

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

## **QUARTERLY FINANCIAL REPORTING**

**AS AT 30 SEPTEMBER 2022**

**Report date: 30.09.2022**

- **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 1.9 / share, represents the reference price of the last trading day from quarter III 2022
- **Market capitalization as at September 30, 2022:** RON 1,324,332,376

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**ZENTIVA S.A.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the period ended September 30, 2022**  
*(all amounts are expressed in RON, unless specified otherwise)*

	<u>30.09.2022</u>	<u>30.09.2021</u>
	<b>RON</b>	<b>RON</b>
Sales of goods	511,811,019	493,644,966
Rendering of services	26,186,915	9,085,837
Other	54,075	353,211
<b>Turnover</b>	<b><u>538,052,009</u></b>	<b><u>503,084,014</u></b>
Other operating income	8,311,122	8,804,922
Changes in inventories of finished goods and work in progress	6,532,659	4,027,493
Raw materials and consumables used	(286,762,980)	(252,788,910)
Employee benefits expenses	(97,580,138)	(83,097,886)
Depreciation, amortization and impairment	(22,445,269)	(17,076,370)
Marketing and advertising expenses	(4,138,000)	(3,155,142)
Reversal of/ (expenses with) provisions	(2,505,583)	2,713,120
Other operating expenses	(114,148,984)	(104,730,750)
<b>Operating profit</b>	<b><u>25,314,835</u></b>	<b><u>57,780,490</u></b>
Financial Income	21,649,053	4,853,240
Financial Expenses	(4,565,395)	(2,553,909)
<b>Profit before tax</b>	<b><u>42,398,493</u></b>	<b><u>60,079,822</u></b>
Income Tax Expense	(8,785,622)	(11,657,156)
<b>Net profit after tax (A)</b>	<b><u>33,612,871</u></b>	<b><u>48,422,665</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>33,612,871</u></b>	<b><u>48,422,665</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>0.04822</u></b>	<b><u>0.06947</u></b>

Financial statements for the period ended September 30, 2022 are not audited.

**ZENTIVA S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**For the period ended September 30, 2022**  
*(all amounts are expressed in RON, unless specified otherwise)*

	<b>30.09.2022</b>	<b>31.12.2021</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	191,809,638	194,771,621
Goodwill	9,469,269	8,968,913
Customer relationships	11,649,100	11,649,100
Right-of-use assets	21,236,773	23,823,680
Intangible assets	3,115,465	4,652,969
	<b>237,280,245</b>	<b>243,866,284</b>
<b>Current assets</b>		
Inventories	154,777,190	124,563,136
Trade receivables and other receivables	134,655,627	104,874,434
Cash pooling – related parties receivables	573,780,878	513,704,034
Cash and cash equivalents	30,353,470	62,597,628
	<b>893,567,165</b>	<b>805,739,232</b>
<b>Total assets</b>	<b>1,130,847,410</b>	<b>1,049,605,515</b>
<b>Equity and debt</b>		
Issued share capital	69,701,704	69,701,704
Share premium, including:	24,964,506	24,964,506
<i>Share premium at nominal value</i>	<i>9,863,684</i>	<i>9,863,684</i>
<i>Hyperinflation related to share premium</i>	<i>15,100,822</i>	<i>15,100,822</i>
Legal and other reserves	121,743,815	121,743,815
Revaluation reserve	57,927,094	57,927,094
Retained earnings	650,048,346	616,435,475
<b>Total equity</b>	<b>924,385,464</b>	<b>890,772,593</b>
<b>Non-current liabilities</b>		
Employee benefit liability	3,323,943	3,323,943
Deferred tax liability	7,507,823	7,166,077
Non-current lease liabilities	4,999,054	5,293,658
Non-current provisions	1,265,568	1,477,177
<b>Total non-current liabilities</b>	<b>17,096,388</b>	<b>17,260,795</b>
<b>Current liabilities</b>		
Trade accounts payable	141,830,305	98,292,133
Income taxes payable	2,408,910	938,975
Short-term lease liability	4,110,117	4,060,128
Other current liabilities	35,518,944	34,697,081
Short-term provisions	5,497,282	3,583,810
<b>Total current liabilities</b>	<b>189,365,558</b>	<b>141,572,127</b>
<b>Total liabilities</b>	<b>206,461,947</b>	<b>158,832,922</b>
<b>Total liabilities and equity</b>	<b>1,130,847,410</b>	<b>1,049,605,515</b>

Financial statements for the period ended September 30, 2022 are not audited.

**ZENTIVA S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**For the period ended September 30, 2022**  
*(all amounts are expressed in RON, unless specified otherwise)*

**CASH FLOW STATEMENT**

	<b>30.09.2022</b>	<b>30.09.2021</b>
<b>Cash flows from operating activities:</b>		
<b>Net profit before taxation and extraordinary elements</b>	<b>42,398,493</b>	<b>60,079,822</b>
<i>Adjustments for:</i>		
Depreciation and amortization of tangible and intangible assets	22,445,269	10,266,683
Movements in provisions for risks and expenses	(6,013,628)	(971,324)
Net income from interests	(20,813,444)	(4,343,381)
Net expenditures from interests	432,081	195,703
<b>Operating profit before changes in the circulating assets</b>	<b>38,448,771</b>	<b>65,227,503</b>
Decrease / (Increase) of stocks	(24,447,041)	1,806,672
Decrease / (Increase) of trade receivables and of other receivables	(27,832,655)	(73,707,296)
(Decrease) / Increase of trade debts and of other debts	48,228,124	2,621,603
Paid income taxes	(11,086,645)	(7,539,274)
<b>Cash from operating activities</b>	<b>23,310,555</b>	<b>(11,590,792)</b>
<b>Cash flows from investment activities:</b>		
Proceeds from sale of non-current assets	-	-
Purchase of property, plant and equipment and intangible assets	(15,859,231)	(12,526,187)
Interest (paid) / received	20,381,363	4,147,676
<b>Net cash used in investing activities</b>	<b>27,832,686</b>	<b>(19,969,303)</b>
<b>Cash flows from financing activities:</b>		
Movements in deposits related parties	(60,076,844)	-
Dividends paid	-	(8,187)
Other financial assets	-	-
<b>Net cash from/ (used in) in financing activities</b>	<b>(60,076,844)</b>	<b>(8,187)</b>
Net increase (decrease) in cash and cash equivalents	<b>(32,244,158)</b>	<b>(19,977,490)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>62,597,628</b>	<b>406,713,534</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>30,353,470</b>	<b>386,736,044</b>

**ZENTIVA S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the period ended September 30, 2022**  
*(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 01.01.2022</b>	<b>69,701,704</b>	<b>24,964,506</b>	<b>121,743,815</b>	<b>57,927,094</b>	<b>616,435,475</b>	<b>890,772,593</b>
Profit for the year	-	-	-	-	33,612,871	33,612,871
Share capital increase	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-
Other elements of the comprehensive income	-	-	-	-	-	-
<b>Total Equity</b>	<b>69,701,704</b>	<b>24,964,506</b>	<b>121,743,815</b>	<b>57,927,094</b>	<b>650,048,346</b>	<b>924,385,464</b>
Retained earnings - correction	-	-	-	-	-	-
<b>Closing balance 30.09.2022</b>	<b>69,701,704</b>	<b>24,964,506</b>	<b>121,743,815</b>	<b>57,927,094</b>	<b>650,048,346</b>	<b>924,385,464</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.

**ZENTIVA S.A.**  
**Notes to the Financial Statements**  
**For the period ended September 30, 2022**

*(all amounts are expressed in RON, unless specified otherwise)*

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**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 September 2022. 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.

**COMPANY'S MANAGEMENT as at September 30, 2022**

**Board of Directors**

Simona Cocos - Chairman of the Board – starting with August, 2021  
Kevin Joseph Clifford – Member of the Board - starting with November, 2021  
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

**Executive Management**

Simona Cocos – General Manager  
Margareta Tanase - Industrial Affairs Director

**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 September 2022, current assets of the Company exceed current liabilities by RON 704,201,607 (on 31 December 2021 current assets exceeded current liabilities by RON 664,167,105).

The budget prepared by the management of the Company and approved by the Board of directors for the year 2022, 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 September 30, 2022, compared to the accounting policies presented on December 31, 2021.

**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 organized 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 decision 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.

	<b>1 January – 30 September 2022</b>	<b>1 January – 30 September 2021</b>
Sales - domestic	296,191,725	227,606,849
Sales – external*	241,860,284	225,477,165
<b>Total Turnover</b>	<b>538,052,009</b>	<b>503,084,014</b>
<b>a) Rendering of services</b>	<b>26,186,915</b>	<b>9,085,837</b>
<b>b) Sales of goods, of which:</b>	<b>511,811,019</b>	<b>493,644,966</b>
Sales of finished goods	326,572,706	238,620,652
Sales of goods for resale	218,435,647	283,566,495
Residual products	2,636,664	1,912,600
Claw back tax expense	(35,833,998)	(30,454,781)
<b>c) Other revenues</b>	<b>54,075</b>	<b>353,211</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 Authorizations (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 revenues resulted from 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, revenues from certain production services provided to third parties and revenues from services provided by Zentiva’s employees to companies within the Group, which are generally services related to the commercial activity of Group, the advertising of generic products and assistance services to the Headquarter.

### 3.2 Raw material expenses and consumables used

<b>Raw materials and consumables used</b>	<b>Note</b>	<b>1 January – 30 September 2022</b>	<b>1 January – 30 September 2021</b>
Raw materials	1	143,662,798	92,460,789
Goods for resale		66,552,527	98,856,080
Packaging materials	2	42,009,314	40,016,580
Auxiliary materials	3	11,557,530	8,025,142
Utilities	4	17,242,110	7,772,097
Other material expenses	5	5,738,700	5,658,222
<b>Total</b>		<b>286,762,980</b>	<b>252,788,910</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 September 2022</b>	<b>1 January - 30 September 2021</b>
<b>Other operating income</b>		
Gain/ (loss) from disposal of assets	8,914	5,952
Other operating income	8,302,208	8,798,970
<b>Total</b>	<b>8,311,122</b>	<b>8,804,922</b>

#### 4.2 Other operating expenses

	<b>1 January – 30 September 2022</b>	<b>1 January – 30 September 2021</b>
Management service received from the group	52,107,962	49,981,499
Maintenance - repairs	6,657,901	6,433,689
License – Zentiva trademark	3,383,909	2,859,005
Travel expenses	6,126,372	608,547
Write-off of inventories	3,726,040	5,002,240
Registration fees to ANM	2,739,782	4,169,438
Professional fees	2,470,479	475,271
Postage and telecommunication	378,306	385,910
Other expenses	46,383,046	33,003,164
Net allowance for inventories and receivables	(9,824,813)	1,811,986
<b>Total</b>	<b>114,148,984</b>	<b>104,730,750</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 Lugera & 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 2022</b>	363,894,891	11,649,100	34,492,101	20,960,098	10,556,553	441,552,743
Additions	12,178,846			3,667,484	12,899	15,859,229
Disposals	(8,498,021)			(3,927,959)		(12,425,980)
Transfers						
<b>Gross value as at 30 September 2022</b>	367,575,716	11,649,100	34,492,101	20,699,623	10,569,452	444,985,992
<b>Depreciation and impairment as of 1 January 2022</b>	(169,123,268)	-	(10,668,421)	(11,991,185)	(5,903,584)	(197,686,458)
Depreciation in the year	(15,140,831)		(2,586,907)	(3,167,128)	(1,550,403)	(22,445,269)
Disposals	8,498,021			3,927,959		12,425,980
<b>Depreciation and impairment as of 30 September 2022</b>	(175,766,078)	-	(13,255,328)	(11,230,354)	(7,453,987)	(207,705,747)
<b>Net value as at 1 January 2022</b>	<b>194,771,623</b>	<b>11,649,100</b>	<b>23,823,680</b>	<b>8,968,913</b>	<b>4,652,969</b>	<b>243,866,285</b>
<b>Net value as at 30 September 2022</b>	<b>191,809,638</b>	<b>11,649,100</b>	<b>21,236,773</b>	<b>9,469,269</b>	<b>3,115,465</b>	<b>237,280,245</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 unutilized rate (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 September 30, 2022

*(all amounts are expressed in RON, unless specified otherwise)*

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#### GOODWILL AND CUSTOMER RELATIONSHIPS

The goodwill and customer relationships of the Company are related to transfer of distribution activity from Sanofi Romania as part of a carve-out process performed in 2018 by Sanofi Group, which included the transfer of the Generics distribution business from Sanofi Romania to Zentiva.

The Company performed an impairment testing on goodwill and customer relationships as of 31 December 2021 and respectively as of 31 December 2020 in accordance with IAS 36. The recoverable value was significantly higher than the carrying value, so no impairment adjustments were identified. No reasonably possible change in the key assumptions on which management has based its determination of the recoverable value would cause the assets' carrying amount to exceed their recoverable amount.

The recoverable value of these assets (goodwill and customer relationships) was determined based on the market value following the application of the discounted cash flow method within the income approach, using management's assumptions, namely: future cash flows estimated by the management for 9 years (2022 – 2030) determined taking into account an average annual growth rate of net sales of 3.7%, a perpetuity growth rate of 2.5%, operating margin of 4.5% and an average WACC of 10%.

#### 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

**ZENTIVA S.A.****Notes to the Financial Statements****For the period ended September 30, 2022***(all amounts are expressed in RON, unless specified otherwise)***NOTE 6: INVENTORIES**

	<b>30 September 2022</b>	<b>31 December 2021</b>
Merchandise	32,095,911	36,656,462
Finished products and semi-finished products	49,405,484	52,290,420
Raw materials	80,015,406	52,741,194
Package materials	15,410,210	10,791,894
<b>Minus:</b>		
Allowance for obsolete inventories	(22,149,821)	(27,916,834)
<b>Total</b>	<b>154,777,190</b>	<b>124,563,136</b>

The Company does not hold mortgaged inventories in favor of third parties as of September 30, 2022 and December 31, 2021.

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

	<b>30 September 2022</b>	<b>31 December 2021</b>
<b>Total trade receivables, net, out of which:</b>	<b>129,975,219</b>	<b>99,909,501</b>
Trade receivables *	11,735,988	24,208,297
Trade receivables from related parties	118,239,231	77,649,742
<b>Minus:</b>		
Allowance for doubtful trade accounts receivable	-	(1,948,538)
<b>Total other receivables, out of which:</b>	<b>2,032,944</b>	<b>2,277,918</b>
Recoverable taxes	2,048,819	3,580,171
Sundry debtors	176,136	124,909
<b>Minus:</b>		
Allowance for doubtful other accounts receivable	(191,961)	(1,427,162)
Advances paid	1,134,872	1,208,629
Prepaid expenses	1,512,542	1,478,387
<b>Total trade receivables, other receivables, advances and prepaid expenses</b>	<b>134,655,627</b>	<b>104,874,434</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 insurer companies.

Trade receivables are not interest-bearing and are generally due between 60 - 120 days (2021: maturing between 60 - 120 days).

See below for the movements in the allowance for trade, other receivables, advances and prepayments:

	<b>30 September 2022</b>	<b>31 December 2021</b>
<b>Opening Balance</b>	<b>(3,375,700)</b>	<b>(5,304,253)</b>
Increases during the year	-	(2,749,139)
Reversals during the year	3,183,739	4,677,692
<b>Closing Balance</b>	<b>(191,961)</b>	<b>(3,375,700)</b>

**ZENTIVA S.A.****Notes to the Financial Statements****For the period ended September 30, 2022***(all amounts are expressed in RON, unless specified otherwise)***NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>30 September 2022</b>	<b>31 December 2021</b>
Cash at banks and on hand	30,353,470	62.597.628
<b>Total</b>	<b>30,353,470</b>	<b>62.597.628</b>

Cash in the bank is interest-bearing at the daily interest rate when the deposits are set. Short-term deposits are made for different periods of time between 1 day and 3 months, depending on the Company's cash requirements and accrues interest at the appropriate interest rates.

**NOTE 9: CASH POOLING INTERCOMPANY RECEIVABLE**

Prior to 2020 the Company participated in cash pooling arrangement with Zentiva Group, a.s. The cash pooling arrangement was transferred in December 2020 to AI Sirona (Luxembourg) Acquisition SARL (the ultimate parent entity of Zentiva Group) via a new contract signed between Zentiva Group, a.s., the Company and AI Sirona (Luxembourg) Acquisition SARL. Through the cash pooling arrangements AI Sirona (Luxembourg) Acquisition SARL manages centrally the surplus cash and the short-term liquidity needs of the subsidiaries. The cash deposits/drawdowns under the cash pooling agreement are subject to interest rates based on 3M ROBOR rate and applicable mark-up based on valid Group transfer pricing policy.

In 2021 the Company has reassessed the purpose of the cash pooling deposits held at AI Sirona (Luxembourg) Acquisition SARL and has concluded that no longer holds them for short term cash management and that is now held to generate an investment return. Consequently, the Company has reclassified in 2021 the cash pooling balance from cash and cash equivalents to cash pooling intercompany receivable. As of September 30, 2022 the balance of cash pooling deposit is 573,780,878 RON (December, 31 2021: 513,704,034 RON).

**NOTE 10: ISSUED CAPITAL AND RESERVES****Share Capital**

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Number</b>	<b>Number</b>
Ordinary shares subscribed capital	697,017,040	697,017,040

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>RON / share</b>	<b>RON / share</b>
Ordinary shares nominal value	0,1	0,1

	<b>30 September 2022</b>	<b>31 December 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 September 30, 2022 and December 31,2021.

**Redeemable shares**

The company does not own redeemable shares on September 30, 2022 and December 31,2021.

**ZENTIVA S.A.**  
**Notes to the Financial Statements**  
**For the period ended September 30, 2022**  
*(all amounts are expressed in RON, unless specified otherwise)*

**Bonds**

The company does not have bonds issued on September 30, 2022 and December 31, 2021

**Shareholding structure**

	<b>30 September 2022</b>	<b>31 December 2021</b>
	(%)	(%)
Zentiva Group AS	95,9486	95,9486
Other minority shareholders	4,0514	4,0514
	<b>100%</b>	<b>100%</b>

**Reserves**

	<b>30 September 2022</b>	<b>31 December 2021</b>
<b>Total other reserves included in the capital components:</b>		
Legal reserves	13,940,341	13,940,341
Other reserves (other funds)	107,803,474	107,803,474
Revaluation reserves	57,927,094	57,927,094
Retained earnings	650,048,346	616,435,475
<b>Total other reserves</b>	<b>829,719,254</b>	<b>796,106,384</b>

**NOTE 11: PROVISIONS**

	<b>Provisions for litigations</b>	<b>Provisions for taxes</b>	<b>Environment al provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>On 1 January 2022</b>	<b>211,549</b>	<b>3,583,810</b>	<b>1,265,568</b>	<b>-</b>	<b>5,060,927</b>
Increase	-	262,800	-	1,913,472	2,176,272
Reversal	(211,549)	(262,800)	-	-	(474,349)
<b>On 30 September 2022</b>	<b>-</b>	<b>3,583,810</b>	<b>1,265,568</b>	<b>1,913,472</b>	<b>6,762,850</b>
Current	-	3,583,810	-	1,913,472	5,497,282
Long term	-	-	1,265,568	-	1,265,568

***Tax provisions***

As of September 30, 2022, 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 3,583.810 (31 December 2021 : RON 3,583.810).

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 reassessed by specialists during 2021, so that the provision as of December 31, 2021 was in amount of RON 1,265,568 and the balance as of September 30, 2022 – RON 1,265,568. This provision represents costs related to ecological remediation and soil and groundwater monitoring.

***Other provisions***

In 2022 the company made a provision of RON 1,913,472 for some damages that might be paid related to products quality issues.

**ZENTIVA S.A.****Notes to the Financial Statements****For the period ended September 30, 2022***(all amounts are expressed in RON, unless specified otherwise)***NOTE 12: 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;

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 September 30, 2022 and December 31, 2021 these provisions are in total amount of RON 3,323,943.

**NOTE 13: TRADE PAYABLES AND OTHER LIABILITIES (CURRENT)****Trade payables**

	<b>30 September 2022</b>	<b>31 December 2021</b>
Trade payables	66,348,846	75,887,576
Trade payables to affiliated companies	75,481,459	22,391,059
Received advances and other payables	-	13,498
<b>Total</b>	<b>141,830,305</b>	<b>98,292,133</b>

**Other current liabilities**

	<b>30 September 2022</b>	<b>31 December 2021</b>
Wages and salaries payable	13,802,396	12,847,369
Social security contributions for salaries	4,171,129	4,474,104
Claw back tax (*)	12,982,974	11,252,312
Other taxes	2,130,710	2,755,264
Dividends payable	-	-
Other liabilities	2,431,734	3,368,032
<b>Total</b>	<b>35,518,944</b>	<b>34,697,081</b>

**NOTE 14: RELATED PARTIES**

Details about related parties:

<b>Company name</b>	<b>Nature of relation</b>	<b>Transaction type</b>	<b>Country of origin</b>	<b>Registered office</b>
AI Sirona Acquisition S.à.r.l	Parent of Zentiva Group AS	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.	Majority shareholder	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

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

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

	<b>30 September 2022</b>	<b>31 December 2021</b>
Labormed Pharma Trading SRL	2,817,104	12,522,480
Labormed Pharma SA	402,520	670,363
Solacium Pharma SRL	548,494	3,388,029
Zentiva K.S.	114,453,303	45,463,597
Zentiva Group A.S.	-	13,605,273
Zentiva Private LTD	(834)	-
Zentiva Pharma LTD	18,645	-
<b>Total</b>	<b>118,239,231</b>	<b>77,649,742</b>
AI Sirona (Luxembourg) Acquisition S.à.r.l	573,780,878	513,704,034

**ZENTIVA S.A.**  
**Notes to the Financial Statements**  
**For the period ended September 30, 2022**  
*(all amounts are expressed in RON, unless specified otherwise)*

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

	<b>30 September 2022</b>	<b>31 December 2021</b>
Labormed Pharma Trading SRL	9,764,330	5,964,175
Labormed Pharma SA	754,303	710,727
Solacium Pharma SRL	2,609,732	1,379,723
Zentiva K.S.	44,629,446	605,503
Zentiva Group A.S.	16,908,229	13,168,245
Zentiva Pharma GMBH	323,385	366,618
Zentiva Italia	1,202	196,329
Zentiva Private LTD	490,832	-
<b>Total</b>	<b>75,481,459</b>	<b>22,391,059</b>

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

➤ **Sales of goods and services**

	<b>30 September 2022</b>	<b>30 September 2021</b>
Labormed Pharma Trading SRL	10,205,709	7,791,307
Labormed Pharma SA	1,522,463	1,030,746
Solacium Pharma SRL	4,029,088	2,411,827
Zentiva K.S.	228,384,314	237,102,919
Zentiva Group A.S.	3,942,368	5,970,467
Zentiva Pharma LTD	18,645	-
<b>Total</b>	<b>248,102,587</b>	<b>254,307,266</b>

➤ **Purchase of goods and services**

	<b>30 September 2022</b>	<b>30 September 2021</b>
Labormed Pharma Trading SRL	2,782,624	14,798,639
Labormed Pharma SA	706,628	2,451,275
Solacium Pharma SRL	926,523	3,094,734
Zentiva K.S.	86,107,021	102,442,501
Zentiva Group A.S.	54,414,517	44,758,205
Zentiva Italia	77,696	392,128
Zentiva Pharma GMBH	-	366,618
Zentiva Private LTD	785,842	2,465,473
<b>Total</b>	<b>145,800,851</b>	<b>170,769,573</b>

**ZENTIVA S.A.****Notes to the Financial Statements****For the period ended September 30, 2022***(all amounts are expressed in RON, unless specified otherwise)*

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**NOTE 15: FINANCIAL RATIOS**

<b>Ratio Name</b>	<b>Formula</b>	<b>30 September 2022</b>	<b>30 September 2021</b>
Current Liquidity Ratio	Current Assets / Current Liabilities	4.7	3.7
Indebtedness Ratio	Long Term Debt / Shareholders' Equity x 100	0%	0%
Debtors Days Ratio	Average Customers Balance / Turnover x 270	58	145
Assets Turnover Ratio	Turnover / Non Current Assets	2.3	2.1

The current liquidity ratio has increased compared to the same period last year. As of September 30, 2022, the current liquidity indicator is 4.7 (September 30, 2021: 3.7)

The company has no long-term debt.

The duration of debt collection, respectively the number of days until which debtors pay their debts to the company has decreased compared to the same period from last year, especially due to better collections during the period.

**NOTE 16: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Extraordinary geopolitical tensions, caused by the military invasion of the Ukraine on February 24th, 2022, escalating energy prices, international sanctions imposed on Russia and numerous adjacent uncertainties may adversely affect various sectors of the economy. The Company does not have direct exposures to related parties and/or key customers or suppliers from countries involved in the military conflict. The Company regards these events as non-adjusting events after the reporting period the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Although neither the Company's performance and going concern nor operations, at the date of this report, have been significantly impacted by the above, the Company's management continues to monitor the evolving situation and is analysing the possible impact on the financial position and results of the Company.

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

Signature

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

Signature