

S.C. ZENTIVA S.A.

**Report of the Board of Directors
for the Ist semester, 2017**

Reported date	: 30.06.2017
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
<i>Trade Register order number</i>	: <i>J/40/363/1991</i>
Subscribed and paid-in social capital	: 41 696 115 lei

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ZENTIVA S.A.**STATEMENT OF COMPREHENSIVE INCOME****June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

	Note	30.06.2017	30.06.2016
		RON	RON
Sales of goods	5.1.	211.659.412	180.423.477
Rendering of services	5.1	16.242.027	12.389.517
Rental income		-	-
Other		662.551	660.615
Turnover	5,1	228.563.990	193.473.608
Other operating income	6,1	3.022.199	2.402.288
Changes in inventories of finished goods and work in progress		4.872.823	3.384.334
Raw materials and consumables used	5,2	(101.226.515)	(80.008.771)
Employee benefits expenses	6,5	(29.479.179)	(26.086.710)
Depreciation, and impairment		(6.663.984)	(6.853.858)
Marketing and advertising expenses	6,6	(8.702.756)	(8.019.989)
Rental expenses		(1.839.866)	(1.750.577)
Provisions		-	(2.054.362)
Other operating expenses	6,2	(36.018.756)	(33.907.170)
Operating profit		52.527.956	40.578.795
Financial Income	6,4	3.353.067	556.500
Financial Expenses	6,3	(2.778.053)	(644.983)
Profit before tax		53.102.970	40.490.312
Income Tax Expense	7,1	(10.057.164)	(8.108.803)
Profit after tax (A)		43.045.806	32.381.509
Other comprehensive income:			
Revaluation of land and buildings at fair value		-	-
Deferred tax		-	-
Actuarial gains/losses in relation to employee benefits		-	-
Other comprehensive income net of tax (B)		-	-
Total income after tax (A) + (B)		43.045.806	32.381.509
Number of shares		416.961.150	416.961.150
Earnings per share (RON / share)		1.10324	0.07766

Financial statements for the period ended on June 30, 2017 are not audited.

ZENTIVA S.A.**STATEMENT OF FINANCIAL POSITION****for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

	<u>Note</u>	<u>30.06.2017</u>	<u>31 December 2016</u>
Assets			
Non current assets			
Property, plant and equipment	9	97.665.396	96.162.648
Intangible assets	10	756.905	759.528
		98.422.301	96.922.176
Current assets			
Inventories	12	48.286.332	42.093.203
Trade and other receivables	13	175.820.752	173.143.655
Other financial assets	11	-	2.023
Cash and cash equivalents	14	101.128.147	127.910.418
		325.235.231	343.149.299
Total assets		423.657.531	440.071.475
Capital and reserves			
Share capital, including	15,1	41.696.115	41.696.115
Issued share Capital		41.696.115	41.696.115
Inflation related to share capital		-	-
Share premium, including:	15,1	24.964.506	24.964.506
Share premium at nominal value		9.863.684	9.863.684
Inflation related to share premium		15.100.822	15.100.822
Legal and other reserves	15,2	104.718.721	104.718.721
Revaluation reserve		2.107.876	2.107.876
Retained earnings / (Accumulated Losses)		110.321.299	132.314.433
Total equity		283.808.517	305.801.651
Non current liabilities			
Employee benefit liability	18	1.176.000	1.176.000
Other long - term liabilities		4.223	8.675
Deferred tax liability	7,2	922.288	922.288
Non-Current Provisions	17	9.364.556	9.364.556
Total Non - Current Liabilities		11.467.067	11.471.519
Current liabilities			
Trade accounts payable	19	62.436.165	64.189.638
Income taxes payable		5.148.453	4.071.379
Other current liabilities	19	36.756.188	30.196.709
Short-term provisions	17	24.041.142	24.340.579
Total current liabilities		128.381.948	122.798.305
Total liabilities		139.849.015	134.269.824
Total liabilities and equities		423.657.532	440.071.475

Financial statements for the period ended on June 30, 2017 are not audited.

ZENTIVA S.A.**STATEMENT OF FINANCIAL POSITION****for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***Indirect method**

	Financial year	
	June 30, 2017	December 31, 2016
Cash flows from operating activities:		
Net profit before taxation and extraordinary elements	53.102.969	89.462.094
<i>Adjustments for:</i>		
Depreciation and amortization of fixed assets	6.663.984	14.091.815
Net movement in other provisions	968.052	4.042.249
Loss / profit from the sale of assets (fixed assets)	(6.424)	(37.288)
Net income / expenditures from interests	(382.672)	(289.497)
Expenditures regarding pension debts and similar	-	(36.000)
Operating profit before changes in the circulating assets	60.345.909	107.233.373
Decrease / (Increase) of trade receivables and of other nature	(2.675.073)	56.945.998
Decrease / (Increase) of stocks	(6.193.129)	5.688.999
(Decrease) / Increase of trade debts and of other nature	734.626	16.419.838
Paid income taxes	(8.926.278)	(16.720.713)
Pension liabilities paid	-	(153.000)
Cash from operating activities	43.286.055	169.414.495
Cash flows from investment activities:		
Payments for the acquisition of tangible and intangible assets	(8.198.403)	75.282
Cashing from the sale of tangible assets	15.768	(11.547.122)
Net cash flows from investment activities	(8.182.635)	(11.471.840)
Cash flows from financing activities:		
Interest received	382.672	289.497
Cash transferred for dividends payable to Central Depository	(1.726.593)	(298.659)
Dividends paid	(60.541.769)	(37.395.831)
Net cash flows from financing activities	(61.885.690)	(37.404.993)
Net decrease in cash and cash equivalents	(26.782.270)	120.537.662
Cash and cash equivalents at the beginning of the financial year	127.910.418	7.372.756
Cash and cash equivalents at the end of the financial year	101.128.147	127.910.418

ZENTIVA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
on June 30, 2017

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

Current year

Shareholders' equity		Balance on December 31, 2016	Increase		Decrease		Balance on June 30, 2017
			Total, out of which	Through transfer	Total, out of which	Through transfer	
Subscribed capital		41.696.115	-	-	-	-	41.696.115
Hyperinflation adjustment of capital		-	-	-	-	-	-
Share premiums		9.863.684	-	-	-	-	9.863.684
Hyperinflation adjustment of share premiums		15.100.822	-	-	-	-	15.100.822
Reevaluation reserves		2.107.877	-	-	-	-	2.107.877
Legal reserves		8.339.223	-	-	-	-	8.339.223
Other reserves		146.254.242	7.987.708	-	-	-	154.241.950
Other shareholders' equity elements		(414.855)	-	-	-	-	(414.855)
Reported result, except for the reported result from adopting IAS 29 for the first time	Balance C	9.827.897	73.026.646	73.026.646	73.026.646	73.026.646	9.827.897
Reported result from adopting IAS for the first time	Balance D	-	-	-	-	-	-
Financial year profit or loss	Balance C	73.026.646	43.045.805	-	73.026.646	73.026.646	43.045.805
Profit distribution	Balance D	-	-	-	-	-	-
Total shareholders' equities		305.801.650	124.060.159	73.026.646	146.053.292	146.053.292	283.808.517

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

The difference between the social capital recognized according to the Romanian accounting standards and the one recognized according to the is explained by the fact that in accordance with the IFRS, the social capital was adjusted for inflation until December 31, 2003. Romania was considered as having a hyperinflationist economy until December 31, 2003 and hyperinflation adjustment is regulated by IAS 29 "Financial reporting in hyperinflationist economies". According to the accounting standards previously applied, no such adjustment was recorded. Hyperinflation adjustment of the social capital is 259.608.187 RON.

Hyperinflation adjustment applies to capital premium as well, which leads to an adjustment of 15.100.822 RON.

According with AGA decision from 29.04.2015 it was approved to cover the accounting loss in amount of 273.746.023 RON which is the result of adjustments of switching of IFRS with the amount of 259.608.187 recorded in the account 1028 representing „capital adjustments” and with the amount of 14.137.836 from the account 1178 representing „earnings derived from the date when the application IFRS fair value as deemed cost.

ZENTIVA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
on June 30, 2017
(all amounts are expressed in new lei ("RON"), unless otherwise provided)

According to the Romanian accounting standards, the company reevaluated the buildings and lands on December 31, 2005, December 31, 2008 and December 31, 2014 and recognized the lands and buildings at their right value. On transition, the company decided to use as deemed cost the values assessed on those dates. Therefore, reserves from reevaluation resulted after previous evaluations were reclassified in the result reported on the date of the transaction (January 1, 2011).

ZENTIVA S.A.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended on June 30, 2017

(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 30.06.2017	
	Balance on December 31, 2016	Inflows	Outflows, transfers	Balance on June 30, 2017	Balance on December 31, 2016	Balance on 30.06.2017			
						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	4.127.900	-	-	4.127.900	3.664.252	86387	-	3.750.639	377.260
Advances and intangible assets in progress	726.464	89.764	6.000	810.228	430.583	-	-	430.583	379.645
Total intangible assets	4.917.895	89.764	6.000	5.001.659	4.158.367	86387	-	4.244.754	756.905
Lands	11.421.897	-	-	11.421.897	991.003	-	-	991.003	10.430.894
Constructions	47.588.951	-	-	47.588.951	3.889.772	1.200.365	-	5.090.137	42.498.814
Technological equipments	146.444.702	2.417.754	52.824	148.809.632	117.330.097	5.290.689	52.824	122.567.962	26.241.670
Other installations,	7.413.824	200.111	35.023	7.578.913	6.442.262	174.388	35.023	6.581.528	997.285
Advances and tangible assets in progress	13.001.080	8.165.168	2.617.865	18.548.382	1.051.649	-	-	1.051.649	17.496.733
Total tangible assets	225.870.454	10.783.033	2.705.712	233.947.775	129.704.783	6.665.443	87.847	136.282.376	97.665.397
Financial assets	-	-	-	-	-	-	-	-	-
Total	230.788.349	10.872.798	2.711.713	238.949.435	133.863.150	6.751.830	87.847	140.527.133	98.442.302

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 1: NON CURRENT ASSETS ACTIVE IMOBILIZATE (continuation)****Tangible assets****Reevaluation**

On October 31, 2005, a reevaluation of the lands and buildings belonging to the company was undergone by an independent expert reevaluator.

The reevaluation consisted of the adjustment of the net book value of the items included in these categories at fair value considering their physical condition and market value.

On December 31, 2011, a reevaluation of the buildings belonging to the company was undergone by an expert evaluator, in accordance with OMF 3055/2009 and the national evaluation standards issued by ANEVAR. The reevaluation focused on adjusting the net book value of the elements included in these categories at fair value considering their physical condition and market value using the replacement cost method.

On December 31, 2014, a reevaluation of the buildings belonging to the company was undergone by an expert evaluator, in accordance with the national evaluation standards issued by ANEVAR. The reevaluation focused on adjusting the net book value of the elements included in these categories at fair value considering their physical condition and market value using the replacement cost method.

Assets held in financial leasing or purchased in installments

Not the case.

Others

On June 30, 2017, the balance of depreciation adjustments for tangible assets is worth 2.043.076RON (December 31, 2016: 2.045.677RON). It includes depreciation adjustments for land in the amount of 991.003 RON, depreciation adjustments for investments in progress of 1.051.649 RON and depreciation adjustments for technical installations and other tangible assets proposed for disposal in the amount of 424RON.

NOTE 2: PROVISIONS

Name of provision	Balance at the beginning of the financial year	Transfer into account	Transfer from the account	Balance on June 30, 2017
Other provisions for risks and charges	3.014.429	-	299.436	2.714.993
Provisions for taxes	24.353.670	-	-	24.353.670
Provisions for litigation	411.549	-	-	411.549
Provisions for the environment	5.925.487	-	-	5.925.487
Provisions for pensions and other obligations	1.176.000	-	-	1.176.000
	34.881.135	-	299.436	34.581.699

NOTE 3: PROFIT DISTRIBUTION (LOSS)

Not applied for the financial year ended on June 30, 2017.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 4: ACCOUNTS RECEIVABLE AND PAYABLE****Receivables**

Current year	Balance on June 30, 2017	Liquidity term	
		Under 1 year	Over 1 year
Trade receivables	148.982.636	148.982.636	-
Amounts to be received from related parties	-	-	-
Amounts to be received from entities to which the company is linked by virtue of participating interests	-	-	-
Other receivables	27.396.201	27.396.201	-
Receivable provisions	(626.561)	(626.561)	-
Provisions of other receivables	(244.814)	(244.814)	-
	175.507.462	175.507.462	-

Previous year	Balance on December 31, 2016	Liquidity term	
		Under 1 year	Over 1 year
Trade receivables	148.072.226	148.072.226	-
Amounts to be received from related parties	-	-	-
Amounts to be received from entities to which the company is linked by virtue of participating interests	-	-	-
Other receivables	25.531.750	25.531.750	-
Receivable provisions	(626.561)	(626.561)	-
Provisions of other receivables	(244.814)	(244.814)	-
	172.732.601	172.732.601	-

On June 30, 2017 doubtful trade receivables in the amount of 626.561 RON (2016: 626.561 RON) were adjusted for depreciation. For other receivables recorded in account 461 were adjusted by the amount 244.814 RON from June 30, 2017. Movements in receivables depreciation adjustments were the following:

	December 31, 2016	June 30, 2017
Initial balance	626.561	626.561
Increases during the year – other receivables debtors	-	-
Reversals during the year	-	-
Final balance	626.561	626.561

NOTE 4: ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUATION)**Payables**

Current year	Balance on June 30, 2017	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Advances received in the account of orders	123.750	123.750	-	-
Trade payables - suppliers	62.312.415	62.312.415	-	-
Amounts owed to affiliated entities	-	-	-	-
Other amounts to be paid	41.904.641	41.904.641	-	-
	104.340.806	104.340.806	-	-

Previous year	Balance on December 31, 2016	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Advances received in the account of orders	123.900	123.900	-	-
Trade payables - suppliers	64.065.738	64.065.738	-	-
Amounts owed to affiliated entities	-	-	-	-
Other amounts to be paid	34.268.089	34.268.089	-	-
	98.457.727	98.457.727	-	-

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

Current year	Balance on June 30, 2017	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Wages and related liabilities	10.826.335	10.826.335	-	-
Debts to shareholders	20.895.702	20.895.702	-	-
Other taxes	10.175.475	10.175.475	-	-
Other debts	7.129	7.129	-	-
	41.904.641	41.904.641	-	-

Previous year	Balance on December 31, 2016	Maturity		
		Under 1 year	1 – 5 years	Over 5 years
Wages and related liabilities	10.276.010	10.276.010	-	-
Debts to shareholders	16.522.196	16.522.196	-	-
Other taxes	7.469.883	7.469.883	-	-
Other debts	-	-	-	-
	34.268.089	34.268.089	-	-

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***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, 2017, compared to the accounting policies presented on December 31, 2016.

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

	Balance on December 31, 2016	Balance on June 30, 2017
	Number	Number
Ordinary shares subscribed capital	416.961.150	416.961.150

	December 31, 2016	June 30, 2017
	RON / share	RON / share
Ordinary shares nominal value	0,1	0,1

	December 31, 2016	June 30, 2017
	RON	RON
Social capital value	41.696.115	41.696.115

The company's social capital is fully paid-in on June 30, 2017 and December 31, 2016.

Redeemable shares

The company does not own redeemable shares on June 30, 2017 and December 31, 2016.

Bonds

The company does not have bonds issued on June 30, 2017 and December 31, 2016.

Ownership structure

	Balance on December 31, 2016	%	Balance on June 30, 2017	%
Venoma Holdings Limited	21.257.048	50,98%	21.257.048	50,98%
ZENTIVA NV	9.977.117	23,93%	9.977.117	23,93%
Sanofi-Aventis Europe	2.805.800	6,73%	2.805.800	6,73%
Other minority shareholders	7.656.150	18,36%	7.656.150	18,36%
	41.696.115	100%	41.696.115	100%

In March 2009, Grupul farmaceutic Sanofi –Aventis pharmaceutical group acquired the shares of Zentiva Group. During 2009 and until June 30, 2015, Sanofi- Aventis Europe acquired 6,73 % of the shares of Zentiva SA from minority shareholders.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***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, 2017 and June 30, 2016, 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, 2016	June 30, 2017
Members of the BoD	27.000	19.575
Managers		
- executive management	-	-
	27.000	19.575

The company has no payment obligations to former members of the BoD and the executive and supervision management on June 30, 2017 and December 31, 2016.

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

Employees

The average number of employees on June 30, 2017 and June 30, 2016 is the following:

	June 30, 2016	June 30, 2017
Average number of employees	495	506
	495	506

Expenditures with wages and related taxes recorded during the financial years concluded on June 30, 2017 and June 30, 2016 are the following:

	Financial year ended on:	
	June 30, 2016	June 30, 2017
Expenditures with wages	21.301.543	24.166.594
Expenditures regarding social insurances	4.785.167	5.312.585
	26.086.710	29.479.179

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 8: MAIN FINANCIAL AND ECONOMIC RATIOS**

	Financial year ended on:	
	June 30, 2016	June 30, 2017
1. Liquidity ratios		
Current ratio	3.2	3.1
Acid test	2.5	2.7
2. Risk ratios		
Gearing ratio	0%	0%
Interest cover ratio	n/a	n/a
3. Activity ratios		
Stock turnover	2.47	3.10
Number of stock days	73	49
Receivables turnover	155	111
Payables turnover	70.74	68.22
Fixed assets turnover	2.01	2.32
Total assets turnover	0.49	0.54
4. Profitability ratios		
Return on capital employed	15%	19%
Gross margin from sales	28%	27%
5. Profit per share		
Earning per share	0,078	0,103

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

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

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

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

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

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***NOTE 9: OTHER INFORMATION (continuation)****b) Information on the relations with related parties, subsidiaries and associates**

Details on related parties:

Company name	Nature of relationship	Type of transactions	Country of origin	Registered office
Zentiva a.s., Praha	Company under joint control	Purchasing goods and services / Revenue from services	Czech Republic	Prague
Zentiva Group Praha a.s.	Company under joint control	Services purchase	Czech Republic	Prague
Zentiva International, a.s. – Bucharest branch	Branch of Zentiva International a.s.	Sale of Goods and Services	Slovakia	Romania
Zentiva a.s., Hlohovec	Company under joint control	Purchasing goods and services / Revenue from services	Slovakia	Hlohovec
Sanofi-Aventis Deutschland	Company under joint control	Goods purchases	Germany	Frankfurt
Carraig Insurances Limited	Company under joint control	Insurances	Ireland	Dublin
Zentiva Saglik Urunleri	Company under joint control	goods and services purchase / services sales	Turkey	Istanbul
Sanofi Winthrop Industries	Company under joint control	Sale goods and services/ goods and services purchase	France	Gentilly Cedex
Sanofi Aventis SA	Company under joint control	Loan grant/Recharge costs	France	Antony
Sanofi Romania SRL	Company under joint control	Services and goods sales	Romania	Bucharest
Sanofi Aventis Group	Company under joint control	Services procurement	France	Antony
Sanofi Aventis Bulgaria eood	Company under joint control	Services	Bulgaria	Sofia
Sanofi-Aventis Private Co. Ltd.	Company under joint control	Services	Hungary	Budapest
Sanofi India Limited	Company under joint control	Services	India	Mumbai
Sanofi Synthelabo	Company under joint control	Equipment purchase	UK	Fawdon- Newcastle
Sanofi Chimie	Company under joint control	Services	India	Mumbai
Chinoi private Co.LTD	Company under joint control	Goods sale /services purchases	Portugal	Porto Salvo
Sanofi-Aventis Spa	Company under joint control	Services purchase	Italy	Milan

The company is part of the Sanofi. The consolidated annual financial statements are prepared at the level of the parent-company Sanofi France.

The company has shares listed on the Bucharest Stock Exchange.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***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, 2017 were 1 EURO = 4,5539 RON (December 31, 2016 EURO = 4,5411RON) respectively 1 USD = 3,9915 RON (December 31, 2016 1 USD = 4,3033 RON)

d) Information on corporate tax

	Financial year ended on June 30, 2016	Financial year ended on June 30, 2017
Accounting profit	32.381.509	43.122.378
Nontaxable income	(1.047.467)	(3.517)
Non-deductible expenses	19.814.388	19.788.414
Deduction legal reserve	-	-
Taxable profit / (tax loss) of the year	51.148.430	62.907.275
Corporate tax 16%	8.183.749	10.065.164
Tax credit	74.946	8.000
Current corporate tax	8.108.803	10.057.164

	December 31, 2016	June 30, 2017
Corporate tax payable at the beginning of the period	3.809.385	4.017.567
Corporate tax expense	16.982.895	10.057.164
Paid/compensated corporate tax	(16.720.713)	(8.926.278)
Corporate tax payable at the end of the period	4.071.567	5.148.453

e) Revenue from sales on activities

	Financial year ended on June 30, 2016	Financial year ended on June 30, 2017
Revenue from product sales	201.588.394	238.433.447
Intercompany services revenue	11.422.620	15.542.165
Other revenues	1.627.511	1.362.414
Trade discounts	(21.164.917)	(26.774.035)
	193.473.608	228.563.990

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

NOTE 9: OTHER INFORMATION (continuation)**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) Rent and leasing expenditures

Commitments on June 30, 2017 (RON)	Under 1 year	Between 1 and 5 years
ALD – operational leasing and ARVAL	84.137	6.374.510
Total commitments	84.137	6.374.510

i) Audit expenditure

There were no contractual costs for audit services in the financial year ended on June 30, 2017.

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 June 30, 2017 and December 31, 2016 that are worth mentioning.

m) Taxes

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

n) Legal claims

There are no significant situations or changes compared to the financial statements on December 31, 2016 that are worth mentioning.

o) Warranties

On June 30, 2017, the Company submitted to ANAF a bank letter of guarantee in amount RON 8.355.901 for the additionally amounts determined by the new inspection for the claw-back tax finising in April 2017.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)***ECONOMIC-FINANCIAL STATEMENT AND ACTIVITY ANALYSIS ON JUNE 30, 2017****1.1 Balance sheet analysis**

Patrimony statements, on main elements, of S.C. ZENTIVA S.A on June 30, 2017 compared to the period ended on December 31, 2016 is the following:

:

	December	June 30,	Variation	
	31, 2016	2017	June 30, 2017 compared to December 31, 2016	
	RON	RON	RON	- % -
ASSETS				
1. Intangible assets	759.528	756.905	(2.623)	-1%
2. Tangible assets	96.162.648	97.665.396	1.502.748	1%
3. Financial assets	0	0	0	0%
4. Total intangible assets (1+2+3)	96.922.176	98.422.301	1.500.125	1%
5. Stocks	42.093.203	48.286.332	6.193.129	1%
6. Receivables	172.732.601	175.507.462	2.774.861	1%
7. Cash at bank and in hand	127.910.418	101.128.147	(26.782.271)	-21%
8. Total current assets (5+6+7)	342.736.222	324.921.941	(17.814.281)	5%
9. Expenditures in advance	413.077	313.289	(99.788)	-24%
10. Debts to be paid within a year	98.457.727	104.340.806	5.883.079	6%
11. Net current assets, namely net current debts (8+9-10)	244.691.572	220.894.425	(23.797.147)	-10%
12. Total current assets minus debts (4+11)	341.613.748	319.316.726	(22.297.022)	-7%
LIABILITIES				
13. Debts to be paid in more than a year	8.675	4.223	(4.452)	-51%
14. Provisions for risks and expenditures	35.803.423	35.503.986	(299.437)	-1%
15. Social capital	41.696.115	41,696,115	0	0%
16. Hyperinflation adjustments of social capital	-	-	-	0%
17. Other equity elements	(414.855)	(414.855)	0	0%
18. Capital premiums	24.964.505	24.964.505	0	0%
19. Reserves	154.593.465	162.581.173	7.987.708	5%
20. Retained earnings (creditor balance)	9.827.897	9.827.897	0	0%
(debtor balance)	-	-	0	0%
21. Retained earnings from adopting IAS 29(creditor balance)	-	-	-	-
(debtor balance)	-	-	-	0%
22. Financial year result (creditor balance) profit	73.026.646	43.045.805	(29.980.841)	-41%
23. Profit distribution	0	0	0	0
24. Total equities	305.801.650	283.808.517	(21.993.133)	-7%
25. Capitals - total (17+18+19+20+21-22)	305.801.650	283.808.517	(21.993.133)	-7%
26. Total capitals and long term debts (13+14+25)	341.613.748	319.316.726	(22.297.022)	-7%

- ◆ The data presented above show an increased in the value of fixed assets by 1%. This increase is mostly due to the new investement projects (Serialization).
- ◆ Stocks increased on June 30, 2017 compared to the end of the previous year by 1%, due to the increase of, raw materials
- ◆ On June 30, 2017 trade receivables increased compared to the end of the previous year by 1% due to increase the advance payments (doune).
- ◆ The company's cash in hand decreased from 127,9 million RON on December 31, 2016 to 101,1 million RON on June 30, 2017 due to dividend payments for the 2016 profit.

ZENTIVA S.A.**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017***(all amounts are expressed in new lei ("RON"), unless otherwise provided)*

- ◆ Shareholders equity decreased by 21,9 million RON (-7%) due mainly because the profit booked is for the year 2015 in amount of 73,0million RON and at the date of 30 June 2017 is half year profit in amount of 43,0 million RON. Related also with the capital we have an decrease at the date of 30 June 2017 compared to December 31 2016 for the reserve as a result for distribution of the dividends in amount of 65,0 million RON

◆

1.2 Profit and loss account analysis

	June 30, 2016	June 30, 2017	Variation June 30, 2017 compared to June 30,2016	
	RON	RON	RON	- % -
Net turnover	193.473.608	228.563.990	35.090.382	18%
Operating Income	199.279.199	236.468.356	37.189.157	18%
Operating Expenses	158.700.404	183.940.399	25.239.995	16%
Operating profit	40.578.796	52.527.956	11.949.161	29%
Gross margin	21%	23%		
Financial profit/ (loss)	(88.483)	575.013	663.496	
Total revenues	199.835.699	239.821.423	39.985.724	20%
Total expenditures	159.345.387	186.718.453	27.373.066	17%
Gross profit	40.490.312	53.102.969	12.612.657	31%
Income tax	8.108.803	10.057.164	1.948.361	24%
Net result (profit)	32.381.509	43.045.805	10.664.296	33%

Exploitation revenues increased by 18%, from 199,3 million RON in the first semester of 2016 to 236,5 million RON in the first semester of 2017.

Exploitation expenditures increased by 16%, from 158,7 million RON in the first semester of 2016 to 183,9 million RON in the first semester of 2017.

The variation of exploitation revenues and expenditures in 2017 RON to an exploitation result for the first semester in 2017 of 43,0 million RON compared to 32,4 million RON in the first semester of 2016.

2.1 Liquidity analysis

On June 30, 2017 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 2017.

3.2 Rights of securities holders

No significant changes have been recorded for the first semester of 2017 compared to December 31, 2016 in what concerns the rights of securities holders issued by Zentiva SA.

ZENTIVA S.A.

**Economic-financial statement and activity analysis on June 30, 2017
for the period ended on June 30, 2017**

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

DECLARATION

The financial-accounting statements for the first semester of 2017 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 S.C. Zentiva S.A. The report of the Board of Directors presents correct and complete information regarding the activity of the SC Zentiva SA company.

General Manager

SIMONA COCOS

Chief Accountant

GEORGETA DANU