

ZENTIVA S.A.

**Report of the Board of Directors
for the Ist semester, 2019**

Reported date	: 30.06.2019
Company name	: ZENTIVA S.A.
Location of the registered office	: 50 Theodor Pallady boulevard, Bucharest
Tel. / Fax	: 021-304.72.00 / 021-345.40.04
Tax registration code	: RO 336206
<i>Trade Register order number</i>	: <i>J40/363/1991</i>
Subscribed and paid-in social capital	: 41 696 115 lei

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ZENTIVA S.A.
STATEMENT OF COMPREHENSIVE INCOME
June 30, 2019

(all amounts are expressed in new lei ("RON"), unless otherwise provided)

	30.06.2019	30.06.2018
	RON	RON
Sales of goods	264.149.909	212.101.964
Rendering of services	-	9.678.498
Rental income	-	-
Other	-	348.659
Turnover	264.149.909	222.129.122
Other operating income	6.051.153	3.700.816
Changes in inventories of finished goods and work in progress	10.163.765	12.269.394
Raw materials and consumables used	(128.087.115)	(113.647.928)
Employee benefits expenses	(37.171.372)	(29.971.572)
Depreciation, and impairment	(6.618.179)	1.701.693
Marketing and advertising expenses	(3.955.120)	(8.787.398)
Rental expenses	(905.135)	(1.539.932)
Provisions	(401.458)	735.472
Other operating expenses	(49.585.602)	(43.713.099)
Operating profit	53.832.164	42.876.568
Financial Income	5.712.418	17.936.488
Financial Expenses	(2.009.634)	(17.286.501)
Profit before tax	57.534.948	43.526.554
Income Tax Expense	(8.593.398)	(7.576.344)
Profit after tax (A)	48.941.550	35.950.210
Other comprehensive income:		
Revaluation of land and buildings at fair value		-
Deferred tax		-
Actuarial gains/losses in relation to employee benefits		-
Other comprehensive income net of tax (B)		-
Total income after tax (A) + (B)	48.941.550	35.950.210
Number of shares	416.961.150	416.961.150
Earnings per share (RON / share)	0.11738	0.08622

Financial statements for the period ended on June 30, 2019 are not audited.

ZENTIVA S.A.**STATEMENT OF FINANCIAL POSITION****for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

	<u>Note</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
Assets			
Non current assets			
Property, plant and equipment	9	149.006.912	144.234.784
Goodwill		46.141.201	46.141.201
Intangible assets	10	3.782.314	3.895.132
		198.930.427	194.271.117
Current assets			
Inventories	12	137.597.709	98.982.129
Trade and other receivables	13	202.816.639	199.832.571
Other financial assets	11	-3.499	-
Cash and cash equivalents	14	394.501.576	405.115.315
		734.912.425	703.930.016
Total assets		933.842.852	898.201.133
Capital and reserves			
Share capital, including	15,1	41.696.115	41.696.115
Issued share Capital		41.696.115	41.696.115
Inflation related to share capital		-	-
Share premium, including:	15,1	24.964.506	24.964.506
Share premium at nominal value		9.863.684	9.863.684
Inflation related to share premium		15.100.822	15.100.822
Legal and other reserves	15,2	112.745.368	112.745.368
Revaluation reserve		83.559.775	40.198.377
Retained earnings / (Accumulated Losses)		403.809.787	411.088.300
Total equity		666.775.550	630.692.665
Non current liabilities			
Employee benefit liability	18	1.813.000	2.479.000
Other long - term liabilities		4.153.498	-
Deferred tax liability	7,2	5.033.947	5.033.947
Non-Current Provisions	17	4.944.015	4.944.015
Total Non - Current Liabilities		15.944.460	12.456.962
Current liabilities			
Trade accounts payable	19	204.294.325	205.337.404
Income taxes payable		1.910.873	8.236.848
Other current liabilities	19	32.256.930	28.816.540
Short-term provisions	17	12.660.714	12.660.714
Total current liabilities		251.122.842	255.051.506
Total liabilities		267.067.301	267.508.468
Total liabilities and equities		933.842.852	898.201.133

Financial statements for the period ended on June 30, 2019 are not audited.

ZENTIVA S.A.**STATEMENT OF FINANCIAL POSITION****for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***Indirect method**

	Financial year	
	June 30, 2019	December 31, 2018
Cash flows from operating activities:		
Net profit before taxation and extraordinary elements	57.534.948	43.526.554
<i>Adjustments for:</i>		
Depreciation and amortization of fixed assets	(6.616.886)	4.338.181
Net movement in other provisions	(907.694)	1.291.695
Loss / profit from the sale of assets (fixed assets)	(794.666)	(7.826)
Net income / expenditures from interests	(5.550.334)	(1.384.056)
Expenditures regarding pension debts and similar	-	-
Operating profit before changes in the circulating assets	44.115.368	47.764.547
Decrease / (Increase) of trade receivables and of other nature	(3.528.984)	(36.672.414)
Decrease / (Increase) of stocks	(38.637.137)	(25.559.942)
(Decrease) / Increase of trade debts and of other nature	(33.012)	26.555.125
Paid income taxes	(8.708.354)	(7.429.424)
Pension liabilities paid	-	(399.209)
Cash from operating activities	(6.792.129)	4.258.683
Cash flows from investment activities:		
Payments for the acquisition of tangible and intangible assets	(8.988.656)	(4.347.181)
Cashing from the sale of tangible assets	(9.915)	72.491
Net cash flows from investment activities	(8.998.571)	(4.274.690)
Cash flows from financing activities:		
Interest received	5.550.334	1.384.056
Cash transferred for dividends payable to Central Depository		-
Dividends paid	(373.372)	(803.533)
Net cash flows from financing activities	5.176.961	(580.523)
		564.516
Net decrease in cash and cash equivalents	(10.613.739)	
Cash and cash equivalents at the beginning of the financial year	405.115.315	160.792.773
Cash and cash equivalents at the end of the financial year	394.501.576	161.357.289

ZENTIVA S.A.
NOTES TO THE FINANCIAL STATEMENTS
for the period ended on June 30, 2019
(all amounts are expressed in new lei ("RON"), unless otherwise provided)

Current year

Shareholders' equity	Balance on December 31, 2018	Increase		Decrease		Balance on June 30, 2019
		Total, out of which	Through transfer	Total, out of which	Through transfer	
Subscribed capital	41,696,115					41,696,115
Hyperinflation adjustment of capital	-					-
Share premiums	9,863,684					9,863,684
Hyperinflation adjustment of share premiums	15,100,822					15,100,822
Reevaluation reserves	8,339,223					8,339,223
Legal reserves	40,198,377	43.361.399				83.559.775
Other reserves	151,138,149			44.398.720		106.739.429
Other shareholders' equity elements	(751,695)					(751,695)
Reported result, except for the reported result from adopting IAS 29 for the first time	102,487,014	250.799.633	250.799.633			353.286.648
Reported result from adopting IAS for the first time	-					
	-					
Financial year profit or loss	262,620,976	48.941.550		262.620.976	262.620.976	48.941.550
	-					
Profit distribution						
Total shareholders' equities	630,692,665					666.675.550

The legal reserve is set in accordance with the provisions of the Companies Law, according to which, at least 5% of the annual accounting profit is transferred within the legal reserves until their balance reaches 20% of the company's social capital. If this reserve is used fully or partially to cover losses or to distribute in any form (such as to issue new shares according to the Companies Law), it becomes taxable. The company's management does not estimate it shall use its legal reserve in such a way that it becomes taxable. The financial statements for the year concluded on December 31, 2012 are the first the company has elaborated in accordance with the IFRS.

ZENTIVA S.A.
NOTES TO THE FINANCIAL STATEMENTS
for the period ended on June 30, 2019
(all amounts are expressed in new lei ("RON"), unless otherwise provided)

NOTE 1: NON CURRENT ASSETS

Non current assets	Gross value				Value of adjustments (depreciation through amortization and provisions)			Balance on 30.06.2019	Net book value on 30.06.2019
	Balance on December 31, 2018	Inflows	Outflows, transfers	Balance on June 30, 2019	Balance on December 31, 2018	Adjustments			
						in year	Decreases reversals		
0	1	2	3	4=1+2-3	5	6	7	8=5+6-7	9 = 4-8
Establishment and development expenses	63,532			63,532	63,532			63,532	
Other intangible assets	54,500,018		400,014	54,100,004	4,037,813	143,459	-	4,181,272	49,918,732
Advances and intangible assets in progress									
Total intangible assets	54,563,550	-	400,014	54,163,536	4,101,345	143,459	-	4,244,803	49,918,732
Lands	42,503,678	830,607		43,334,285	-	1,483,428		1,483,428	41,850,857
Constructions	47,490,579	17,540,405		65,030,984	3,585,828	25,371,521		28,957,349	36,073,635
Technological equipments	162,117,119	4,699,889	615,276	166,201,732	129,021,086	8,128,417	563,650	136,585,853	29,615,880
Other installations,	10,221,189	3,611,969	1,159,228	12,673,930	11,859,971	-5,381,009	1,158,713	5,320,249	7,353,681
Advances and tangible assets in progress	26,430,457	34,476,048	32,074,532	28,831,973	-			-	28,831,973
Total tangible assets	288,763,022	61,158,918	33,849,036	316,072,904	144,466,885	29,602,356	1,722,363	172,346,878	143,726,026
Financial assets									
Total	343,326,572	61,158,918	34,249,050	370,236,440	148,568,230	29,745,815	1,722,363	176,591,682	193,644,758

NOTE 1: NON CURRENT ASSETS ACTIVE IMOBILIZATE (continuation)

Tangible assets

Reevaluation

As of 31 December 2017, the Company carried out the revaluation of the existing field and buildings in the Company's patrimony. The reassessment was made by an independent evaluator in accordance with the International Valuation Standards.

The net impact of the revaluation was in the amount of RON 36,224,547 and was recorded as follows: RON 45,250,864 as a revaluation reserve increase (see Note on the "Statement of Changes in Equity") and 9,026,317 RON respectively impact of the Global Result in the " Depreciation, amortization and impairment " line representing the loss in value of the buildings resulting from their revaluation as at 31 December 2017.

Fair value was determined by reference to market information, using the cost approach as the primary approach in the Market Approach (Direct Comparison Method) for land valuation and Income Approach (direct capitalization method) as a secondary valuation method.

Valuation techniques are selected by the independent evaluator in accordance with the International Valuation Standards, the type of property and the purpose of the valuation. Applying techniques and methods of measurement are in line with common practice for the type of asset valued.

Fair value is generally determined by using level 2 and 3 data in the fair value measurement hierarchy.

The data used in the evaluation were: Level 2 entry data based on the IFRS 13 classification (e.g. current rents, prices per sqm, returns, occupancy etc. available on the market for similar assets and other market related data), or Level 3 (unobservable) input data that represents, for example, assumptions about operating costs, replacement costs, depreciation adjustments - mostly derived from publicly available technical studies (as opposed to data taken directly from the market), with adjustments made by the evaluator.

The outcome of the valuation is influenced by the main market data used, such as the market value per square meter for field (estimated at 120 EUR / sqm), the estimation of the gross replacement costs (which were estimated using locally recognized cost catalogues) and estimation of depreciations (which were based on the physical condition of assets at the time of valuation).

Estimating fair values through income approach and allocation of values based on net replacement costs of construction and observance of the valuation standard specific to the accounting purposes would have resulted in an identical value allocated to the constructions and a residual value allocated to the land by approx. 5% higher.

The Company did not disclose the net account value of field and buildings if they were accounted for using historical cost method as this information is not available.

Assets held in financial leasing or purchased in installments

Not the case.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 2: PROVISIONS**

Name of provision	Balance at the beginning of the financial year	Transfer into account	Transfer from the account	Balance on June 30, 2019
Other provisions for risks and charges	2.296.520			2.296.520
Provisions for taxes	9.456.150			9.456.150
Provisions for litigation	211.594			211.594
Provisions for the environment	5.640.510			5.640.510
Provisions for pensions and other obligations	2.479.000		666.000	1.813.000
	2.296.520			2.296.520

NOTE 3: PROFIT DISTRIBUTION (LOSS)

Not applied for the financial year ended on June 30, 2019.

NOTE 4: ACCOUNTS RECEIVABLE AND PAYABLE**Receivables**

Current year	Balance on June 30, 2019	Liquidity term	
		Under 1 year	Over 1 year
Trade receivables	56.194.127	56.194.127	-
Amounts to be received from related parties	141.684.465	141.684.465	-
Amounts to be received from entities to which the company is linked by virtue of participating interests			-
Other receivables	4.228.745	4.228.745	-
Receivable provisions	(626.561)	(626.561)	-
Provisions of other receivables	-	-	-
	201.480.777	201.480.777	-

Previous year	Balance on December 31, 2018	Liquidity term	
		Under 1 year	Over 1 year
Trade receivables	144.195.951	144.195.951	-
Amounts to be received from related parties	48.206.862	48.206.862	-
Amounts to be received from entities to which the company is linked by virtue of participating interests			-
Other receivables	6.175.540	6.175.540	-
Receivable provisions	(626.561)	(626.561)	-
Provisions of other receivables			-
	197.951.793	197.951.793	-

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

On June 30, 2019 doubtful trade receivables in the amount of 626.561 RON (2018: 626.561 RON) were fully provisioned.

	December 31, 2018	June 30, 2019
Initial balance	626.561	626.561
Increases during the year – other receivables debtors	-	-
Reversals during the year	-	-
Final balance	626.561	626.561

Payables

Current year	Balance on June 30, 2019	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Advances received in the account of orders	123.846	123.846	-	-
Trade payables - suppliers	121.033.769	121.033.769	-	-
Amounts owed to affiliated entities	86.264.131	86.264.131	-	-
Other amounts to be paid	39.230.946	39.230.946	-	-
	247.652.693	247.652.693	-	-

Previous year	Balance on December 31, 2018	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Advances received in the account of orders	149.875	149.875	-	-
Trade payables - suppliers	170.242.614	170.242.614	-	-
Amounts owed to affiliated entities	34.944.915	34.944.915	-	-
Other amounts to be paid	28.816.540	28.816.540	-	-
	104.340.806	104.340.806	-	-

The line representing other amounts to be paid is detailed in the following table:

Current year	Balance on June 30, 2019	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Wages and related liabilities	12.664.155	12.664.155	-	-
Debts to shareholders	6.346.384	6.346.384	-	-
Other taxes	19.928.899	19.928.899	-	-
Other debts	291.508	291.508	-	-
	39.230.946	39.230.946	-	-

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

Previous year	Balance on December 31, 2018	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Wages and related liabilities	7.955.211	7.955.211	-	-
Debts to shareholders	6.377.173	6.377.173	-	-
Other taxes	12.298.744	12.298.744	-	-
Other debts	2.185.413	2.185.413	-	-
	28.816.540	28.816.540	-	-

NOTE 5: ACCOUNTING PRINCIPLES, POLICIES AND METHODS

No significant changes occurred in the company's accounting policies and methods during the financial year concluded on June 30, 2019, compared to the accounting policies presented on December 31, 2018.

NOTE 6: PARTICIPATIONS AND FINANCING SOURCES**Social capital**

	Balance on December 31, 2018	Balance on June 30, 2019
	Number	Number
Ordinary shares subscribed capital	416.961.150	416.961.150

	December 31, 2018	June 30, 2019
	RON / share	RON / share
Ordinary shares nominal value	0,1	0,1

	December 31, 2018	June 30, 2019
	RON	RON
Social capital value	41.696.115	41.696.115

The company's social capital is fully paid-in on June 30, 2019 and December 31, 2018.

Redeemable shares

The company does not own redeemable shares on June 30, 2019 and December 31, 2018.

Bonds

The company does not have bonds issued on June 30, 2019 and December 31, 2018.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***Ownership structure**

	31.12.2018	30.06.2019
Zentiva Group AS	93,2776%	93,2776%
Other minority shareholders	6,7224%	6,7224%
	100%	100%

NOTE 7: INFORMATION ON EMPLOYEES AND MEMBERS OF THE ADMINISTRATION, MANAGEMENT AND SUPERVISION BODIES**Administrators and managers**

During the financial years ended on June 30, 2019 and June 30, 2018, the company paid the following indemnities to the members of the Board of Directors ("BoD"), executive and supervision management:

	Financial year ended on:	
	June 30, 2018	June 30, 2019
Members of the BoD	27.000	27.000
Managers		
- executive management	-	-
	27.000	27.000

The company has no payment obligations to former members of the BoD and the executive and supervision management on June 30, 2019 and December 31, 2018.

At the end of the financial year, there are no future warranties or obligations taken over by the company in the name of the administrators or managers.

Employees

The average number of employees on June 30, 2018 and June 30, 2019 is the following:

	June 30, 2018	June 30, 2019
Average number of employees	528	593
	528	593

Expenditures with wages and related taxes recorded during the financial years concluded on June 30, 2019 and June 30, 2018 are the following:

	Financial year ended on:	
	June 30, 2018	June 30, 2019
Expenditures with wages	29,029,016	35.970.657
Expenditures regarding social insurances	942,556	1.200.715
	29,971,572	37.171.372

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 8: MAIN FINANCIAL AND ECONOMIC RATIOS**

	Financial year ended on:	
	June 30, 2018	June 30, 2019
1. Liquidity ratios		
Current ratio	3.3	3.0
Acid test	2.8	2.4
2. Risk ratios		
Gearing ratio	0%	0%
Interest cover ratio	n/a	n/a
3. Activity ratios		
Stock turnover	3.51	1.18
Number of stock days	51	99
Receivables turnover	108	67
Payables turnover	72	171
Fixed assets turnover	1.56	1.22
Total assets turnover	0.39	0.28
4. Profitability ratios		
Return on capital employed	11%	8%
Gross margin from sales	16%	19%
5. Profit per share		
Earning per share	0.086	0.117

NOTE 9: OTHER INFORMATION**a) Information on the company**

SICOMED S.A. Bucuresti ("Sicomed") was founded in 1962 as Intreprinderea de Medicamente BUCURESTI (Drug Enterprise BUCHAREST) ("IMB"). The current office of the company is on 50 Theodor Pallady boulevard, Bucharest. The company is registered in the Trade Register under number J40/363/1991.

In 1990, Sicomed became a joint stock company by incorporating and taking over the entire property of the former IMB in accordance with the Governmental Decision. The initial social capital was the result of the difference between the assets, including specific evaluations of the land and buildings donated by the State to the company, in accordance with the Governmental Decision, and the liabilities held on the same date.

Beginning with January 24, 2006, the company changed its name from Sicomed SA to Zentiva SA.

Starting with 11 March 2009, there was a change in the shareholding structure at the group level (Sanofi Aventis acquired 97% of Zentiva NV shares - parent of the Company).

At the end of October 2016, Sanofi Group announced, after an analysis of all the available options, to sell its Europe generic business.

Zentiva SA was involved in this separation process that was finalized on the 30th of September 2018, when Advent International NV purchased the Europe generic medicine division of Sanofi Group.

Its main activity is represented by the manufacture and marketing of pharmaceuticals and drugs for human use.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 9: OTHER INFORMATION (continuation)****b) Information on the relations with related parties, subsidiaries and associates**

Details on related parties:

Company name	Nature of relationship	Type of transactions	Country of origin	Registered office
Zentiva Group a.s.	Majority shareholder of Zentiva SA	Purchase of services Trademark useage rights Cash Management Contract	Cehia	Praga
Zentiva a.s	Company under joint control	Marketing and promotional services	Cehia	Praga
Zentiva K.S	Company under joint control	Regulatory services Distribution of goods Purchase of licenses and goods Quality control and batch release services	Cehia	Praga

The only significant transaction with affiliates concluded between January 1, 2019 – June 30, 2019, respectively the only agreement concluded by the Company with affiliates during this period with a value that exceeds/can exceed 10% of the net turnover according to the last annual financial statement is:

License and supply agreement

On 27 March 2019, the Company concluded with Zentiva k.s. a licence and supply agreement. The object of the agreement consists in granting by the Company, as licensor, towards Zentiva k.s. of a non-exclusive and nontransferable worldwide license in connection with certain intellectual property rights of the Company, as well as supply of pharmaceutical products.

The company is part of Zentiva Group, which is owned by the investment fund Advent International.

The company has shares listed on the Bucharest Stock Exchange.

c) The method to convert assets, liabilities, income and expenses from foreign currency to local currency

Monetary items denominated in foreign currency (availability and other similar items, as are bank deposits, receivables and liabilities in foreign currency) must be assessed and reported using the exchange rate of the National Bank of Romania, valid on the date of closure of the financial year. Exchange differences, positive or negative, between the date of filing the claims or liabilities in foreign currency or at the rate they were reported in previous financial statements and the exchange rate of the closing date of the financial year, are recorded under financial income or expenses, respectively.

Transactions made in foreign currencies are translated into lei at an exchange rate valid on the transaction date.

Exchange rates used for the conversion of balances expressed in foreign currency on June 30, 2019 were 1 EURO = 4,7343 RON (December 31, 2018 EURO = 4,6635 RON) respectively 1 USD = 4.1602 RON (December 31, 2018 1 USD = 4.0729 RON)

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 9: OTHER INFORMATION (continuation)****d) Information on corporate tax**

	Financial year ended on June 30, 2018	Financial year ended on June 30, 2019
Accounting profit	40.279.514	48.869.873
Nontaxable income	(269.785)	(1.378.680)
Non-deductible expenses	7.342.423	6.217.544
Deduction legal reserve	-	-
Taxable profit / (tax loss) of the year	47.352.152	53.708.738
Corporate tax 16%	7.576.344	8.593.398
Tax credit	-	-
Current corporate tax	7.576.344	8.593.398

	June 30, 2018	June 30, 2019
Corporate tax payable at the beginning of the period	3.431.327	2.025.829
Corporate tax expense	7.576.344	8.593.398
Paid/compensated corporate tax	(7.429.424)	(8.708.354)
Corporate tax payable at the end of the period	3.578.247	1.910.873

e) Subsequent events**Share capital increase**

The Company is in the process of increasing the share capital, decided during the extraordinary general meeting of the shareholders of the Company held on April 30, 2019, by issuing up to 300,000,000 new ordinary shares, nominative and dematerialised with a nominal value of RON 0.1 per share, following the exercise of the preference rights by the shareholders of the Company.

The offer was addressed to the existing shareholders, registered in the Company's shareholders' registry held by the Depozitarul Central S.A. at the registration date of May 16, 2019, to whom was given the opportunity to subscribe new shares issued for the purpose of the share capital increase, between July 5, 2019 - August 5, 2019, based on their preference right.

On the date hereof, following the closing of the offer, a number of 280,055,890 shares were subscribed, representing 93.35% of the total shares offered for sale, which led to the change of the Company's share capital to the amount of RON 69,701,704, divided into 697,017,040 nominative shares at the value of RON 0.1 each, as it was acknowledged and approved by the Board of Directors of the Company under the resolution dated August 8, 2019.

The new shares issued under the conditions mentioned above and, implicitly, the value of the share capital of the Company following the increase will be registered at the Trade Registry, the Romanian Financial Supervisory Authority and the Central Depository. Subsequent to these registrations, the new shares issued within the share capital increase will be traded on the Regulated Spot Market of the Bucharest Stock Exchange.

f) Extraordinary items and income / accrued expenses

No significant situations exist that are worth mentioning.

g) Audit expenditure

There were no contractual costs for audit services in the financial year ended on June 30, 2019.

NOTE 9: OTHER INFORMATION (continuation)

h) Trade effects (expected and the unmatured)

No significant situations exist that are worth mentioning.

i) The amount received in excess compared to the amount repayable related to debts

No significant situations exist that are worth mentioning.

j) Commitments

There are no significant situations or changes compared to the financial years ended on June 30, 2019 and December 31, 2018 that are worth mentioning.

k) Taxes

The company believes it has paid all taxes, duties and related interest in time and fully.

l) Legal claims

There are no significant situations or changes compared to the financial statements on December 31, 2018 that are worth mentioning.

m) Warranties

On June 30, 2019, the Company submitted to ANAF a bank letter of guarantee in amount RON 8.355.901 for the additionally amounts determined by the new inspection for the claw-back tax finising in April 2018.

n) Significant transactions

As a preliminary observation, we mention that, within this subchapter, the significant transactions represent the agreements concluded by the Company, with a value that exceeds/can exceed 10% of the net turnover according to the last annual financial statement.

Therefore, we specify that, between January 1, 2019 – June 30, 2019, in addition to the significant transaction concluded with the affiliates mentioned under letter b) above, the Company also concluded the following significant transactions:

Factoring Agreement

On 19 March 2019, the Company adhered as seller to a framework agreement dated 24 January 2019 concluded, among others, between Zentiva France and Zentiva K.S., as initial sellers, AI Sirona (Luxembourg) Acquisition S.A R.L., as parent entity, and Factofrance SA, a company established according to the French legislation as a *societe anonyme* and authorized as *etablissement de credit*, as factor. Consequently, the Company also concluded with the factor (i) a receivables purchase contract governed by Romanian law; and (ii) an immovable mortgage agreement in order to secure the present and the future liabilities of the Company deriving from the aforementioned factoring agreement and the receivables purchase contract.

Transfer Agreement in relation to the activity of distribution of pharmaceutical generic products

On 28 March 2019, the Company concluded with Sanofi Romania S.R.L. a transfer agreement in relation to the distribution (including marketing and sale) of pharmaceutical generic products from Sanofi Romania S.R.L. with an aggregated value of RON 46,141,201.

On 9 May 2019, the Company concluded an addendum to the aforementioned transfer agreement under which (i) Sanofi Romania S.R.L. assigned the receivable in amount of RON 46,141,201 towards Sanofi S.A. (France); and (ii) the Company delegated the payment of the receivable deriving from the transfer agreement in amount of RON 46,141,201 to AI Sirona (Luxembourg) Acquisition S.a.r.l.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***ECONOMIC-FINANCIAL STATEMENT AND ACTIVITY ANALYSIS ON JUNE 30, 2019****1.1 Balance sheet analysis**

Patrimony statements, on main elements, of ZENTIVA S.A on June 30, 2019 compared to the period ended on December 31, 2018 is the following:

	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>Variance</u>
Assets			
Non current assets			
Property, plant and equipment	149.006.912	144.234.784	4,772,129
Goodwill	46.141.201	46.141.201	-
Intangible assets	3.782.314	3.895.132	-112,818
	<u>198.930.427</u>	<u>194.271.117</u>	<u>4,659,311</u>
Current assets			
Inventories	137.597.709	98.982.129	38,615,579
Trade and other receivables	202.816.639	199.832.571	2,984,068
Other financial assets	-3.499	-	-3,499
Cash and cash equivalents	394.501.576	405.115.315	-10,613,739
	<u>734.912.425</u>	<u>703.930.016</u>	<u>30,982,409</u>
Total assets	<u>933.842.852</u>	<u>898.201.133</u>	<u>35,641,719</u>
Capital and reserves			
Share capital, including	41.696.115	41.696.115	-
Issued share Capital	41.696.115	41.696.115	-
Inflation related to share capital	-	-	-
Share premium, including:	24.964.506	24.964.506	-
Share premium at nominal value	9.863.684	9.863.684	-
Inflation related to share premium	15.100.822	15.100.822	-
Legal and other reserves	112.745.368	112.745.368	-
Revaluation reserve	83.559.775	40.198.377	43,361,399
Retained earnings / (Accumulated Losses)	403.809.787	411.088.300	-7,278,513
Total equity	<u>666.775.550</u>	<u>630.692.665</u>	<u>36,082,886</u>
Non current liabilities			
Employee benefit liability	1.813.000	2.479.000	-666,000
Other long - term liabilities	4.153.498	-	4,153,498
Deferred tax liability	5.033.947	5.033.947	-0
Non-Current Provisions	4.944.015	4.944.015	0
Total Non - Current Liabilities	<u>15.944.460</u>	<u>12.456.962</u>	<u>3,487,498</u>
Current liabilities			
Trade accounts payable	204.294.325	205.337.404	-1,043,080
Income taxes payable	1.910.873	8.236.848	-6,325,975
Other current liabilities	32.256.930	28.816.540	43,361,399
Short-term provisions	12.660.714	12.660.714	-666,000
Total current liabilities	<u>251.122.842</u>	<u>255.051.506</u>	<u>4,153,498</u>
Total liabilities	<u>267.067.301</u>	<u>267.508.468</u>	<u>-441,167</u>
Total liabilities and equities	<u>933.842.852</u>	<u>898.201.133</u>	<u>35,641,719</u>

◆ The data presented above show an increased in the value of fixed assets by 2.4%. This increase is mostly due to the new investement projects (Serialization).

◆ Stocks increased on June 30, 2019 compared to the end of the previous year by 39%, due to the increase of finished products, work in progress goods inventory.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

- ◆ On June 30, 2019 trade receivables increased compared to the end of the previous year by 1.5%
- ◆ The company's cash in hand decreased by 2.6% compared to the end of the previous year
- ◆ Shareholders equity increased by 36.1 mil lei (+6%) due to the non-distribution of the net results for the year 2018.

1.2 Profit and loss account analysis

	June 30, 2018	June 30, 2019	Variation June 30, 2019 compared to June 30, 2018	
	RON	RON	RON	- % -
Net turnover	222.129.122	264.149.909	42,020,787	19%
Operating Income	240.194.484	280.106.145	39,911,661	17%
Operating Expenses	197.317.916	226.273.981	28,956,065	15%
Operating profit	42.876.568	53.832.164	10,955,596	26%
Gross margin	19%	20%		
Financial profit/ (loss)	649.987	3.702.784	3,052,797	470%
Total revenues	258.130.972	285.818.563	27,687,591	11%
Total expenditures	214.604.418	224.264.347	9,659,929	5%
Gross profit	43.526.554	57.534.948	14,008,394	32%
Income tax	7.576.344	8.953.398	1,017,046	13%
Net result (profit)	35.950.210	48.941.550	12,991,340	36%

Operational income increased by 17%, from 240.2 million RON in the first semester of 2018 to 280.1 million RON in the first semester of 2019.

Operational expenditures increased by 15%, from 197.3 million RON in the first semester of 2018 to 226.2 million RON in the first semester of 2019.

The variation of operational revenues and expenditures in 2019 generated an operating profit for the first semester in 2019 of 48.9 million RON compared to 35.9 million RON in the first semester of 2018.

2.1 Liquidity analysis

On June 30, 2019 no potential risks were identified that could affect the company's liquidity.

3.1 Breaches of financial obligations

No breaches of financial obligations were recorded during the first semester of 2019.

3.2 Rights of securities holders

No significant changes have been recorded for the first semester of 2019 compared to December 31, 2018 in what concerns the rights of securities holders issued by Zentiva SA.

ZENTIVA S.A.

**Economic-financial statement and activity analysis on June 30, 2019
for the period ended on June 30, 2019**

(all amounts are expressed in new lei ("RON"), unless otherwise provided)

DECLARATION

The financial-accounting statements for the first semester of 2019 were prepared in accordance with OMF 2844/2016 and offer a fair and accurate image of the assets, liabilities, financial position, profit and loss account of Zentiva SA. The report of the Board of Directors presents correct and complete information regarding the activity of the Zentiva SA company.

Director General

SIMONA COCOS

CFO

FRANCISC KOOS