

S.C. ZENTIVA S.A.

**Report of the Board of Directors
for 2020 Fiscal Year (Preliminary)**

Reported date	: 31.12.2020
Company name	: S.C. ZENTIVA S.A.
Location of the registered office	: 50 Theodor Pallady boulevard, Bucharest
Tel. / Fax	: 021-304.72.00 / 021-345.40.04
Tax registration code	: RO 336206
Trade Register order number	: J/40/363/1991
Subscribed and paid-in social capital	: 69,701,704 RON

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STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	RON	RON
Sales of goods	584,799,015	541,170,804
Rendering of services	17,251,046	17,635,020
Other income	277,186	201,549
Turnover	602,327,247	559,007,373
Other operating income	13,783,653	1,799,337
Changes in inventories of finished goods and work in progress	6,962,670	10,660,835
Raw materials and consumables used	(324,470,704)	(284,420,935)
Employee benefits expenses	(97,130,793)	(82,792,664)
Depreciation, amortization and impairment	(23,211,860)	(19,841,679)
Marketing and advertising expenses	(4,978,838)	(5,672,338)
Provisions	585,823	3,030,307
Other operating expenses	(107,241,960)	(135,064,933)
Operating profit	66,625,238	46,705,303
Financial Income	11,247,342	11,658,688
Financial Expenses	(4,018,393)	(4,270,595)
Profit before tax	73,854,188	54,093,396
Income Tax Expense	(12,550,606)	(10,342,724)
Profit after tax	61,303,582	43,750,672
Number of shares	697,017,040	697,017,040
Earnings per share (RON / share)	0.088	0.063

STATEMENT OF FINANCIAL POSITION

	<u>31 December 2020</u>	<u>31 December 2019</u>
Assets		
Current assets		
Property, plant and equipment	189,815,571	156,707,339
Right of use assets	4,896,256	7,352,556
Goodwill	11,649,100	11,649,100
Customer relations	27,560,325	30,722,101
Intangibles	3,928,779	3,544,971
	<u>237,850,031</u>	<u>209,976,067</u>
Current assets		
Inventories	132,931,689	123,841,461
Trade and other receivables	256,673,770	295,617,763
Cash and cash equivalents	406,551,444	388,473,821
	<u>796,156,902</u>	<u>807,933,045</u>
Total assets	<u>1,034,006,934</u>	<u>1,017,909,112</u>
Equity and liabilities	<u>69,701,704</u>	<u>69,701,704</u>
Subscribed capital	69,701,704	69,701,704
Share premium, including:	24,964,505	24,964,506
Share premium at nominal value	9,863,684	9,863,684
Inflation related to share premium	15,100,822	15,100,822
Legal and other reserves	118,346,526	115,450,038
Revaluation reserve	67,248,061	40,198,377
Retained earnings / (Accumulated Losses)	509,820,637	451,685,293
Total equity	<u>790,081,434</u>	<u>701,999,918</u>
Non current liabilities		
Employee benefit liability	3,711,520	3,114,000
Deferred tax liability	4,882,845	4,882,845
Liabilities related to leasing agreements	3,577,539	4,033,858
Non-Current Provisions	11,189,564	4,948,217
Total non current liabilities	<u>23,361,467</u>	<u>16,978,920</u>
Current liabilities		
Trade accounts payable	177,265,979	241,189,632
Income taxes payable	3,749,602	4,934,319
Short-term loans	-	5,204,790
Liabilities related to leasing agreements	1,761,079	3,765,502
Other current liabilities	35,490,853	34,209,826
Short-term provisions	2,296,520	9,626,205
Total current liabilities	<u>220,564,032</u>	<u>298,930,274</u>
Total liabilities	<u>243,925,500</u>	<u>315,909,195</u>
Total liabilities and equities	<u>1,034,006,934</u>	<u>1,017,909,112</u>

CASH FLOW INDIRECT METHOD

	<u>31.december.2020</u>	<u>31.december.2019</u>
Cash flows from operating activities:		
Profit before tax	73,854,188	54,093,396
Impairment and depreciation	18,929,834	16,519,455
Impairment on right-of-use assets	4,282,024	3,324,167
Receivable allowance movement	6,553,393	1,548,706
Inventory allowance movement	4,310,818	5,243,719
Movements in provisions for risks and charges	(1,088,339)	(3,030,307)
(Gain)/loss on sale of property, plant and equipment	(9,115)	(27,576)
Pension liabilities expenses	652,122	635,000
Interest revenues	(9,352,520)	(11,150,271)
Interest expenses	475,381	734,682
Operating profit before working capital changes	<u>98,607,787</u>	<u>67,890,971</u>
Change in inventories	(13,401,049)	(30,103,050)
Change in trade and other receivable	32,390,597	(97,333,897)
Change in trade and other payable	(62,612,977)	52,706,244
Cash generated from/ (used in) operations	<u>54,984,358</u>	<u>(6,839,734)</u>
Income tax paid	(13,735,323)	(13,796,354)
Employee benefits liabilities paid	(326,351)	(238,000)
Net cash from/ (used in) operating activities	<u>40,922,684</u>	<u>(20,874,088)</u>
Cash flows from investing activities		
Proceeds from sale of non-current assets	-	3,045
Purchase of property, plant and equipment and	(24,027,031)	(35,572,937)
Interest received	9,352,520	11,150,271
Interest paid	(475,381)	(734,682)
Net cash used in investing activities	<u>(15,149,892)</u>	<u>(25,154,303)</u>
Cash flows from financing activities		
Share capital increase	-	28,005,589
Movements in bank loans	(5,204,790)	5,204,790
Dividends paid	(29,636)	(65,782)
Lease payments	(2,460,743)	(3,757,700)
Net cash from/ (used in) in financing activities	<u>(7,695,169)</u>	<u>29,386,897</u>
Net increase (decrease) in cash and cash	18,077,623	(16,641,644)
Cash and cash equivalents at the beginning of the period 1 January	<u>388,473,821</u>	<u>405,115,315</u>
Cash and cash equivalents at the end of the period 31 December	<u>406,551,444</u>	<u>388,473,821</u>

ZENTIVA S.A.
STATEMENT OF FINANCIAL POSITION
for the period ended on December 31, 2020
AMOUNTS ARE EXPRESSED IN RON, UNLESS SPECIFIED OTHERWISE

CHANGES IN SHAREHOLDERS' EQUITY

	Issued share Capital	Share premium at nominal value	Reserves	Revaluation 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	-	-	-	-	61,303,582	61,303,582
Legal reserves	-	-	2,896,488	-	(2,896,488)	-
Revaluation reserves	-	-	-	27,049,685	-	27,049,685
Other comprehensive income	-	-	-	-	(271,749)	(271,749)
Final Balance December 31, 2020	69,701,704	24,964,505	118,346,526	67,248,061	509,820,639	790,081,435

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.

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ZENTIVA S.A. preliminary reports for 2020 full year, a turnover of 602 MRON, with an increase of 8% vs previous year, and an operational profit of 61.3 MRON.

Operational profit increased significantly compared with 2019, mainly due to the favorable impact of the legislative environment with the introduction of differentiated clawback and indexation of RX products, as well as due to a better efficiency in the both commercial and production segments.

The financial reports are preliminary and not audited.

Main Financial Ratios at 31.12.2020		
Ratio Name	Ratio Name	Result
1. Current ratio	Current assets / Current liabilities	2.7
2. Debt ratios	Long term debt / Shareholder's equity	0
	Long term debt / Total capital employed	0
3. Debtors days ratio	Trade receivables / Net turnover	125
4. Asset turnover ratio	Net turnover / Non current assets	2.46

NOTES REGARDING THE PRELIMINARY FINANCIAL STATEMENTS AS OF 31.12.2020

Considering the complexity involved in the preparation of IFRS standard financial statements, 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. The main elements which are potentially subject to change include, but are not limited to:

- Operating and Net Profit
- Income Tax and Deffered Tax
- Reclassification across assets and liabilities

The financial reports are preliminary and not audited.

General Manager

SIMONA COCOS

Chief Financial Officer

CLAUDIU MANOLESCU