

S.C. ZENTIVA S.A.

**Report of the Board of Directors
for 2021 Fiscal Year (Preliminary)**

Reported date : 31.12.2021
Company name : S.C. ZENTIVA S.A.
Location of the registered office : 50 Theodor Pallady str., Bucharest
Tel. / Fax : 021-304.72.00 / 021-345.40.04
Tax registration code : RO 336206
Trade Register order number : J/40/363/1991
Subscribed and paid-in social capital : 69,701,704 RON

SUMMARY:

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STATEMENT OF COMPREHENSIVE INCOME

| | <u>2020</u> | <u>2021</u> |
|--|---------------------------|---------------------------|
| | RON | RON |
| Sales of goods | 540,432,708 | 667,962,887 |
| Rendering of services | 17,251,046 | 25,497,254 |
| Other income | 277,186 | 1,308,831 |
| Turnover | <u>557,960,940</u> | <u>694,768,972</u> |
| Other operating income | 13,783,653 | 32,522,218 |
| Changes in inventories of finished goods and work in progress | 6,962,670 | 14,624,923 |
| Raw materials and consumables used | (284,458,719) | (331,309,506) |
| Employee benefits expenses | (98,960,629) | (112,431,460) |
| Depreciation, amortization and impairment | (17,289,894) | (25,629,322) |
| Marketing and advertising expenses | (5,788,437) | (2,856,152) |
| Reversal of/ (expenses with) provisions | 1,088,337 | 9,506,921 |
| Other operating expenses | (99,952,644) | (167,008,279) |
| Operating profit | <u>73,345,277</u> | <u>112,188,316</u> |
| Financial Income | 11,247,342 | 7,147,694 |
| Financial Expenses | (4,043,601) | (3,813,300) |
| Profit before tax | <u>80,549,018</u> | <u>115,522,710</u> |
| Income Tax Expense | (14,913,578) | (20,831,849) |
| Net profit after tax (A) | <u>65,635,440</u> | <u>94,690,861</u> |
| Other comprehensive income: | | |
| <i>Other elements of comprehensive income not reclassified through Profit and Loss account</i> | | |
| Revaluation of land and buildings impact | 21,227,460 | - |
| Deferred tax on revaluation of land and buildings impact recognised in equity | (3,498,743) | - |
| Other elements of the comprehensive income | - | (305,405) |
| Other comprehensive income net of tax (B) | <u>17,728,717</u> | <u>(305,405)</u> |
| Total comprehensive income after tax (A) + (B) | <u>83,364,157</u> | <u>94,385,456</u> |
| Earnings per share (RON/share) | <u>0.09</u> | <u>0.14</u> |

STATEMENT OF FINANCIAL POSITION

| | 31 December 2021 | 31 December 2020 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Fixed assets | | |
| Property, plant and equipment | 189,815,571 | 194,771,621 |
| Right-of-use assets | 5,509,404 | 14,034,572 |
| Goodwill | 11,649,100 | 11,649,100 |
| Customer relationships | 27,560,325 | 23,823,680 |
| Intangible assets | 3,928,779 | 4,652,969 |
| | 238,463,179 | 248,931,943 |
| Current assets | | |
| Inventories | 137,798,353 | 124,563,136 |
| Trade receivables and other current receivables | 250,288,953 | 104,874,434 |
| Cash and cash equivalents | 406,713,534 | 576,301,662 |
| | 794,800,840 | 805,739,232 |
| Total assets | 1,033,264,019 | 1,054,671,175 |
| Equity and debt | | |
| Share capital, out of which | 69,701,704 | 69,701,704 |
| Issued share capital | 69,701,704 | 69,701,704 |
| Share premium, including: | 24,964,506 | 24,964,506 |
| 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 | 119,471,234 |
| Revaluation reserve | 57,927,094 | 57,927,094 |
| Retained earnings | 514,424,285 | 607,684,993 |
| Total equity | 785,364,075 | 879,749,530 |
| Non-current liabilities | | |
| Employee benefit liability | 3,711,520 | 3,323,943 |
| Deferred tax liability | 7,627,122 | 9,338,128 |
| Non-current lease liabilities | 2,009,943 | 7,708,559 |
| Non-current provisions | 11,189,564 | 6,437,373 |
| Total non-current liabilities | 24,538,149 | 26,808,003 |
| Current liabilities | | |
| Trade accounts payable | 174,935,825 | 98,292,133 |
| Income taxes payable | 6,867,041 | 7,763,529 |
| Short-term lease liability | 3,753,882 | 5,085,389 |
| Other current liabilities | 35,508,527 | 34,676,070 |
| Short-term provisions | 2,296,520 | 2,296,520 |
| Total current liabilities | 223,361,795 | 148,113,641 |
| Total liabilities | 247,899,944 | 174,921,644 |
| Total liabilities and equity | 1,033,264,019 | 1,054,671,175 |

STATEMENT OF CASH FLOWS

| | 31 December 2020 | 31 December 2021 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Profit before tax | 80,549,018 | 115,522,710 |
| Impairment and depreciation | 18,928,970 | 20,823,455 |
| Depreciation on right-of-use assets | 4,182,284 | 5,076,653 |
| Impact of evaluation reversal for buildings | (5,822,226) | - |
| Receivable allowance movement | (1,548,706) | (1,928,553) |
| Inventory allowance movement | 1,330,977 | (384,788) |
| Movements in provisions for risks and charges | (1,088,338) | (4,752,190) |
| Pension and similar liabilities expenses | 923,871 | 206,595 |
| Interest revenues | (9,352,520) | (6,544,059) |
| Interest expenses | 603,070 | 255,934 |
| Operating profit before working capital changes | 88,706,400 | 127,862,566 |
| Change in inventories | (15,287,870) | 13,620,006 |
| Change in trade and other receivable | 46,877,515 | 147,343,072 |
| Change in trade and other payable | (62,092,436) | (65,056,036) |
| Cash generated from operations | 58,203,609 | 223,769,608 |
| Income tax paid | (13,735,323) | (19,935,361) |
| Employee benefits liabilities paid | (326,351) | (180,982) |
| Net cash from operating activities | 44,141,935 | 203,653,265 |
| Cash flows from investing activities | | |
| Proceeds from sale of non-current assets | | |
| Purchase of property, plant and equipment and intangible assets | (24,548,679) | (36,368,871) |
| Interest received | 9,352,520 | 6,544,059 |
| Interest paid | (603,070) | (255,934) |
| Net cash used in investing activities | (15,799,229) | (30,080,746) |
| Cash flows from financing activities | | |
| Movements in bank loans | (5,204,790) | - |
| Dividends paid | (29,636) | (8,188) |
| Lease payments | (4,868,567) | (3,976,202) |
| Net cash used in financing activities | (10,102,993) | (3,984,390) |
| Net increase in cash and cash equivalents | 18,239,713 | 169,588,128 |
| Cash and cash equivalents at the beginning of the period 1 January | 388,473,821 | 406,713,534 |
| Cash and cash equivalents at the end of the period 31 December | 406,713,534 | 576,301,662 |

STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Legal and other reserves | Revaluation reserve | Retained earnings | Total |
|--|-------------------|-------------------|--------------------------|---------------------|--------------------|--------------------|
| Opening balance at 1 January 2021 | 69,701,704 | 24,964,506 | 118,346,46 | 57,927,094 | 514,424,285 | 785,364,075 |
| Profit for the year | - | - | - | - | 94,690,861 | 94,690,861 |
| Other elements of the comprehensive income | - | - | 1,124,748 | - | (1,430,153) | (305.405) |
| Total other comprehensive income | - | - | 1,124,748 | - | 93,260,708 | 94,385,456 |
| Legal reserve | - | - | - | - | - | - |
| Closing balance at 31 December 2021 | 69,701,704 | 24,964,506 | 119,471,24 | 57,927,094 | 607,684,993 | 879,749,530 |

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 share 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.

On 31.12.2021, the amount of legal reserves reaches the threshold of 20% of the company's share capital.

ZENTIVA S.A.
Preliminary Financial Statements
for the period ended on December 31, 2021
AMOUNTS ARE EXPRESSED IN RON, UNLESS SPECIFIED OTHERWISE

ZENTIVA S.A. reports as preliminary result for 2021, a turnover of 695 MRON, with an increase of 24.5% compared to the previous year, and an operational profit of 94.7 MRON, with an increase of 44.3%, compared to the previous period, mainly due to the increase in domestic sales.

The financial statements are preliminary and not audited.

| Main Financial Ratios at 31.12.2021 | | |
|--|---|---------------|
| Ratio Name | Ratio Formula | Result |
| 1. Current ratio | Current assets / Current liabilities | 5.44 |
| 2. Debt ratios | Long term debt / Shareholder's equity x 100 | 0 |
| | Long term debt / Total capital employed x 100 | 0 |
| 3. Debtors days ratio | Trade receivables / Net turnover x 360 | 85 |
| 4. Asset turnover ratio | Net turnover / Non current assets | 2.79 |

NOTES REGARDING THE PRELIMINARY FINANCIAL STATEMENTS AS OF 31.12.2021

Given the complexity of the process of preparing financial statements in accordance with International Financial Reporting Standards (IFRS), the company is still in the process of finalizing all the analysis and adjustments in this regard. As such, the results presented in this report are preliminary, based on the information available at the publishing date. These do not include the complete adjustments, and may be subject to change until they are finalized and presented for approval to the General Meeting of Shareholders.

The main elements which are potentially subject to change include, but are not limited to:

- Operating and Net Profit
- Income Tax and Deferred Tax
- Reclassifications across assets and liabilities

Please note that the values presented are not yet audited - during the audit adjustments may be made which may influence the results of the financial year 2021.

General Manager

SIMONA COCOS

Chief Financial Officer

DANIEL NITULESCU