

# **S.C. ZENTIVA S.A.**

## **Board of Directors Report for the *I<sup>st</sup>* Semester 2021**

**Report date: 30.06.2021**

- **Name of the issuer:** ZENTIVA SA
  - **Registered office:** Bd. Theodor Pallady nr.50, Bucuresti
  - **Phone / Fax:** 021.304.72.00, 021.304.75.00 / 021.345.40.04
  - **Tax identification number:** RO336206
  - **Trade Register number:** J/40/363/1991
  - **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange
  - **Share Capital – subscribed and paid-in:** RON 69,701,704
  - **Class, type, no. And main characteristics of securities:** 697,017,040 dematerialized class I shares
  - **Market value:** RON 2.74 / share, represents the reference price of the last trading day from semester I 2021
  - **Market capitalization as at June 30, 2021:** RON 1,909,826,690
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## **1. SHARES AND SHAREHOLDERS**

ZENTIVA SA (hereinafter, the “Company”) was established in 1962 under the name Intreprinderea de Medicamente Bucuresti (hereinafter “IMB”).

In 1990, the Company was incorporated, taking over the entire patrimony of the former IMB in accordance with the Government’s Decision.

In November 1999, the majority shareholding was taken over by the group of institutional investors formed of the European Bank for Reconstruction and Development, the Post-Privatization Foundation, GED Eastern Fund, Euromerchant Balcan Fund, Black See Fund and Galenica North East via the Cypriot company Venoma Holdings Limited.

In 27 June 2002, the Extraordinary General Shareholders’ Meeting approved the increase in the share capital by the amount of old Lei 277,974,100,000 (equivalent a RON 27,797,410), respectively from the value of old Lei 138,987,050,000 (equivalent of RON 13,898,705) to the value of old Lei 416,961,150,000 (equivalent of RON 41,696,115), through the granting of 2 free stocks for each stock held by the shareholders registered with the Shareholders’ Register as at the reference date 30 May 2002.

In 12 October 2005, Zentiva N.V., a Dutch company seated in Amsterdam, The Netherlands, with branches in several European countries, purchased the shares of Venoma.

In October 2005, Zentiva NV made a public offer regarding the purchase of the shares of the issuer Sicomed SA, denominated afterwards Zentiva SA, for the amount of RON / share 1.37, during the period between 9 November 2005 - 12 January 2006.

In March 2009, Sanofi - Aventis Europe announced its having become the shareholder of Zentiva N.V., holding approximately 96.8% shares.

In August 2009, Sanofi-Aventis Europe made a public offer regarding the purchase of the shares of the issuer Zentiva SA, for the amount of RON/share 0.7, during the period between 12 August 2009 and 22 September 2009. Between 20 February 2018 and 5 April 2018, Sanofi-Aventis Europe, through Zentiva N.V., conducted a public purchase offer at a price of RON 3.50 per share, after which it acquired 48,216,352 shares, thus reaching a holding of 93.2295% of the share capital of the Company.

On 31 August 2018 it was registered the transfer of shares from Venoma Holdings Limited, ZENTIVA NV and Sanofi Aventis Europe to Zentiva Group a.s. Therefore, Zentiva Group a.s became shareholder of Zentiva SA (holding of 93.2295% of the share capital).

On 30 September 2018, the transfer of shares was finalized between Zentiva N.V. (100% owned and controlled by Sanofi Aventis Europe), as seller, and AI Sirona BidCo s.r.o. (100% owned and controlled by AI Sirona (Luxembourg) Acquisition S. à r.l., a company which is entirely owned by AI Sirona (Luxembourg) Subco S. à r.l. and ultimately controlled by Advent Funds GPE VIII, a fund managed by Advent International Corporation), as buyer, through which the control over Zentiva Group a.s. was transferred. On 31 December 2018, Zentiva Group a.s. held 388,730,877 shares, representing 93.2295% of the share capital of the Company.

Between 18 December 2018 – 11 January 2019, Zentiva Group a.s. conducted a mandatory public offer for buying at a price of RON 3.7472 per share, after which it acquired 200,333 shares, thus reaching a holding of 388,931,210 shares representing 93.2776% of the share capital of the Company.

Between July 5, 2019 – August 5, 2019 (subscription period), the Company carried out the operation of share capital increase by granting preferential rights, by issuing a number of 300,000,000 new shares, with a nominal value of 0.1 RON / share, which were offered for subscription to the shareholders registered in the shareholders’ register of the Company held by Depozitarul Central SA, on the registration date of May 16, 2019. Following the subscriptions made, out of the total number of 300,000,000 new shares, 19,944,110 shares were not subscribed and were canceled in accordance with the provisions of the decision of the extraordinary general meeting of the shareholders of the Company dated April 30, 2019.

## ZENTIVA S.A.

After the share capital increase, the share capital of the Company is RON 69,701,704 (compared with RON 41,696,115 prior to the increase), being divided into 697,017,040 nominal shares with a value of 0,1 RON each, and is held as follows:

- the shareholder Zentiva Group a.s. owns 668,778,101 shares, representing 95.9486% of the Company's share capital;
- other natural and legal persons hold 28,238,939 shares, representing 4.0514% of the Company's share capital.

The synthetic shareholding structure as of June 30, 2021 remained identical to the one as of December 31, 2020 respectively:

Shareholding structure	31 December 2020 (%)	30 June 2021 (%)
Zentiva Group a.s.*	95.9486	95.9486
Other minority shareholders	4.0514	4.0514
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Central Depository

\* On December 31, 2019, the company Zentiva Group a.s. merged with the company AI Sirona Bidco s.r.o., the latter being the sole shareholder of Zentiva Group a.s. Following the merger, the company Zentiva Group a.s. ceased to exist, its entire assets being transferred to the company AI Sirona Bidco s.r.o., which, as of December 31st, 2019, also changed its legal form from a limited liability company ("s.r.o.") to a joint stock company ("a.s."), as well as the name from AI Sirona Bidco s.r.o. to Zentiva Group a.s.

The Company's shares have been listed on the Standard Category of the Bucharest Stock Exchange starting from 1998.

The market capitalization of Zentiva SA shares as at June 30, 2021 is in amount of RON 1,909,826,690.

As of June 30, 2021 the price per share amounted to RON / share 2.74.

As of June 30, 2021, the Company has net assets of RON 819,960,885 which represents more than 50% of the share capital of RON 69,701,704 (as of December 31, 2020, the Company had net assets of RON 785.364.075 which represented more than 50% of the share capital of RON 69,701,704) which is in compliance with the requirements of Romanian Company Law (law no. 31/1990, with subsequent amendments).

## 2. ECONOMIC and FINANCIAL ANALYSIS

### 2.1 Analysis of the Financial Position (balance sheet)

The Company's patrimony, on main elements, on 30.06.2021 compared to the period ended 31.12.2020 is presented as follows:

Balance Sheet (RON)	31 December 2020	30 June 2021	Variation	Variation (%)
Total tangible and intangible assets	238,463,179	238,432,190	(30,989)	0%
Total inventories	137,798,353	150,897,887	13,099,534	10%
Total receivables	250,288,953	265,775,860	15,486,907	6%
Cash and cash equivalent	406,713,534	401,546,470	(5,167,064)	-1%
Current liabilities	(223,361,795)	(213,397,752)	9,964,043	-4%
Total assets less current liabilities	809,902,223	843,254,655	33,352,432	4%
Total shareholders' equity	785,364,075	819,960,885	34,596,810	4%

- ◆ Inventories increased as of June 30, 2021 compared to the end of the previous year by 10%, due to the increase of finished products, work in progress goods and materials.
- ◆ On June 30, 2021 trade receivables increased compared to the end of the previous year by 6%
- ◆ The company's cash in hand decreased by 1% as at June 30, 2021 compared to the end of the previous year
- ◆ Shareholders equity increased by 34.6 mil lei (+4%) due to the distribution of the net result of the year 2020 into retained earnings.

## 2.2 Analysis of the Comprehensive Income (profit & loss account)

Profit & Loss Account (RON)	1 January – 30 June 2020	1 January – 30 June 2021	Variation	Variation (%)
Net turnover	281,522,845	330,356,311	48,833,467	17%
Other operating income	1,361,894	4,932,667	3,570,773	262%
Operating expenses - Total	237,591,178	292,626,507	55,035,329	23%
Operating profit	45,293,561	42,662,471	(2,631,089)	-6%
Financial profit	3,401,022	1,735,674	(1,665,348)	-49%
Gross profit	48,694,583	44,398,145	(4,296,437)	-9%
Corporate tax	6,770,951	9,801,332	3,030,381	45%
Net profit	41,923,632	34,596,813	(7,326,819)	-17%

The net turnover increased by 17%, from RON 281.5 million in the first semester of 2020 to RON 330.4 million in the first semester of 2021, mainly because of the increase with 28% of the domestic sales.

Operating expenses increased by 23%, from RON 237.6 million in the first semester of 2020 to RON 292.6 million in the first semester of 2021.

The variation of operating revenues and expenditures led to a net result for the first half of 2021 of RON 34.6 million compared to RON 41.9 million in the first half of 2020.

## 2.3 Cash flow Statement and Liquidity Position

The cash flow statement detailing the cash flows from operating, investing and financing activities is part of the financial statements accompanying this report.

Liquidity indicators have increased compared to the same period from last year. As of June 30, 2021, the current liquidity indicator is 3.73 (June 30, 2020: 2.70) and the immediate liquidity indicator is 3.04 (June 30, 2020: 2.30).

## 3. COMPANY'S ACTIVITY IN THE 1st SEMESTER of 2021

ZENTIVA S.A. reports for the first half of 2021 a turnover of 330.0 MRON, increasing by 17% compared to the same period of the previous year, and a net profit of 34.6 MRON, decreasing by 17.48% compared to the previous period mainly due to the increase in third party expenses (45%), the increase of expenses with raw materials, finished goods (23%) and of the expenses with employee benefits (14%).

In the first 6 months of 2021, the achieved production volume was higher by 6.9 million commercial units than the production achieved in the first 6 months of 2020, representing an increase 10%.

The most important achievements of the first semester of 2021 were:

- Export revenues increased by 8% compared to the same period of the previous year. These were mainly for the European market (Germany, France, Czech Republic, Slovakia, Russia, etc.)
- Investments in the amount of RON 8.2 million (equivalent to EUR 1.7 million) in new production equipment and in the modernization of existing ones

### 3.1 Reporting Base

As at June 30, 2021, Zentiva SA prepared financial statements in accordance to the Order of the Ministry of Finance no. 2844/2016 approving the accounting regulations in line with the International Financial Reporting Standards, applicable for trade companies whose securities are accepted for trading on a regulated market, with all the subsequent amendments and clarifications in force.

The financial statements for the period ended June 30, 2021 are not audited.

#### a) Sales – Volumes and Amounts

The net turnover for the first semester of 2021 amounts to RON 330,356,311 (for the first semester 2020- RON 281,522,845).

The average selling price of Zentiva products (finished goods and goods for resale) per pharmaceutical unit sold in the first half of 2021 was RON 4.49 and RON 4.16 RON in the first half of 2020. The price increase is due to the change in the product mix by a significant increase of the share of products for hospitals and chronic diseases.

	30.06.2020	30.06.2021
Sales of goods (million RON)	272.3	324.7
Sold quantity (million units)	65.4	72.3
Average selling price (RON / sold unit)	4.16	4.49

Exports represented in the first half of 2021 43.07% out of total turnover (RON 162.09 million), compared to 53.22% in the first half of 2020 (RON 149.83 million). The export sales were made through a company part of Zentiva Group (Zentiva k.s.) and were mainly destined for European Union markets.

The percentage of OTC products (over-the-counter medicines) in Zentiva's total sales represented 3.5% in the first semester of 2021 versus 4.3% in the first semester of 2020.

The sales by types of products in the first semester of 2021 and first semester of 2020 are presented below:

Product type	S1 2020	S1 2021
Ethical (Rx)	95.7%	96.5%
OTC	4.3%	3.5%

#### b) Operating Expenses

Description	Million RON		Variation	
	June 2020	June 2021	%	Mill RON
<b>Operating expenses, out of which:</b>	<b>237.6</b>	<b>292.6</b>	<b>23%</b>	<b>55.0</b>
Raw materials, consumables and goods	134.8	165.8	23%	31.0
Personnel expenses	46.9	53.4	14%	6.5
Depreciation and provisions; adjustments for impairment losses	10.2	10.3	0%	0.0
Other operating expenses (including marketing expenses and inventory movement)	45.6	63.1	38%	17.4
<b>Turnover</b>	<b>281.5</b>	<b>330.4</b>	<b>17%</b>	<b>48.8</b>
<b>Other operating revenues</b>	<b>1.4</b>	<b>4.9</b>	<b>262%</b>	<b>3.6</b>

**Expenses with raw materials, consumables and goods** have increased compared to the same period of the previous year due to the increase in the quantities of manufactured products and traded goods.

**Personnel expenses** increased by 14% in the first half of 2021, respectively by RON 6.5 million; the number of employees was 782 at the end of June 2021 and 766 at the end of June 2020. The increase in personnel expenses was influenced by the internalization of employees from an external workforce supplier, but also by the increase of employee number and by the annual indexation of wages according to Company's policy.

**Other operating expenses** increased by RON 17.4 million compared to the first half of 2021, mainly because of the increase of third party expenses (including the services received from the group).

**Management service expenses:** the costs with services from the group include a large variety of services (see below) :

- The product portfolio management and its development (monitoring, assistance regarding transfers, projects for production process optimization of the Company), for the acquisition process (monitoring suppliers, negotiating the main contracts for raw material), legal support (international reviewing and supporting/complex situations linked to the business environment in Romania) and financial services (monitoring sales, support for planning and optimizing the production cost, defining the production flow for the local production capacity).
- In addition to services mentioned above in this category are also included IT support services (SAP and other apps used by all entities within the group), operational services and support for daily activities regarding the IT infrastructure and software used, and IT project management and execution relevant on a local level.

**Other operating revenues** increased with RON 3.6 million compared to the previous year due to the increased recharged services to the companies in the group, as a result of the new businesses integrated in Zentiva group and refers to the administrative support services and services of the commercial team.

### **c) Cash and Cash Equivalents**

The Company's cash available at the end of Ist semester 2021 amounted RON 401.5 million while as of 31 December 2020 were RON 406.7 million consisting mainly of: deposits - cash pooling account in total amount of RON 361.7 million (2020: RON 343.3 million); advance for dividends payment made to Central Depositary in amount of RON 0.8 million (2020: RON 0.8 million) and cash in banks and cash on hand in amount of RON 39 million (2020: RON 62.6 million).

Starting with September 2013, the Company concluded a cash pooling agreement with Sanofi SA France.

On the 21st of September 2018, before the signing of the contract between Sanofi and Advent International NV regarding the sale for the European Generics Business of Sanofi, the cash pooling agreement between Zentiva SA and Sanofi SA France was transferred to Zentiv Group a.s.

In November 2020, the Company cash pooling contract was transferred from Zentiva Group a.s. to Ai Sirona (Luxembourg) Acquisition SARL, in the same time the debt of RON 45,977,508 of ZENTIVA SA to the AI Sirona was compensated.

According to the contractual provisions, the interest rate applied is ROBOR 3M+4.03% if the Company borrows, ROBOR 3M+0% if it makes deposits.

### **3.2. Portfolio of Products and Distribution Market**

The product portfolio of Zentiva SA includes a variety of products for human use, as solids (tablets, capsules, and pellets) and injectable solutions.

**a.** The distribution activity on local market, up to 27 September 2018, was ensured by Sanofi Romania SRL, the exclusive distributor of the Sanofi Group on Romanian market. After Zentiva went out from Sanofi Group, the distribution activity on local market was ensured by Romanian distribution companies.

**b.** ZENTIVA SA is part of Zentiva Group, which has production facilities in Czech Republic, Romania and India. The export sales for the European Market were ensured by Sanofi Winthrop (part of Sanofi Group) up to 30 September 2018 and by Zentiva k.s. (part of Zentiva Group) after 1 October 2018.

### **3.3 Selection Policy for Raw Materials Suppliers**

The policy of Zentiva SA involves the permanent search for suppliers which deliver high quality raw materials. The Quality Department permanently evaluates potential producers but also existing producers. Their focus is on the quality of documentation provided by the suppliers, which is necessary for authorization purposes and the quality of the supplied products, as well as the quality of the products and their behavior during the operating process.

### **3.4. The Major Competitors of Zentiva SA on the Local Market**

Zentiva SA is one of the main producers of medicines on the local market.

Other local manufacturers with a tradition in the drug market are: Terapia Cluj, Antibiotice Iasi, Biofarm.

The main importers of pharmaceutical products are: Sanofi, Novartis, Pfizer, MSD, Johnson&Johnson

### **3.5. Informations about Personnel**

The number of Zentiva employees as of June 30, 2021 was 782 (December 31, 2020: 770 employees). The employees' rights and other labor relationships are regulated by the Collective Labor Agreement. For 40% of the employees, such rights are defended by the Zentiva SA Trade Union.

### **3.6. Information about Company's Environmental Policy**

The following regulatory documents related to environmental protection were applicable in Ist Semester 2021:

- Environmental Permit no. 234/May 7, 2012, valid for 10 years;
- Wastewater Collection Agreement no. 1521/August 31, 2012, valid for an unlimited period;
- Water management Authorization 517/B/Nov 2, 2018, valid up to Nov 30, 2021.

The performance of the waste management process was maintained by applying solutions for waste elimination.

The audits performed by Lloyd's Register Romania confirmed that the Environmental Management Systems, which was implemented according to EN ISO 14001:2004, and the Energy Management Systems are properly maintained.

### **3.7. Research and Development Activity**

The R&D expenses for the first half of 2021 were RON 4.77 million vs. RON 4.08 million in the first half of 2020, and consist in activities linked to the transfer of products. For 2021, R&D expenses are forecasted at RON 7.2 million.

### **3.8. Investment activity**

In first half of 2021, the Company's investment expenses amounted EUR 1.7 million. The objectives of the investment program, which will be continued in 2021 are the preservation of the Good Manufacturing Practice Guidelines and the updating of technologies in line with the international quality and environmental standards, together with the extension of the product portfolio and of the new forms of packaging. The investment level foreseen in 2021 budget is EUR 2.7 million.

### 3.9 Related Parties

Details about related parties:

<u>Company name</u>	<u>Nature of relation</u>	<u>Transaction type</u>	<u>Country of origin</u>	<u>Registered office</u>
AI Sirona Acquisition S.à.r.l	Company under joint control	Holds cash pooling	Luxembourg	Luxembourg
Alvogen Romania SRL	Company under joint control	Provides services	Romania	Bucuresti
Labormed Pharma SA	Company under joint control	Provides services	Romania	Bucuresti
Solacium Pharma SRL	Company under joint control	Provides services	Romania	Bucuresti
Zentiva as Hlohovec	Company under joint control	Procurement of services	Slovakia	Bratislava
Zentiva Group A.S.	Company under joint control	acquisitions/revenues from services	Cehia	Praga
Zentiva Italia	Company under joint control	Goods acquisition	Italia	Milano
Zentiva, K.S.	Company under joint control	Acquisition/sale of goods and services	Cehia	Praga
Zentiva Pharma GMBH	Company under joint control	Acquisition/sale of goods and services	Germania	Frankfurt
Zentiva Private LTD	Company under joint control	Goods acquisition	India	Mumbai
Helvepaharm AG	Company under joint control	Provides services	Elvetia	Frauenfeld

#### The ultimate parent company

The ultimate parent company of the company is AI Sirona (Luxembourg) Acquisition S.a.r.l with the registered office in rue de Capucins 5, L13-13 Luxembourg.

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

The last shareholder of the holding company of Zentiva SA is represented by multiple investment funds controlled by Advent International.

#### Payables and receivables from affiliated entities and other related parties

##### ➤ Receivables from affiliated entities / other related parties

	<b>31 December 2020</b>	<b>30 June 2021</b>
Alvogen Romania SRL	7,506,893	2,786,881
Labormed Pharma SA	440,662	1,060,896
Solacium Pharma SRL	217,659	98,068
Helvepaharm AG	32,109	32,487
Zentiva K.S.	198,831,011	207,157,121
Zentiva Group A.S.	6,724,357	5,971,088
<b>Total</b>	<b>213,752,691</b>	<b>217,106,541</b>



## ➤ Payables to the affiliated entities / other related parties

	31 December 2020	30 June 2021
Alvogen Romania SRL	6,024,138	16,847,253
Labormed Pharma SA	891,065	2,658,688
Solacium Pharma SRL	1,317,551	2,577,103
Zentiva Pharma GMBH	4,307,160	4,249,121
Zentiva K.S.	38,455,744	34,513,414
Zentiva Group A.S.	58,000,408	12,584,434
Zentiva Italia	345,151	351,814
Zentiva Private LTD	853,958	546,456
<b>Total</b>	<b>110,195,174</b>	<b>74,328,283</b>

Information regarding the transactions with the affiliated entities and other related parties

## ➤ Sales of goods and services

	30 June 2020	30 June 2021
Alvogen Romania SRL	516,182	1,001,401
Labormed Pharma SA	-	629,729
Solacium Pharma SRL	2,606,086	1,574,109
Zentiva K.S.	125,883,072	133,161,767
Zentiva Group A.S.	306,035	-
Zentiva Pharma GMBH	3,531,202	-
Zentiva Pharma UK Limited	17,335	-
<b>Total</b>	<b>132,859,912</b>	<b>136,367,006</b>

## ➤ Purchase of goods and services

	30 June 2020	30 June 2021
Alvogen Romania SRL	-	10,631,700
Labormed Pharma SA	-	1,816,904
Solacium Pharma SRL	16,567	2,197,327
Zentiva K.S.	52,232,666	42,753,230
Zentiva Group A.S.	19,665,953	27,346,910
Zentiva Italia	5,577	137,698
Zentiva Private LTD	-	2,058,336
<b>Total</b>	<b>71,920,763</b>	<b>86,942,105</b>

**4. COMPANY'S MANAGEMENT****4.1. Board of Directors**

As of June 30, 2021 the Board of directors had the following composition:

Nicholas Robert Haggart - Chairman of the Board – starting with December 2019

Simona Cocos – Member of the Board - starting with April 2010

Margareta Tanase - Member of the Board - starting with April 2010

Kenneth Lynard - Member of the Board - starting with October 2019

Francois Noel Marchand – Independent Member of the Board - starting with February 2017

Company does not have knowledge of any member of the Board of Directors holding shares issued by the Company during the relevant financial year.

The Board of Director members are appointed by the Ordinary General Shareholders Meeting based on shareholders' votes and in compliance with the statutory requirements relating to quorum and majority. Therefore, there are no specific agreements, understandings or family relations to be disclosed herein.

#### **4.2. Executive Management**

Executive management members as of June 30, 2021:

Simona Cocos – General Manager  
Margareta Tanase - Industrial Affairs Director

Company does not have knowledge of any member of the executive senior management holding shares issued by the Company during the relevant financial year.

Company does not have knowledge specific agreements, understandings or family relations to be disclosed herein.

To the best of the Company's knowledge and belief, there are no litigations or administrative proceedings involving the members of the Board of Directors or of the senior management, related to their activity within the Company or their capacity to perform their attributions.

### **5. COMPANY'S EXPOSURE TO RISKS**

#### **Price Risk**

Ethical products from local portfolio, which are sold on local market based on prescriptions and for which the price is regulated by the Ministry of Health represent around 95% of the total value of sales of goods on the local market. The price of over-the-counter products is established by supply and demand.

No potential risks were identified that are likely to affect the Company's liquidity.

The Company did not purchase own stocks.

The Company did not issue any bonds or other debt securities.

#### **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits and trade payables.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, The Company's exposure to the risk of changes in market interest rates is not significant, since as of 31<sup>st</sup> of December 2020, the Company only has an overdraft of RON 10 million, that was not used at the reporting date.

At June 30, 2021 the Company did not have any loans received. It does have a cash pooling contract with the parent company and it has a variable interest (as detailed in Note 8 and has a debit balance at June30, 2021 and December 30, 2020).

The Company's exposure to the interest rate risk changes on the market is not significant.

### **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency).

The Company has transactions in a currency other than its functional currency (RON), mainly in EUR and USD. In first half of 2021, the Company did not use any financial instruments to mitigate this risk.

### **Capital Management**

Capital includes equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the periods ended June 30, 2021 and December 31, 2020.

### **Credit Risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is rather not exposed to credit risk from its operating activities, as most of its trade receivables are from related parties.

The exposure to credit risk from its financing activities, including deposits with banks is not significant, as such deposits are usually overnight.

### **Trade Receivables**

Customer credit risk is managed by the Company subject to its established policy; however the Company considers that the credit risk on trade receivables is low.

Trade receivables are monitored at the end of each period and any shipments for a major customers are analyzed. Furthermore, a significant part of the third party trade receivables are insured by EULER HERMES.

The requirement for an impairment is analyzed at each reporting date on intervals to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The Company evaluates the concentration of risk with respect to trade receivables as being low.

### **Financial Instruments and Cash Deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at June 30, 2021 is the carrying amounts as illustrated in Note 8 of the financial statements.

### **Liquidity Risk**

The Company monitors the risk to a shortage of funds using a recurring liquidity planning tool.

The Company does not have long term financing (neither from trading partners, nor debts to financial institutions).

All of the company's debt will become mature in less than one year, with the exception of deferred tax, provisions and lease contract under IFRS16.

## 6. COMMITMENTS AND CONTINGENCIES

### Legal claims

As of June 30, 2021, the Company is involved in several disputes, of which the most significant are listed below:

- The Company was involved in several litigations with the National Health Insurance House (“NHIH”) following the challenging of the VAT paid, in relation to the claw-back tax for the period Q1 2012 - Q4 2012 and, as well, in relation to the computation manner for the individual consumption communicated for the determination of the claw-back tax for the periods of Q1 2013 - Q3 2013 and Q1 2020 requesting the cancellation of the Notifications received from NHIH for the periods mentioned above. Currently, the Company is involved in only two more pending litigations with the NHIH, while 5 other litigations being finally settled at the date of this Report, as follows:

-in relation to the clawback tax for the period Q1 2012 - Q4 2012, all 3 case files regarding this period are finally settled, namely: (a) case file no. 5009/2/2013\* - action Q1 and Q2 2012; (b) case file no. 4859/2/2013 – action Q3 2012; (c) case file no. 5843/2/2013 – action Q4 2012;

-in relation to the computation manner for the individual consumption communicated for the determination of the clawback tax for the period Q1 2013 - Q3 2013, requesting the cancellation of the notifications received from the NHIH for the periods mentioned above, there are 3 case files from which only one is still pending (two being finally settled), namely: (a) case file no. 7950/2/2013\* – action Q1 2013, finally settled; (b) case file no. 1651/2/2014\* – action Q2 2013, pending; (c) case file no. 3718/2/2014 - action Q3 2013, finally settled.

Therefore, the Company has won in court the recovery of the VAT for the clawback tax related to Q1 - Q4 2012 and to Q3 2013 (for Q1 2013 the Company’s legal action was fully dismissed) and is investigating the manners in which it may recover these amounts or offset them against other tax obligations. For all these case files the decisions issued by the court are final.

The only litigations with NHIH that are currently ongoing are the case file no. 1651/2/2014\* – action Q2 2013 and, respectively, the case file no. 7592/2/2020 – action Q1 2020.

- Litigation with the National Agency for Fiscal Administration (“NAFA”) for challenging the clawback tax and the penalties computed for the reviewed period Q4 2009 – Q3 2011. During 2016, following a tax audit related to the clawback tax for the period Q4 2009 - Q3 2011, NAFA issued a decision to impose additional clawback tax and penalties amounting to RON 18,457,107 (the “Initial Decision”). During 2016, as a result of the opposition submitted by the Company, NAFA cancelled the Initial Decision and initiated the procedures for re-audit in 2017 of this fiscal obligation for the period Q4 2009 - Q3 2011. Following this new investigation, NAFA issued a new tax decision and accessory decisions for a total amount of RON 8,355,860 (consisting of RON 3,672,966 principal debt and RON 4,682,894 penalties) (the “Second Decision”). The Company challenged the Second Decision as well. The opposition was rejected by NAFA and the Company filed an administrative claim for the annulment of the Second Decision (i.e. of the last tax decision and the decisions regarding the accessories) and of the decision which rejected the opposition.

On May 28, 2019, following an initial adjournment of the delivery of the decision, the court of first instance partially admitted the legal action submitted by the Company, meaning that the three causes of action regarding the additional clawback contribution and the related penalties were admitted. Specifically, the court admitted the legal action (i) regarding the main debt amounting to RON 3,672,966 and (ii) regarding the penalties requested for the total amount of RON 4,494,934 (the cause of action for penalties amounting to RON 187,960 being rejected).

This court decision is not final and binding, being appealed by both the Company and NAFA. The first hearing for the appeals was established on January 25, 2022.

- In August 2019, the company ALPHA TRANSCORD SRL filed, through its official receiver, a legal action against the Company. The case, respectively the file no. 25005/3/2019 \*, has as subject matter the affirmative covenant consisting in ordering the defendants, including the Company, to pay the amount of LEI 2,262,332.27 and is pending before the court in the first phase of the proceedings.

The Claimant alleges that the Company didn't pay certain invoices due for the road transport services provided by the Claimant. Consequently, the Claimant has requested in court an injunction to determine the defendants, including the Company, (i) to pay the amount of LEI 2,262,332.27 representing the value of the due invoices related to the road transport services provided under the agreement between the parties and (ii) to pay the Claimant the relevant trial expenses. The case is ongoing, the next hearing being set on September 28, 2021.

- In 2019, the Company, as plaintiff, filed a legal action, registered with the Bucharest Tribunal, under no. 16905/3/2019, against the company Laboratoare Fares Bio Vital S.R.L. and the State Office for Inventions and Trademarks, as defendants. The Company has requested the cancellation of the trademark "Fares 1929 Distonoplant" on the grounds that this trademark is similar and covers identical or similar goods as the previous trademark "Distonocalm", owned by the Company, which can create confusion for consumers. Also, given the reputation of the previous trademark "Distonocalm", the later registration of the trademark "Fares 1929 Distonoplant" takes unfair advantage for the defendant and causes detriment to said reputation. However, on 25.02.2021 the Company concluded a transaction with Fares Bio Vital Laboratories S.R.L. by which the parties agreed to settle this dispute amicably. Consequently, on 03 March 2021, the court took note of the statements of waiver submitted by each of the parties following the transaction.

The Company's management considers that the respective litigations will not significantly impact the Company's operations and financial position and that it set sufficient provisions where there was significant risk.

## **7. OBJECTIVES FOR THE YEAR 2021**

For 2021, our objective is to maintain our leadership in the healthcare field, focusing on identifying growth opportunities and on diversifying our business within European quality standards; to ensure an efficient and profitable organization while remaining fully committed to delivering the best possible service to our customers and upholding our commitments towards Romanian patients' needs.

Our key priorities for 2021 are:

- To maintain the profitability of the local producer, considering an increase of costs for utilities, constant increase of costs for materials, higher due also to pandemic situation (raw materials, excipients, and packaging materials),
- To enhance the production capacity, by implementing the investment plan for 2021;
- To diversify and enhance Zentiva's presence on various markets through exports and transfer of new products that should be produced locally;
- To maintain the sales of products on the local market;
- To strengthen our product portfolio through new launches.

## 8. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### Changes within the Board of Directors of the Company

Through the Board of Directors Resolution no.7 from August 18, 2021, the following decisions were adopted :

- Acknowledge the termination of Mr. **Nicholas Robert Haggar**' mandate as Member and Chairman of the Board of Directors of the Company, starting with **August 19<sup>th</sup>, 2021**
- Appointment of Mr. **Kevin Joseph Clifford**, as interim director of the Board of Directors of the Company starting with **August 19<sup>th</sup>, 2021**
- Appointment of Mrs. **Cocoş Simona** as Chairman of the Board of Directors of the Company starting with **August 19<sup>th</sup>, 2021**

**Administrator,**  
Cocos Simona

Signature

**Prepared by,**  
Nitulescu Daniel  
Chief Financial Officer

Signature

**S.C. ZENTIVA S.A.**

**FINANCIAL REPORTING**

**AS AT 30 JUNE 2021**

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**ZENTIVA S.A.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the period ended June 30, 2021**  
*(all amounts are expressed in RON, unless specified otherwise)*

	<u>30.06.2020</u>	<u>30.06.2021</u>
	<b>RON</b>	<b>RON</b>
Sales of goods	272,338,694	324,663,939
Rendering of services	9,184,151	5,513,209
Other income	-	-
<b>Turnover</b>	<b>-</b>	<b>179,163</b>
	<b><u>281,522,845</u></b>	<b><u>330,356,311</u></b>
Other operating income	1,361,894	4,932,667
Changes in inventories of finished goods and work in progress	3,541,687	5,285,023
Raw materials and consumables used	(134,802,777)	(165,836,503)
Employee benefits expenses	(46,913,572)	(53,444,450)
Depreciation, amortization and impairment	(10,235,717)	(10,272,913)
Marketing and advertising expenses	(2,929,512)	(2,394,671)
Rental expenses	10,842	(504,725)
Reversal of/ (expenses with) provisions	(841,454)	(1,181,364)
Other operating expenses	(45,420,675)	(64,276,903)
<b>Operating profit</b>	<b><u>45,293,561</u></b>	<b><u>42,662,471</u></b>
Financial Income	5,920,842	3,267,970
Financial Expenses	(2,519,820)	(1,532,296)
<b>Profit before tax</b>	<b><u>48,694,582</u></b>	<b><u>44,398,145</u></b>
Income Tax Expense	(6,770,951)	(9,801,332)
<b>Net profit after tax (A)</b>	<b><u>41,923,632</u></b>	<b><u>34,596,813</u></b>
<b>Other comprehensive income:</b>		
Other elements of comprehensive income not reclassified through Profit and Loss account	-	-
Revaluation of land and buildings impact	-	-
Deferred tax on revaluation of land and buildings impact recognised in equity	-	-
<b>Other comprehensive income net of tax (B)</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total comprehensive income after tax (A) + (B)</b>	<b><u>41,923,632</u></b>	<b><u>34,596,813</u></b>
<b>Number of Shares</b>	<b><u>697,017,040</u></b>	<b><u>697,017,040</u></b>
<b>Earnings per share (RON/share)</b>	<b><u>0.06015</u></b>	<b><u>0.04964</u></b>

Financial statements for the period ended June 30, 2021 are not audited.

**ZENTIVA S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**For the period ended June 30, 2021**  
*(all amounts are expressed in RON, unless specified otherwise)*

	<u>31.12.2020</u>	<u>30.06.2021</u>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	189,815,571	192,172,387
Goodwill	11,649,100	11,649,100
Customer relationships	27,560,325	25,548,286
Right-of-use assets	5,509,404	5,307,061
Intangible assets	3,928,779	3,755,357
	<u><b>238,463,179</b></u>	<u><b>238,432,190</b></u>
<b>Current assets</b>		
Inventories	137,798,353	150,897,887
Trade receivables and other current receivables	250,288,953	265,775,860
Cash and cash equivalents	406,713,534	401,546,470
	<u><b>794,800,840</b></u>	<u><b>818,220,217</b></u>
<b>Total assets</b>	<u><b>1,033,264,019</b></u>	<u><b>1,056,652,407</b></u>
<b>Equity and debt</b>		
Issued share capital	69,701,704	69,701,704
Share premium, including:	24,964,506	24,964,505
Share premium at nominal value	9,863,684	9,863,684
Hyperinflation related to share premium	15,100,822	15,100,822
Legal and other reserves	118,346,486	118,346,486
Revaluation reserve	57,927,094	57,927,093
Retained earnings	514,424,285	549,021,097
<b>Total equity</b>	<u><b>785,364,075</b></u>	<u><b>819,960,885</b></u>
<b>Non-current liabilities</b>		
Employee benefit liability	3,711,520	3,711,520
Non-current lease liabilities	2,009,943	765,564
Deferred tax liability	7,627,122	7,627,122
Non-current provisions	11,189,564	11,189,564
<b>Total non-current liabilities</b>	<u><b>24,538,149</b></u>	<u><b>23,293,770</b></u>
<b>Current liabilities</b>		
Trade accounts payable	174,935,825	172,503,384
Income taxes payable	6,867,041	1,436,068
Other current liabilities	35,508,527	33,815,364
Short-term lease liability	3,765,882	3,346,417
Short-term provisions	2,296,520	2,296,520
<b>Total current liabilities</b>	<u><b>223,361,795</b></u>	<u><b>213,397,752</b></u>
<b>Total liabilities</b>	<u><b>247,899,944</b></u>	<u><b>236,691,522</b></u>
<b>Total liabilities and equity</b>	<u><b>1,033,264,019</b></u>	<u><b>1,056,652,407</b></u>

Financial statements for the period ended June 30, 2021 are not audited.

**ZENTIVA S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**For the period ended June 30, 2021**  
*(all amounts are expressed in RON, unless specified otherwise)*

**CASH FLOW STATEMENT**

	<b>30.06.2020</b>	<b>30.06.2021</b>
<b>Cash flows from operating activities:</b>		
<b>Net profit before taxation and extraordinary elements</b>	<b>48,694,582</b>	<b>44,398,145</b>
<i>Adjustments for:</i>		
Depreciation and amortization of fixed assets	10,235,717	8,187,156
Loss / profit from the sale of assets (fixed assets)	(488,519)	(626,561)
Net income / expenditures from interests	841,454	(913,063)
Expenditures regarding pension debts and similar	(5,265,218)	(2,933,828)
<b>Operating profit before changes in the circulating assets</b>	<b>294,096</b>	<b>128,271</b>
<b>Cash flows from operating activities:</b>	<b>54,001,730</b>	<b>48,240,721</b>
Decrease / (Increase) of trade receivables and of other nature	(5,078,748)	(12,186,471)
Decrease / (Increase) of stocks	(32,975,170)	(18,436,926)
(Decrease) / Increase of trade debts and of other nature	39,632,405	1,358,899
Paid income taxes	(10,172,776)	(15,232,304)
Pension liabilities paid	(188,735)	(617,757)
<b>Cash from operating activities</b>	<b>45,218,706</b>	<b>3,126,162</b>
<b>Cash flows from investment activities:</b>		
Proceeds from sale of non-current assets	-	-
Purchase of property, plant and equipment and intangible assets	(10,466,573)	(8,156,767)
Interest paid	(60,122)	(128,271)
<b>Net cash used in investing activities</b>	<b>(10,526,694)</b>	<b>(8,258,039)</b>
<b>Cash flows from financing activities:</b>		
Movements in bank loans	(5,204,790)	-
Dividends paid	(16,097)	(8,187)
Lease payments	(1,312,034)	-
<b>Net cash from/ (used in) in financing activities</b>	<b>(6,532,921)</b>	<b>(8,187)</b>
Net increase (decrease) in cash and cash equivalents	<b>28,159,091</b>	<b>(5,167,064)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>388,473,821</b>	<b>406,713,534</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>416,632,912</b>	<b>401,546,470</b>

**ZENTIVA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the period ended June 30, 2021**  
*(all amounts are expressed in RON, unless specified otherwise)*

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**STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Opening balance 01.01.2021</b>	<b>69,701,704</b>	<b>24,964,505</b>	<b>118,346,486</b>	<b>57,927,094</b>	<b>514,424,285</b>	<b>785,364,075</b>
Profit for the year	-	-	-	-	34,596,813	34,596,813
Share capital increase	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-
Other elements of the comprehensive income	-	-	-	-	-	-
<b>Total Equity</b>	<b>69,701,704</b>	<b>24,964,505</b>	<b>118,346,486</b>	<b>57,927,094</b>	<b>549,021,097</b>	<b>819,960,885</b>
Retained earnings - correction	-	-	-	-	-	-
<b>Closing balance 30.06.2021</b>	<b>69,701,704</b>	<b>24,964,505</b>	<b>118,346,486</b>	<b>57,927,094</b>	<b>549,021,097</b>	<b>819,960,885</b>

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.

**NOTE 1: INFORMATION ABOUT THE COMPANY**

The company, previously named SICOMED S.A. Bucharest ("Sicomed") was founded in 1962 as Intreprinderea de Medicamente BUCURESTI ("IMB"). The current registered office of the Company is located in B-dul Theodor Pallady no.50, Bucharest. The Company is registered with the Trade Register under no. J40/363/1991.

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

In October 2005, the majority stake in the company was acquired by Zentiva Group (a group in the pharmaceutical industry operating in Central and Eastern Europe) by acquiring shares in Venoma Holdings Limited. Zentiva Group has control over the Company's operations.

Starting with 24 January 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).

The main activity of the Company is the production and marketing of preparations and medicines for human use.

Starting with 2007, a decision has been taken at the Zentiva Group level, and as a result the Company started its trading operations through its subsidiary in Romania, namely Zentiva International (incorporated in Slovakia) ("ZIRO") and the Romanian market (i.e. distributors) was supplied with the Company's products through ZIRO. Starting with 1 October 2011, sales are made directly through the Sanofi Romania SRL entity and after that date, ZIRO became an entity with no activity to be liquidated.

On 20 February 2018, Zentiva SA launched the public purchase offer by Zentiva NV of the shares owed by minority shareholders in the percent of 18.4067 % at buying price of RON 3.5 / share. The public purchase offer was concluded on 5 April 2018. The shares purchased through this offer were primarily the ones owned by KJK Fund II, the NN Optional Active Pension Fund, the NN Optional Optimal Pension Fund and the NN Privately Administrated Pension Fund.

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.

Starting with 1st of September 2018, Sanofi Romania SRL, who was up until that time the distributor on the Romanian market of generic medicine manufactured by Zentiva SA, transferred its distribution activity towards Zentiva SA, based on the distribution activity transfer contract, which was approved on 7 March 2019 by the General Meeting of the Shareholders of Zentiva SA.

Following this, Zentiva started the direct distribution on the Romanian of products both manufactured in Romania, as well as imported from other entities from the Group. The local market distribution is done by local distributors.

The Company is listed on Bucharest Stock Exchange.

The Company has no investments in subsidiaries or affiliated companies on 30 June 2021. The Company is part of a group and is at its turn consolidated in the Group's Financial Statements, the consolidated parent company being AI Sirona (Luxembourg) Acquisition S.a.r.l.

## **NOTE 2: BASIS OF PREPARATION OF THE FINANCIAL STATEMENT**

The Company's financial statements have been prepared in accordance with the provisions of Order No. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market with all subsequent modifications and clarifications. These provisions are in line with the provisions of the International Financial Reporting Standards adopted by the European Union, except for the provisions of IAS 21 - The Effects of Changes in Foreign Exchange Rates on the Functional Currency IAS 20 - The accounting of governmental subventions regarding the recognition of income from green certificates, with the exception of IFRS 15 - Income from contracts with clients regarding the income from distribution network charges and with the exception of interim distribution of dividends. In order to prepare these financial statements, in accordance with the Romanian legal provisions, the functional currency of the Company is considered to be the Romanian Leu (RON).

### **Going Concern**

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, the management analyses the forecasts of future cash inflows.

On 30 June 2021, current assets of the Company exceed current liabilities by RON 604,822,465 (on 31 December 2020 current assets exceeded current liabilities by RON 571,439,045).

The budget prepared by the management of the Company and approved by the Board of directors for the year 2021, indicates positive cash flows from the operation activities, an increase in sales and profitability from the direct distribution on the Romanian market of generic medicine manufactures locally as well as the ones imported from other entities of the Group to which the Company belongs to.

The management deems that the Company will be able to continue its activity in the foreseeable future and therefore the application of the principle of continuity of activity in the drawing up of the financial statements is justified.

### **Principles, policies and accounting methods**

No significant changes occurred in the company's accounting policies and methods during the financial year concluded on June 30, 2021, compared to the accounting policies presented on December 31, 2020.

## **NOTE 3: SALES OF GOODS AND RENDERING OF SERVICES AND EXPENSES WITH RAW MATERIALS AND CONSUMABLES**

### **3.1 Turnover**

For management purposes, the company is organised in business units depending on its products and services. The company has a single reporting segment, namely the production of drugs.

The Company's management monitors the operating results of the unit as a whole for the purpose of decisions making regarding the allocation of resources and the assessment of performance. Performance is assessed based on the operating profit or loss, the gross profit or loss and it is quantified consistently with the operating profit or the loss in the financial statements.

The Company monitors the sales transactions, considering the domestic and external sales.

**ZENTIVA S.A.**  
**Notes to the Financial Statements**  
**For the period ended June 30, 2021**  
*(all amounts are expressed in RON, unless specified otherwise)*

	<b>1 January – 30 June 2020</b>	<b>1 January – 30 June 2021</b>
Sales - domestic	131,696,347	168,265,622
Sales – external*	149,826,497	162,090,689
<b>Total Turnover</b>	<b>281,522,845</b>	<b>330,356,311</b>
<b>a) Rendering of services</b>	<b>9,184,151</b>	<b>5,513,209</b>
<b>b) Sales of goods, of which:</b>	<b>272,338,694</b>	<b>324,663,939</b>
Sales of finished goods	121,456,673	153,636,593
Sales of goods for resale	172,548,278	190,824,058
Residual products	(1,262,292)	1,013,504
Claw back tax expense	(20,403,964)	(20,810,215)
<b>c) Other revenues</b>	<b>-</b>	<b>179,163</b>

\*External sales are represented mainly by exports to Cehia.

### **Clawback tax**

Starting on the last quarter of the financial year ending on 31 December 2009, within the pharmaceutical industry, for the companies which held Marketing Authorisations (MA) for certain medicinal products, a new tax was introduced and this was called the `clawback tax`.

For the purpose of funding the public health expenses, the MA holders included in the national health programs have the obligation to pay the clawback tax quarterly for the respective sales of medicinal products corresponding to the respective quarter based on the notifications received by the company from the National Health Insurance House Fund (CNAS).

The contribution (the clawback tax) should be paid by the MA holders or by their legal representatives, if these medicinal products are:

- Prescribed within the health system in Romania;
- Used in the ambulatory treatment (with or without the patient’s contribution) based on the doctor's prescription and available in pharmacies, hospitals or used as part of the medical treatment within the dialysis clinics.

The value of the clawback tax was influenced in 2020 by amendments brought by Law 53/2020 on the approval of Ordinance no. 85/2019 by introducing the differentiated clawback contribution by types of medicines starting with the first quarter of 2020 (the corresponding declaration and payment deadline being applied after the law enforcement), on three types of categories, respectively type I (medicines innovative), type II (medicines manufactured in Romania, both innovative and generic) and type III (generic medicines / any other medicines that do not fall into type I or II).

Specifically, for type I medicines the quarterly contribution will be calculated by applying a percentage of 25% on the value related to their centralized consumption (communicated by the National Health Insurance House, after VAT deduction), while for type II medicines and type III clawback contribution will be calculated by applying the percentage of 15% and 20% respectively. Thus, through the above-mentioned amendments to the same Ordinance, starting with the first quarter of 2020, provisions regarding the value of the “p” percentage are modified by applying differentiated values for the types of medicines (25%, 15%, respectively 20%) and waiving the previous “p” percentage of 27.65%.

The category “**Rendering of services**” includes the revenues resulted from the rendering of quality verification services in relation to the products manufactured outside the European Union that are to be sold on the EU markets by the partners within the Company’s Group as well as the revenues from certain production services provided to third parties.

### 3.2 Raw material expenses and consumables used

Raw materials and consumables used	Note	1 January – 30 June 2020	1 January – 30 June 2021
Raw materials	1	49,381,931	59,348,679
Goods for resale		46,047,622	67,029,896
Packaging materials	2	23,829,509	25,966,917
Auxiliary materials	3	4,260,785	4,684,957
Utilities	4	5,313,432	5,006,031
Other material expenses	5	5,969,499	3,800,023
<b>Total</b>		<b>134,802,777</b>	<b>165,836,503</b>

The amounts mentioned in the above table on the reference lines 1, 2, 3 represent mainly expenses with raw materials and the direct materials, the packages and auxiliary materials, used in the production activity.

The amounts mentioned at reference number 4 – utilities - refer mainly to the expenses with energy and water.

5 – in this category are registered mainly the expenses with consumables used by the department in charge with the certification of the products produced in Turkey and India, which are going to be distributed on the EU market, as well as with the certification of the products existing in the Zentiva SA portfolio.

### NOTE 4: OTHER INCOME / EXPENSES AND ADJUSTMENTS

#### 4.1 Other operating income

	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2021</b>
<b>Other operating income</b>		
Gain/ (loss) from disposal of assets	4,624	2,203
Services recharged to Group entities	1,357,270	4,930,464
Other operating income	-	-
<b>Total</b>	<b>1,361,894</b>	<b>4,932,667</b>

The Company recognized revenues from re-invoicing of some services offered by the Zentiva employees to the following companies within the Group: Zentiva Group A.S, Labormed Pharma Trading SRL (previous Alvogen Romania S.R.L.), Labormed Pharma S.A.si Solacium Pharma S.R.L., which are generally services related to the commercial activity of Group, the advertising of generic products and assistance services to the Headquarter.

#### 4.2 Other operating expenses

	1 January – 30 June 2020	1 January – 30 June 2021
Management service received from Zentiva Group	17,395,676	32,835,667
Maintenance - repairs	2,587,922	3,996,474
License – Zentiva trademark	1,820,173	1,904,056
Travel expenses	452,719	347,115
Write-off of inventories	3,328,376	2,351,119
Registration fees to ANM	2,822,365	2,683,984
Professional fees	495,056	274,392
Postage and telecommunication	297,641	293,226
Other expenses	16,709,266	19,928,219
Net allowance for inventories and receivables	(488,519)	(337,349)
<b>Total</b>	<b>45,420,675</b>	<b>64,276,903</b>



**Management service expenses:** the costs with services from the group include a large variety of services (see below) :

- The product portfolio management and its development (monitoring, assistance regarding transfers, projects for production process optimization of the Company), for the acquisition process (monitoring suppliers, negotiating the main contracts for raw material), legal support (international reviewing and supporting/complex situations linked to the business environment in Romania) and financial services (monitoring sales, support for planning and optimizing the production cost, defining the production flow for the local production capacity).
- In addition to services mentioned above in this category are also included IT support services (SAP and other apps used by all entities within the group), operational services and support for daily activities regarding the IT infrastructure and software used, and IT project management and execution relevant on a local level.

**Repair services** include: repair services related to the production equipment and repairs related to the cars fleet.

**Other expenses** include: expenses for R&D in the pharmaceutical field, expenses for production authorization, equipment maintenance and repair, transport, security, Intranet and other miscellaneous costs. In this category, there are included also the personnel leasing services of Lugeră & Makler Romania SRL.

**NOTE 5: NON-CURRENT ASSETS**

	<b>Property, plant and equipment</b>	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Right-of-use assets</b>	<b>Intangible asstes</b>	<b>Total</b>
<b>Gross value as at 1 January 2021</b>	349,793,972	11,649,100	34,492,101	13,012,565	8,634,572	417,582,310
Additions	4,805,471			1,107,583	109,031	6,022,085
Disposals	(6,728,477)					(6,728,477)
Transfers	2,134,681					2,134,681
<b>Gross value as at 30 June 2021</b>	350,005,647	11,649,100	34,492,101	14,120,148	8,743,603	419,010,599
<b>Depreciation and impairment as of 1 January 2021</b>	(159,978,401)	-	(6,931,776)	(7,503,161)	(4,705,793)	(179,119,131)
Depreciation in the year	(4,583,336)		(2,012,039)	(1,309,927)	(282,454)	(8,187,756)
Disposals	6,728,477					6,728,477
<b>Amortizare si depreciere de valoare la 30 iunie 2021</b>	(157,833,260)	-	(8,943,815)	(8,813,088)	(4,988,247)	(180,578,410)
<b>Net value as at 1 January 2021</b>	189,815,571	11,649,100	27,560,325	5,509,404	3,928,779	238,463,179
<b>Net value as at 30 June 2021</b>	<b>192,172,387</b>	<b>11,649,100</b>	<b>25,548,286</b>	<b>5,307,061</b>	<b>3,755,357</b>	<b>238,432,190</b>

## PROPERTY, PLANT AND EQUIPMENT

### Revaluation of land and buildings

As of 31 December 2020, the Company carried out the revaluation of the existing land and buildings in the Company's patrimony. The revaluation was made by an independent evaluator in accordance with the International Valuation Standards.

The net impact following the revaluation was in the amount of RON 27,049,685, of which in the revaluation reserve it was registered the amount of RON 21,227,460.

Also, as a result of the revaluation, the amount of RON 5,822,225 was recorded as an impact on the profit for the year - in the line of "Depreciation, amortization and impairment losses", representing the resumption of impairment losses related to buildings resulting from the revaluation from December 31, 2017.

Fair value was determined by reference to market information, using the cost approach as the main approach in valuing buildings and special constructions in valuation and the market approach (direct comparison method), as a method for land valuation. The income approach (direct capitalization method) was also applied as a secondary valuation method and the external impairment testing method in the cost approach.

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 3 data in the fair value measurement hierarchy.

The data used in the evaluation were:

- a. For special buildings and constructions
  - level 3 input data representing replacement costs, historical costs, historical cost update indices, depreciation adjustments - most derived based on publicly available technical studies, respectively IROVAL Catalogues and the National Institute of Statistics (as opposed to data taken directly from the market), with depreciations estimated by the evaluator.
- b. For land
  - level 3 input data which represent sale prices taken from sale offers for similar lands, publicly available, with adjustments made by the evaluator depending on their comparability with the evaluated lands

The result of the evaluation is influenced by the main market data used, these being mainly: market value per square meter for land (estimated at 145 EUR / sqm), estimation of gross replacement costs (which were estimated using IROVAL cost catalogues - recognized local and the method of updating historical costs) in the range of 350-800 Euro / sqm built area (depending on the construction system of buildings) and estimating physical depreciation (which were based on the physical condition of assets at the valuation date, their life effective age) and external (estimated by capitalizing the loss of income).

The fair value of the company's land in a size of 74.475 sqm was established by the evaluator at the value of 145 Eur/sqm.

Estimating fair values through the income approach and allocating values based on the net replacement costs of constructions and respecting the valuation standard specific to valuation for accounting purposes would have led to values similar to those estimated by the cost approach. The total fair value of the valuation assets is RON 108,782,830. Sensitivity analysis of the global value of the valued asset base, performed by using the main input data in the income approach in the range - / + 1% for the capitalization rate and -3% / + 5% in the degree of vacancy (cumulative sensitivity of the two basic indicators), indicates an interval of RON 99.5m - RON 117.6m.

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

**ZENTIVA S.A.****Notes to the Financial Statements  
For the period ended June 30, 2021***(all amounts are expressed in RON, unless specified otherwise)***GOODWILL AND CUSTOMER RELATIONSHIPS**

In 2018, the Sanofi Group sold the generics division in Europe, which resulted in more operations within the group. Zentiva SA was included in this separation process, which was completed at the end of September 2018, when Advent International NV acquired the Sanofi Group Generic Medicines Division in Europe.

In 2019, the Company carried out the assignment of the acquisition price recording individually identifiable assets such as contractual customer relationships in amount of RON 34,492,101 (10 main distributors: Mediplus, Farmexpert, Europharm, Fildas, Farmexim, Dona Logistica, Geiser, Ropharma, Bioeel, Pharmapharm) and the balance of RON 11,649,100 was recognized as goodwill. It was been determined that the amortization period for the customer relationship is 10 years.

Thus, in accordance with the IFRS requirements, the Company restated the initial balances and presented the specific identifiable assets pursuant to the table above.

The market value of the recognized individual assets was determined further to the application of the updated cash flow, within the income approach, using the management's hypothesis and namely: each contractual relation with the main distributors (10 main distributors) was individually evaluated considering a return rate of 1% (the balance between the rate of return obtained by taking over these agreements and the rate of return that the Company would have obtained if it negotiated the distribution agreements by itself), an updating rate of 9.6% adjusted with a 3% premium.

**RIGHT-OF-USE-ASSETS**

The Company recognized in the category "right-of-use-assets" the following categories of operating leases:

- Car leasing for the Company's personnel
- The lease of a packing line
- The lease contract for the storage premises held by FM Logistic.

The leases for vehicles have a lease term of 48 months. The Company's obligations under the leases are secured by the lessor's title to the leased assets.

The Company has a lease for a warehouse for storage of the medicines, that includes the option of term extension and the termination option. These options are negotiated by the Company's management in order to provide flexibility in the management of the portfolio of leased assets and comply with the Company's business needs. The Company's management applies significant judgement to determine whether it is reasonably certain to exercise these extensions or terminations.

**INTANGIBLE ASSETS**

The Company recognized in the category "intangible assets" the following items:

- Computer software
- Research and development expenses
- Patents, licenses, trademarks

**NOTE 6: INVENTORIES**

	<b>31 December 2020</b>	<b>30 June 2021</b>
Merchandise	55,059,700	53,769,967
Finished products and semi-finished products	43,077,003	46,397,136
Raw materials	54,917,434	68,768,914
Package materials	13,045,838	11,733,576
<b>Minus:</b>		
Allowance for obsolete inventories	(28,301,622)	(29,771,706)
<b>Total</b>	<b>137,798,353</b>	<b>150,897,887</b>

The Company does not hold mortgaged inventories in favour of third parties as of June 30, 2021 and December 31, 2020.

**NOTE 7: TRADE RECEIVABLES AND OTHER RECEIVABLES / CURRENT****Trade receivables and other receivables**

	<b>31 December 2020</b>	<b>30 June 2021</b>
<b>Total trade receivables, net, out of which:</b>	<b>227,958,536</b>	<b>252,768,229</b>
Trade receivables *	14,832,400	35,661,688
Trade receivables from related parties	213,752,691	217,106,541
<b>Minus:</b>		
Allowance for doubtful trade accounts receivable	(626,561)	-
<b>Total other receivables, out of which:</b>	<b>22,330,417</b>	<b>13,007,631</b>
Advances paid	18,139,131	11,628,723
Recoverable taxes	2,247,051	(261,524)
Sundry debtors	305,467	473,186
Prepaid expenses	1,638,768	1,167,246
<b>Total trade receivables and other receivables</b>	<b>250,288,953</b>	<b>265,775,860</b>

Starting with January 2019, the Company signed with Factofrance SA a non-recourse factoring contract being agreed to finance the local receivables with the main nine Romanian distributors through buying without recourse of all the available receivables in the maximum covered limit by the Euler Hermes insurer.

Trade receivables are not interest-bearing and are generally due between 60 - 120 days (2020: maturing between 60 - 120 days).

As of June 30, 2021, the doubtful trade receivables are zero RON (31 December 2020: RON 626,561).

	<b>31 December 2020</b>	<b>30 June 2021</b>
<b>Opening Balance</b>	<b>(2,175,267)</b>	<b>(626,561)</b>
Increases during the year	-	-
Reversals during the year	1,548,706	626,561
<b>Closing Balance</b>	<b>(626,561)</b>	<b>-</b>

**NOTE 8: CASH AND SHORT-TERM DEPOSITS**

	<b>31 December 2020</b>	<b>30 June 2021</b>
Cash at banks and on hand	62,590,738	38,998,032
Advance for payment of dividends	824,507	816,319
Deposits – cash pooling	343,298,289	361,732,119
<b>Total</b>	<b>406,713,534</b>	<b>401,546,470</b>

Starting with September 2013, the Company signed a cash pooling contract with Sanofi SA France (the parent company until September 30, 2018).

On September 21, 2018, before signing the contract for the sale of the generic division of the Sanofi Group to Advent International NV, the cash pooling contract concluded with Sanofi SA France was transferred to Zentiva Group a.s. According to the contractual provisions, the applied interest level represents ROBOR + 15 bp in case the Company borrows and ROBOR - 5 bp, respectively, in case it makes deposits.

In 2020, the cash pooling contract was transferred, and a new contract was signed between Zentiva Group a.s., Zentiva S.A. and AI Sirona (Luxembourg) Aquisition S.A.R.L. The cash subject to the cash pooling agreement bears an interest at the following rates: - 3M ROBOR + 0% for the deposit, -3M ROBOR + 4.03% for loans.

**NOTE 9: ISSUED CAPITAL AND RESERVES**

**Share Capital**

	<b>31 December 2020</b>	<b>30 June 2021</b>
	<b>Number</b>	<b>Number</b>
Ordinary shares subscribed capital	697,017,040	697,017,040

	<b>31 December 2020</b>	<b>30 June 2021</b>
	<b>RON / share</b>	<b>RON / share</b>
Ordinary shares nominal value	0,1	0,1

	<b>31 December 2020</b>	<b>30 June 2021</b>
	<b>RON</b>	<b>RON</b>
Share capital	69,701,704	69,701,704

The company's share capital is fully paid on June 30, 2021 and December 31,2020.

**Redeemable shares**

The company does not own redeemable shares on June 30, 2021 and December 31,2020.

**Bonds**

The company does not have bonds issued on June 30, 2021 and December 31,2020.

**Shareholding structure**

	<b>31 December 2020 (%)</b>	<b>30 June 2021 (%)</b>
Zentiva Group AS	95,9486	95,9486
Other minority shareholders	4,0514	4,0514
	<b>100%</b>	<b>100%</b>

**Reserves**

<b>Total other reserves included in the capital components:</b>	<b>31 December 2020</b>	<b>30 June 2021</b>
Legal reserves	13,940,341	13,940,341
Other reserves (other funds)	104,406,145	104,406,145
Revaluation reserves	57,927,094	57,927,093
Retained earnings	514,424,285	549,021,097
<b>Total other reserves</b>	<b>690,697,865</b>	<b>725,294,676</b>

**NOTE 10: PROVISIONS**

	<b>Provisions for litigations</b>	<b>Provisions for taxes</b>	<b>Environmental provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>On 1 January 2021</b>	<b>211,549</b>	<b>7,256,776</b>	<b>5,640,510</b>	<b>377,248</b>	<b>13,486,083</b>
Increase	-	-	-	-	-
Reversal	-	-	-	-	-
<b>On 30 June 2021</b>	<b>211,549</b>	<b>7,256,776</b>	<b>5,640,510</b>	<b>377,248</b>	<b>13,486,083</b>
Current	-	2,296,520	-	-	2,296,520
Long term	211,549	4,960,256	5,640,510	377,248	11,189,564

***Tax provisions***

As of June 30, 2021, the company has a provision for the potential differences in taxes and fees that could be found by the control bodies following a full audit of the company's books, in the context of the multitude of legislative changes, in the amount of RON 7,256,776 (31 December 2020 : RON 7,256,776).

The provisions for taxes are created for the amounts owed to the state budget, provided that the respective amounts do not appear as a debt in relation to the state.

***Environmental provisions***

Environmental provisions were set at RON 5,640,510 as of June 30, 2021 (31.12.2020: RON 5,640,510), representing costs related to ecological remediation and soil and groundwater monitoring. These provisions are calculated by specialists.

**NOTE 11: PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

Company applies an employees' defined benefit plan. The plan requires the Company to pay social security contributions for the employees in the public pension fund.

In the current activity, the Company makes payments to the Romanian State for its employees' benefit. All Company employees are included in the Romanian State's pension plan. The Company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation regarding pensions. In addition, the Company is not required to provide additional benefits to former or current employees.

Benefits granted upon retirement:

According to the Collective Labor Agreement, the Company grants its employees a variable number of salaries depending on seniority within the Company.

According to the P1 plan, upon retirement, employees receive a premium depending on seniority within the Company as follows:

- up to 20 years within the Company, 1 company gross average salary;
- between 20-30 years within the Company, 1 and ½ company gross average salary;
- over 30 years within the Company, 2 company gross average salaries.

According to the P2 plan, in addition, at the date when employees reach the age of 50, they receive a premium according to his/her seniority within the Company as follows:

- 10-20 years within the Company, ½ of the employee salary;
- Over 20 years within the Company, one employee salary;

**ZENTIVA S.A.****Notes to the Financial Statements  
For the period ended June 30, 2021***(all amounts are expressed in RON, unless specified otherwise)*

Pension provisions and other similar obligations are estimated based on the provisions of the Collective Labor Agreement of the Company by an actuary independent specialist. As of June 30, 2021 and December 31, 2020 these provisions are in total amount of RON 3,711,520.

**NOTE 12: TRADE PAYABLES AND OTHER LIABILITIES (CURRENT)****Trade payables**

	<b>31 December 2020</b>	<b>30 June 2021</b>
Trade payables	64,337,936	97,827,252
Trade payables to affiliated companies	110,195,174	74,328,283
Received advances and other payables	402,715	347,849
<b>Total</b>	<b>174,935,825</b>	<b>172,503,384</b>

**Other current liabilities**

	<b>31 December 2020</b>	<b>30 June 2021</b>
Wages and salaries payable	12,747,492	9,256,603
Social security contributions for salaries	2,632,247	4,230,978
Claw back tax (*)	10,249,248	10,677,367
Other taxes	494,418	329,764
Dividends payable	6,281,754	6,273,567
Other liabilities	3,103,368	3,047,085
<b>Total</b>	<b>35,508,527</b>	<b>33,815,364</b>

**NOTE 13: RELATED PARTIES**

Details about related parties:

<u>Company name</u>	<u>Nature of relation</u>	<u>Transaction type</u>	<u>Country of origin</u>	<u>Registered office</u>
AI Sirona Acquisition S.à.r.l	Company under joint control	Holds cash pooling	Luxembourg	Luxembourg
Alvogen Romania SRL	Company under joint control	Provides services	Romania	Bucuresti
Labormed Pharma SA	Company under joint control	Provides services	Romania	Bucuresti
Solacium Pharma SRL	Company under joint control	Provides services	Romania	Bucuresti
Zentiva as Hlohovec	Company under joint control	Procurement of services	Slovakia	Bratislava
Zentiva Group A.S.	Company under joint control	acquisitions/revenues from services	Cehia	Praga
Zentiva Italia	Company under joint control	Goods acquisition	Italia	Milano
Zentiva, K.S.	Company under joint control	Acquisition/sale of goods and services	Cehia	Praga
Zentiva Pharma GMBH	Company under joint control	Acquisition/sale of goods and services	Germania	Frankfurt
Zentiva Private LTD	Company under joint control	Goods acquisition	India	Mumbai
Helvepaharm AG	Company under joint control	Provides services	Elvetia	Frauenfeld

**ZENTIVA S.A.****Notes to the Financial Statements  
For the period ended June 30, 2021***(all amounts are expressed in RON, unless specified otherwise)***The ultimate parent company**

The ultimate parent company of the company is AI Sirona (Luxembourg) Acquisition S.a.r.l with the registered office in rue de Capucins 5, L13-13 Luxembourg.

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

The last shareholder of the holding company of Zentiva SA is represented by multiple investment funds controlled by Advent International.

**Payables and receivables from affiliated entities and other related parties**➤ **Receivables from affiliated entities / other related parties**

	<b>31 December 2020</b>	<b>30 June 2021</b>
Alvogen Romania SRL	7,506,893	2,786,881
Labormed Pharma SA	440,662	1,060,896
Solacium Pharma SRL	217,659	98,068
Helvepaharm AG	32,109	32,487
Zentiva K.S.	198,831,011	207,157,121
Zentiva Group A.S.	6,724,357	5,971,088
<b>Total</b>	<b>213,752,691</b>	<b>217,106,541</b>

➤ **Payables to the affiliated entities / other related parties**

	<b>31 December 2020</b>	<b>30 June 2021</b>
Alvogen Romania SRL	6,024,138	16,847,253
Labormed Pharma SA	891,065	2,658,688
Solacium Pharma SRL	1,317,551	2,577,103
Zentiva Pharma GMBH	4,307,160	4,249,121
Zentiva K.S.	38,455,744	34,513,414
Zentiva Group A.S.	58,000,408	12,584,434
Zentiva Italia	345,151	351,814
Zentiva Private LTD	853,958	546,456
<b>Total</b>	<b>110,195,174</b>	<b>74,328,283</b>

**Information regarding the transactions with the affiliated entities and other related parties**➤ **Sales of goods and services**

	<b>30 June 2020</b>	<b>30 June 2021</b>
Alvogen Romania SRL	516,182	1,001,401
Labormed Pharma SA	-	629,729
Solacium Pharma SRL	2,606,086	1,574,109
Zentiva K.S.	125,883,072	133,161,767
Zentiva Group A.S.	306,035	-
Zentiva Pharma GMBH	3,531,202	-
Zentiva Pharma UK Limited	17,335	-
<b>Total</b>	<b>132,859,912</b>	<b>136,367,006</b>



➤ **Purchase of goods and services**

	<b>30 June 2020</b>	<b>30 June 2021</b>
Alvogen Romania SRL	-	10,631,700
Labormed Pharma SA	-	1,816,904
Solacium Pharma SRL	16,567	2,197,327
Zentiva K.S.	52,232,666	42,753,230
Zentiva Group A.S.	19,665,953	27,346,910
Zentiva Italia	5,577	137,698
Zentiva Private LTD	-	2,058,336
<b>Total</b>	<b>71,920,763</b>	<b>86,942,105</b>

**NOTE 14: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Changes within the Board of Directors of the Company

Through the Board of Directors Resolution no.7 from August 18, 2021, the following decisions were adopted :

- Acknowledge the termination of Mr. **Nicholas Robert Hagggar**' mandate as Member and Chairman of the Board of Directors of the Company, starting with **August 19<sup>th</sup>, 2021**
- Appointment of Mr. **Kevin Joseph Clifford**, as interim director of the Board of Directors of the Company starting with **August 19<sup>th</sup>, 2021**
- Appointment of Mrs. **Cocoş Simona** as Chairman of the Board of Directors of the Company starting with **August 19<sup>th</sup>, 2021**

COVID-19

In the context of the spread of new Covid – 19 strains and the increased number of cases, despite the start of the vaccination campaign, Zentiva SA has continued the following measures to maintain the supply of medicines on the market and ensure the safety of all its employees:

- All the non-essential business travel are still stopped;
- The additional cleaning and disinfection are carried out within all Zentiva premises;
- All the employees that have this possibility, have to work from home
- the production of paracetamol remains increased, this being one of the basic medicines used for the treatment of Covid-19.

It is impossible to estimate the full impact that this event will have on Zentiva business. Nevertheless, we estimate that it might have an impact represented by:

- Delays and blockages in ensuring raw materials and other goods necessary for the manufacturing process;
- Dysfunctions in ensuring the continuity of the production process due to the limited availability of the labour force
- The increasing of the price of certain raw materials and of other goods necessary for the manufacturing process;
- Delays in ensuring the imported finite merchandise due to transport restrictions;
- Higher than usual orders and sales for certain pharmaceutical products, especially those related to the treatment of COVID symptoms, such as paracetamol or sodium metamizole.

Given the aspects indicated above and the nature of its activity, the Company deems that the preparation of the financial statements as a going concern is not affected.

**Administrator,**  
Cocos Simona

**Prepared by,**  
Nitulescu Daniel  
Chief Financial Officer

Signature

Signature



## STATEMENT

The undersigned hereby declare that, to their knowledge, the financial statements for the first semester of 2021 have been prepared in accordance with applicable accounting standards and provides an accurate and compliant representation of the company's assets, liabilities, financial position, profit and loss account.

The report of the Board of Directors presents in an accurate and complete manner information about the activity of ZENTIVA SA and includes a fair assessment of its development and performance, as well as a description of the main risks and uncertainties specific to its activity.

The undersigned assume responsibility for the preparation of the financial statements for the first semester of 2021 and confirm that:

- the accounting policies used in preparing the half-yearly financial statements are in accordance with the applicable accounting regulations;
- the half-yearly financial statements provide an accurate representation of the company's financial position, financial performance and all other information related to its activity;
- the legal entity carries out its activity in conditions of continuity

General Manager – COCOS SIMONA

Chief Financial Officer – NITULESCU DANIEL