

JADRAN – GALENSKI LABORATORIJ d.d.  
Svilno 20  
51000 Rijeka

Rijeka, 4 June 2020

### **Subject: Impact of COVID-19 on Business Operations**

In line with ESMA's recommendation, JGL as a bond issuer on the regulated market is issuing the present statement on the potential effects of the COVID-19 disease.

We are adapting to the crisis caused by the coronavirus pandemic every day, from the moment it happened. Thanks to the constant adjustment of our activities and investments, we have coped well with it so far. Regardless of the fact that after the outbreak of the crisis it seemed that the supply chain would be interrupted, these obstacles were quickly eliminated by a customized way of working, so we did not notice any delays and negative effects within the EU. In fact, in the first four months, compared to the same period last year, we recorded an increase in exports of 37 percent, or sales in the amount of 150 million kuna. We record the best results in the key markets of Russia, Ukraine, Belarus and Kazakhstan, as well as in the B2B business segment, with products within the Aqua Maris, Vizol S and Meralys HA lines.

What poses a potential danger to us, and what is still unknown, hides in the macroeconomic dynamics in the second half of the year. Since Russia is an extremely important market for us at JGL and we depend a lot on the volatility of the ruble, due to the general slowdown in the economy and falling oil prices, as well as reduced purchasing power of the population, negative effects are possible. In addition to that, Croatian state budget has lost revenue and liquidity and the Croatian Health Insurance Fund payments are delayed, all this has negative impact on our business. We will combat these challenges with an even greater focus on adapting to customer needs, sales and exports, and further expanding cooperation in key therapeutic segments.

In our industry, the most talked about now is how to restore production in Europe and thus further prevent dependence on distant markets, such as China and India. This crisis finally brought this topic into the focus of European and local policies, when everyone understood what it means to be dependent on the procurement of certain raw materials from distant countries and that small savings in procurement can have great consequences regarding quality and security of procurement. Therefore, we expect that all EU governments will realize that it is time to stop focusing exclusively on the lowest price of medicines, which prevents increase in production, new employment of top experts, investment in development and people, not to mention the most important - domestic and quality product to treat our patients.



In conclusion, at JGL we are currently committed to adjusting strategic plans, developing different types of economic scenarios and consequences of this crisis, as well as the benefits of job flexibility in terms of location and time segment in general. Our expert teams are now working rapidly on capital investment projects, which will give us a new wind in the back.

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Founding capital: HRK 119.255.000,00 (paid in full) / Issued shares no.: 1.192.550 / Share nominal value: HRK 100,00

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