adverse Incidents Related to Medical Device (Official Gazette No. 125/13)
- ISO 13485: 2012
- EN ISO 15223-1: 2012
- EN 1041:2008+A1 2013

*Although medicinal products which have been granted marketing authorisations are safe to use and have adequate quality, adverse effects can still occur, even if using an OTC medicinal product.*

This is why the Croatian Agency for Medicinal Products and Medical Devices (HALMED) continuously encourages healthcare professionals and patients to report every suspected adverse effect of a medicinal product, thus actively contributing to the monitoring of medicinal products and maintaining their safety.

Patients should inform their doctor, pharmacist or another healthcare professional of any suspected adverse effect of a medicinal product or vaccine. They can also report any suspected adverse effect directly to HALMED.

Number of adverse effects reported to JGL:

| | **Total** | **Severe adverse effects** | **Mild adverse effects** |
|---|---|---|---|
| **2022** | **263** | **189** | **74** |
| 2021 | 189 | 120 | 69 |
| 2020 | 242 | 163 | 79 |
| 2019 | 196 | 105 | 91 |
| 2018 | 215 | 117 | 96 |

The number of adverse effects reported in 2022 has increased when compared to the previous year. An upward trend of patients directly reporting side effects is still visible. The system for reporting adverse effects is the result of an upgrade in pharmacovigilance in Croatia, training provided by HALMED and cooperation with the Poison Control Centre which reports adverse effects and overdoses of medicinal products (this includes accidental overdoses).

The current number of reported adverse effects is certainly linked to a continuous awareness of patients and healthcare professionals regarding the importance of safe use of medicinal products and medical devices, as well as a continuous improvement in informing on the safe use of medicinal products, particularly by experts.

The principle of continuous improvement is a key element in company management, development and success of JGL. Management provides continuous improvements of the quality management system through communication, system evaluation by managers, auditors, through validation and verification activities, risk management, as well as corrective and preventive measures.

### Continuous product improvement so as to protect consumers

JGL continuously works on improving production and business processes, which enables the marketing of even safer products. This is why considerable effort was put into establishing a microplastic management system, which led to the campaign entitled “No microplastics, no worries!”. Thanks to a strictly controlled production process, the competent notifying body in the EU has certified and awarded the microplastic-free label to Aqua Maris nasal sprays. This made our key brand the first medicinal products in the world proved to be free of microplastics!

Furthermore, JGL has started a campaign in order to increase customer awareness of the composition of products that they are using. More details in Management Report on page 27.

GRI CONTENT INDEX

JGL reported in accordance with GRI Standards for the period from January 1, 2022 to December 31, 2022.

# OPINION OF HR PSOR EXPERT COMMITTEE

## FOR SUSTAINABILITY REPORTING REGARDING THE JGL GROUP 2022 REPORT

We have another JGL Group integrated report that combines the Company's financial report and the Company's impact on the broadest range of sustainability topics. It provides an overview of JGL's material impacts in 2022 in economic, environmental, and social topics, selected according to the GRI Standards. We confirm that the report complies with Croatian legislation which prescribes the scope, contents, and time limits for the annual report and is based on Global Reporting Initiative (GRI) Standards 2021.

The report is very informative, not unlike previous JGL reports. It is full of information on the business portfolio of the Company and details the financial aspect of business operations. Since the previous year was challenging for JGL as the Company is active in Russian and Ukrainian markets, the challenges resulting from the war in Ukraine were presented clearly and transparently. JGL reports on activities connected with business operations and development plans, such as developing new products with innovative technologies used by the Company. The report shows, without reservation, that this is a company that bases its development and production on advanced technologies and actively funds its growth and further development based on sustainability.

Since this is the first JGL report that applies the new GRI reporting framework based on Universal Standards 2021, there are certain changes in the contents of the report compared to previous ones. JGL had previously also consistently presented its approach to management based on the GRI 103 Standard, so the Commission once again unanimously commended the

Company's application of GRI 3, which was applied very consistently, presenting the management process for key material topics and areas of materiality.

There is definitely room for improvement within GRI General Disclosures 2021. Compared to the previous GRI 102 General Disclosures, reporting organisations cannot select a core version of the Standard. Instead, they must disclose according to all disclosures, which opens up a new management reporting area. It includes detailed information on the selection method and functioning of the management and its role in managing the sustainability strategy, as well as its role in the process of preparing the sustainability report. JGL published a large quantity of new information here, but there is definitely a lot of room for improvement in applying this Standard in the following years. We would especially like to note the need for clearer information on the Sustainable Development Strategy, which lacks clarity.

There is room for a more detailed description of the supply chain and, in general, the value chain. Activities within the processes prior to and after the organisational processes were not clearly presented. Even though JGL elaborated on supplier verification processes and their frequency and published a link to the Supplier Code of Conduct, a more detailed description of how this is verified and procedures in the event of a breach of the Code are both missing. A better overview of the value chain would help JGL to better recognise not only its own impacts but also its sustainability risks, such as, for instance, climate change risk, which can significantly impact supply and distribution chains and affect Company's business operations.

In the context of sustainability due diligence, JGL must pay more attention to its actual and potential negative impacts. For example, in the overview of Scope 3 emissions, JGL presented only a very narrow area of emissions resulting from transport and did not evaluate emissions in the supply chain. This is, most definitely, one area to which we recommend JGL pays more attention in the following reporting period.

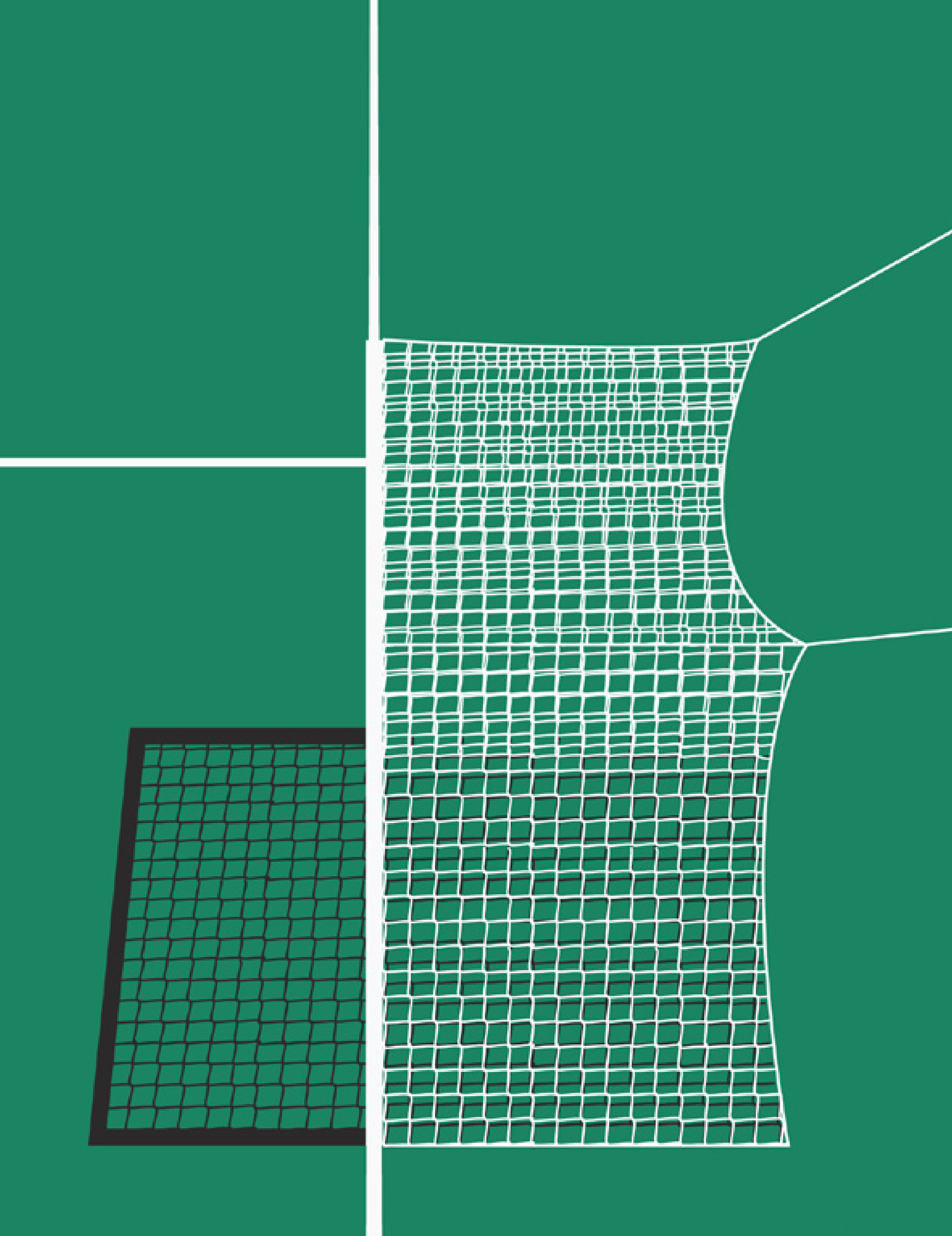
As a final comment on the reporting framework, we would like to see more information on methods of communication with stakeholders in the following reports, especially with regard to two-way communication channels or more room for receiving stakeholder complaints, with a special emphasis on stakeholder participation in creating the content of sustainability reports. As far as thematic sustainability areas are concerned and the way they were presented in the report, we can commend the economic category, which is thorough and informative. We would only like to suggest that, in the future, donations and other investments in the community be presented in the section on direct economic value generated and distributed, in accordance with the Guidelines.

Environmental performance indicators present the status in detail. Waste has especially been presented in detail, according to category and disposal method, which we especially commend. Data illustrating a very high level of recycling of hazardous and non-hazardous waste generated during production are also commendable. The Company also transparently states that it does not take care of waste in the value chain, but in 2023, it will start visiting its partners and, through positive examples, work on improving overall waste management. It would be informative to see in the waste section how the amount of waste ranges per product unit so that we can better understand trends in waste generation over the years.

We would especially like to commend another area in the environmental section of the report – the taxonomy report. Apart from accurately presenting all of its taxonomically coordinated business activities in revenue, Capex and Opex, all business activities in the textual part of the report were described by JGL in detail, which gives a very detailed representation of JGL's share of sustainable business activities. This part of the Report can, most definitely, serve as a model for others on how to approach the requirement of reporting on taxonomy.

Social indicators are most numerous and cover as many as 9 standards. This area was well handled, with an especially commendable representation of trends over the years. Increased investments in education and the development of internal tools for developing employee skills are also praiseworthy. This can serve an example of good practice for others. We recommend that, in the following period, apart from gender equality, JGL also shows the application of diversity policies for other vulnerable groups, with a description of processes for reporting and preventing discrimination cases in the Company.

Finally, we can conclude that, for a number of years, JGL has consistently reported on the Company's impacts on sustainability. Also, over the years, the reports have developed in accordance with trends and the development of reporting guidelines and requirements. This year, we witnessed an upgrade through the application of the new GRI reporting framework and the taxonomy report. Naturally, these changes represent certain challenges and open up new areas for improvement, which we believe will be implemented as early as in the next year's report.




# AUDITOR'S REPORT AND CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR THAT ENDED ON 31 DECEMBER 2022

Photo: Drago Sopta/HNS

# CONTENTS

# RESPONSIBILITY OF THE CHIEF EXECUTIVE OFFICER TO DRAW UP AND AUTHORISE ANNUAL FINANCIAL STATEMENTS

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

In accordance with the Accounting Act, the Chief Executive Officer shall be responsible for the drawing up of financial statements providing a true and fair presentation of the Group's and the Company's financial situation and operating results in accordance with the implemented accounting policies, as well as maintaining adequate accounting records which enable the drawing up of such financial statements at any time. The Chief Executive Officer shall bear the overall responsibility for taking steps which would reasonably enable the safeguarding of the Group's and the Company's assets and the detection and prevention of fraud or other irregularities.

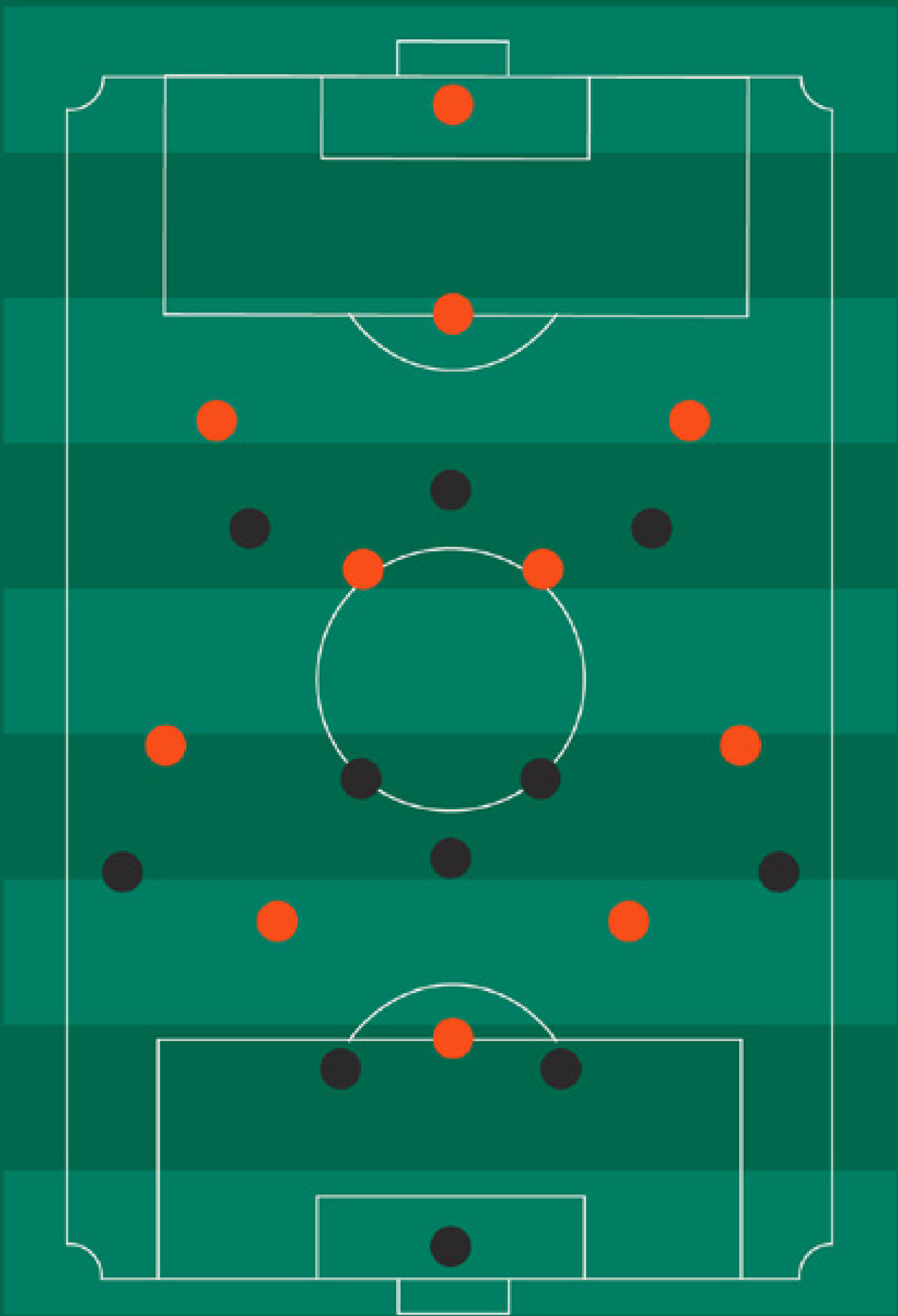
The Chief Executive Officer shall be responsible for selecting the appropriate accounting policies in accordance with the applied accounting standards, which should be consistently applied, have reasonable and prudent judgements and estimates, and prepare financial statements in accordance with the principle of unlimited operating time unless it is assumed that the Group or the Company continues to operate inappropriately.

The Chief Executive Officer has a reasonable expectation that the Group and the Company have the appropriate resources to continue operating in the foreseeable future. The Chief Executive Officer is responsible for submitting annual financial statements to the Company's Board of Directors for their acceptance. These statements represent consolidated statements of the Group and unconsolidated statements of the Company.

The consolidated and unconsolidated financial statements were approved by the Chief Executive Officer on 24 April 2023 for submission to the Company's Board of Directors for acceptance, further confirmed by signature.

For JGL d.d.

**Mislav Vučić**
Chief Executive Officer



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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 2022, 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 2022, 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).

#### *Basis for opinion*

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our independent auditor's report. We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code), as well as in accordance with ethical requirements relevant to our audit financial statements in the Republic of Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

#### *Key audit matters*

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

# INDEPENDENT AUDITOR'S REPORT

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

***Key audit matters (continued)***

| Key audit matters | How key matters were addressed in the audit |
|---|---|
| ***Recognition of revenue – notes 2.6, 3 and 4*** | |
| Revenue is one of the key matters for establishing the Group's and Company's performance. There is a risk that revenue is reported in a higher amount than the actually generated revenue and that it is not recognised in the correct period.<br><br>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.<br><br>In accordance with contractual provisions, customers are approved subsequent rebates and are entitled to a subsequent return of goods.<br><br>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.<br><br>During the audit, we have gained an understanding of the internal control implemented in the Group's and Company's sales process.<br><br>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 2022, the Company had a balance of trade receivables in the amount of HRK 309,222 thousand, while the Group had a balance of trade receivables in the amount of HRK 359,628 thousand.<br><br>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.<br><br>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.<br><br>During the audit, we confirmed the existence of the receivables reported through external confirmations of customers on a selected sample.<br><br>The age structure of receivables was analysed.<br><br>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. |

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# INDEPENDENT AUDITOR'S REPORT

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

***Other information***

The Executive Director is responsible for other information. Other information includes the Management Report, the Non-Financial Report and the Statement on the Application of the Corporate Governance Code included in the Annual Report, but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated and non-consolidated financial statements does not include other information.

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

With regard to the Management Report, the Non-Financial Report and the Statement on the Application of the Corporate Governance Code, we also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report has been prepared in accordance with Article 21 of the Accounting Act, whether the Non-Financial Report has been prepared in accordance with Article 21a of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code contains information from Article 22 of the Accounting Act.

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

1. that the information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached annual consolidated and non-consolidated financial statements;

2. that the Management Report attached is in accordance with Article 21 of the Accounting Act;

3. that the non-financial report attached is in accordance with Article 21.a of the Accounting Act; and

4. that the attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on the knowledge and understanding of the Company's operations and its environment acquired within the audit of the annual consolidated and non-consolidated financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report, Non-Financial Report and Statement on the Application of the Corporate Governance Code. In this sense, we have nothing to report.

***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.

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# INDEPENDENT AUDITOR'S REPORT

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

***Responsibilities of the Executive Director and those charged with governance for the consolidated and nonconsolidated financial statements*** (continued)

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

***Auditor's responsibilities for the audit of the annual 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 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***

1. The Annual General Meeting, as of 13 June 2022, based on the proposal of the Board of Directors of JGL d.d., adopted the decision to select Grant Thornton revizija d.o.o. as the Group's and Company's auditor for 2022.

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 2022, i.e. a total of seven years.

# INDEPENDENT AUDITOR'S REPORT

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

***Report on Other Legal Requirements***

1. In the audit of the consolidated and non-consolidated annual financial statements for the year 2022, we determined the materiality for the financial statements as a whole in the amount of HRK 7.6 million for the Company and HRK 8.7 million for the Group, which represents approximately 5% of EBITDA. We considered the following qualitative factors: the component on which users of financial statements are focused, a stable system of internal controls, the industrial and economic environment of the Group and the Company.

2. Our audit opinion is consistent with the additional report for the audit committee of the Company drawn up in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

3. During the period between the initial date of the audited annual financial statements of the Group and the Company for the year 2022 and the date of this report, we did not provide prohibited non-audit services to the Group or the Company, and we did not provide design and implementation of internal control or risk management procedures in the business year prior to the aforementioned period related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing the audit we preserved independence in relation to the Group and the Company.

***Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic reporting format***

Report on the auditor's opinion on the compliance of the annual consolidated and non-consolidated financial statements, compiled on the basis of the provisions of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20, 83/21 and 151/22) applying the requirements Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (ESEF Regulation).

We conducted an assessment with the expression of reasonable assurance as to whether the annual consolidated and non-consolidated financial statements have been prepared for the purposes of publication to the public based on Article 462, paragraph 5 of the Capital Market Act, which are contained in the attached electronic file 529900NRAH6YWL3TLD24-2022-12-31-en.zip, in all significant terms prepared in accordance with the requirements of the ESEF Regulation.

*Responsibilities of management and those in charge of management*

The Management Board of the Company is responsible for the preparation and content of the annual financial statements of the Group and the Company in accordance with the Regulation on ESEF.

In addition, the Company's management is responsible for maintaining a system of internal controls that reasonably ensures the preparation of the Group's and the Company's annual financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

# INDEPENDENT AUDITOR’S REPORT

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

***Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic reporting format (continued)***

*Responsibilities of management and those in charge of management (continued)*

The Company's management is also responsible for:

- publishing to the public the annual consolidated and non-consolidated financial statements contained in the annual report in valid XHTML format and

- selection and use of XBRL tags in accordance with the requirements of the ESEF Regulation.

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

*Responsibilities of the auditor*

Our responsibility is to express a conclusion, based on the audit evidence gathered, on whether the annual consolidated and non-consolidated financial statements are free of material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (MSIU) 3000 (Amended) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

*Completed procedures*

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable belief is a high level of assurance, but is not a guarantee that the scope of testing will reveal every significant 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 gained an understanding of the internal controls of the Company and the Group relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of significant non-compliance with the ESEF Regulation due to fraud or error; and
- on that basis, designed and implemented procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- annual consolidated and non-consolidated financial statements, which are included in the annual report, made in valid XHTML format,
- the data contained in the annual consolidated and non-consolidated financial statements required by the ESEF Regulation, marked and all markings meet the following requirements:
    - the XBRL marking language was used,

# INDEPENDENT AUDITOR'S REPORT

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

***Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic reporting format (continued)***

*Completed procedures (continued)*

- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting significance were used, unless an additional element of the taxonomy was created in accordance with Annex IV. Regulation on ESEF,
- labels comply with the common labeling rules under the ESEF Regulation.

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

**Conclusion**

According to our belief, based on the procedures carried out and the evidence obtained, the annual consolidated and non-consolidated financial statements presented in the ESEF format, contained in the above-mentioned attached electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act, prepared for publication to the public, in all significant criteria are in accordance with the requirements from Articles 3, 4 and 6 of the ESEF Regulation for the year ended December 31, 2022.

In addition to this conclusion, as well as the opinion contained in this independent auditor's report for the accompanying consolidated and non-consolidated financial statements and the annual report for the year ended December 31, 2022, we do not express any opinion on the information contained in those presentations or on other information contained in the previous the specified file.

The hired partner in the audit that results in this independent auditor's report is Ivica Bašić.

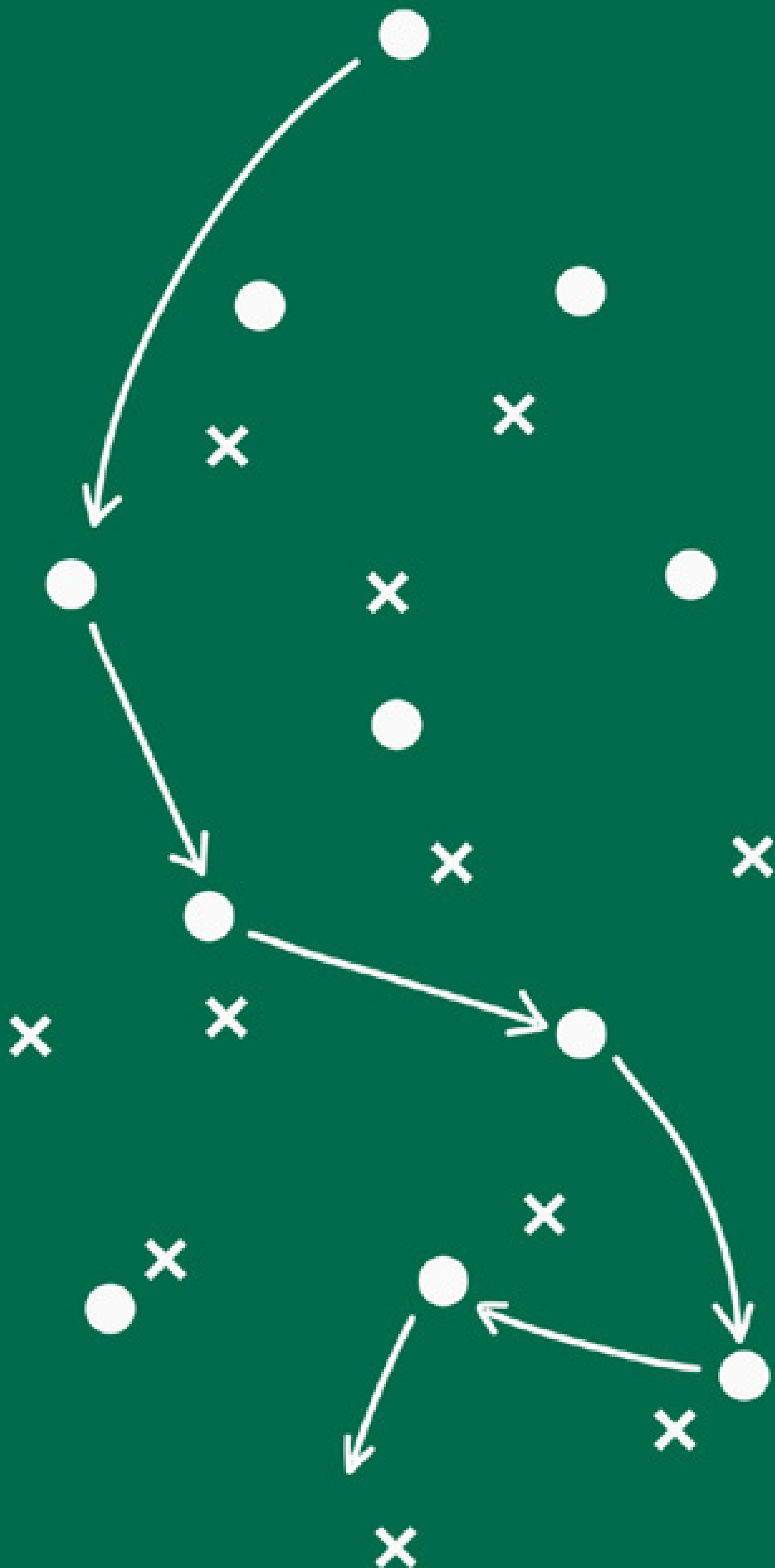
Grant Thornton revizija d.o.o.
Ulica grada Vukovara 284
10000 Zagreb
Croatia

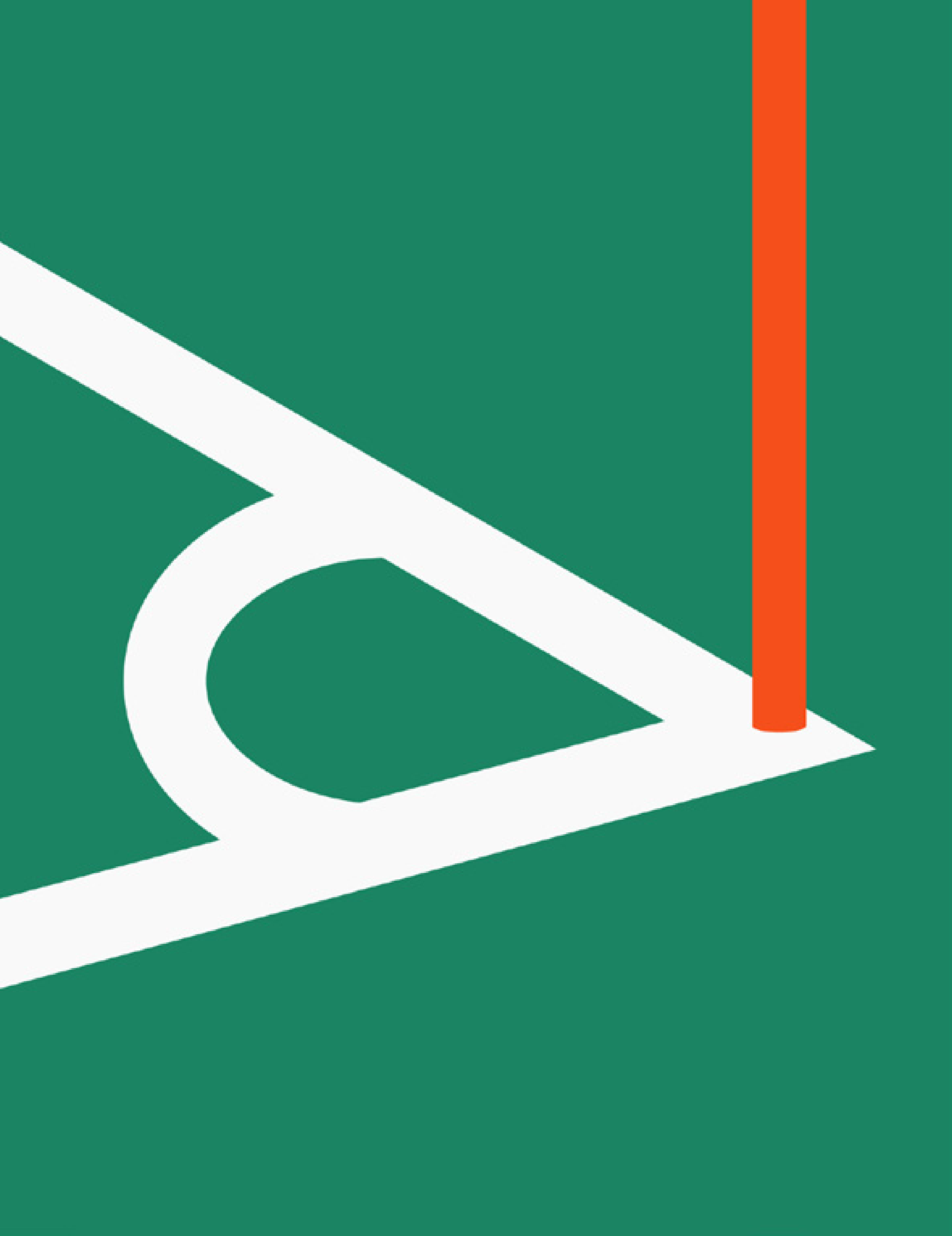
Zagreb, 27 April 2023.

Director
Dalibor Briški

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

Authorized auditor
Ivica Bašić





## STATEMENT OF COMPREHENSIVE INCOME
## FOR 2022

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | note | 2022 | 2021 | 2022 | 2021 |
| **OPERATING INCOME** | | **1,366,049,250** | **1,079,467,364** | **806,762,823** | **703,014,552** |
| Sales revenue | 3 | 1,326,678,429 | 1,050,302,256 | 790,123,180 | 628,861,185 |
| Other operating revenue | 4 | 39,370,821 | 29,165,108 | 16,639,643 | 74,153,367 |
| **OPERATING EXPENSES** | | **(1,184,303,735)** | **(971,878,771)** | **(663,290,822)** | **(563,672,536)** |
| Changes in inventories | 5 | 23,916,491 | 4,827,425 | 22,269,310 | 4,882,678 |
| Material expenses | 6 | (536,496,901) | (443,776,578) | (311,745,530) | (249,471,464) |
| Service expenses | 7 | (278,048,229) | (206,005,608) | (112,497,418) | (92,534,275) |
| Staff expenses | 8 | (247,289,221) | (204,633,065) | (147,248,902) | (129,327,568) |
| Depreciation | 9 | (62,684,946) | (52,648,838) | (51,587,006) | (42,871,511) |
| Value adjustment | 10 | (7,140,390) | (9,578,362) | (6,189,911) | (9,124,670) |
| Other operating expenses | 11 | (76,560,539) | (60,063,745) | (56,291,365) | (45,225,726) |
| **Financial revenue** | 12 | 60,669,051 | 18,480,237 | 60,264,023 | 18,175,012 |
| **Financial expenses** | 12 | (99,854,367) | (25,505,296) | (94,745,525) | (24,387,881) |
| **Net financial expenses** | 12 | **(39,185,316)** | **(7,025,059)** | **(34,481,502)** | **(6,212,869)** |
| **Share in associated company results** | 13 | 25,391 | (8,673) | - | - |
| **RESULTS BEFORE TAX** | | **142,585,590** | **100,554,861** | **108,990,499** | **133,129,147** |
| **Income tax** | 14 | 2,045,211 | (14,366,183) | 9,035,784 | (6,670,979) |
| **RESULT** | | **144,630,801** | **86,188,678** | **118,026,283** | **126,458,168** |
| Exchange rate differences from translation of foreign operations | 15 | 311,682 | 365,215 | - | - |
| **OTHER COMPEHENSIVE RESULT** | 15 | **311,682** | **365,215** | - | - |
| **TOTAL COMPEHENSIVE RESULT** | | **144,942,483** | **86,553,893** | **118,026,283** | **126,458,168** |
| Earnings per share (basic and diluted) | | 125 | 76 | 102 | 112 |

# BALANCE SHEET
# FOR 2022

| | note | GROUP 2022 | GROUP 2021 | COMPANY 2022 | COMPANY 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **1,046,948,522** | **891,369,362** | **1,074,823,221** | **929,439,390** |
| Intangible assets | 16 | 186,279,268 | 144,474,257 | 135,411,500 | 97,791,329 |
| Property, plant and equipment | 17 | 812,986,573 | 711,064,512 | 760,870,242 | 662,476,130 |
| Investments in property | 18 | 17,847,719 | 17,706,514 | 17,847,719 | 17,706,514 |
| Investment in subsidiaries | 19 | - | - | 139,329,267 | 139,329,267 |
| Other financial assets | 20 | 2,008,052 | 1,908,410 | 1,231,575 | 1,231,575 |
| Deferred tax assets | 21 | 27,826,910 | 16,215,669 | 20,132,918 | 10,904,575 |
| **Current assets** | | **828,692,556** | **714,290,407** | **679,773,234** | **590,830,077** |
| Inventories | 22 | 279,660,765 | 222,698,704 | 242,223,985 | 173,939,746 |
| Non-current assets held for sale | 23 | 151,100 | 151,100 | - | - |
| Receivables | 24 | 413,309,003 | 381,735,346 | 330,575,165 | 329,658,637 |
| Financial assets | 25 | 306,841 | 44,515 | 3,195,800 | 5,262,022 |
| Financial assets at fair value through P&L account | 26 | 20,888,556 | 51,382,560 | 20,888,556 | 51,382,560 |
| Cash and cash equivalents | 27 | 108,573,763 | 52,482,342 | 78,930,305 | 27,274,323 |
| Other receivables | 28 | 5,802,528 | 5,795,840 | 3,959,423 | 3,312,789 |
| **TOTAL ASSETS** | | **1,875,641,078** | **1,605,659,769** | **1,754,596,455** | **1,520,269,467** |

BALANCE SHEET
FOR 2022 (continued)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | **note** | **2022** | **2021** | **2022** | **2021** |
| **CAPITAL AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **907,164,915** | **763,664,161** | **929,543,706** | **812,870,450** |
| Share capital | 29 | 123,375,500 | 122,042,500 | 123,375,500 | 122,042,500 |
| Reserves | 30 | 98,183,881 | 92,346,579 | 96,807,009 | 91,281,389 |
| Own shares | 31 | (6,517,200) | (7,709,900) | (6,517,200) | (7,709,900) |
| Retained earnings or accumulated loss | 32 | 547,491,933 | 470,796,304 | 597,852,114 | 480,798,293 |
| Result for the financial year | 33 | 144,630,801 | 86,188,678 | 118,026,283 | 126,458,168 |
| **Non-current liabilities** | | **577,875,974** | **432,579,302** | **551,121,788** | **408,835,297** |
| Provisions | 34 | 3,947,581 | 3,676,861 | 3,182,127 | 2,934,653 |
| Liabilities to banks and financial institutions | 35 | 404,799,000 | 259,574,480 | 404,799,000 | 259,574,480 |
| Lease liabilities | 36 | 34,280,817 | 36,937,781 | 13,990,486 | 17,608,792 |
| Liabilities for securities | 37 | 129,150,175 | 128,717,372 | 129,150,175 | 128,717,372 |
| Deferred tax liability | 38 | 5,698,401 | 3,672,808 | - | - |
| **Short-term liabilities** | | **390,600,189** | **409,416,306** | **273,930,961** | **298,563,720** |
| Liabilities to banks and financial institutions | 39 | 27,492,731 | 92,050,774 | 27,445,026 | 82,006,075 |
| Lease liabilities | 40 | 20,560,534 | 18,702,015 | 11,543,422 | 11,703,152 |
| Liabilities to suppliers | 41 | 250,761,541 | 210,855,714 | 167,754,981 | 146,679,011 |
| Other liabilities | 42 | 91,785,383 | 87,807,803 | 67,187,532 | 58,175,482 |
| **TOTAL PRINCIPAL AND LIABILITIES** | | **1,875,641,078** | **1,605,659,769** | **1,754,596,455** | **1,520,269,467** |

## STATEMENT OF CHANGES IN EQUITY
## FOR 2022

| | | | | | | GROUP |
|---|---|---|---|---|---|---|
| **Previous period** | **Share capital** | **Reserves** | **Own shares** | **Retained earnings or accumulated loss** | **Result for the financial year** | **Equity and reserves** |
| **Balance as at 31 December 2020** | **120,560,000** | **81,529,131** | **(7,695,700)** | **421,829,846** | **65,661,809** | **681,885,086** |
| Registration of new share emission | 1,482,500 | 6,789,850 | - | - | - | 8,272,350 |
| Return on profit for the previous year | - | 3,648,184 | - | 61,648,411 | - | 65,296,595 |
| Return on results for the financial year | - | - | - | - | 86,188,678 | 86,188,678 |
| Transactions with own shares | - | 344,000 | (344,000) | 1,840,284 | - | 1,840,284 |
| Exchange rate differences from translation of foreign operations | - | 365,214 | - | - | - | 365,214 |
| 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 retained earnings and statutory reserve | - | - | - | - | (65,661,809) | (65,661,809) |
| Transfer to dividends payable | - | - | - | (12,451,351) | - | (12,451,351) |
| Transactions with own shares | - | (329,800) | 329,800 | (2,077,760) | - | (2,077,760) |
| Consolidation effect | - | - | - | - | - | - |
| **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 |
| **Balance 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 2022 (continued)

**GROUP**

| Current period | Share capital | Reserves | Own shares | Retained earnings or accumulated loss | Result for the financial year | Equity and reserves |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2021** | **122,042,500** | **92,346,579** | **(7,709,900)** | **470,796,304** | **86,188,678** | **763,664,161** |
| Registration of new share emission | 1,333,000 | 6,718,320 | - | - | - | 8,051,320 |
| Return on profit for the previous year | - | - | - | 86,188,678 | - | 86,188,678 |
| Return on results for the financial year | - | - | - | - | 144,630,801 | 144,630,801 |
| Transactions with own shares | - | 12,661,128 | (568,000) | 10,634,627 | - | 22,727,755 |
| Introduction of new Company | | - | - | 1,304,000 | - | 1,304,000 |
| Exchange rate differences from translation of foreign operations | - | 311,682 | - | - | - | 311,682 |
| Consolidation effect | - | - | - | - | - | - |
| **TOTAL INCREASE** | **1,333,000** | **19,691,130** | **(568,000)** | **98,127,305** | **144,630,801** | **263,214,236** |
| Transfer to retained earnings and statutory reserve | - | - | - | - | (86,188,678) | (86,188,678) |
| Transfer to dividends payable | - | - | - | (16,251,774) | - | (16,251,774) |
| Transactions with own shares | - | (13,853,828) | 1,760,700 | (3,787,200) | - | (15,880,328) |
| Consolidation effect | - | - | - | (1,392,702) | - | (1,392,702) |
| **TOTAL DECREASE** | **-** | **(13,853,828)** | **1,760,700** | **(21,431,676)** | **(86,188,678)** | **(119,713,482)** |
| Net change | 1,333,000 | 5,837,302 | 1,192,700 | 76,695,629 | 58,442,123 | 143,500,754 |
| **Balance as at 31 December 2022** | **123,375,500** | **98,183,881** | **(6,517,200)** | **547,491,933** | **144,630,801** | **907,164,915** |

# STATEMENT OF CHANGES IN EQUITY
# FOR 2022

**COMPANY**

| Previous period | Share capital | Reserves | Own shares | Retained earnings or accumulated loss | Result for the financial year | Equity and reserves |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2020** | **120,560,000** | **80,829,155** | **(7,695,700)** | **431,029,259** | **66,106,045** | **690,828,759** |
| Registration of new share emission | 1,482,500 | 6,789,850 | - | - | - | 8,272,350 |
| Return on profit for the previous year | - | 3,648,184 | - | 62,457,861 | - | 66,106,045 |
| Return on results for the financial year | - | - | - | - | 126,458,168 | 126,458,168 |
| Transactions with 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 retained earnings and statutory reserve | - | - | - | - | (66,106,045) | (66,106,045) |
| Transfer to dividends payable | - | - | - | (12,451,351) | - | (12,451,351) |
| Transactions with 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 |
| **Balance 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 CHANGES IN EQUITY
FOR 2022 (continued)

| | | | | | | **COMPANY** |
|---|---|---|---|---|---|---|
| **Current period** | **Share capital** | **Reserves** | **Own shares** | **Retained earnings or accumulated loss** | **Result for the financial year** | **Equity and reserves** |
| **Balance as at 31 December 2021** | **122,042,500** | **91,281,389** | **(7,709,900)** | **480,798,293** | **126,458,168** | **812,870,450** |
| Registration of new share emission | 1,333,000 | 6,718,320 | - | - | - | 8,051,320 |
| Return on profit for the previous year | - | - | - | 126,458,168 | - | 126,458,168 |
| Return on results for the financial year | - | - | - | - | 118,026,283 | 118,026,283 |
| Transactions with own shares | - | 12,661,128 | (568,000) | 10,634,627 | - | 22,727,755 |
| **TOTAL INCREASE** | **1,333,000** | **19,379,448** | **(568,000)** | **137,092,795** | **118,026,283** | **275,263,526** |
| Transfer to retained earnings and statutory reserve | - | - | - | - | (126,458,168) | (126,458,168) |
| Transfer to dividends payable | - | - | - | (16,251,774) | - | (16,251,774) |
| Transactions with own shares | - | (13,853,828) | 1,760,700 | (3,787,200) | - | (15,880,328) |
| **TOTAL DECREASE** | **-** | **(13,853,828)** | **1,760,700** | **(20,038,974)** | **(126,458,168)** | **(158,590,270)** |
| Net change | 1,333,000 | 5,525,620 | 1,192,700 | 117,053,821 | (8,431,885) | 116,673,256 |
| **Balance as at 31 December 2022** | **123,375,500** | **96,807,009** | **(6,517,200)** | **597,852,114** | **118,026,283** | **929,543,706** |

## CASH FLOW STATEMENT – DIRECT METHOD
## FOR 2022

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **169,473,893** | **160,407,323** | **131,032,937** | **131,562,633** |
| **Cash receipts from operating activities** | **1,376,884,133** | **1,150,123,446** | **773,423,735** | **652,130,858** |
| Cash receipts from trade | 1,348,122,093 | 1,130,578,509 | 752,520,149 | 636,114,514 |
| Cash receipts from damage insurance | 1,868,862 | 739,402 | 1,751,110 | 649,825 |
| Cash receipts from tax refund | 21,175,543 | 16,658,136 | 18,168,316 | 13,967,555 |
| Other cash receipts from operating activities | 5,717,635 | 2,147,399 | 984,160 | 1,398,964 |
| **Cash outflows from operating activities** | **(1,207,410,240)** | **(989,716,123)** | **(642,390,798)** | **(520,568,225)** |
| Cash outflows for trade | (859,529,926) | (706,932,324) | (465,162,330) | (367,550,685) |
| Cash outflows for employees | (156,759,579) | (131,280,316) | (88,926,161) | (76,691,038) |
| Cash outflows for damage insurance | (2,615,835) | (2,542,355) | (2,492,034) | (2,429,280) |
| Cash outflows for interest | (9,208,179) | (7,905,171) | (9,041,275) | (7,663,495) |
| Other cash outflows from operating activities | (176,732,482) | (138,935,352) | (76,222,397) | (65,978,832) |
| Cash outflows for income tax paid | (2,564,239) | (2,120,605) | (546,601) | (254,895) |

CASH FLOW STATEMENT – DIRECT METHOD
FOR 2022 (continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **(197,083,669)** | **(245,500,326)** | **(186,224,666)** | **(229,377,556)** |
| **Cash flows from investing activities** | **31,066,583** | **58,428,833** | **32,591,377** | **73,838,650** |
| Cash receipts from sale of tangible and intangible assets | 4,419,277 | 1,190,590 | 4,013,714 | 1,465,508 |
| Cash receipts from sale of financial instruments | 26,250,994 | 56,920,738 | 26,250,995 | 56,920,738 |
| Cash receipts from interest | 292,182 | 273,298 | 1,879 | 137 |
| Cash receipts from dividends | - | 40,607 | - | 15,452,267 |
| Cash receipts from reimbursed loans | 104,130 | 3,600 | 2,324,789 | - |
| Other cash receipts from investing activities | - | - | - | - |
| **Cash outflows from investing activities** | **(228,150,252)** | **(303,929,159)** | **(218,816,043)** | **(303,216,206)** |
| Cash outflows for the procurement of tangible and intangible assets | (223,900,252) | (213,805,804) | (218,463,274) | (209,434,180) |
| Cash outflows for the acquisition of equity and debt financial instruments | - | (90,044,511) | - | (90,044,511) |
| Cash outflows for loans | (250,000) | (78,844) | (352,769) | (3,028,306) |
| Other cash outflows from investing activities | (4,000,000) | - | - | (709,209) |

## CASH FLOW STATEMENT – DIRECT METHOD
## FOR 2022 (continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **CASH FLOW FROM FINANCIAL ACTIVITIES** | **59,168,163** | **104,624,392** | **82,318,027** | **112,852,020** |
| **Cash receipts from financing activities** | **284,227,392** | **179,768,639** | **200,288,290** | **169,768,640** |
| Cash receipts from increase of share (subscribed) capital | 1,333,000 | 1,482,500 | 1,333,000 | 1,482,500 |
| Cash receipts from the acquisition of equity and debt financial instruments | 6,718,320 | 6,789,850 | 6,718,320 | 6,789,850 |
| Cash receipts from loan principal, borrowing and other lending | 268,105,624 | 171,425,848 | 184,166,522 | 161,425,849 |
| Other cash receipts from financial activities | 8,070,448 | 70,441 | 8,070,448 | 70,441 |
| **Cash outflows from financing activities** | **(225,059,229)** | **(75,144,247)** | **(117,970,263)** | **(56,916,620)** |
| Cash outflows for reimbursed loans | (188,188,272) | (36,607,624) | (90,789,973) | (26,597,037) |
| Cash outflows for dividend payment | (16,136,274) | (12,284,151) | (16,136,274) | (12,284,151) |
| Cash outflows for rent | (19,265,796) | (24,174,712) | (9,575,140) | (15,957,672) |
| Cash outflows for redemption of own shares | (1,449,200) | (2,077,760) | (1,449,200) | (2,077,760) |
| Other cash outflows from financial activities | (19,687) | - | (19,676) | - |
| Unrealised exchange rate differences in cash | 24,533,034 | 359,695 | 24,529,684 | 359,695 |
| **Cash and cash equivalents at the beginning of the period** | **52,482,342** | **32,591,258** | **27,274,323** | **11,877,531** |
| Increase/decrease in cash and cash equivalents | 56,091,421 | 19,891,084 | 51,655,982 | 15,396,792 |
| **Cash and cash equivalents at the end of the period** | **108,573,763** | **52,482,342** | **78,930,305** | **27,274,323** |

## 1. GENERAL INFORMATION

These financial statements for the year that ended on 31 December 2022 consist of unconsolidated statements of JADRAN – GALENSKI LABORATORIJ d.d. ("JGL" or "Company") and consolidated statements consisting of the statements of the Company and its subsidiaries (together: "Group").

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

The Group consists of the Company and its subsidiaries:

| | 2022 | 2021 |
|---|---|---|
| Farmis d.o.o. Sarajevo | 100% | 100% |
| Jadran - Galenski laboratorij d.o.o. Ljubljana | 100% | 100% |
| JGL d.o.o. Beograd - Sopot | 100% | 100% |
| Pablo d.o.o. Zagreb | 100% | 100% |
| Ljekarna Pablo Rijeka | 100% | 100% |
| Ljekarne Zorka Muvrin | 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% | - |

In 2022, Ljekarna Pablo Rijeka bought Ljekarne Zorka Muvrin. On the acquisition date of May 19, 2022, Ljekarna Pablo Rijeka and Zorka Muvrin concluded a contract whereby 100% of the ownership shares of the institution Ljekarna Zorka Muvrin were acquired. The takeover fee was HRK 4,000,000, the net fair value of the assets of the Zorka Muvrin Pharmacy was HRK 1,305,000. During the acquisition, an identified acquired intangible asset related to the license to perform pharmacy activities was identified, in the amount of HRK 3,105,000, and a deferred tax liability in the amount of HRK 559,000. During the acquisition, goodwill of HRK 149,000 was realized.

Entity over which the Company exercises significant influence:

| | 2022 | 2021 |
|---|---|---|
| Galena d.o.o. Rijeka | 49% | 49% |

The Group and the Company have transactions with related parties:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| 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 founding

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

### 1.2. Main activities

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

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

## 1.3. Ownership structure

The share capital of JGL d.d. Rijeka amounts to HRK 123,375,500 (122,042,500 in 2021) and it is divided into 1,233,755 (1,220,425 in 2021) shares with a nominal value of HRK 100 per share, namely, 7,500 shares in series A, 30,000 shares in series B, 18,750 shares in series C, 8,500 shares in series D, 524,790 shares in series E, 589,540 shares in series F, 5,640 shares in series G, 7,830 shares in series H, 13,050 shares in series I, 14,825 shares in series J and 13,330 shares in series K.

At the beginning of the period, the Company owned 77,099 own shares. By the end of the financial year, the Company had redeemed 5,680, allocated 4,295 and 13,312 of own shares as dividend payment in line with dividend rights, and on 31 December 2022, the number of own shares in the Company's portfolio amounted to 65,172. In 2022, no own shares were allocated to related parties.

In accordance with the provisions of the Companies Act, the Company formed reserves for the purchase of its own shares, which as at 31 December 2022 amounted to HRK 20,324,101 (HRK 27,171,529 in 2021).

Statutory and other reserves of the Group and the Company were formed in accordance with the Companies Act and the Articles of Association of JGL d.d., Rijeka. As at 31 December 2022, statutory reserves amounted to HRK 51,761,318 (HRK 51,761,318 in 2021).

As at 31 December 2022, other reserves of the Group amounted to HRK 3,517,651 (HRK 3,205,969 in 2021). As at 31 December 2022, other reserves amounted to HRK 2,140,779 (HRK 2,140,779 in 2021).

By the decision of the regular General Assembly of the Company, a total of HRK 16,251,774 (HRK 12,451,351 in 2021) was set aside from the 2022 retained earnings as a dividend to the holders of shares in series A, B, C, D, E, F, G, H, I, J and K in the amount of HRK 14.00 per share with the right to a dividend.

The net profit of the Group for the current year amounts to HRK 144,630,801 (HRK 86,188,678 in 2021) and it represents the profit realised according to the Profit and Loss Account. The net profit of the Company for the current year amounts to HRK 118,026,283 (HRK 126,458,168 in 2021) and it represents the profit realised according to the Profit and Loss Account.

*As at 31 December 2022, the total comprehensive result of the Group amounted to HRK 144,942,483 (HRK 86,553,893 in 2021).*

As at 31 December 2022, the net profit of the Group per share amounted to HRK 125 (HRK 76/share in 2021), while the net profit of the Company per share amounted to HRK 102 (HRK 112/share in 2021), calculated on the basis of the weighted average number of ordinary shares.

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

## 1.4. Company bodies

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

As at 31 December 2022, the members of the Company's Board of Directors are as follows:

- Ivo Usmiani - President
- Dino Ćoza Saršon- Vice President
- Grozdana Božić - Member
- Eva Usmiani Capobianco - Member
- Dorotea Pernjak Banić - Member
- Marina Pulišić – Member until 30 June 2022
- Sanja Katalinić – Member from 1 July 2022

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1. Fundamentals of drawing up statements

2.1.1. Statement of compliance

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

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

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

The financial statements of the Group and the Company are drawn up in the Croatian kuna as the measurement and reporting currency of the Company. On 31 December 2022, the exchange rate for EUR 1 was HRK 7.5345 (HRK 7.517174 in 2021), the exchange rate for RUB 1 was HRK 0.096066 (HRK 0.089838 in 2021).

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

The adopted accounting policies are in accordance with the accounting policies of the previous financial year, except for the changes listed below, which are the result of amendments to the International Financial Reporting Standards (IFRS) adopted by the Group and the Company as of 1 October 2021:

- Amendments to IFRS 16 Leases and concessions necessary due to the COVID-19 pandemic, issued on 31 March 2021 (effective date for annual periods beginning on or after 1 April 2021).

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

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2, issued on 27 August 2020 (effective date for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 4 Insurance contracts – delayed for IFRS 9, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 3 Business combinations, IAS 16 Property, plant and equipment, IAS 37 Provisions, contingent liabilities and contingent assets, all issued on 14 May 2020 (effective date for annual periods beginning on or after 1 January 2022);
- Amendments: 2018 – 2020 annual improvements, all issued on 14 May 2020 (effective date for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 17 Insurance contracts, including amendments to IFRS 17 issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of financial statements and IFRS Practice statement 2: Publication of accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023);

- Amendments to IAS 12 Income taxes: Deferred tax related to assets and liabilities arising from a single transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance contracts: First-time application of IFRS 17 and IFRS 9 – Comparative data (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

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

2.1.4. Standards issued and not yet adopted in the EU

- Amendments to IAS 1 Presentation of financial statements, Classification of liabilities as current and non-current, issued on 23 January 2020 and amended on 15 July 2020;
- Amendments to IFRS 16 Leases: Lease liability in sale and leaseback (issued on 22 September 2022).

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

## 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 retains rights in relation to the variable yield based on its participation in that entity and is capable, based on its dominance, i.e. power, to influence its yield. The subsidiary company is consolidated, or ceases to be consolidated, from the moment the Company acquires or loses control over it. In the Company's financial statements, the listed investments are shown using the cost reduction method for impairment losses, if any.

The purchase method is used to account for the Company's acquisition of subsidiaries. The purchase cost is measured as the fair value of the given asset, issued equity instruments and incurred or assumed liabilities on the date of purchase, increased by the costs directly related to the purchase. Acquired identifiable assets, liabilities and contingent liabilities in a business combination are initially measured at fair value on the date of acquisition, regardless of the minority share. The excess of the acquisition cost over the fair value of the Company's share in the net acquired assets of the subsidiary is reported as goodwill. If the acquisition cost is less than the fair value of the subsidiary's net assets acquired, 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 during consolidation. Unrealised losses are also eliminated, unless there is evidence of impairment of the transferred assets. If necessary, the accounting policies of the subsidiary are amended for harmonisation with the policies applied by the Group and the Company.

## 2.3. Business segments reporting

A business segment is an integral part of an entity carrying out business activities from which it can generate income and on the basis of which it generates costs, whose business results are regularly reviewed by the entity's main business decision-maker in order to make a decision on the resources that should be allocated to the segment and a decision on business evaluation, for which separate financial information is available.

## 2.4. Foreign currencies

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

Transactions denominated in foreign currencies are translated into local currency at the rate prevailing at the date of the transaction. Gains or losses from exchange differences, which arise when settling the subject-matter transactions and recalculating monetary assets and liabilities expressed in foreign currencies, are recognised in the statement of comprehensive income.

### 2.5. Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the executive officer to make judgments, estimates and assumptions that affect the application of policies and amounts published for assets, liabilities, income and expenses. Estimates and related assumptions are based on historical experience and various other factors, which are believed to be reasonable under the circumstances, the result which forms the starting point for creating estimates of the value of assets and liabilities which cannot be obtained from other sources. Actual results may differ from such estimates.

The subject-matter estimates and related assumptions are subject to regular review. The impact of an estimate correction is recognised in the period in which the estimate was corrected if the correction affects only the period in which it was made or in the period in which the correction was made and future periods if the correction affects current and future periods.

Judgements made by the executive officer in the application of IFRS, which have a significant impact on the financial statements and judgments where the risk of materially significant corrections in the next year is high, are listed in the Notes.

### 2.6. Revenues

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

Revenues are recognised for each separate contractual delivery liability in the amount of the transaction price. The transaction price is the amount of the agreed remuneration to which the Group or the Company expects to be entitled in exchange for the transfer of the contracted goods or services.

Revenues are recognised when the delivery obligations are satisfied by transferring control of the contracted goods and services to the buyer. Control over the goods is transferred when the goods are delivered to the buyer, the buyer has full possession of the goods and there are no outstanding liabilities that could affect the buyer's acceptance of the goods.

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

### 2.7. Financial revenue and expenses

Financial revenue includes calculated interest on loans granted using the effective interest rate method, income from dividends, gains from exchange differences and realised and unrealised gains from the increase in the fair value of financial assets.

Financial expenses include accrued interest on credits, loans and bonds, losses from exchange rate differences and realised and unrealised losses from the decline in the fair value of financial assets.

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

### 2.8. Provisions

A provision is recognised if the Group or the Company has a present liability (legal or constructive) as a result of a past event and if it is probable that the settlement of the liability will require an outflow of resources with economic benefits and if the amount of the liability can be reliably estimated.

Provisions are reviewed at each balance sheet date and adjusted according to the latest best possible estimates. If the effect of the time value of money is significant, the amount of the provisions is the present value of the costs expected to be required to settle the liability. In the case of discounting, the increase in provisions reflecting the passage of time is recognised as a financial charge, and the carrying amount of the provision is increased each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration that will be required to settle the present liability at the balance sheet date, taking into account the risks and uncertainties associated with the liability. If the provision is measured using an estimate of the cash flows required to settle the present liability, the carrying amount of the liability is the present value of those cash flows.

When a third party is expected to recover some or all of the economic benefits required to settle the provision, the related receivable is recognised as an asset if it is almost entirely certain that the consideration will be received and the amount of the receivable can be measured reliably.

### 2.9. Taxation

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

Current tax is the expected tax payable on the taxable profit of the current year, using the tax rate in effect at the balance sheet date.

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

Deferred tax assets for deductible temporary differences, unused tax losses and unused tax credits are recognised if there is a probability that taxable profit will be realised in the future, against which the deferred tax asset will be used. Deferred tax assets and liabilities are calculated with the application of the profit tax rate applicable to the period when these assets or liabilities will be realised.

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised directly in equity, when the 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 a reasonable belief that the company within the Group will meet the conditions for which the grants are given and that the grants will be received. Government grants are recognised within profit or loss on a systematic basis during the period in which the company within the Group recognises expenses or costs for which the grants are intended to be covered. Receivables for government grants to compensate for expenses or losses already incurred, or for the purpose of providing immediate financial support to the Group without future related costs, are recognised in profit or loss of the period in which the claim is incurred.

## 2.11.Intangible assets

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

The costs of licenses, software, rights to use registrations, investments on other's assets, and other rights are capitalised as intangible assets based on acquisition costs and costs arising from making intangible assets operative.

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

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

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

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

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

Gains and losses from the sale of a business entity include the carrying amount of goodwill related to the sold entity.

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

| | **GROUP** | | **COMPANY** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Internally generated intangible assets | 6.67% | 6.67% | 6.67% | 6.67% |
| Licences | 6.67%-non.v | 6.67%-non.v | 6.67-10% | 6.67-10% |
| Software | 10-50% | 10-50% | 10-20% | 10-20% |
| Registration rights | 20-33.33% | 20-33.33% | 20-33.33% | 20-33.33% |
| Other intangible assets | 6.67-50% | 6.67-50% | 6.67-50% | 6.67-50% |

## 2.12. Property, plant and equipment

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

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

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Buildings | 1.67-10% | 1.67-25% | 1.67-10% | 1.67-10% |
| Assets with the right of use - property | 7.95-33.33% | 7.95-50% | 10-20% | 10-20% |
| Plant and equipment | 5-25% | 5-15% | 5-10% | 5-10% |
| Tools, working inventory and means of transportation | 5-50% | 5-50% | 5-50% | 5-50% |
| Assets with the right of use - vehicles | 20-50% | 20-50% | 20-50% | 20-50% |
| Assets with the right of use - equipment | 5-20% | 5-20% | 5-20% | 5-20% |

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

Owned land is reported at acquisition cost and is not amortised.

Profit and loss from the sale or disposal of an item of property, plant and equipment is determined as the difference between the inflows realised from the sale and the carrying amount of the asset in question, which is recognised in the statement of comprehensive income for the period.

## 2.13. Leases

Assets that are leased are classified as assets with the right of use within the building, plant and equipment item. At the same time, the lease liability is recognised on the date the asset is ready for use.

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

Right-of-use assets are recognised using the cost method, which consists of the amount of the initial valuation of the lease liability, all payments made prior to the commencement of the lease and direct costs.

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

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

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

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

## 2.14. Impairment of tangible and non-tangible assets

On each balance sheet date, the Group and the Company check the book amounts of their long-term intangible and tangible assets to determine whether there are indications of impairment losses. If such indications exist, the recoverable amount of the asset is estimated to determine any impairment loss. If the recoverable amount of an asset cannot be estimated, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. If it is possible to determine a realistic and consistent basis for allocation, 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 group of cash-generating units for which a realistic and consistent basis of allocation can be determined.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment once per year and each time there is an indication of possible impairment.

The recoverable amount is the greater amount when compared to the fair value minus the costs of sale and the asset's value in use. For value in use purposes, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to that asset for which future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the carrying amount of that asset is reduced to the recoverable amount. Impairment losses are recognised immediately as an expense, except for an asset expressed in a revalued amount, in which case the impairment loss is recognised as a decrease in value resulting from the revaluation of the asset. In case of subsequent reversal of the impairment loss, the carrying amount of the asset is increased up 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 there had been no recognised impairment losses on that asset in previous years. Reversal of an impairment loss is immediately recognised as income, unless the asset in question is reported in a revalued amount according to other Standards (for example, under the revaluation model in accordance with IAS 16), in which case the reversal of the impairment loss is reported as income up to the amount previously recognised impairment loss, and then as an increase in revaluation.

## 2.15. Investments in property

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

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

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

## 2.16. Investments in subsidiaries

Subsidiaries are companies in which the Company has control over operations, directly or indirectly. Control is achieved when the Company has the right to manage the entity's financial and business policies so that benefits are realised from its activities. Investments in subsidiaries are initially recognised at expense, and are subsequently valued at expense minus impairment. Depreciation is carried out in the same way as for other long-term tangible and intangible assets.

## 2.17. Investments in associated companies

Associated companies are companies in which the Group or the Company has significant influence, but over which it does not retain control. Significant influence is the power to participate in decisions about the financial and business policies of the entity in which the investment was made, but it does not represent control or joint control over these policies. Investments in associated companies are stated using the cost method minus any impairment losses, if any, while the equity method is applied in the consolidated statements, which adjusts the investment for the Group's share in the capital of the associated company.

## 2.18. Financial assets

In accordance with IFRS 9, all recognised financial assets are subsequently fully measured at their depreciated cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model and the characteristics of the financial assets' contracted cash flows.

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

At each balance sheet date, the Group and the Company assess whether there is objective evidence of impairment of financial assets.

The Group or the Company ceases to recognise financial assets only when the contractual right to cash inflows for the asset in question has expired or when the financial asset and almost all the risks and rewards associated with its ownership are largely transferred to another entity. If the Group or the Company does not transfer or retain almost all the risks and rewards associated with ownership and if they continue to retain control over the transferred assets, they recognise their retained share in the assets and the related liability in the amounts they may be liable to pay. If the Group or the Company retains most of the risks and rewards associated with the ownership of the transferred financial asset, this asset continues to be recognised with the simultaneous recognition of the secured loan from the realised inflows.

When the entire financial asset is written off (derecognition), the difference between the carrying amount of the asset and the sum of the compensation received and claims for compensation and the cumulative profit or cumulative loss reported as part of other comprehensive income and accumulated in the capital is transferred to profit or loss.

2.18.1. Financial assets impairment

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

*Significant increase in credit risk*

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

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

- the financial instrument has a low risk of a default status,
- the debtor has a strong ability to settle its contractual liabilities in a short period of time,
- unfavourable changes in economic and business conditions in the long term may (not necessarily) reduce the debtor's ability to fulfil its cash flow liabilities.

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 review them to ensure that the criteria are able to identify a significant increase in credit risk before payment delays occur.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset is credit-impaired includes available information on the following events:

- significant financial difficulties of the debtor
- emergence of a default status
- when the entity, due to the debtor's financial difficulties, approves the same concession that it would otherwise not consider
- it becomes likely that the debtor will go bankrupt or go through other financial reorganization
- the disappearance of an active market for certain financial assets due to financial difficulties.

2.18.2. Write-off policy

The Group and the Company shall write off financial assets when there are data indicating that the debtor is experiencing severe financial difficulties and that there are no realistic prospects for recovery (liquidation, bankruptcy proceedings). Written off financial assets may still be subject to enforcement activities in debtor recovery proceedings, taking into account legal advice when appropriate. Recovery is recognised in the profit and loss account.

## 2.19. Receivables

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

The value of receivables is reduced and impairment losses arise if there is objective evidence of impairment arising from one or more events occurring after the initial recognition of the asset when that event affects estimated future cash flows from receivables which can be reliably determined. At each balance sheet date, it is assessed whether there is objective evidence of a decrease in the value of an individual claim and whether there are indicators of a significant risk deterioration that would require the recognition of expected credit losses. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount and the estimated future cash flows. The carrying amount of receivables will be reduced directly or by using a separate allowance account. The amount of the loss is recognised against the profit and loss account for the current year.

### 2.20. Cash and cash equivalents

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

### 2.21. Inventories

Inventories are reported at the lower of cost or net realizable value. Net realizable value represents the estimated selling price of inventory in the ordinary course of business, minus the related selling expenses.

Inventory expense includes all acquisition costs, conversion costs and other costs incurred in bringing the inventory to its current location and condition.

Inventory acquisition expenses include the purchase price, import duties and other taxes (except those that the entity can later recover from the tax authorities) and transportation costs, inventory handling, as well as other expenses directly attributable to the acquisition of finished goods, materials and services. Trade and volume discounts and other similar items are subtracted when determining procurement expenses.

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

Inventory consumption is measured using the weighted average cost method.

Small inventory is fully written off when put into use.

### 2.22. Equity instruments issued by the Company

An ownership instrument is any contract that proves a share in the remaining assets of the Company after subtracting all its liabilities. Equity instruments issued by the Company are recognised as the difference between receipts and direct issuance costs.

Share capital
a) Ordinary shares
Share capital represents the nominal value of issued shares. Capital gains include the premium realised when issuing shares. Any transaction costs associated with the issuance of ordinary shares are recognised as a capital reduction.

b) Redemption of share capital
The fee paid for the purchase of share capital, including direct dependent costs, is recognised as a reduction in equity and reserves. Repurchased shares are classified as own shares and represent a deduction from total equity and reserves.

### 2.23. Financial liabilities

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

Financial liabilities are classified as financial liabilities at fair value in the profit and loss account when they are either intended for trading or are defined as such by the Group and the Company. A financial liability stated at fair value through the profit and loss account is measured at its fair value, and the associated profit or loss is recognised in the statement of comprehensive income. The 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 loans and advances, are initially measured at fair value minus transaction costs. Other financial liabilities are subsequently measured at depreciated cost using the effective interest rate method, with interest expense recognised based on the effective yield.

The effective interest rate method is a method of calculating the depreciated cost of a financial liability and allocating the interest  expense over a certain period. The effective interest rate is the interest rate that accurately discounts the estimated future cash payments over the expected life of the financial instrument or, where more appropriate, over a shorter period.

2.23.3. Derecognition of a financial liability

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

## 2.24. Contingent assets and liabilities

Contingent assets are not recognised in the financial statements of the Group and the Company, but are recognised at the moment when an inflow of economic benefits becomes probable.

Contingent liabilities are not recognised in the financial statements of the Group and the Company, but are only disclosed in the notes to the financial statements.

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

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

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

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

## 2.26. Events after the date of the financial statements

Events after the reporting date that provide additional information about the position of the Group and the Company at the balance sheet date (events that have the reconciliation effect) are recognised in the financial statements. Those events that do not result in reconciliation are disclosed in the notes to the financial statements if they are of material importance.

## 3. SALES REVENUE

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Sales revenue | 1,326,678,429 | 1,050,302,256 | 790,123,180 | 628,861,185 |
| **Total** | **1,326,678,429** | **1,050,302,256** | **790,123,180** | **628,861,185** |

Relations with subsidiaries and related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue from sales to subsidiaries | - | - | 310,025,130 | 271,813,710 |
| Revenue from sales to related parties | 161,770 | 161,485 | 160,965 | 160,965 |
| **Total** | **161,770** | **161,485** | **310,186,095** | **271,974,675** |

### 3.1. Business revenues by segments – programmes

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| Aqua Maris programme | 429,520,193 | 32% | 354,357,472 | 34% | 304,288,405 | 39% | 250,358,273 | 40% |
| Prescription programme | 305,762,932 | 23% | 212,941,149 | 20% | 203,632,143 | 26% | 162,906,644 | 26% |
| Non-prescription programme | 187,394,261 | 14% | 146,578,112 | 14% | 137,314,997 | 17% | 102,083,070 | 16% |
| Contract manufacturing and licensing out | 136,937,252 | 10% | 99,054,138 | 9% | 130,172,815 | 16% | 94,505,202 | 15% |
| Other programmes and services | 67,409,203 | 5% | 60,280,229 | 6% | 14,714,820 | 2% | 19,007,996 | 3% |
| Retail | 199,654,588 | 15% | 177,091,156 | 17% | - | 0% | - | 0% |
| **Total** | **1,326,678,429** | **100%** | **1,050,302,256** | **100%** | **790,123,180** | **100%** | **628,861,185** | **100%** |

## 3.2. Business revenues by segments – regions

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| CIS | 553,118,629 | 42% | 386,374,022 | 37% | 305,937,224 | 39% | 206,007,310 | 33% |
| CAMA | 66,327,468 | 5% | 44,021,295 | 4% | 66,329,531 | 8% | 44,028,311 | 7% |
| South-Eastern Europe | 474,955,706 | 36% | 421,163,927 | 40% | 187,888,796 | 24% | 174,272,599 | 28% |
| Global markets | 156,999,619 | 12% | 108,859,429 | 10% | 154,691,041 | 20% | 114,668,750 | 18% |
| Black Sea | 75,277,007 | 6% | 89,883,583 | 9% | 75,276,588 | 10% | 89,884,215 | 14% |
| **Total** | **1,326,678,429** | **100%** | **1,050,302,256** | **100%** | **790,123,180** | **100%** | **628,861,185** | **100%** |

## 4. OTHER REVENUE

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| Revenue from rebates and cassa sconta | 21,630,221 | 55% | 16,820,629 | 58% | 2,363,392 | 14% | 721,670 | 1% |
| Revenue from sale of intangible assets | 10,138,341 | 26% | 6,378,840 | 22% | 1,470,819 | 9% | 68,319,855 | 92% |
| Other revenue | 1,691,141 | 4% | 3,042,432 | 10% | 8,224,105 | 49% | 2,798,199 | 4% |
| Revenue from grants and subsidies | 5,157,886 | 13% | 2,679,488 | 9% | 4,071,294 | 24% | 2,145,038 | 3% |
| Profit from the sale of property, plant and equipment | 753,232 | 2% | 243,719 | 1% | 510,033 | 3% | 168,605 | 0% |
| **Total** | **39,370,821** | **100%** | **29,165,108** | **100%** | **16,639,643** | **100%** | **74,153,367** | **100%** |

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

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

Relations with subsidiaries

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue from sale of non-current assets to subsidiaries | - | - | 200 | 64,969,439 |
| **Total** | **-** | **-** | **200** | **64,969,439** |

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. CHANGES IN INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Changes in inventories | 23,916,491 | 4,827,425 | 22,269,310 | 4,882,678 |
| **Total** | **23,916,491** | **4,827,425** | **22,269,310** | **4,882,678** |

## 6. MATERIAL EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Raw material, packaging and material expenses | 241,780,118 | 191,116,056 | 223,908,254 | 178,191,442 |
| Office supplies, small inventory, electricity and fuel | 17,111,091 | 13,104,868 | 11,627,768 | 9,782,509 |
| Expenses of goods sold | 277,605,692 | 239,555,654 | 76,209,508 | 61,497,513 |
| **Total** | **536,496,901** | **443,776,578** | **311,745,530** | **249,471,464** |

Relations with subsidiaries and related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Material expenses from subsidiaries | - | - | 80,493 | 32,179 |
| **Total** | **-** | **-** | **80,493** | **32,179** |

## 7. SERVICE EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Expenses of intellectual services | 103,594,459 | 73,408,795 | 8,341,955 | 9,287,160 |
| Expenses of advertisement, sponsorship and fair services | 91,484,567 | 67,993,848 | 41,551,640 | 33,861,640 |
| Other external service expenses | 61,776,163 | 47,528,254 | 45,347,905 | 35,059,475 |
| Expenses of maintenance and protection services | 15,781,405 | 13,104,481 | 13,952,707 | 11,853,323 |
| Other consulting expenses | 3,985,970 | 3,317,633 | 2,373,382 | 2,193,557 |
| Audit services expenses | 471,545 | 406,327 | 150,800 | 145,000 |
| Tax consulting expenses | 954,120 | 246,270 | 779,029 | 134,120 |
| **Total** | **278,048,229** | **206,005,608** | **112,497,418** | **92,534,275** |

### Relations with subsidiaries and related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Service expenses from subsidiaries | - | - | 486,701 | 110,102 |
| Service expenses from related parties | 1,104,256 | 882,176 | 345,845 | 191,342 |
| **Total** | **1,104,256** | **882,176** | **832,546** | **301,444** |

## 8. STAFF EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Number of employees as at 31 December | 1,174 | 1,112 | 695 | 663 |
| Average number of employees | 1,147 | 1,101 | 674 | 661 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Net salaries | 155,544,196 | 129,585,569 | 90,199,879 | 80,245,953 |
| Tax, surtax and contributions from salary | 55,733,249 | 45,427,300 | 37,980,986 | 32,055,561 |
| Contributions on salaries | 36,011,776 | 29,620,196 | 19,068,037 | 17,026,054 |
| **Total** | **247,289,221** | **204,633,065** | **147,248,902** | **129,327,568** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Contribution for mandatory pension insurance | 38,441,237 | 34,234,448 | 21,855,394 | 20,863,196 |
| **Total** | **38,441,237** | **34,234,448** | **21,855,394** | **20,863,196** |

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

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Net salaries | 2,470,148 | 2,565,268 | 2,470,148 | 2,565,268 |
| Tax, surtax and contributions from salary | 1,062,420 | 430,932 | 1,062,420 | 430,932 |
| Contributions on salaries | 799,747 | 221,298 | 799,747 | 221,298 |
| **Total** | **4,332,315** | **3,217,498** | **4,332,315** | **3,217,498** |

## 9. DEPRECIATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Depreciation of intangible assets | 12,113,937 | 8,774,274 | 11,267,969 | 7,938,678 |
| Depreciation of tangible fixed asset | 33,710,735 | 26,116,250 | 30,974,804 | 23,379,304 |
| Depreciation of tangible assets under leases | 16,860,274 | 17,758,314 | 9,344,233 | 11,553,529 |
| **Total** | **62,684,946** | **52,648,838** | **51,587,006** | **42,871,511** |

## 10. VALUE ADJUSTMENT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Value adjustment of trade receivables | 3,298,850 | 5,098,034 | 3,244,336 | 5,034,426 |
| Value adjustment of inventories | 3,841,540 | 3,490,083 | 2,945,575 | 3,100,000 |
| Value adjustment of non-current assets | - | 990,245 | - | 990,244 |
| **Total** | **7,140,390** | **9,578,362** | **6,189,911** | **9,124,670** |

## 11. OTHER OPERATING EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Other operating expenses | 23,538,210 | 15,723,253 | 17,551,132 | 11,959,355 |
| Expenditure | 12,194,218 | 9,963,792 | 10,789,272 | 8,795,188 |
| Other operating expenses | 8,898,220 | 7,254,424 | 5,843,974 | 4,113,822 |
| Remuneration to members of the board of directors and allocation of shares | 8,391,281 | 10,739,858 | 8,391,281 | 10,739,858 |
| Insurance expenses | 7,792,600 | 6,606,782 | 3,544,897 | 3,785,792 |
| Non-depreciated value of decommissioned tangible assets | 4,038,259 | 462,310 | 3,992,786 | 417,370 |
| Expenses of representation of own products | 3,278,241 | 2,245,246 | 1,215,109 | 777,017 |
| Expenses of professional education and professional literature | 2,624,906 | 1,831,402 | 1,494,526 | 1,223,706 |
| Bank expenses | 2,448,062 | 2,569,320 | 1,213,565 | 1,471,587 |
| Expenses of registering own products | 2,322,870 | 2,024,611 | 1,526,586 | 1,434,031 |
| Donation expenses | 1,033,672 | 642,747 | 728,237 | 508,000 |
| **Total** | **76,560,539** | **60,063,745** | **56,291,365** | **45,225,726** |

Relations with subsidiaries and related parties:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Other operating expenses from subsidiaries | - | - | 1,857,529 | 755,616 |
| **Total** | **-** | **-** | **1,857,529** | **755,616** |

## 12. NET FINANCE EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Interest revenue | 351,564 | 268,600 | 28,976 | 4,180 |
| Revenue from exchange rate differences | 60,176,768 | 18,100,589 | 60,094,328 | 18,059,784 |
| Revenue from dividend | - | 40,607 | - | 40,607 |
| Other financial revenue | 140,719 | 70,441 | 140,719 | 70,441 |
| **Total financial expenses** | **60,669,051** | **18,480,237** | **60,264,023** | **18,175,012** |
| Interest expenses | (9,804,162) | (9,026,890) | (6,225,267) | (8,163,957) |
| Interest expenses for leases | (2,426,034) | (1,518,480) | (1,065,415) | (1,320,790) |
| Expenses from foreign exchange differences | (83,441,444) | (13,722,267) | (83,272,116) | (13,665,475) |
| Other finance expenses | (4,182,727) | (1,237,659) | (4,182,727) | (1,237,659) |
| **Total finance expenses** | **(99,854,367)** | **(25,505,296)** | **(94,745,525)** | **(24,387,881)** |
| **Net financial expenses** | **(39,185,316)** | **(7,025,059)** | **(34,481,502)** | **(6,212,869)** |

Relations with subsidiaries and related parties:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Interest revenue from related parties | 1,599 | - | 1,599 | - |
| Expenses from foreign exchange differences | - | - | 25,818,643 | 8,046,615 |
| **Total financial expenses** | **1,599** | **-** | **25,820,242** | **8,046,615** |
| Expenses from interest on loans from related parties | - | (42,438) | - | - |
| Expenses from foreign exchange differences | - | - | (70,424,241) | (527,741) |
| **Total finance expenses** | **-** | **(42,438)** | **(70,424,241)** | **(527,741)** |
| **Net financial expenses** | **1,599** | **(42,438)** | **(44,603,999)** | **7,518,874** |

## 13. SHARE IN RESULT OF ASSOCIATES

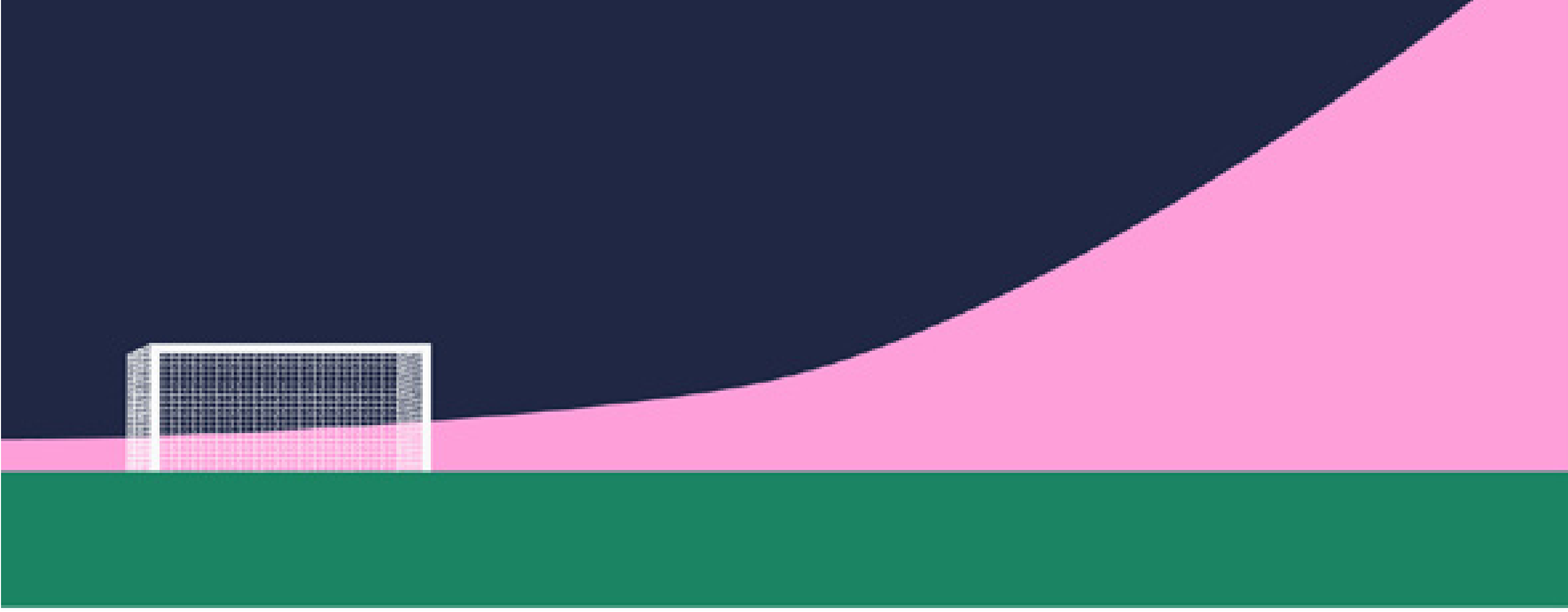
| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Share in result of associates | 25,391 | (8,673) | - | - |
| **Total** | **25,391** | **(8,673)** | - | - |

## 14. CORPORATE INCOME TAX

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Profit before tax** | **142,585,590** | **100,554,861** | **108,990,499** | **133,129,147** |
| Base increase | 48,005,849 | 53,189,752 | 16,903,746 | 16,116,703 |
| Base reduction | (11,617,323) | (4,228,753) | (10,136,172) | (2,073,502) |
| **Tax base** | **178,974,116** | **149,515,860** | **115,758,073** | **147,172,348** |
| Tax incentive for investment | (20,643,893) | (25,823,805) | (20,643,893) | (25,823,805) |
| Tax incentives for research and development projects | - | (500,242) | - | (500,242) |
| Tax payable | (7,839,534) | (9,486,320) | (192,560) | (667,217) |
| Deferred tax | 9,884,745 | (4,879,863) | 9,228,344 | (6,003,762) |
| **Total corporate income tax** | **2,045,211** | **(14,366,183)** | **9,035,784** | **(6,670,979)** |
| **Profit after tax** | **144,630,801** | **86,188,678** | **118,026,283** | **126,458,168** |

On 10 March 2022, pursuant to the Act on Investment Promotion, the Ministry of Economy and Sustainable Development granted the Company the status of a beneficiary of incentive measures for the project “Digitisation and Modernisation of Development Capacities”. The Company enjoys tax benefits in the form of a reduced corporate income tax rate of 0 %. %. In 2022, the Company made full use of the incentive measures for the project “Digitisation and Modernisation of Development Capacities”.

On 1 February 2023, pursuant to the Act on Investment Promotion, the Ministry of Economy and Sustainable Development granted the Company the status of a beneficiary of incentive measures for the project INTEGRA 2020 – 2023 integration of new production, logistics and development capacities. The Company enjoys tax benefits in the form of a reduced corporate income tax rate of 0 %.



In 2022, the Company reported tax payable of HRK 192,560 (HRK 667,217 in 2021) and settled it with corporate income tax paid abroad based on the withholding tax on the sale of licenses and profits of its permanent business unit in Ukraine. Other companies in the Group do not use tax benefits.

The Company is subject to an additional corporate income tax introduced in 2022 as one-off tax. Pursuant to Art. 5 of the Regulation on additional income tax, the Company reduces the obligation of additional income tax by applying a rate of 100%, which also reduces the obligation of income tax according to the Investment Promotion Act.

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

## 15. TOTAL COMPREHENSIVE RESULT

| | **GROUP** | | **COMPANY** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Result after tax | 144,630,801 | 86,188,678 | 118,026,283 | 126,458,168 |
| Exchange rate differences from translation of foreign operations | 311,682 | 365,215 | - | - |
| **Total comprehensive result** | **144,942,483** | **86,553,893** | **118,026,283** | **126,458,168** |

## 16. INTANGIBLE ASSETS

Movement of intangible assets in 2022:

**GROUP**

| | Internally developed intangible assets | Patents, licences, trademarks, registration of own products | Goodwill | Intangible assets in preparation | Total intangible assets |
|---|---|---|---|---|---|
| | in HRK | in HRK | in HRK | in HRK | in HRK |
| **Purchase value of intangible assets** | | | | | |
| Balance as at 31 December 2021 | 37,709,833 | 117,322,052 | 31,607,723 | 33,030,523 | **219,670,131** |
| Direct increases | - | 3,274,872 | 149,000 | 54,734,100 | **58,157,972** |
| Increase by transfer from assets in preparation | 3,963,395 | 19,323,744 | - | (23,287,139) | **-** |
| Scrapping and sale | (1,592,314) | (6,627,825) | - | (2,189,452) | **(10,409,591)** |
| **Balance as at 31 December 2022** | **40,080,914** | **133,292,843** | **31,756,723** | **62,288,032** | **267,418,512** |
| **Accumulated depreciation and impairment of intangible assets** | | | | | |
| Balance as at 31 December 2021 | 15,360,381 | 49,741,822 | 9,783,063 | 310,608 | **75,195,874** |
| Accrued depreciation for 2022 | 2,079,327 | 10,169,114 | - | (134,504) | **12,113,937** |
| Value adjustment for intangible assets | (594,998) | - | - | (391,330) | **(986,328)** |
| Value adjustment for scrapped and sold assets | (591,060) | (4,593,179) | - | - | **(5,184,239)** |
| **Balance as at 31 December 2022** | **16,253,650** | **55,317,757** | **9,783,063** | **(215,226)** | **81,139,244** |
| **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** |
| **Current value of intangible assets as at 31 December 2022** | **23,827,264** | **77,975,086** | **21,973,660** | **62,503,258** | **186,279,268** |

Licenses to practice pharmacy with an unlimited period of validity amount to HRK 20,832,598 on 31 December 2022 (HRK 20,832,598 in 2021).

The impairment test of goodwill and unlimited licenses on 31 December 2021 showed that the recoverable amount exceeds the carrying amount and there was no impairment loss.

## Movement of intangible assets in 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** | | | | | |
| Balance 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) | **-** |
| Adjustment | - | (85,126) | - | (34,525) | **(119,651)** |
| Reclassification | (5,804,677) | 5,804,677 | - | - | **-** |
| Scrapping and sale | - | (7,161,018) | - | (330,454) | **(7,491,472)** |
| **Balance 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** | | | | | |
| Balance as at 31 December 2020 | 13,502,190 | 48,872,314 | 9,783,063 | -<br>- | **72,157,567** |
| Accrued depreciation for 2021 | 1,639,526 | 7,215,470 | - | (80,722) | **8,774,274** |
| Reclassification | (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)** |
| **Balance 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** |

Movement of intangible assets in 2022:

| | | | | COMPANY |
|---|---|---|---|---|
| | **Internally developed intangible assets** | **Patents, licences, trademarks, registration of own products** | **Intangible assets in preparation** | **Total intangible assets** |
| | in HRK | in HRK | in HRK | in HRK |
| **Purchase value of intangible assets** | | | | |
| Balance as at 31 December 2021 | 37,709,833 | 82,799,845 | 32,692,317 | **153,201,995** |
| Direct increases | - | - | 53,068,262 | **53,068,262** |
| Increase by transfer from assets in preparation | 3,963,395 | 16,821,950 | (20,785,345) | **-** |
| Scrapping and sale | (1,592,314) | (6,285,786) | (1,975,241) | **(9,853,341)** |
| **Balance as at 31 December 2022** | **40,080,914** | **93,336,009** | **62,999,993** | **196,416,916** |
| | | | | |
| **Accumulated depreciation and impairment of intangible assets** | | | | |
| Balance as at 31 December 2021 | 15,360,381 | 39,739,677 | 310,608 | **55,410,666** |
| Accrued depreciation for 2022 | 2,079,327 | 9,323,146 | (134,504) | **11,267,969** |
| Value adjustment for intangible assets | (594,998) | - | (176,104) | **(771,102)** |
| Value adjustment for scrapped and sold assets | (591,060) | (4,311,057) | - | **(4,902,117)** |
| **Balance as at 31 December 2022** | **16,253,650** | **44,751,766** | **-** | **61,005,416** |
| | | | | |
| **Current value of intangible assets as at 31 December 2021** | **22,349,452** | **43,060,168** | **32,381,709** | **97,791,329** |
| **Current value of intangible assets as at 31 December 2022** | **23,827,264** | **48,584,243** | **62,999,993** | **135,411,500** |

Movement of intangible assets in 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** | | | | |
| Balance 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) | **-** |
| Reclassification | (5,804,677) | 5,804,677 | - | **-** |
| Scrapping and sale | - | (6,198,001) | (330,454) | **(6,528,455)** |
| **Balance as at 31 December 2021** | **37,709,833** | **82,799,845** | **32,692,317** | **153,201,995** |
| | | | | |
| **Accumulated depreciation and impairment of intangible assets** | | | | |
| Balance 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** |
| Reclassification | (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)** |
| **Balance 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** |

## 17. PROPERTY, PLANT, EQUIPMENT

Movement of property, plant and equipment in 2022:

**GROUP**

| | **Land** | **Buildings** | **Right-of-use assets - property** | **Plant and equipment** | **Tools, plant and office inventory, furniture and means of transporta-tion, devices** |
|---|---|---|---|---|---|
| | in HRK | in HRK | in HRK | in HRK | in HRK |
| **Purchase value of tangible assets** | | | | | |
| Balance as at 31 December 2021 | 46,044,155 | 296,979,826 | 41,877,908 | 264,692,067 | 36,865,327 |
| Direct increases | - | 59,362 | 4,503,751 | 1,228,415 | 958,441 |
| Increase by transfer from assets in preparation | - | 58,568,721 | - | 164,331,334 | 4,245,485 |
| Other increases/decreases | 12,358 | 131,695 | 344,807 | 389,215 | 136,168 |
| Reclassification | - | - | - | 63,901,465 | 570,990 |
| Scrapping and sale | - | - | (1,260,810) | (2,418,210) | (5,751,142) |
| **Balance as at 31 December 2022** | **46,056,513** | **355,739,604** | **45,465,656** | **492,124,286** | **37,025,269** |
| | | | | | |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance as at 31 December 2021 | - | 68,633,609 | 12,795,320 | 151,948,126 | 25,225,817 |
| Accrued depreciation for 2022 | - | 7,410,436 | 7,552,382 | 24,357,682 | 2,458,795 |
| Other increase / decrease | - | 24,369 | (93,312) | 25,172,924 | (113,727) |
| Value adjustment for scrapped and sold assets | - | - | (1,095,313) | (2,189,928) | (1,465,143) |
| **Balance as at 31 December 2022** | **-** | **76,068,414** | **19,159,077** | **199,288,804** | **26,105,742** |
| | | | | | |
| **Current value of tangible assets as at 31 December 2021** | **46,044,155** | **228,346,217** | **29,082,588** | **112,743,941** | **11,639,510** |
| **Current value of tangible assets as at 31 December 2022** | **46,056,513** | **279,671,190** | **26,306,579** | **292,835,482** | **10,919,527** |

Movement of property, plant and equipment in 2022: (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** | | | | | |
| Balance as at 31 December 2021 | 99,609,433 | 20,459,425 | 1,131,866 | 206,691,069 | 1,014,351,076 |
| Direct increases | 1,145,285 | 15,676,833 | - | 132,187,128 | 155,759,215 |
| Increase by transfer from assets in preparation | - | - | 16,211 | (227,161,751) | - |
| Other increases/decreases | - | (1,147,826) | - | 3,503 | (130,080) |
| Reclassification | (60,930,664) | (3,541,791) | - | - | - |
| Scrapping and sale | (1,770,896) | (3,839,898) | - | (516,178) | (15,557,134) |
| **Balance as at 31 December 2022** | **38,053,158** | **27,606,743** | **1,148,077** | **111,203,771** | **1,154,423,077** |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance as at 31 December 2021 | 34,047,811 | 11,356,980 | - | (721,099) | 303,286,564 |
| Accrued depreciation for 2022 | 3,462,160 | 5,845,732 | - | (516,178) | 50,571,009 |
| Other increase / decrease | (24,443,724) | (2,641,257) | - | - | (2,094,727) |
| Value adjustment for scrapped and sold assets | (1,762,682) | (3,813,276) | - | - | (10,326,342) |
| **Balance as at 31 December 2022** | **11,303,565** | **10,748,179** | - | **(1,237,277)** | **341,436,504** |
| **Current value of tangible assets as at 31 December 2021** | **65,561,622** | **9,102,445** | **1,131,866** | **207,412,168** | **711,064,512** |
| **Current value of tangible assets as at 31 December 2022** | **26,749,593** | **16,858,564** | **1,148,077** | **112,441,048** | **812,986,573** |

In 2022, lease paid to related parties for the right-of-use assets - property amounts to HRK 357,170 (HRK 505,934 in 2020), depreciation expense on these assets amounts to HRK 282,354 (HRK 282,354 in 2021).

Movement of property, plant and equipment in 2021:

GROUP

| | Land | Buildings | Right-of-use assets - property | Plant and equipment | Tools, plant and office inventory, furniture and means of transporta-tion, devices |
|---|---|---|---|---|---|
| | in HRK | in HRK | in HRK | in HRK | in HRK |
| **Purchase value of tangible assets** | | | | | |
| Balance 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 | - |
| Scrapping and sale | - | (5,012,855) | (4,578,254) | (572,555) | (2,155,397) |
| **Balance as at 31 December 2021** | **46,044,155** | **296,979,826** | **41,877,908** | **264,692,067** | **36,865,327** |
| | | | | | |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance 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 |
| Other increase / decrease | - | (11,306) | (7,022) | - | 81,732 |
| Value adjustment for scrapped and sold assets | - | (5,012,855) | (4,085,615) | (358,968) | (2,143,240) |
| **Balance as at 31 December 2021** | **-** | **68,633,609** | **12,795,320** | **151,948,126** | **25,225,817** |
| | | | | | |
| **Current value of tangible assets as at 31 December 2020** | **46,051,424** | **233,990,083** | **21,493,416** | **121,048,042** | **10,585,635** |
| **Current value of tangible assets as at 31 December 2021** | **46,044,155** | **228,346,217** | **29,082,588** | **112,743,941** | **11,639,510** |

Movement of property, plant and equipment in 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** | | | | | |
| Balance 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) | - | - | - | - |
| Scrapping and sale | - | (2,581,419) | - | (1,014,037) | (15,914,517) |
| **Balance as at 31 December 2021** | **99,609,433** | **20,459,425** | **1,131,866** | **206,691,069** | **1,014,351,076** |
| | | | | | |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance 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 |
| Other increase / decrease | (1,392,238) | (389,340) | - | - | (1,718,174) |
| Value adjustment for scrapped and sold assets | - | (1,272,280) | - | - | (12,872,958) |
| **Balance as at 31 December 2021** | **34,047,811** | **11,356,980** | - | (721,099) | **303,286,564** |
| | | | | | |
| **Current value of tangible assets as at 31 December 2020** | **65,881,171** | **11,191,129** | **1,116,036** | **22,700,204** | **534,057,140** |
| **Current value of tangible assets as at 31 December 2021** | **65,561,622** | **9,102,445** | **1,131,866** | **207,412,168** | **711,064,512** |

Movement of property, plant and equipment in 2022:

COMPANY

| | Land | Buildings | Right-of-use assets - property | Plant and equipment | Tools, plant and office inventory, furniture and means of transporta-tion, devices |
|---|---|---|---|---|---|
| | in HRK | in HRK | in HRK | in HRK | in HRK |
| **Purchase value of tangible assets** | | | | | |
| Balance as at 31 December 2021 | 44,679,854 | 280,135,204 | 12,288,878 | 251,683,611 | 25,070,914 |
| Direct increases | - | 5,720 | 133,510 | 1,111,827 | - |
| Increase by transfer from assets in preparation | - | 58,388,914 | - | 163,776,601 | 2,957,418 |
| Reclassification | - | - | - | 63,901,465 | 570,990 |
| Scrapping and sale | - | - | (112,252) | (1,988,885) | (4,143,468) |
| **Balance as at 31 December 2022** | **44,679,854** | **338,529,838** | **12,310,136** | **478,484,619** | **24,455,854** |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance as at 31 December 2021 | - | 63,695,333 | 3,831,098 | 144,701,281 | 16,947,062 |
| Accrued depreciation for 2022 | - | 6,976,482 | 2,385,023 | 23,182,139 | 1,332,361 |
| Reclassification | - | - | - | 25,102,277 | 485,600 |
| Value adjustment for scrapped and sold assets | - | - | (67,474) | (1,913,760) | (680,261) |
| **Balance as at 31 December 2022** | **-** | **70,671,815** | **6,148,647** | **191,071,938** | **18,084,762** |
| **Current value of tangible assets as at 31 December 2021** | **44,679,854** | **216,439,871** | **8,457,781** | **106,982,329** | **8,123,852** |
| **Current value of tangible assets as at 31 December 2022** | **44,679,854** | **267,858,023** | **6,161,489** | **287,412,681** | **6,371,092** |

Movement of property, plant and equipment in 2022: (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** | | | | | |
| Balance as at 31 December 2021 | 97,948,309 | 13,092,501 | 1,131,866 | 206,541,444 | 932,572,581 |
| Direct increases | 1,145,285 | 10,262,283 | - | 130,188,648 | 142,847,273 |
| Increase by transfer from assets in preparation | - | - | 16,211 | (225,139,144) | - |
| Reclassification | (60,930,664) | (3,541,791) | - | - | - |
| Scrapping and sale | (1,770,896) | (3,638,414) | - | (516,178) | (12,170,093) |
| **Balance as at 31 December 2022** | **36,392,034** | **16,174,579** | **1,148,077** | **111,074,770** | **1,063,249,761** |
| | | | | | |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance as at 31 December 2021 | 33,881,698 | 7,761,078 | - | (721,099) | 270,096,451 |
| Accrued depreciation for 2022 | 3,296,049 | 3,663,161 | - | (516,178) | 40,319,037 |
| Reclassification | (24,443,724) | (1,144,153) | - | - | - |
| Value adjustment for scrapped and sold assets | (1,762,683) | (3,611,792) | - | - | (8,035,970) |
| **Balance as at 31 December 2022** | **10,971,341** | **6,668,294** | - | (1,237,277) | **302,379,520** |
| | | | | | |
| **Current value of tangible assets as at 31 December 2021** | **64,066,610** | **5,331,423** | **1,131,866** | **207,262,544** | **662,476,130** |
| **Sadašnja vrijednost materijalne imovine 31. prosinca 2022.** | **25,420,693** | **9,506,285** | **1,148,077** | **112,312,047** | **760,870,241** |

Movement of property, plant and equipment in 2021:

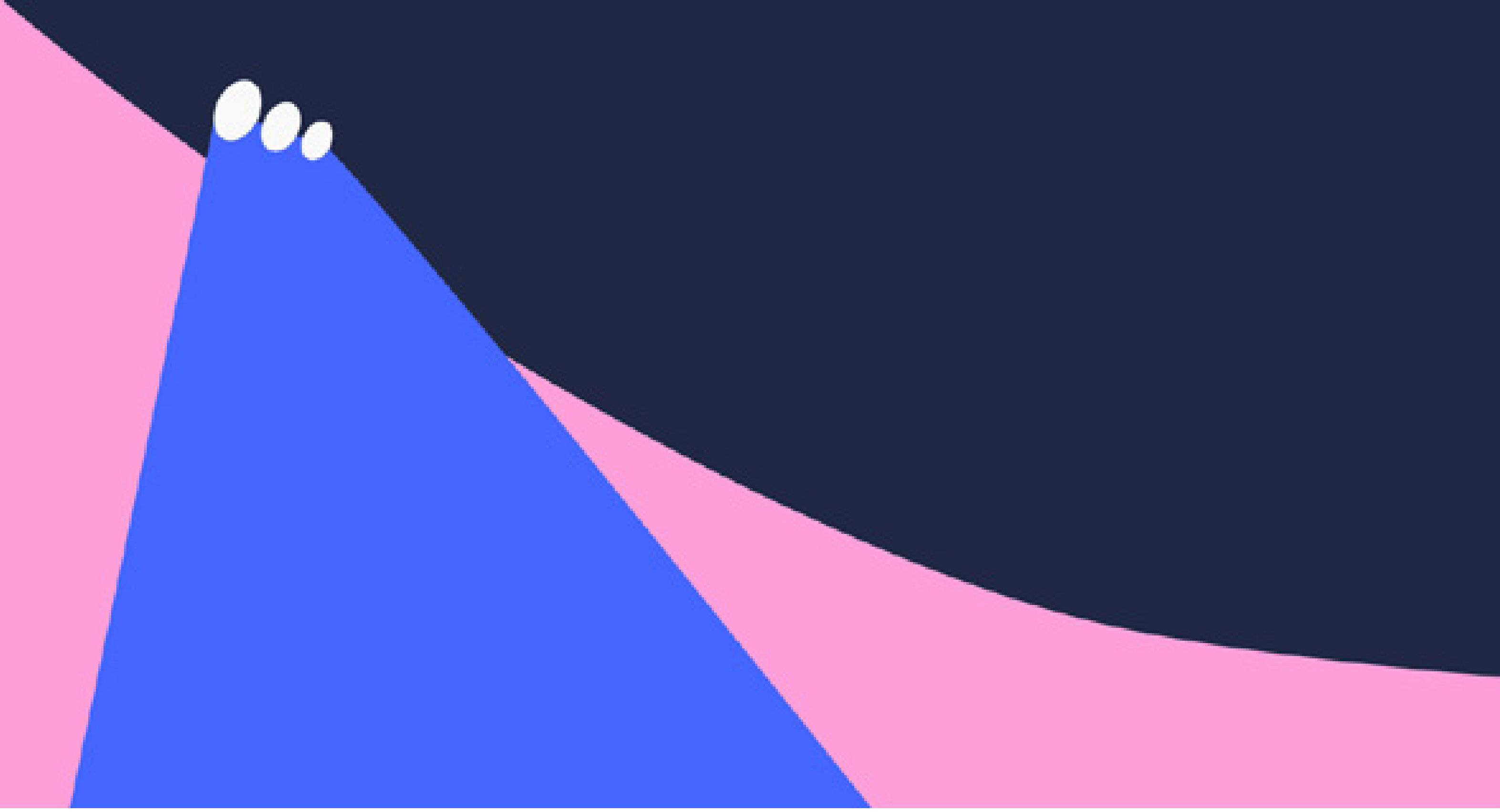
| | | | | | COMPANY |
|---|---|---|---|---|---|
| | **Land** | **Buildings** | **Right-of-use assets - property** | **Plant and equipment** | **Tools, plant and office inventory, furniture and means of transportation, devices** |
| | in HRK | in HRK | in HRK | in HRK | in HRK |
| **Purchase value of tangible assets** | | | | | |
| Balance 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 |
| Scrapping and sale | - | (5,012,855) | (881,215) | (413,896) | (1,388,601) |
| **Balance as at 31 December 2021** | **44,679,854** | **280,135,204** | **12,288,878** | **251,683,611** | **25,070,914** |
| | | | | | |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance 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 |
| Value adjustment for scrapped and sold assets | - | (5,012,855) | (671,369) | (413,897) | (1,388,601) |
| **Balance as at 31 December 2021** | **-** | **63,695,333** | **3,831,098** | **144,701,281** | **16,947,062** |
| | | | | | |
| **Current value of tangible assets as at 31 December 2020** | **44,679,854** | **222,097,641** | **5,094,249** | **117,221,869** | **8,197,787** |
| **Current value of tangible assets as at 31 December 2021** | **44,679,854** | **216,439,871** | **8,457,780** | **106,982,330** | **8,123,852** |

Movement of property, plant and equipment in 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** | | | | | |
| Balance 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) | - |
| Scrapping and sale | - | (647,090) | - | (1,014,037) | (9,357,694) |
| **Balance as at 31 December 2021** | **97,948,308** | **13,092,501** | **1,131,866** | **206,541,445** | **932,572,581** |
| **Accumulated depreciation and impairment of tangible assets** | | | | | |
| Balance 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 |
| Value adjustment for scrapped and sold assets | - | (297,446) | - | - | (7,784,168) |
| **Balance as at 31 December 2021** | **33,881,698** | **7,761,078** | **-** | **(721,099)** | **270,096,451** |
| **Current value of tangible assets as at 31 December 2020** | **61,300,284** | **6,718,028** | **1,116,036** | **22,122,068** | **488,547,816** |
| **Current value of tangible assets as at 31 December 2021** | **64,066,610** | **5,331,423** | **1,131,866** | **207,262,544** | **662,476,130** |

A lien has been registered on part of the real estate assets owned by the Group and the Company as security for repayment of long-term loans.

| | | **GROUP** | | **COMPANY** |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Real estate lien | 302,915,047 | 250,975,402 | 302,915,047 | 250,975,402 |



## 18. INVESTMENTS IN PROPERTY

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| **Description** | **Investment property IAS 40 - Land** | **Investment property IAS 40 - Buildings** | **Total assets IAS 40** | **Investment property IAS 40 - Land** | **Investment property IAS 40 - Buildings** | **Total assets IAS 40** |
| Balance as at 31 December 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 |
| **Balance as at 31 December 2021** | **3,816,042** | **13,890,472** | **17,706,514** | **3,816,042** | **13,890,472** | **17,706,514** |
| Increase/decrease in fair value | 23,816 | 117,389 | 141,205 | 23,816 | 117,389 | 141,205 |
| **Balance as at 31 December 2022** | **3,839,858** | **14,007,861** | **17,847,719** | **3,839,858** | **14,007,861** | **17,847,719** |

## 19. INVESTMENTS IN SUBSIDIARIES

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

| | Ownership share | 2022 | 2021 |
|---|---|---|---|
| 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 Moskva | 100% | 693,634 | 693,634 |
| JGL PPH d.o.o. | 100% | 64,988,239 | 64,988,239 |
| **Total** | | **139,329,267** | **139,329,267** |

The subsidiary Pablo d.o.o. holds 100% of the shares in the Pablo Rijeka Health Institution.

The subsidiary Pablo Rijeka Health Institution holds 100% of the shares in the Muvrin Health Institution that was bought in 2022.

## 20. OTHER FINANCIAL ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Galena d.o.o. (i) | 623,097 | 597,706 | 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 | 202,222 | 127,892 | - | - |
| Accruals | 158 | 237 | - | - |
| **Total** | **2,008,052** | **1,908,410** | **1,231,575** | **1,231,575** |

*(i) The Company recognises it using the cost method, while the Group recognises it using the equity method.*
*(ii) There is not enough information available to assess the fair value for these entities, and therefore their acquisition cost is the best assessment of the fair value of these investments, The total value of these financial assets is not materially significant.*

## 21. DEFERRED TAX ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Temporary tax differences | 10,113,913 | 7,594,524 | 2,419,921 | 2,283,430 |
| Unused tax benefits | 17,712,997 | 8,621,145 | 17,712,997 | 8,621,145 |
| **Total** | **27,826,910** | **16,215,669** | **20,132,918** | **10,904,575** |

## 22. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Raw materials | 115,694,467 | 78,509,507 | 110,330,577 | 71,447,905 |
| Work in progress | - | 34,172 | - | 34,172 |
| Finished goods | 92,315,629 | 74,112,830 | 87,275,641 | 70,429,870 |
| Goods | 71,650,669 | 70,042,195 | 44,617,767 | 32,027,799 |
| **Total** | **279,660,765** | **222,698,704** | **242,223,985** | **173,939,746** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Cost of goods sold | 304,890,476 | 270,154,866 | 282,114,388 | 251,217,953 |
| **Total** | **304,890,476** | **270,154,866** | **282,114,388** | **251,217,953** |

## 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** |
| Balance as at 31 December 2020 | - | - |
| Reclassification | - | - |
| Balance as at 31 December 2021 | 151,100 | - |
| Reclassification | 151,100 | - |
| **Balance as at 31 December 2022** | **151,100** | **-** |

## 24. RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Trade receivables | 359,628,247 | 337,762,973 | 309,221,518 | 301,452,214 |
| Receivables from employees | 114,519 | 45,666 | 19,616 | 23,353 |
| Receivables from the Government | 35,864,249 | 17,513,422 | 9,334,650 | 4,735,811 |
| Other current receivables | 17,701,988 | 26,413,285 | 11,999,381 | 23,447,259 |
| **Total** | **413,309,003** | **381,735,346** | **330,575,165** | **329,658,637** |

### 24.1. Trade receivables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Receivables from subsidiaries | - | - | 198,518,735 | 169,833,979 |
| Receivables from other cus-tomers | 359,628,248 | 337,762,973 | 110,702,783 | 131,618,235 |
| **Total** | **359,628,248** | **337,762,973** | **309,221,518** | **301,452,214** |

The breakdown of trade receivables by currency, expressed in HRK:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| RUB | 198,002,378 | 149,417,196 | 170,651,780 | 142,140,899 |
| EUR | 81,922,925 | 115,386,726 | 92,825,817 | 118,606,897 |
| HRK | 65,720,051 | 62,345,786 | 42,535,388 | 40,119,926 |
| BAM | 8,799,127 | 8,417,633 | - | - |
| RSD | 1,950,746 | 1,611,140 | - | - |
| USD | 3,233,021 | 584,492 | 3,208,533 | 584,492 |
| **Total** | **359,628,248** | **337,762,973** | **309,221,518** | **301,452,214** |

The age structure of overdue trade receivables except for receivables from subsidiaries for which value adjustment has not been performed:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| 0-90 days | 44,241,281 | 22,317,987 | 10,562,575 | 10,183,403 |
| 91-180 days | 1,365,395 | 8,315,657 | 62,854 | 371,452 |
| 181-360 days | 1,296,121 | 467,141 | 837,319 | 6,716 |
| over 360 days | 65,699 | 394,146 | 7,655 | 4,250 |
| **Total** | **46,968,496** | **31,494,931** | **11,470,403** | **10,565,821** |

## 24.2. Receivables from subsidiaries and related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Relations with subsidiaries and related parties** | | | | |
| Pablo d.o.o.(Group) | - | - | 15,456,129 | 6,291,304 |
| Adrialab d.o.o. | - | - | 90,265 | 31,111 |
| JGL d.o.o. Beograd-Sopot | - | - | 7,182,298 | 7,705,817 |
| Farmis d.o.o. Sarajevo | - | - | 5,120,950 | 9,412,314 |
| Jadran Galenski laboratorij d.o.o. Ljubljana | - | - | 17,209 | 666,909 |
| JADRAN LLC Moskva | - | - | 170,651,884 | 142,140,900 |
| JGL PPH d.o.o. | - | - | - | 3,585,624 |
| Jadran informatika d.o.o. | 32,546 | - | 23,171 | - |
| Poliklinika Pablo | - | 287 | - | - |
| Kanal RI d.o.o. | 24,000 | - | 24,000 | |
| **Total** | **56,546** | **287** | **198,565,906** | **169,833,979** |

## 24.3. Other current receivables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Receivables for advance payments | 15,178,547 | 25,098,820 | 11,025,591 | 23,406,330 |
| Receivables based on damage compensation | 911,534 | 1,635 | 907,635 | 1,446 |
| Other receivables | 1,611,907 | 1,312,830 | 66,155 | 39,483 |
| **Total** | **17,701,988** | **26,413,285** | **11,999,381** | **23,447,259** |

## 25. CURRENT FINANCIAL ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Loans to subsidiaries | - | - | 3,013,800 | 5,262,022 |
| Loans given and deposits | 306,841 | 44,515 | 182,000 | - |
| **Total** | **306,841** | **44,515** | **3,195,800** | **5,262,022** |

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Investments in investment funds | 20,888,556 | 51,382,560 | 20,888,556 | 51,382,560 |
| **Total** | **20,888,556** | **51,382,560** | **20,888,556** | **51,382,560** |

## 27. CASH AT BANK AND IN HAND

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Cash at bank | 108,029,140 | 52,163,967 | 78,928,186 | 27,267,879 |
| Cash in hand | 544,623 | 318,375 | 2,119 | 6,444 |
| **Total** | **108,573,763** | **52,482,342** | **78,930,305** | **27,274,323** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| EUR | 24,250,784 | 23,280,280 | 17,471,027 | 17,688,996 |
| HRK | 66,640,488 | 13,595,769 | 58,770,033 | 7,648,975 |
| RUB | 10,205,303 | 9,830,523 | 1,850,468 | 1,193,415 |
| BAM | 5,416,045 | 3,670,933 | 12,047 | 14,486 |
| RSD | 1,150,215 | 1,342,667 | 2,533 | 2,463 |
| USD | 609,183 | 371,542 | 522,452 | 335,360 |
| Other currencies | 301,745 | 390,628 | 301,745 | 390,628 |
| **Total** | **108,573,763** | **52,482,342** | **78,930,305** | **27,274,323** |

## 28. OTHER RECEIVABLES

Other receivables pertain to prepaid expenses:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Other receivables | 5,802,528 | 5,795,840 | 3,959,423 | 3,312,789 |
| **Total** | **5,802,528** | **5,795,840** | **3,959,423** | **3,312,789** |

## 29. SHARE CAPITAL

As at 31 December 2022, the share capital of the Company amounts to HRK 123,375,500 (HRK 122.042.500 in 2021) and is divided into 1,233,755 shares (1.220.425 shares in 2021) with a nominal value of HRK 100 per share. The increase is the result of issuing 13,330 new ordinary shares (14,825 ordinary shares in 2021).

## 30. RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Reserves | 98,183,881 | 92,346,579 | 96,807,009 | 91,281,389 |
| **Total** | **98,183,881** | **92,346,579** | **96,807,009** | **91,281,389** |

These changes in the reserves are the result of the share premium account and of the creation of reserves to cover development costs shown under assets that have not been written off and the translation of foreign currencies into the reporting currency during the consolidation process.

## 31. OWN SHARES

As at 31 December 2022, the Company has own shares in the amount of HRK 6,517,200 (HRK 7,709,900 in 2021).

## 32. RETAINED EARNINGS OR LOSSES BROUGHT FORWARD

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Retained earnings | 547,491,933 | 470,796,304 | 597,852,114 | 480,798,293 |
| **Total** | **547,491,933** | **470,796,304** | **597,852,114** | **480,798,293** |

By the Resolution of the General Meeting of 13 June 2022, the 2021 profit amounting to HRK 126,458,168 was allocated to the Company's retained earnings. A decision was also made to pay the dividend out of the retained earnings of 2009 in the total amount of HRK 16,251,774.

In 2022, HRK 10,634,627 was returned to the retained earnings due to the decrease in reserves for the repurchase of own shares.

In 2021, reserves were created out of the retained earnings for the repurchase of own shares in the amount of HRK 3,787,200.

## 33. FINANCIAL YEAR RESULT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Result after tax | 144,630,801 | 86,188,678 | 118,026,283 | 126,458,168 |
| **Total** | **144,630,801** | **86,188,678** | **118,026,283** | **126,458,168** |
| **Earnings per share** | **125** | **76** | **102** | **112** |

Distribution of the Company's profit was not determined at the time of drafting these notes. Once adopted, the decision on the distribution of the profit shall be published on the websites of the Financial Agency (FINA), the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, as well as on the Company's website www.jgl.hr.

## 34. NON-CURRENT PROVISIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Provisions for years of service awards and severance allowances | 3,186,161 | 2,870,680 | 2,420,707 | 2,128,472 |
| Provisions for ongoing legal cases | 761,420 | 806,181 | 761,420 | 806,181 |
| **Total** | **3,947,581** | **3,676,861** | **3,182,127** | **2,934,653** |

Changes in provisions in 2022 were as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Provisions as at 1 January** | **3,676,861** | **3,428,857** | **2,934,653** | **2,815,556** |
| Cancellation of provisions | (78,261) | (28,040) | (46,761) | (20,540) |
| Additional provisions | 548,481 | 450,544 | 450,235 | 257,137 |
| Transfer to current provisions | (199,500) | (174,500) | (156,000) | (117,500) |
| **Provision as at 31 December** | **3,947,581** | **3,676,861** | **3,182,127** | **2,934,653** |

## 35. NON-CURRENT LIABILITIES TOWARDS BANKS AND FINANCIAL INSTITUTIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Liabilities towards banks | 404,799,000 | 259,574,480 | 404,799,000 | 259,574,480 |
| **Total** | **404,799,000** | **259,574,480** | **404,799,000** | **259,574,480** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Average interest rate on long-term loans | 1.61% | 1.39% | 1.61% | 1.39% |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Liabilities towards banks** | | | | |
| Balance at 1 January | 259,574,480 | 175,898,272 | 259,574,480 | 175,898,272 |
| New debt and exchange rate differences | 177,166,425 | 109,251,334 | 177,166,425 | 109,251,334 |
| Transfer to short-term position | (31,941,905) | (25,575,126) | (31,941,905) | (25,575,126) |
| **Balance at 31 December** | **404,799,000** | **259,574,480** | **404,799,000** | **259,574,480** |

Maturity of liabilities towards banks and financial institutions:

| | | | GROUP |
|---|---|---|---|
| | Current maturity in 2023 | 2024 - 2027 | 2028-onward |
| Liabilities towards banks | 27,492,731 | 176,620,226 | 228,178,774 |
| **Total** | **27,492,731** | **176,620,226** | **228,178,774** |

| | | | COMPANY |
|---|---|---|---|
| | Current maturity in 2023 | 2024 - 2027 | 2028-onward |
| Obveze prema bankama | 27,445,026 | 176,620,226 | 228,178,774 |
| **Total** | **27,445,026** | **176,620,226** | **228,178,774** |

The company JGL d.d. is the only company within the JGL Group that has long-term loan liabilities. Total short-term and long-term debt to HBOR as at 31 December 2022 amounts to HRK 432,244,026 (HRK 41,580,555 in 2021).

The long-term loan liability toward HBOR, which was used in 2013 to finance the investment of the Svilno 2 production plant, amounts to HRK 126,296,204 on 31 December 2022 (HRK 152,884,878 in 2021). The loan was approved at the amount of HRK 279,830,373, and the repayment of the principal began in 2019.

In 2020, the Company launched a new investment called INTEGRA 2020, which will be financed in part from a long-term loan from HBOR in the amount of HRK 279,830,373. The estimated duration of the investment and use of the loan is until 30 June 2023. Up to 31 December 2022, HRK 237,024,770 of the loan was used (HRK 134,853,496 in 2021).

In 2022, the Company entered into an agreement with HBOR for a new loan, i.e. a working capital loan amounting to HRK 100,000,000. The estimated duration of the use of the loan is until 31 May 2023, and the repayment term is 5 years, with a grace period of one year. Up to 31 December 2022, HRK 70,000,000 of the loan was used.

## 36. NON-CURRENT LEASE LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Lease liabilities | 34,280,817 | 36,937,781 | 13,990,486 | 17,608,792 |
| **Total** | **34,280,817** | **36,937,781** | **13,990,486** | **17,608,792** |

### Relations with related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Non-current lease liabilities | 471,160 | 753,514 | - | - |
| **Total** | **471,160** | **753,514** | **-** | **-** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Lease liabilities** | | | | |
| Balance at 1 January | 36,937,781 | 37,666,403 | 17,608,792 | 21,624,412 |
| New debt and exchange rate differences | 20,063,442 | 18,897,693 | 10,080,673 | 8,704,856 |
| Transfer to short-term position | (22,720,406) | (19,626,315) | (13,698,979) | (12,720,476) |
| **Balance at 31 December** | **34,280,817** | **36,937,781** | **13,990,486** | **17,608,792** |

Maturity of non-current lease liabilities:

| | | | GROUP |
|---|---|---|---|
| | **Current maturity in 2023** | **2024 - 2027** | **2028-onward** |
| Lease liabilities | 20,560,534 | 31,150,972 | 3,129,845 |
| **Total** | **20,560,534** | **31,150,972** | **3,129,845** |

| | | | COMPANY |
|---|---|---|---|
| | **Current maturity in 2023** | **2024 - 2027** | **2028-onward** |
| Lease liabilities | 11,543,422 | 13,542,873 | 447,613 |
| **Total** | **11,543,422** | **13,542,873** | **447,613** |

## 37. NON-CURRENT SECURITIES LIABILITIES

Within the JGL Group, the company JGL d.d. has non-current securities liabilities which, on 31 December 2022, amount to HRK 129,150,175 and relate to liabilities for issued long-term bonds (HRK 128,717,372 in 2021).

On 21 November 2019, HANFA issued a Decision, Class No: UP/I-976-02/19-01/06, Reg.No: 326-01-60-62-19-12, approving a single prospectus of bonds in the amount of 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 and maturity on 18 December 2024.

## 38. DEFERRED TAX LIABILITY

| | | GROUP | | COMPANY |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Deferred tax liability | 5,698,401 | 3,672,808 | - | - |
| **Total** | **5,698,401** | **3,672,808** | **-** | **-** |

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 |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Liabilities towards banks | 27,492,731 | 92,050,774 | 27,445,026 | 82,006,075 |
| **Total** | **27,492,731** | **92,050,774** | **27,445,026** | **82,006,075** |

| | | GROUP | | COMPANY |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Liabilities towards banks** | | | | |
| Balance at 1 January | 92,050,774 | 36,501,911 | 82,006,075 | 26,501,911 |
| Yield, new debt and exchange rate differences | 48,395,883 | 110,623,533 | 48,391,096 | 100,578,030 |
| Repayment | (112,953,926) | (55,074,670) | (102,952,145) | (45,073,866) |
| **Balance at 31 December** | **27,492,731** | **92,050,774** | **27,445,026** | **82,006,075** |

## 40. CURRENT LEASE LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Lease liabilities | 20,560,534 | 18,702,015 | 11,543,422 | 11,703,152 |
| **Total** | **20,560,534** | **18,702,015** | **11,543,422** | **11,703,152** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Lease liabilities** | | | | |
| Balance at 1 January | 18,702,015 | 23,197,917 | 11,703,152 | 16,450,142 |
| Yield, new debt and exchange rate differences | 24,127,481 | 21,739,496 | 14,212,406 | 14,235,967 |
| Repayment | (22,268,962) | (26,235,398) | (14,372,136) | (18,982,957) |
| **Balance at 31 December** | **20,560,534** | **18,702,015** | **11,543,422** | **11,703,152** |

### Relations with related parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Current lease liabilities | 325,322 | 330,153 | - | - |
| **Total** | **325,322** | **330,153** | **-** | **-** |

## 41. TRADE PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Trade payables | 250,761,541 | 210,855,714 | 167,754,981 | 146,679,011 |
| **Total** | **250,761,541** | **210,855,714** | **167,754,981** | **146,679,011** |

Structure of trade payables by currency:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| HRK | 124,798,933 | 88,296,080 | 89,613,928 | 79,419,736 |
| EUR | 84,106,468 | 96,042,709 | 76,624,878 | 62,506,794 |
| RUB | 38,307,791 | 20,700,742 | 422,179 | 399,448 |
| USD | 1,836,339 | 371,863 | 1,086,107 | 368,076 |
| CHF | - | 3,927,765 | - | 3,927,765 |
| Other currencies | 1,712,010 | 1,516,555 | 7,889 | 57,192 |
| **Total** | **250,761,541** | **210,855,714** | **167,754,981** | **146,679,011** |

Relations with subsidiaries and related parties:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Jadran informatika d.o.o. Rijeka | 334,228 | 637,059 | 250,750 | 455,991 |
| Adrialab d.o.o. | - | - | 2,473,551 | 2,058,526 |
| Farmis d.o.o. Sarajevo | - | - | 29,434 | - |
| JGL d.o.o. Beograd- Sopot | - | - | 26,544 | - |
| Jadran Galenski laboratorij d.o.o. Ljubljana | - | - | 4,577 | 7,104 |
| Jadran LLC | - | - | 422,179 | 189,626 |
| **Total** | **334,228** | **637,059** | **3,207,035** | **2,711,247** |

## 42. OTHER LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Accrued liabilities | 29,632,534 | 33,022,364 | 14,538,596 | 13,663,177 |
| Liabilities towards employees | 24,589,510 | 21,258,295 | 20,851,650 | 16,920,069 |
| Liabilities for taxes, contributions and other fees | 24,341,926 | 20,581,492 | 18,870,950 | 14,848,174 |
| Liabilities for received advance payments | 8,550,963 | 8,546,787 | 8,385,665 | 8,485,891 |
| Other current liabilities and current provisions | 4,670,450 | 4,398,865 | 4,540,671 | 4,258,171 |
| **Total** | **91,785,383** | **87,807,803** | **67,187,532** | **58,175,482** |

Relations with subsidiaries and related parties:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Other liabilities towards related parties | 4,207,022 | 3,907,775 | 4,207,022 | 3,907,775 |
| **Total** | **4,207,022** | **3,907,775** | **4,207,022** | **3,907,775** |

## 43. RISK MANAGEMENT

### 43.1. Financial risk factors

In the course of their ordinary business activities, the Group and the Company are exposed to various financial risks which are connected to currency, interest rate, credit and liquidity risks. The Group and the Company monitor these risks and seek to minimise their potential impact on the financial exposure of the Group and the Company.

The most significant risks and the methods used to manage them are described below.

### 43.2. Foreign currency risk

The Group and the Company are exposed to the risk of foreign exchange rate fluctuations during procurement and sales denominated in foreign currencies. Foreign currency risk is present due to possible foreign exchange rate fluctuations. The dominant role of export in the Group and Company's 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 hedging.

The exposure to foreign currency risk is constantly monitored and hedging instruments are used as necessary. The parent company, and the subsidiary Jadran LLC which bears 50% of the costs of exchange rate differences resulting from operations denominated in the Russian rouble, are most exposed to currency risk. The hedging decision depends on the currency in which the receivables are denominated, and on the type of hedging instrument, the possibility to obtain it and its price. As at 31 December 2022, the Company did not have any active forward contracts.

In 2022, the Group and the Company were primarily exposed to the foreign currency risk arising from the fluctuation of HRK against EUR and RUB. Of these two risks, the risk arising from the fluctuation of the kuna against the Russian rouble is higher, affecting the parent company JGL d.d. and its related company JADRAN LLC at a ratio of 50:50.

The following table shows the carrying amounts of assets and liabilities of the Group in foreign currencies as at 31 December 2022.

in thousand HRK

| | LIABILITIES | | ASSETS | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| EUR | 121,408 | 118,968 | 134,325 | 178,060 |
| RUB | 61,766 | 106,005 | 211,500 | 170,421 |
| USD | 1,582 | 328 | 3,821 | 567 |
| Other currencies | 6,794 | 11,384 | 15,777 | 19,263 |

The following table shows the carrying amounts of assets and liabilities of the Company in foreign currencies as at 31 December 2022.

in thousand HRK

| | LIABILITIES | | ASSETS | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| EUR | 98,218 | 94,431 | 136,727 | 179,985 |
| RUB | 449 | 52,352 | 216,384 | 139,428 |
| USD | 1,582 | 328 | 3,821 | 567 |
| Other currencies | 1,006 | 4,106 | 41 | - |

The Group and the Company are primarily exposed to the foreign currency risk arising from the fluctuation of the Croatian kuna against 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 per barrel of oil on global markets.

The Group and the Company are naturally protected from the effects of changes in the EUR exchange rate, namely foreign currency assets and liabilities are equal. In recent years, the EUR exchange rate against HRK has been less volatile, with an absolute change being less than 1% during the year. In 2022, due to the war in Ukraine and a significant change in the global political and macroeconomic environment, an absolute change in the EUR exchange rate against HRK was over 2% during the year.

In 2022, political risk related to the war in Ukraine occurred. The Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. In March 2022, as a response to the initial shock and severe sanctions implemented by the EU and the USA, the Russian rouble depreciated sharply and then stabilised in April and May and returned to 2019 levels, thanks to the growth of oil prices and RCB measures, such as increasing interest rates, limiting the sale of foreign currency, managing inflation etc.

Should the exchange rate of EUR increase by 1% against the exchange rate of HRK on 31 December 2022, provided that all other indicators remain the same, the net profit of the Group for the reporting period would be HRK 130,723 higher (HRK 549,537 higher in 2021). 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 2022, provided that all other indicators remain the same, the net profit of the Group for the reporting period would be HRK 1,309,400 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 504,492 higher in 2021). 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 2022, provided that all other indicators remain the same, the net profit of the Company for the reporting period would be HRK 386,878 higher (HRK 854,889 higher in 2021). 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 2022, provided that all other indicators remain the same, the net profit of the Company for the reporting period would be HRK 1,715,463 higher, mostly as a result of the exchange rate gain during the conversion of foreign currency assets and liabilities (HRK 868,807 higher in 2021). 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.

### 43.3. Interest rate risk

The Group's and the Company's business activities expose their cash flows to interest rate risk only minimally since the majority of interest rate debt is contracted at a fixed interest rate, which exposes the Group and the Company to the fair value interest rate risk.

In 2022, the average interest rate on bank loans to the Group was 1.61% (1.39% in 2021). In 2022, the average interest rate on bank loans to the Group was 1.61% (1.39% in 2021).

During 2022, under the influence of macroeconomic events, interest rates increased to high levels. The Group and the Company do not use derivative instruments to actively hedge its exposure to interest rate risk (cash flow interest rate risk and fair value interest rate risk) as the current structure of debt does not require their use. Within the JGL Group, the Company JGL d.d. has bank and lease debts, with most of them being contracted at favourable fixed interest rates.

For the purposes of short-term financing, the Group and the Company use funds from the framework short-term credit lines arranged with commercial banks. AS at 31 December 2022, there are no outstanding uses of credits under these framework lines.

### 43.4. Credit risk and liquidity risk

Assets that can potentially expose the Group and the Company to credit risk include current financial assets, cash and trade receivables.

Credit risk in connection with trade receivables is limited since these receivables are spread across various geographical areas and customers. Within the Group, the parent company is most exposed to this risk. This is because about 75% of trade receivables are foreign trade receivables. The company seeks to protect itself by obtaining payment security instruments and by selecting customers based on the evaluation of their creditworthiness. In order to further protect the collection of foreign receivables, the Group and the Company insure receivables from customers.

Credit risk is related both to current financial assets and to cash at bank. The Group and the Company protect themselves against those risks by keeping funds with commercial banks through which they also perform other business operations, and which are among the leading banks and possess satisfactory levels of capital adequacy.

The Group and the Company are part of the healthcare system and are indirectly subject to the risk of the collection period for trade receivables within the Croatian Health Insurance Fund's system. The security risk connected to receivables in the pharmacy system is reduced through the market position of the related entity Ljekarna Pablo, whose purchase from wholesale pharmacies is based on the share of a wholesale pharmacy in the sales of the parent company JGL d.d. JGL ensures nearly 90% of its pharmaceutical wholesale in Croatia by directing the purchase policy of its related entity, so the payment security risk is reduced to a minimum.

In 2022, payment collection deadlines in the Croatian healthcare system ranged from 120 to 180 days, with continued efforts being made by the Ministry of Health to reduce these periods to under 120 days. The situation is similar in other markets and countries where member companies operate (Russia, Belarus, Kazakhstan, Slovenia, Bosnia and Herzegovina, etc.). The average collection period for customers ranges from 30 to 90 days, whereas the average collection period for wholesale pharmacies has been extended and, as a rule, ranges from 90 to 120 days.

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

In 2022, the parent company within the Group has credit lines in EUR approved and contracted with commercial banks in the total amount of EUR 8 million. These lines are used as a liquidity reserve and there was no need for their use in the first half of 2022. The company ZU Pablo is the co-debtor in the credit line approved to the parent company and may use assets up to the amount of HRK 20 million. Jadran LLC, a related company in Russia, has a contractual framework for short-term loans and an authorised overdraft which may be used for liquidity coverage in the total 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 have been prepared using undiscounted cash flows based on contractual conditions at the reporting date and also include principal and interest cash flows. The liquidity risk analysis given below does not suggest the likelihood of lack of liquidity of the Group and the Company in the short term.

in thousand HRK

| | Net carrying value | Contracted cash flows | Up to 1 year | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| Group as at 31 December 2022 | | | | | |
| **Non-interest-bearing liabilities:** | | | | | |
| Trade payables | 259,069 | 259,069 | 259,069 | - | - |
| Other liabilities | 72,020 | 72,020 | 72,020 | - | - |
| **Interest bearing liabilities:** | | | | | |
| Loan liabilities | 467,267 | 467,267 | 32,712 | 197,445 | 237,110 |
| Bond liabilities | 134,550 | 134,550 | 2,275 | 132,275 | - |
| Lease liabilities | 56,602 | 56,602 | 21,056 | 32,864 | 2,682 |
| | **989,508** | **989,508** | **387,132** | **362,584** | **239,792** |
| **Non-interest-bearing assets:** | | | | | |
| Trade receivables (including promissory notes) and other receivables | 413,309 | 413,309 | 413,309 | - | - |
| Cash and cash equivalents | 74,463 | - | - | - | - |
| **Interest-bearing assets:** | | | | | |
| Loans granted | 182 | 182 | 182 | - | - |
| Deposits | 55,050 | 55,050 | 55,050 | - | - |
| | **543,004** | **468,541** | **468,541** | **-** | **-** |
| **Net liquidity position** | **(446,504)** | **(520,967)** | **81,409** | **(362,584)** | **(239,792)** |

in thousand HRK

| | Neto knjig. vrijednost | Ugovoreni novčani tokovi | Do godinu dana | 1-5 godine | preko 5 godina |
|---|---|---|---|---|---|
| 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 bearing 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)** |

in thousand HRK

| | Net carrying value | Contracted cash flows | Up to 1 year | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| Company as at 31 December 2022 | | | | | |
| **Non-interest-bearing liabilities:** | | | | | |
| Trade payables | **167,755** | 167,755 | 167,755 | - | - |
| Other liabilities | **52,649** | 52,649 | 52,649 | - | - |
| **Interest bearing liabilities:** | | | | | |
| Loan liabilities | **470,223** | 470,223 | 32,712 | 197,445 | 240,066 |
| Bond liabilities | **134,550** | 134,550 | 2,275 | 132,275 | - |
| Lease liabilities | **27,295** | 27,295 | 12,039 | 15,256 | - |
| | **852,472** | **852,472** | **267,430** | **344,976** | **240,066** |
| **Non-interest-bearing assets:** | | | | | |
| Trade receivables (including promissory notes) and other receivables | 309,222 | 309,222 | 309,222 | - | - |
| Cash and cash equivalents | 44,819 | - | - | - | - |
| **Interest-bearing assets:** | | | | | |
| Loans granted | 3,196 | 3,196 | 3,196 | - | - |
| Term deposits | 55,041 | 55,041 | 55,041 | | |
| | **412,278** | **367,459** | **367,459** | **-** | **-** |
| **Net liquidity position** | **(440,194)** | **(485,013)** | **100,029** | **(344,976)** | **(240,066)** |

in 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 bearing 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** | **-** | **-** |
| **Neto pozicija likvidnosti** | **(420,919)** | **(499,576)** | **96,112** | **(328,815)** | **(266,873)** |

### 43.5. 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 the research and development of new products is inherently uncertain. Research and development in the pharmaceutical industry in the segment of medicinal products is a multi-annual process, and there is a possibility of changes in market conditions compared to the predictions at the beginning of a project.

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

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

In addition to investments and regulations, the pricing policy in the pharmaceutical industry also has a strong impact on business operations. The pharmaceutical industry is characterised by changes in market prices of medicinal products, which can be caused by healthcare reforms, changes in the list of medicines maintained by the Croatian Health Insurance Fund, tax reforms, market instability, etc. Prices for OTC products are not regulated and can rise and fall depending on market competition. In case of changes in market prices, the Group and the Company can maintain the same level of profitability by decreasing operating costs (other external service costs – promotions, entertainment, consulting services, etc. and by negotiating lower costs of procuring raw materials).

The Group and the Company manage their market risks through a diversified product portfolio, sophisticated technology and manufacturing processes, and through investments in highly skilled staff and research and development.

### 43.6. 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 external sources is based on non-current assets with favourable interest rates, and does not impose a burden on the Group's and the Company's liquidity.

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

The company JGL bears the greatest part of the debt burden. The liability for the long-term HBOR loan used to finance the investment in the new production plant Svilno 2 amounts to HRK 126,296,204. Repayment of the principal began in 2019, and during 2020 an addendum to the contract was signed which reduces the interest rate, which further contributes to the reduction of financing costs.

In 2020, the parent company began the INTEGRA 2020 investment, which includes expanding production capacities, equipping a development laboratory, building a pilot plant and logistics centre, and arranging office space. The investment is financed partly by own funds and partly by a long-term loan from HBOR in the amount of HRK 279,830,373 with a favourable fixed interest rate. The estimated duration of the investment and use of the loan is until 30 June 2023. By the end of 2022, 80% of the loan was utilised, and on 31 December 2022 the principal amounted to HRK 237,024,770.

The Company has liabilities towards the holders of bonds under the code HRJDGLO24XA2, in the amount of HRK 130,000,000 and with a maturity date on 18 December 2024.

In 2022, the Company entered into an agreement with HBOR for a new loan, i.e. a working capital loan amounting to HRK 100,000,000. The estimated duration of the use of the loan is until 31 May 2023, and the repayment term is 5 years, with a grace period of one year. As at 31 December 2022, the loan liability amounted to HRK 70,000,000.

The reduction of debt and shorter periods of collection of receivables resulted in financial stability, liquidity of the Group and the Company, creditworthiness, and a good net-debt-to-capital ratio.

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

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Debt** | | | | |
| Short-term and long-term financial debt | 616,283,257 | 535,982,422 | 586,928,109 | 499,609,871 |
| Cash and cash equivalents and loans granted | (129,769,160) | (103,909,417) | (103,014,661) | (83,918,905) |
| **Net debt** | **486,514,097** | **432,073,005** | **483,913,448** | **415,690,967** |
| Total capital and reserves | 907,164,915 | 763,664,161 | 929,543,706 | 812,870,449 |
| Net debt / capital and reserves | 0.54 | 0.57 | 0.52 | 0.51 |
| Financial leverage coefficient | 34.91% | 36.13% | 34.24% | 33.84% |

## 43.7. Categories of financial instruments

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Financial assets at fair value** | | | | |
| Investments in securities | 22,071,131 | 52,565,134 | 22,071,131 | 52,565,134 |
| **Total** | **22,071,131** | **52,565,134** | **22,071,131** | **52,565,134** |
| **Financial assets at amortised cost** | | | | |
| Trade receivables | 359,628,248 | 337,762,973 | 309,221,518 | 306,088,622 |
| Cash and cash equivalents | 108,573,763 | 52,482,342 | 78,930,305 | 27,274,323 |
| Other financial assets | 306,841 | 44,515 | 3,195,800 | 5,262,022 |
| **Total** | **468,508,852** | **390,289,830** | **391,347,623** | **338,624,967** |
| **Financial assets at amortised cost** | | | | |
| Loan liabilities | 432,291,731 | 351,625,254 | 432,244,026 | 341,580,555 |
| Liabilities arising from bonds and securities | 129,150,175 | 128,717,372 | 129,150,175 | 128,717,372 |
| Trade payables | 250,761,541 | 210,855,714 | 167,754,981 | 146,679,011 |
| Lease liabilities | 54,841,351 | 55,639,796 | 25,533,908 | 29,311,944 |
| **Total** | **867,044,798** | **746,838,136** | **754,683,090** | **646,288,882** |

# 44. 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.

# 45. CONTINGENT LIABILITIES

There are several ongoing judicial disputes against the Group and the Company for which the Executive Director believes that the potential final liability arising from disputes and appeals will not have any significant impact on the financial position or future business performance of the Group or the Company.

## 46. COMPENSATION OF KEY MANAGEMENT PERSONNEL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Net salaries | 11,039,256 | 11,203,516 | 6,947,272 | 6,778,819 |
| Tax and contributions from salaries | 5,945,942 | 5,457,659 | 4,662,034 | 3,981,916 |
| Contributions on salaries | 2,499,970 | 2,592,948 | 1,915,535 | 1,879,892 |
| Remuneration of the Board of Directors and allocation of shares | 7,616,718 | 10,958,464 | 6,866,377 | 10,739,858 |
| **Total** | **27,101,886** | **30,212,587** | **20,391,218** | **23,380,485** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Annual awards and bonuses to the key management personnel | 5,716,967 | 5,876,659 | 4,917,530 | 4,404,823 |
| Number of shares assigned to the key management personnel | 3,475 | 3,298 | 2,850 | 3,298 |

## 47. IMPACT OF COVID-19 ON OPERATION OF THE GROUP AND THE COMPANY

In 2022, the Group and the Company fully adapted to the pandemic and did not feel the negative effect of it.

## 48. FINANCIAL LIABILITIES NOT INCLUDED IN THE BALANCE SHEET

Financial obligations not included in the balance sheet are monitored through off-balance sheet records and comprise:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Credit lines with banks | 103,702,400 | 80,171,740 | 65,276,000 | 80,171,740 |
| Guarantees issued | 46,275,014 | 43,781,968 | 46,275,014 | 43,781,968 |
| Guarantees received | 24,937,270 | 25,115,640 | 24,937,270 | 25,115,640 |
| Contracted raw materials | 1,101,149 | 2,769,408 | 1,101,149 | 2,769,408 |
| Pre-supplied EUR cash | 3,773 | - | 3,773 | - |
| **Total** | **176,019,606** | **151,838,756** | **137,593,206** | **151,838,756** |

## 49. INDEFINITE BUSINESS

In 2022, political risk related to the war in Ukraine occurred. The JGL Group operates in the markets of Russia, Ukraine and Belarus, the areas most affected by this political and economic crisis. It is clear that this situation impacts not only the financial market, but also the market for energy products. Due to their operations in war-affected areas, the Group and the Company are exposed to foreign currency risk, the risk of the inability to collect receivables, the risk of the inability to deliver goods, the risk of a decline in sales revenue, and the risk of losing control over the operations in these countries. These risks are managed in several ways: by controlling inventories, insuring exports, finding alternative routes for the distribution of products, diversifying the portfolio and focusing on other markets, as well as by reducing costs to reduce the impact that a decline in sales has on business operations.

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

If war operations are significantly expanded or sanctions are tightened, which would cause large-scale negative economic effects, then the question of indefinite business might be raised.

## 50. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

The Government of the Republic of Croatia has adopted the Decision to Announce the Introduction of the Euro as the Official Currency in the Republic of Croatia, whereby euro becomes the official monetary unit and the legal tender in the Republic of Croatia on 1 January 2023.

The fixed conversion rate is set at 7,53450 kuna per 1 euro. The introduction of the euro as the official currency in the Republic of Croatia represents the change of the Company's functional currency and the Group's and Company's reporting currency and is not an adjusting event.

## 51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements shown in the preceding pages were prepared and approved for issuing by the Company's Executive Director on 24 April 2023.

For JGL d.d.

Mislav Vučić,
Chief Executive Officer

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