

ZENTIVA S.A.

Report of the Board of Directors for the Ist semester, 2020

Reported date	: 30.06.2020
Company name	: ZENTIVA S.A.
Registered office	: 50 Theodor Pallady boulevard, Bucharest
Tel. / Fax	: 021-304.72.00 / 021-345.40.04
Tax registration code	: RO 336206
Trade Register number	: J40/363/1991
Subscribed and paid-in share capital	: RON 69,701,704

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ZENTIVA S.A.
STATEMENT OF COMPREHENSIVE INCOME
June 30, 2020

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

	June 30, 2020	June 30, 2019
	RON	RON
Sales of goods	272,338,694	279,727,964
Rendering of services	9,184,151	5,204,345
Rental income	-	-
Other	-	-
Turnover	281,522,845	284,932,308
Other operating income	1,361,894	1,105,489
Changes in inventories of finished goods and work in progress	3,541,687	9,905,084
Raw materials and consumables used	(134,802,777)	(175,101,779)
Employee benefits expenses	(46,913,572)	(36,887,667)
Depreciation, amortization and impairment	(10,235,717)	(6,168,179)
Marketing and advertising expenses	(2,929,512)	(3,955,120)
Rental expenses	10,842	(905,135)
Provisions	(841,454)	(2,058,282)
Other operating expenses	(45,420,675)	(44,520,509)
Operating profit	45,293,561	26,346,210
Financial Income	5,920,842	5,712,418
Financial Expenses	(2,519,820)	(1,982,683)
Profit before tax	48,694,582	30,075,945
Income Tax Expense	(6,770,951)	(8,593,398)
Profit after tax (A)	41,923,632	21,482,547
Other comprehensive income:	-	-
Revaluation of land and buildings at fair value	-	-
Deferred tax / Deferred income tax expense related to revaluation	-	-
Actuarial gains/losses in relation to employee benefits	-	-
Other comprehensive income net of tax (B)	-	-
Total income after tax (A) + (B)	41,923,632	21,482,547
Number of shares	697,017,040	416,961,150
Earnings per share (RON / share)	0.06015	0.05152

Financial statements for the period ended on June 30, 2020 are not audited.

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
for the period ended on June 30, 2020
(all amounts are expressed in new lei ("RON"), unless otherwise provided)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets		
Non current assets		
Property, plant and equipment	162,383,440	156,707,339
Goodwill	11,649,100	11,649,100
Customer relations	29,284,930	30,722,101
Right of use assets	6,707,773	7,352,556
Intangible assets	1,804,096	3,544,971
	<u>211,829,339</u>	<u>209,976,067</u>
Current assets		
Inventories	129,364,475	123,841,460
Trade and other receivables	331,105,631	295,617,763
Other financial assets	-	-
Cash and cash equivalents	416,632,912	388,473,820
	<u>877,103,018</u>	<u>807,933,043</u>
Total assets	<u><u>1,088,932,357</u></u>	<u><u>1,017,909,110</u></u>
Equity and liabilities		
Subscribed capital	69,701,704	69,701,704
Share premium, including:	24,964,505	24,964,505
Share premium at nominal value	9,863,684	9,863,684
Inflation related to share premium	15,100,822	15,100,822
Legal and other reserves	115,450,038	115,450,038
Revaluation reserve	40,198,376	40,198,376
Retained earnings / (Accumulated Losses)	492,622,238	451,685,294
Total equity	<u>742,936,862</u>	<u>701,999,917</u>
Non current liabilities		
Employee benefit liability	2,928,266	3,114,000
Other long - term liabilities	-	-
Liabilities related to leasing agreements	3,413,192	4,033,858
Deferred tax liability	4,882,845	4,882,845
Non-Current Provisions	4,944,015	4,948,217
Total Non - Current Liabilities	<u>16,168,318</u>	<u>16,978,920</u>
Current liabilities		
Trade accounts payable	284,642,735	241,189,632
Short-term loans	-	5,204,790
Income taxes payable	1,532,495	4,934,320
Other current liabilities	29,471,461	34,209,825
Liabilities related to leasing agreements	3,765,502	3,765,502
Short-term provisions	10,414,984	9,626,205
Total current liabilities	<u>329,827,177</u>	<u>298,930,273</u>
Total liabilities	<u>345,995,495</u>	<u>315,909,193</u>
Total liabilities and equities	<u><u>1,088,932,357</u></u>	<u><u>1,017,909,110</u></u>

Financial statements for the period ended on June 30, 2020 are not audited.

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
for the period ended on June 30, 2020
(all amounts are expressed in new lei ("RON"), unless otherwise provided)

Indirect method

	Financial year	
	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Net profit before taxation and extraordinary elements	48,694,582	57,534,948
<i>Adjustments for:</i>		
Depreciation and amortization of fixed assets	8,278,899	6,616,886
Depreciation of rights to use assets	1,956,817	-
Movement in inventories depreciation	(488,519)	-
Movements in provisions for risks and charges	841,454	907,694
Interest income	(5,265,218)	(5,550,334)
Interest expenses	294,096	
Operating profit before changes in the circulating assets	54,001,730	60,303,860
Changes in inventories	(5,078,748)	(38,637,137)
Variation in trade receivables and other receivables	(32,975,170)	(14,167,153)
Variation in trade payables and other debts	39,632,405	(33,012)
Paid income taxes	(10,172,776)	(8,708,354)
Employees benefits debts paid	(188,735)	-
Cash from operating activities	45,218,706	(1,241,796)
Cash flows from investment activities:		
Cashing from the sale of tangible assets	-	(9,915)
Payments for the acquisition of tangible and intangible assets	(10,466,573)	(8,988,656)
Interest paid	(60,122)	-
Net cash flows from investment activities	(10,526,694)	(8,998,571)
Cash flows from financing activities:		
Movement in bank loans	(5,204,790)	-
Dividends paid	(16,097)	(373,372)
Leasing payments	(1,312,034)	
Net cash flows from financing activities	(6,532,921)	(373,372)
Net increase (decrease) in cash and cash equivalents	28,159,091	(10,613,739)
Cash and cash equivalents at the beginning of the financial year	388,473,821	405,115,315
Cash and cash equivalents at the end of the financial year	416,632,912	394,501,576

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***Current year**

2020	Share Capital	Share premiums	Reserves	Reevaluation reserves	Reported result	Total
Initial Balance January 1, 2020	69,701,704	24,964,505	115,450,038	40,198,376	451,685,294	701,999,917
Profit for the year	-	-	-	-	41,923,632	41,923,632
Increase of share capital	-	-	-	-	-	-
Establishing legal reserve	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	158,008	158,008
Total comprehensive income	69,701,704	24,964,505	115,450,038	40,198,376	493,766,933	744,081,557
Correction of reported result	-	-	-	-	-	-
Final Balance June 30, 2020	69,701,704	24,964,505	115,450,038	40,198,376	493,766,933	744,081,557

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.

ZENTIVA S.A.

Annotations

for the period ended on June 30, 2020

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

NOTE 1: NON CURRENT ASSETS

Non current assets	Gross value				Value of adjustments (depreciation through amortization and provisions)			Net book value on June 30, 2020	
	Balance on December 31, 2019	Additions	Disposals, transfers	Balance on June 30, 2020	Balance on December 31, 2019	Balance on June 30, 2020			
						Adjustments in year	Decreases reversals		
0	1	2	3	4=1+2-3	5	6	7	8=5+6-7	9 = 4-8
Establishment and development expenses	63,532	-	-	63,532	(63,532)	-	-	(63,532)	-
Other intangible assets	5,268,792	0		5,268,792	(4,344,212)	(125,525)	-	(4,469,737)	799,055
Advances and intangible assets in progress	566,604	438,437	0	1,005,041	-			-	1,005,041
Total intangible assets	5,898,928	438,437	0	6,337,366	(4,407,744)	(125,525)	-	(4,533,269)	1,804,096
Lands	42,502,207	-	-	42,502,207	(712)	(48)	-	(760)	42,501,447
Constructions	49,099,050	-	-	49,099,050	(7,488,888)	(1,389,800)	-	(8,878,688)	40,220,362
Technological equipments	186,338,099	95,647	8,728,340	195,162,086	(145,200,182)	(5,015,974)	146,818	(150,069,338)	45,092,748
Other installations, equipments	33,511,553	9,932,488	(8,875,158)	34,568,883	0	-	-	-	34,568,883
Advances and tangible assets in progress									
Total tangible assets	311,450,908	10,028,135	(146,818)	321,332,226	(152,689,782)	(6,405,821)	146,818	(158,948,785)	162,383,440
Financial assets	-	-	-	-	-	-	-	-	-
Total	317,349,836	10,466,572	(146,818)	327,669,592	(157,097,526)	(6,531,346)	146,818	(163,482,054)	164,187,536

ZENTIVA S.A.

Annotations

for the period ended on June 30, 2020

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

NOTE 1: NON CURRENT ASSETS ACTIVE IMOBILIZATE (continuation)

Tangible assets

Reevaluation

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

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

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

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

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

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

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

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

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

Assets held in financial leasing or purchased in installments

Not the case.

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 2: PROVISIONS**

Denumirea provizionului	Balance on December 31, 2019	Transfer into account	Transfer from the account	Balance on June 30, 2020
Other provisions for risks and charges	1,465,587	784,577	-	2,250,164
Provisions for taxes	7,256,776	-	-	7,256,776
Provisions for litigation	211,549	-	-	211,549
Provisions for the environment	5,640,510	-	-	5,640,510
Provisions for pensions and other obligations	3,113,790	786,000	(971,524)	2,928,266
	17,688,212	1,570,577	971,524	18,287,265

NOTE 3: PROFIT DISTRIBUTION (LOSS)

Not applied for the financial year ended on June 30, 2020.

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

Current year	Balance on June 30, 2020	Liquidity term	
		Under 1 year	Over 1 year
Trade receivables	7,428,322	7,428,322	
Amounts to be received from related parties	324,282,717	324,282,717	
Amounts to be received from entities to which the company is linked by virtue of participating interests	-	-	-
Other receivables	-	-	-
Receivable provisions	(2,175,267)	(2,175,267)	
Provisions of other receivables	-	-	-
	329,535,772	329,535,772	

Previous year	Balance on December 31, 2019	Liquidity term	
		Under 1 year	Over 1 year
Trade receivables	42,523,989	42,523,989	
Amounts to be received from related parties	253,898,397	253,898,397	
Amounts to be received from entities to which the company is linked by virtue of participating interests	-	-	-
Other receivables	-	-	-
Receivable provisions	(2,175,267)	(2,175,267)	
Provisions of other receivables	-	-	-
	294,247,119	294,247,119	

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

On June 30, 2020 doubtful trade receivables in the amount of RON 2,175,267 (2019: RON 2,175,267) were fully provisioned.

	December 31, 2019	June 30, 2020
Initial balance	2,175,267	2,175,267
Increases during the year – other receivables debtors	-	-
Reversals during the year	-	-
Final balance	2,175,267	2,175,267

NOTA 4: SITUATIA CREANTELOR SI DATORIILOR (CONTINUARE)**Payables**

Current year	Balance on June 30, 2020	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Amounts owed to credit institutions	-	-	-	-
Advances received in the account of orders	-	-	-	-
Trade payables - suppliers	42,649,747.17	42,649,747	-	-
Amounts owed to affiliated entities	241,525,277	241,525,277	-	-
Other amounts to be paid	36,354,512	36,354,512	-	-
Debts resulting from financial leasing operations	7,178,694	7,178,694	-	-
	327,708,230	327,708,230	-	-

Previous year	Balance on December 31, 2019	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Amounts owed to credit institutions	5,204,790			
Advances received in the account of orders	-	-	-	-
Trade payables - suppliers	73,046,039	73,046,039	-	-
Amounts owed to affiliated entities	167,837,485	167,837,485	-	-
Other amounts to be paid	44,316,408	44,316,408	-	-
Debts from financial leasing operations	7,799,360	7,799,360	-	-
	298,204,081	298,204,081	-	-

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

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

Current year	Balance on June 30, 2020	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Wages and related liabilities	17,194,778	17,194,778	-	-
Debts to shareholders	6,295,293	6,295,293	-	-
Other taxes	12,505,480	12,505,480	-	-
Other debts	358,961	358,961	-	-
	36,354,961	36,354,961	-	-

Previous year	Balance on December 31, 2019	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Wages and related liabilities	12,281,861	12,281,861	-	-
Debts to shareholders	6,003,800	6,003,800	-	-
Other taxes	20,173,908	20,173,908	-	-
Other debts	291,328	291,328	-	-
	38,750,897	38,750,897	-	-

NOTE 5: ACCOUNTING PRINCIPLES, POLICIES AND METHODS

No significant changes occurred in the company's accounting policies and methods during the financial year concluded on June 30, 2020, compared to the accounting policies presented on December 31, 2019.

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

	Balance on June 30, 2020	Balance on December 31, 2019
	Number	Number
Ordinary shares subscribed capital	697,017,040	697,017,040

	June 30, 2020	December 31, 2019
	RON / share	RON / share
Ordinary shares nominal value	0,1	0,1

	June 30, 2020	December 31, 2019
	RON	RON
Share capital value	69,701,704	69,701,704

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

The company's social capital is fully paid-in on June 30, 2020 and December 31, 2019.

Redeemable shares

The company does not own redeemable shares on June 30, 2020 and December 31, 2019.

Bonds

The company does not have bonds issued on June 30, 2020 and December 31, 2019.

Ownership structure

	30 June, 2020 (%)	31 December, 2019 (%)
Zentiva Group AS	95,9486	95,9486
Alti actionari minoritari	4,0514	4,0514
	100%	100%

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

During the financial years ended on June 30, 2019 and June 30, 2020, the company paid the following indemnities to the members of the Board of Directors ("BoD"), executive and supervision management:

	Financial year ended on:	
	June 30, 2020	June 30, 2019
Members of the BoD	27,606	19,575
Managers		
- executive management	-	-

The company has no payment obligations to former members of the BoD and the executive and supervision management on June 30, 2019 and June 30, 2020.

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

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***Employees**

The average number of employees on June 30, 2020 and June 30, 2019 is the following:

	June 30, 2020	June 30, 2019
Average number of employees	766	528
	766	528

Expenditures with wages and related taxes recorded during the financial years concluded on June 30, 2019 and June 30, 2020 are the following:

	Financial year ended on:	
	June 30, 2020	June 30, 2019
Expenditures with wages	45,328,352	35,686,952
Expenditures regarding social insurances	1,585,221	1,200,715
	46,913,573	36,887,667

NOTE 8: MAIN FINANCIAL AND ECONOMIC RATIOS

	Financial year ended on:	
	June 30, 2020	June 30, 2019
1. Liquidity ratios		
Current ratio	2.7	3.0
Acid test	2.3	2.4
2. Risk ratios		
Gearing ratio	0%	0%
Interest cover ratio	n/a	n/a
3. Activity ratios		
Stock turnover	1.05	1.18
Number of stock days	91	99
Receivables turnover	166	67
Payables turnover	189	171
Fixed assets turnover	1.29	1.22
Total assets turnover	0.25	0.28
4. Profitability ratios		
Return on capital employed	6%	8%
Gross margin from sales	8%	19%
5. Profit per share		
Earnings per share	0.060	0.117

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 9: OTHER INFORMATION****a) Information on the company**

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

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

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

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

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

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

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

b) Information on the relations with related parties, subsidiaries and associates

Details on related parties:

Company name	Nature of relationship	Type of transactions	Country of origin	Registered office
Zentiva Group a.s.	Majority shareholder of Zentiva SA	Purchase of services Trademark useage rights Cash Management Contract Provision of services regarding IT system development and implementation	Czech Republic	Prague
Zentiva a.s	Company under joint control	Marketing and promotional services	Czech Republic	Prague
Zentiva K.S	Company under joint control	Regulatory services Distribution of goods Purchase of licenses and goods from Zentiva SA to Zentiva ks Quality control and batch release services License from Zentiva ks to Zentiva SA	Czech Republic	Prague
Solacium Pharma S.R.L.	Company under joint control	Lease agreement Provision of management and business consultancy services Purchase of sales management services	Romania	Bucharest

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

The company has shares listed on the Bucharest Stock Exchange.

NOTE 9: OTHER INFORMATION (continuation)**c) The method to convert assets, liabilities, income and expenses from foreign currency to local currency**

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

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

Exchange rates used for the conversion of balances expressed in foreign currency on June 30, 2020 were 1 EURO = 4.8423 (December 31, 2019 1 EURO = 4.7793 RON) respectively 1 USD = 4.3233 RON (December 31, 2019 1 USD = 4.2608 RON)

d) Information on corporate tax

	Financial year ended on June 30, 2020	Financial year ended on June 30, 2019
Accounting profit	41,923,632	48,869,873
Nontaxable income	-	1,378,680
Non-deductible expenses	394,811	6,217,544
Deduction legal reserve	-	-
Taxable profit / (tax loss) of the year	42,318,443	53,708,738
Income tax 16%	6,770,951	8,593,398
Tax credit	-	-
Current income tax	6,770,951	8,593,398

	June 30, 2020	June 30, 2019
Income tax payable at the beginning of the period	4,934,320	2,025,829
Income tax correction for 2018-2019	-	4,055,317
Income tax expense	6,770,951	8,593,398
Paid/compensated income tax	(10,172,776)	(8,708,354)
Income tax payable at the end of the period	1,532,495	5,966,190

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 9: OTHER INFORMATION (continuation)****e) Revenue from sales activities**

	Financial year ended on June 30, 2020	Financial year ended on June 30, 2019
Revenue from product sales	318,552,135	335,452,586
Revenue from intercompany services	1,722,776	907,582
Other types of revenue	10,546,045	6,309,834
Commercial discounts	(44,394,529)	(46,727,121)
	286,426,426	295,942,881

f) Subsequent events

No significant situations exist that are worth mentioning.

g) Extraordinary items and income / accrued expenses

No significant situations exist that are worth mentioning.

h) Rental and leasing expenses

Commitments on June 30, 2020 (RON)	Under 1 year	Between 1 and 5 years
ALD and ARVAL - operational leasing	1,483,416	3,641,457
Total	1,483,416	3,641,457

i) Audit expenditure

There were no contractual costs for audit services in the financial year ended on June 30, 2020.

j) Trade effects (expected and the unmatured)

No significant situations exist that are worth mentioning.

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

No significant situations exist that are worth mentioning.

l) Commitments

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

m) Taxes

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

ZENTIVA S.A.

Annotations

for the period ended on June 30, 2020

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

NOTE 9: OTHER INFORMATION (continuation)

n) Legal claims

There are no significant situations or changes compared to the financial statements on December 31, 2019 that are worth mentioning.

o) Warranties

On June 30, 2020, the Company still has a bank letter of guarantee submitted to ANAF in amount of RON 8,355,901 for the amounts additionally determined by the tax authorities following the re-verification of the clawback tax finalized in April 2018.

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***ECONOMIC-FINANCIAL STATEMENT AND ACTIVITY ANALYSIS ON JUNE 30, 2020****1.1 Balance sheet analysis**

Patrimony statements, on main elements, of ZENTIVA S.A on June 30, 2020 compared to the period ended on December 31, 2019 is the following:

	December 31,		Variance	
	June 30, 2020	2019	RON	- % -
	RON	RON	RON	
ASSETS				
1. Intangible assets	49,445,899	51,214,941	(1,769,042)	(3.5)%
2. Tangible assets	162,383,440	158,761,126	3,622,314	2.3%
3. Financial assets	-	-	-	-
4. Total non current assets (1+2+3)	211,829,339	209,976,067	1,853,272	0.9%
5. Inventories	129,364,475	123,850,873	5,513,601	4.5%
6. Trade and other receivables	329,535,772	294,247,119	35,288,653	12%
7. Cash and cash equivalents	416,632,912	388,473,820	28,159,091	7.3%
8. Total current assets (5+6+7)	875,533,158	806,571,813	68,961,345	8.6%
9. Prepaid expenses	2,714,554	1,502,337	1,343,911	7.3%
10. Debts to be paid in a period of up to one year	327,708,230	298,204,081	29,504,149	8.9%
11. Net current assets, respectively net current liabilities	550,539,482	509,738,374	40,801,108	8%
12 Total Assets less Current Liabilities (4+11)	762,368,822	719,846,137	42,522,685	5.9%
EQUITY AND LIABILITIES				
13. Debts to be paid in a period of more than one year	-	-	-	-
14. Provisions for risks and expenses	18,287,265	17,688,212	599,053	3.4%
15. Share Capital	69,701,704	69,701,704	-	-
16. Adjustments for hyperinflation of share capital	-	-	-	-
17. Other elements of equity	-	(131,695)	(131,695)	-100%
18. Share premium	24,964,505	24,964,505	-	-
19. Reserves	161,144,721	161,144,721	-	-
20. Retained earnings (credit balance)	406,148,618	362,397,738	43,750,880	12%
(debit balance)	-	-	-	-
21. Retained earnings from adopting IAS 29 (credit balance)	-	-	-	-
22. Result for the year (credit balance) profit	41,923,632	43,750,880	(1,827,249)	(4.2)%
23. Distribution of profits	-	-	-	-
24. Total equity	744,081,557	701,157,925	42,055,327	6%
25. Equity - total (17+18+19+20+21-22)	744,081,557	701,157,925	42,055,327	6%
26. Total equity and long-term debt (13+14+25)	762,368,822	719,846,137	42,654,380	5.9%

- ◆ The data presented above shows an increase of the value of fixed assets by 0.9%. This increase is due to the fact that investment projects have been continued.
- ◆ Stocks increased on June 30, 2020 compared to the end of the previous year by 4.5%, due to the increase of finished products, work in progress goods inventory.
- ◆ On June 30, 2020 trade receivables increased compared to the end of the previous year by 12%.
- ◆ On June 30, 2020, the company's cash in hand increased by 7.3% compared to the end of the previous year

ZENTIVA S.A.**Annotations****for the period ended on June 30, 2020***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

- ◆ Equity has increased by 42,05 million RON (+6%) due to the reporting of the net result of 2019 to the retained earnings.

1.2 Profit and loss account analysis

	June 30, 2020	June 30, 2019	Variation June 30, 2020 compared to June 30, 2019	
	RON	RON	RON	- % -
Net turnover	272,338,694	279,727,964	(7,389,269)	-3%
Operating Income	286,426,426	295,942,881	(9,516,455)	-3%
Operating Expenses	(241,132,866)	(269,596,671)	28,463,805	11%
Operating profit	45,293,561	26,346,210	18,947,350	72%
Gross margin	16%	9%		
Financial profit/ (loss)	3,401,022	3,729,734	328,713	-9%
Total revenues	292,347,268	301,655,299	(9,308,031)	-3%
Total expenditures	(243,652,686)	(271,579,354)	27,926,668	10%
Gross profit	48,694,582	30,075,945	18,618,638	62%
Income tax	6,770,951	8,593,398	1,822,447	-21%
Net result (profit)	41,923,632	21,482,547	20,441,085	95%

Operational income decreased by 3%, from 295.9 million RON in the first semester of 2019 to 286.4 million RON in the first semester of 2020.

Operational expenditures decreased by 11%, from 269.6 million RON in the first semester of 2019 to 242.1 million RON in the first semester of 2020.

The variation of operational revenues and expenditures generated an operating profit for the first semester in 2020 of 45.3 million RON compared to 26.3 million RON in the first semester of 2019.

2.1 Liquidity analysis

On June 30, 2020 no potential risks were identified that could affect the company's liquidity.

3.1 Breaches of financial obligations

No breaches of financial obligations were recorded during the first semester of 2020.

3.2 Rights of securities holders

No significant changes have been recorded for the first semester of 2020 compared to December 31, 2019 in what concerns the rights of securities holders issued by Zentiva SA.

ZENTIVA S.A.

Annotations

for the period ended on June 30, 2020

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

DECLARATION

The financial-accounting statements for the first semester of 2020 were prepared in accordance with OMF 2844/2016 and offer a fair and accurate image of the assets, liabilities, financial position, profit and loss account of Zentiva S.A. The report of the Board of Directors presents correct and complete information regarding the activity of the Zentiva SA company.

General Manager

SIMONA COCOS

CFO

CLAUDIU MANOLESCU